How to fly in a Storm
- A qualitative study on business angel investment during a financial crisis
Abstract

This study is concerned with business angel investments and how business angels handle their investments during a financial crisis. The problem question is formulated as follows “How do business angels in Sweden handle their investments during troubled financial times, more specifically during the recent financial crisis?” The overall goal of this thesis is to find out in which way the financial crisis influences business angels investments. The goal is consequently to give entrepreneurs a view of how some potential investors, business angels, handle their investment behavior during troubled financial times. Another goal is to look into how business angels perceive the laws and regulations of Sweden in terms of encouraging or discouraging investments. Accordingly we desire to find out if some governmental incentives for business angel investing are called for, and if so this could be of interest to regulative organs.

We have used theories on the subject of business angels and studies concerning investments during economic downturns as a framework when developing our study. Factors important in theses studies have then been used in order to develop the theory chapter.

The data was collected by conducting semi-structured interviews with five business angels. The respondents were sent an interview guide in advance in order to have the possibility to prepare for the interviews. We chose to conduct semi-structured interviews because we wanted the respondents to describe how they conducted their investments and tell us more about the underlying reasons for their choices. The respondents were found through business angel networks and the selection of business angels characterizes a fair representation of the group. The thesis has been conducted in an academically correct way and has been validated and confirmed by the respondents.

From our interviews with the business angels we found that they did not to a large extent handle their investments differently during economic downturns. The respondents pointed to that an economic downturn like the one upon us now is an opportunity to make new investments. Some of the result was in conjunction with the theory chapter, while we also found some unique aspects not mentioned in previous studies.

The thesis is concluded with providing entrepreneurs an overview about how business angels handle their investments and react during economic downturns.
## Table of Contents

1. Introduction ................................................................................................................. 3  
   1.1 Financial Crisis and Entrepreneurial Activity ......................................................... 1  
   1.2 Business Angels ....................................................................................................... 2  
       Our definition ........................................................................................................ 3  
   1.3 Business Angels Contributions ............................................................................. 3  
   1.4 How do Business Angels cope, then? ................................................................... 4  
   1.5 Problem Question ................................................................................................... 5  
   1.6 Purpose/Aim ............................................................................................................ 5  
   1.7 Limitations ............................................................................................................. 5  

2. Theory ............................................................................................................................ 8  
   2.1 Venture Capital vs. Business Angels ....................................................................... 6  
       2.1.1 Business Angels; Trust and Involvement .......................................................... 9  
   2.2 Business Angel Investment during a downturn ...................................................... 12  
       2.2.1 Financial Crises and Business Angels in the Past ............................................. 120  
       2.2.2 Business angels over time ................................................................................ 164  
   2.3 Measures of Decreasing Risk ................................................................................ 175  
   2.4 Business Angels and the Macroeconomic Environment ....................................... 186  
   2.5 Conclusion of Theory ............................................................................................. 19  

3. Method ........................................................................................................................... 22  
   3.1 Practical method ....................................................................................................... 220  
       3.1.1 Type of Study .................................................................................................... 220  
       3.1.2 Respondent selection ......................................................................................... 231  
       3.1.3 Design of interview-guide ................................................................................ 242  
       3.1.4 Execution of interviews ..................................................................................... 252  
   3.2 Quality issues .......................................................................................................... 264  
       3.2.1 Credibility ......................................................................................................... 264  
       3.2.2 Transferability .................................................................................................. 274  
       3.2.3 Dependability .................................................................................................... 27  
       3.2.4 Conformability .................................................................................................. 27  
       3.2.5 Authenticity ....................................................................................................... 28  

4. Results ............................................................................................................................ 29  
   4.1 Respondent A .......................................................................................................... 296  
   4.2 Respondent B .......................................................................................................... 318  
   4.3 Respondent C .......................................................................................................... 330  
   4.4 Respondent D .......................................................................................................... 352  
   4.5 Respondent E .......................................................................................................... 38  

5. Analysis .......................................................................................................................... 418  

6. Conclusion & Discussion ............................................................................................ 463  

7. Sources .......................................................................................................................... 485  

8. Appendix ....................................................................................................................... 49
1. Introduction

This introductory chapter provides the background for the point of this thesis. We explain the origin of the study and hence implicitly tell why this study is important. We also present a brief overview of formal vs. informal venture capital and ease the reader into our definition of a business angel. Following, we look into business angels contributions and their significance for the economy. Some weight is put on discussions on how business angels perceive the regulative climate in Sweden. We conclude by stating our problem question along with our two-part purpose. Finally, the natural limitations and how these may influence the study are briefed.

1.1 Financial Crisis and Entrepreneurial Activity

The world is realizing a strong economic downturn. Perhaps a downturn as severe as nothing we have seen since the recession in the 1930’s. Financial crisis can be observed almost everywhere and many economists argue we have not come to see the worst yet. Economic rescuing packages are one after another unfolded and business after business is facing trouble. From AstraZeneca, Ericsson, Volvo, Skanska the list goes on and on, the messages of layoffs are a disturbing fact. One must put faith in the hope that these people standing without their job and security will find a new activity with which to fill their days, and wallets. One way an economy can come out of an economic crisis is through entrepreneurship (Paulsson&Townsend 2003). Given the fact that Sweden is known to have a low amount of entrepreneurs compared to other countries within Europe and outside the chances of Sweden experiencing a swift turnaround as a result of entrepreneurship seem slim. In a comparison of amount of entrepreneurs between 42 countries Sweden poorly ranks place 36 (Global Entrepreneurship Monitor 2007).

One aspect that is likely hindering entrepreneurs in Sweden is the high tax policy. In a ranking of the level of tax in ten other countries in Europe Sweden positions between 1 and 4, depending on how much profit the firm makes. This proves the high taxes in Sweden are a fact. Some actions have recently been taken by the government to boost entrepreneurship and small companies; taxation on companies has been lowered from 28% to 26, 3%. Also, discussions on lowering the employer tax by 1 percent are held. In general, the government budget 2009 is much focused on stimulating small firms (CP). Hence, looking from a more positive view there is much work to be done within the entrepreneurial sector and perhaps Sweden has many new possible entrepreneurs to be found. Improved tax regulations can be one motor in the process of creating more new entrepreneurs encouraged to commence a career of their own creation.

Entrepreneurial activity has been established as being one of the most important motors for the economy (Osnabrugge 1998). Still, it is not uncommon that this group of aspiring entrepreneurs faces additional troubles to a high tax, difficulties in financing their businesses. Entrepreneurs with their ventures are in their nature of carrying a rather high risk not the most eligible candidates for bank loans (Mason&Harrison 1996). In a report from 2003 it was established that Swedish SMEs are facing difficulties when it comes to financing their projects. Sources of the problems faced included limited self-finance capital, tough bank requirements for
loans and bank preferences towards giving out larger loans as oppose to smaller ones. The high level of securities required by banks was also seen as troublesome for the SMEs (Abouzeedan 2003). In today’s troubled financial times, entrepreneurs likely have even more trouble in their process of attracting capital. During a financial crisis their chances of attracting a bank loan become even slimmer. Banks tend to be more avert towards loan giving and when they do give a loan it is to be expected that more securities than normal be required as back up. Therefore it becomes a given that entrepreneurs in search of fulfilling their dreams of starting a small business become more dependent on alternative sources of funding. This funding is even more essential during a financial crisis since the creation of new businesses can be one of the measures that can help lift the economy out of the slump. Even more, the alternative channels of funding can be seen as extra important in Sweden where entrepreneurship is relatively low. If attracting capital is easier, more entrepreneurs might take that leap into actually creating an enterprise.

Extracting from above we can see two aspects worth looking into; the impeding regulative climate for small businesses in Sweden along with the difficulty of attracting finance. Both these issues also concern business angels.

1.2 Business Angels

Introduction to business angels

Business angels are persons acting within the informal venture capital sector. This is different from the formal venture capital sector where companies or organizations of a more official nature act. Slightly simplified, formal venture capital is a market where companies at rather early stages invest capital in unlisted firms with a high growth potential. Some involvement in the companies usually takes place but the main objective behind formal venture capital is a high financial return as compensation for the high risk taken (Isaksson 2000). The informal part of the venture capital market can be divided into different categories of actors, as was established from Landström and Sørheims research in 2001. Landström and Sørheim argued business angels represent one of four categories within the informal venture capital market (Sørheim&Landström 2001).

Business angels as such are not a unified concept, but rather there are varying definitions of what a business angel is (Avdeitchikova 2007). Practically all definitions determine that business angels are private investors who invest their own money in start-up firms. A private investor signifies that the investor is not working for an official company or for anybody else. Business angels invest their own personally held money and in general tend to work solo, with the exception of business angel networking. Most definitions also state that business angels invest more than money in these firms, aspects such as knowledge, time and managerial skills. It is common that they take on an active role within the firms they invest in (Freeney,Haines&Riding 1998, Mason&Stark 2004 etc.).

Many researchers have found that business angels actually invest because they enjoy running and being involved in a business. We found this in our previous study, consistently with other studies (Elsberg&Jonsson 2008, Freeney,Haines&Riding 1998, Mason&Stark 2004 etc). The incentive of wanting to be involved in the
businesses can be seen as something unique for business angels. Contrary to formal venture capital firms this aspect of being involved in the ventures has been found to be an even more important motivator than a high financial return (Aernoudt 1999). At the same time business angels do expect a high return on their investments (Elfsberg & Jonsson 2008, Osnabrugge & Robinson 2000, p 188, Aernoudt 1999, Freeney, Haines & Riding 1998 etc.). The requirement of a high return needn’t be the strongest trigger for investing, though.

By being involved in the ventures business angels can help the ventures grow by using assets other than money. Many business angels in Sweden tend to be former entrepreneurs or managers, and Månsson and Landström in 2006 found that all but 2% of business angels in Sweden had some managerial experience. Also, business angels are highly educated and a large part holds a university degree. They also tend to be rather wealthy (Månsson & Landström 2006). Most business angels are men and the age varies with an average of 45-56 (Avdeitchikova 2007, Månsson & Landström 2006). Their previous experience, capital and know how make business angels invaluable for start-up companies. In fact, the skills they contribute with are even more important than the actual capital (Soohl 2003).

It is also significant to mention that business angels tend to invest in the earlier phases of start-up firms and hence close a market gap by investing in firms too risky for venture capital firms and banks (Osnabrugge 1998, Avdeitchikova 2007).

Our definition

In our definition of business angels we mime Landström 1993, Mason and Harrison 1994 & 2000a as well as Avdeitchikova 2007. The definition used in this thesis is consistent with the one used in our previous study on business angels and the one by Isaksson in 2000: A business angel is an informal investor; a single wealthy actor within the informal venture capital market investing privately held capital and know-how in entrepreneurial firms (Isaksson 2000).

When we refer to an informal investor from this point, contrary to the categorizations by Landström and Sørheim, it is synonymous with a business angel. The concept of informal investors and business angels are often referred to as one and the same and even though there may be differences within the informal venture capital market this is kept in mind and when referring to informal investors and the informal venture capital market we consistently imply the category of business angels.

1.3 Business Angels Contributions

Researchers have established that business angels contribute a great deal to the activities of entrepreneurs. They not only finance but also aid and with their experience and expertise help these firms grow and gain market share, recognition and sales. At the same time they require a great deal from the entrepreneurs of the firms. Even though there are different views on business angels, friend or foe (Klein; bwo, Aernoudt 1999), one thing when looking at previous research stands clear: business angels help boost the economy (Osnabrugge 1998, Avdeitchikova 2007). In the UK it has been found that business angels invest somewhere around £0.5-£1bn per
year, roughly equivalent to 6-12bn Swedish crowns (Mason & Harrison 2002). Sweden is a bit more modest and in a study aimed at finding the size of the informal venture capital market in Sweden it was found that business angels invest around 385 - 450 million per year. This represents 1% of Sweden’s GDP and can be compared to the venture capital market that in the same study was found to invest around 590 million per year. Hence, business angels in Sweden invest almost as much as venture capitalists! Another estimate by Helle 2004 found the investments made by business angels to be as high as 2bn Swedish crowns per year (Helle 2004). The differences in estimations are likely due to the fact that business angels are informal and much of their investments are kept secretive (Osnabrugge 1998). From these figures it is however clear that business angels are important not only for the entrepreneurs they aid and the customers they serve, but also for the economy as a whole. One can only expect that therefore their existence, just as entrepreneurs, should be of some interest to the government concerning policymaking, or?

1.4 How do Business Angels cope, then?

While other parts of the economy are collecting aid from their governments during the financial crisis that is ongoing (the automobile industry, the construction branch, the banking sector etc.), how do business angels then cope? As entrepreneurship is one significant motor in the economy, especially in a slowing economy, and business angels are an important aid to entrepreneurship this is a question of interest.

Aernoudt in 2005 argued that business angels, contrarily to other parts of the economy, are in no need of aid in the shape of money. They are not short on capital, the very aspect of being wealthy is what makes these people business angels in the first place. Rather, if any assistance from the government was needed it was to be in the shape of encouraging tax regulations and laws (Aernoudt 2005). In a country like Sweden with rather harsh tax regulations concerning (e.g.) income, how do business angels then perceive the investment climate? As cold as the temperature or perhaps a bit more friendly? Avdeitchikova in 2007 argued that the tax regulations in Sweden today are actually discouraging healthy business angel investments. Instead of encouraging multiple investments they promote one-time investments that have no real significance for the economy (Avdeitchikova 2007). So how do then business angels in Sweden perceive the investments climate as it is today?

Further, during the financial crisis that affects savings and investments all over the world, how do business angels manage their investments? Our previous study led to the conclusion that the financial crisis at that stage did not severely affect their current investments, or the number of planned investments in the near future (Elfsberg & Jonsson 2008). Since then, the crisis has deepened and a new, worse situation is facing the business angels. The situation today with failing stock markets around the world, negative circles of businesses and lowered market prices makes it extra interesting to look at how a group such as business angels acts. Entrepreneurship could help act as a savior for the economy and business angels in their turn can act as a savior for entrepreneurs- are they? Much of the studies performed on business angels in Sweden concern the size of the informal venture capital market, the characteristics of business angels and their investment preferences. There is not much research on business angel activity and behavior during a financial crisis to be found. As business angels are a strong actor in the economy this is something of great
importance. How they act influence entrepreneurs, ventures and growth. Given entrepreneurship’s value to the economy a study on business angel behavior during financial turmoil can be seen as crucial. When looking into this matter the lack of previous studies make the problem formulation rather open as no precedents are at hand. What to be expected is unclear. We wish shine some light upon this matter.

Should one believe that the increased restrictions on bank loans add to the number of available business opportunities for these investors? Or do business angels, just as other investors, avert risk, lay low and keep their money close where they can see them? Do business angels withdraw their money from their potential investments implying they can be of no help to the failing economy? Do they in return of investing their money during a riskier time demand a higher profit from their ventures, or do they because of the financial troubled times and the greater difficulties of realizing growth lower their required return?

1.5 Problem Question

How do business angels in Sweden handle their investments during troubled financial times, more specifically during the recent financial crisis?

1.6 Purpose/Aim

The overall goal of this thesis is to find out in which way the financial crisis influence business angels investments. The goal is consequently to give entrepreneurs a view of how some potential investors, business angels, handle their investment behavior during troubled financial times.

The sub purpose is to look into how business angels perceive the laws and regulations of Sweden in terms of encouraging or discouraging investments. Accordingly we desire to find out if some governmental incentives for business angel investing are called for, and if so this could be of interest to regulative organs.

1.7 Limitations

One limitation of this study is naturally that it is performed in Sweden and hence should not be generalized outside of the market of Swedish business angels. We are collecting a sample of business angels from geographically all around Sweden and therefore in this aspect our study is somewhat generalizable within Sweden.
2. Frame of reference

This chapter gives a frame of reference for the study at hand. Firstly to clarify context we will go over some basic differences between formal and informal venture capital. After this we look into different studies concerning business angel activity during financial crises. We discuss the financial crisis in Sweden in 1990, Japan 1990 and the dot.com crash in 2000. We also look at articles on the financial crisis today in order to give an idea of how business angels have reacted. Lastly we look into the second part of our aim, studies on regulative climate and how this concerns business angels. Finally the chapter is briefly summarized.

2.1 Venture Capital vs. Business Angels

Before looking into any previous research within the topic of this study it is important to know the difference between formal venture capital and informal venture capital. There has been much research done on both subjects and to the unfamiliar, sometimes even to the familiar, reader the concepts can perhaps easily be confused.

Anders Isaksson of Umeå University in 2000 wrote a paper in an effort to clarify the meanings of concepts and definitions concerning venture capital. In that he in an accessible manner explains the differences between formal and informal venture capital. Venture capital can overall be explained as capital invested in companies unlisted on any stock market. This hence goes for both formal and informal venture capital. Further, venture capital presupposes that the investor takes on some role in the company, as a member of the board or similar. The investments normally last as long as 5-7 years, meaning the investor has a preset exit plan of the investment. The companies invested in are typically companies with a very strong growth potential, meaning they bear a higher risk but also if successful a higher profit (Isaksson 2000).

Formal venture capital is described as when organizations of a more formal nature enact in these types of investments. More in detail it is when specialized companies, called venture capital firms, invest in high growth potential unlisted firms. Venture capital companies have since their beginning around 1990 experienced a large inflow of capital causing them to redirect investments from smaller entrepreneurial firms towards larger entrepreneurial firms. As the firms invested in are larger the investments are subsequently carried out during later stages of the firms’ life and the invested amounts are also higher (Mason&Harrison 2000b). This has created an equity gap in the market. Due to their size too small firms are facing more troubles gathering investments from formal venture capital sources and banks. This has created actors within the informal venture capital field called informal investors or business angels. Business angels can help ”fill” this equity gap, and in this they are unique (Mason&Harrison 2000a, Osnabrugge 1998).

Informal venture capital, or business angels, is described as when private investors, a single person, invest in these small entrepreneurial firms. These informal investors have gotten the nickname business angels because it is not uncommon that they are
perceived as “well doers” as they contribute with money and know how to start up companies that have no other hope of receiving capital. The distinction between formal and informal venture capital can sometimes be diffused as business angels often work in business angel networks and co-invest. Sometimes business angels also perform investments through companies that they themselves control and the distinction can seem even hazier (Isaksson 2000).

Some clear distinctions that can be made between business angels and formal venture capitalists are within how they perform investments. Business angels tend to invest at an earlier stage of the firms life, they invest more time than venture capitalists and their reasons for investing are also somewhat different. Business angels tend to invest because they enjoy the process of taking a role within the company in which they invest and hence they tend to be more active compared to venture capitalists. In return of the higher risk they take on by investing at an earlier stage they do not seem to require an abnormally high financial compensation (Freeney, Haines & Riding 1998). They usually are former entrepreneurs themselves and a majority of business angels’ researched hold, or have held, a managerial position. Naturally the prospect of making money is often a strong motivator behind their angel investments but at the same time the involvement part also plays a central role in business angels’ decisions to invest (Isaksson 2000).

In a comparison of business angels and venture capitalists Mark van Osnabrugge in 2000 found a few characteristics also worth mentioning here. Venture capitalists tended to attract a greater amount of investment opportunities than business angels and they were also more effective in their screening process, meaning they were more selective when choosing investments. The implications of this reaffirm the studies stating business angels do put emphasis on being involved in the venture and therefore do not have as strict financial requirements before investing. From the previous study we performed on business angels in Sweden we did find, however, that business angels were very picky when choosing investment. Their pickiness was concerned around aspects such as the nature of the entrepreneur first handedly. Osnabrugges research states that business angels receive fewer investment opportunities compared to venture capitalists and this is why venture capitalists have a higher rejection rate after the completion of the due diligence process, which conforms to our findings. Business angels have in other studies been found to not receive as many good investment opportunities as they would like (Månsson & Landström 2006, Osnabrugge 1998) but as they only make around one investment a year their rejection rate as a percentage is also rather high (Freeney, Haines & Riding 1998, Stedler & Peters 2003). Compared to venture capitalists, nevertheless, Osnabrugge found the rejection rate by business angels to be lower.

Osnabrugge also found that BAs can act more on a gut feeling since they, unlike venture capitalists, invest their own money and do not have to explain their investments to anybody else such as a stock holder or a manager. Connected to this difference, venture capitalists seem to value an exit route higher than business angels and they also demand a higher rate of return. This is not to say business angels do not require an exit plan, this part of the investment decision is simply not as important as it is to venture capitalists. Lastly, business angels tended to put more emphasis on involvement after the initial investment as a measure to reduce risk, whereas venture
capitalists reduced risk pre-hand the investment in order to show fund providers their proficiency (van Osnabrugge 2000).

An interesting fact to mention is that venture capitalist firms and business angels actually complement each other on the market and have been found to receive and refer different investment opportunities to each other (Mason & Harrison 2000b, Soohl 2003). This further states the importance of business angels as they truly invest money where no other actors will.

**Clarifying Table**

In order to fully clarify the distinction between formal and informal venture capitalists a table from Morrissette in 2007 is presented below. This table represents some of the main differences between formal and informal venture capital (Morrissette 2007).

<table>
<thead>
<tr>
<th>Fundamental Differences between Business Angels and Venture Capitalists</th>
</tr>
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<tbody>
<tr>
<td><strong>Funding Source</strong></td>
</tr>
<tr>
<td>Number of deals per year</td>
</tr>
<tr>
<td>Typical investment per company</td>
</tr>
<tr>
<td>Company Stage</td>
</tr>
<tr>
<td>Geographic Focus</td>
</tr>
<tr>
<td>Industry Focus</td>
</tr>
<tr>
<td>Source of deals</td>
</tr>
<tr>
<td>Decision Maker</td>
</tr>
<tr>
<td>Analysis/Due Diligence</td>
</tr>
<tr>
<td>Investment Structure</td>
</tr>
<tr>
<td>Involvement</td>
</tr>
<tr>
<td>Investment Time/ Horizon</td>
</tr>
<tr>
<td>Exit/Harvest Strategy</td>
</tr>
<tr>
<td>Return on Investment Expectations</td>
</tr>
</tbody>
</table>

(The table by Morrissette is a combination of different researchers findings, amongst these Van Osnabrugge and Robinson 2000, Benjamin and Margulis and Hill and Power 2002, Morrissette has...
also used the National Venture Capital Associations website and studies by Gaston 1989 and Frear, Soohl and Wetzel 1994.)

2.1.1 Business Angels; Trust and Involvement

As briefly mentioned above, something unique for business angels is how they become more involved in the ventures compared to venture capitalists. Different studies give different views on this fact but the main bulk of studies tend to lean towards the result that business angels usually take on a management role within the firms they invest in (Kelly&Hay 2003). This is if they choose to be active with their investment, which does not necessarily need to be the case. Many business angels do choose to be involved, as this has been found to be a main reason for investing (Osnabrugge 2000, Mason&Stark 2004 etc.). Månsson and Landström found that 77% of business angels in Sweden are active with their investments. At this point one must keep in mind, however, that business angels are different through their personalities and these differences also affect their investment behaviors. How much a business angel is involved is likely dependent on factors such as time, interests and experience.

One thing that has been found on business angels is that when they tend to get involved in the ventures this comes with strings attached for the entrepreneur. The negotiations for the contractual forms between business angels and entrepreneurs do not seldom leave little playground for the entrepreneur (Kelly&Hay 2003). However, Sørheim writes that business angels are very concerned with establishing a common ground with the entrepreneurs. Further he argues it is not only the business angel who evaluates the entrepreneur but the entrepreneur can also put demands on the business angel when it comes to issues such as track record and sector experience (Sørheim 2003). This indicates that how much the entrepreneur has to say in the deal is dependent on the situation. It would be natural to expect that the business angel wants the entrepreneur to feel pleased with the mutual deal, as the entrepreneurs are the ones who will mostly be working within the venture and earning the profits. To sign a deal where the entrepreneur feels discouraged would not make much sense. After the initial contracting stage the entrepreneur can, in agreement, with the business angel make up some rules for how the business will be handled. This, according to Osnabrugge 2000, helps minimize the monitoring by the business angel and decreases the agency costs (Osnabrugge 2000).

The role of trust is very important when attracting an angel investor. Kelly and Hay write that the key issue for entrepreneurs seeking finance is to search for an investor through a referral and more importantly to search for somebody who trusts you. Through the referral some of the agency risk the business angel faces is minimized and this eases the decision process (Kelly&Hay 2003). Mason and Stark as well as Osnabrugge reaffirm this in their studies from 2004 and 2000 respectively where they establish that business angels are more concerned with the agency risk as oppose to venture capitalists who look more at the market risk (Osnabrugge 2000). As business angels usually plan to work closely with the entrepreneur the personality of the entrepreneur must fit the one of the investor, and this connects to trust and agency risk (Mason&Stark 2004). Business angels actually reduce the risk through post investment involvement (Osnabrugge 2000). If the relationship between the business angel and the entrepreneur does not work no investment will be made at all.
As an endnote on business angel involvement it is interesting to mention the study by Sohl in 2003. In this he found that the involvement, the know-how, expertise and guidance to the firms was even more valuable than the actual capital invested (Sohl 2003). Other studies reaffirm this finding and this is one of the aspects that make business angels so unique.

2.2 Business Angel Investment during a downturn

The purpose of this study in essence is to look at how business angels in Sweden handle their investments during the troubled financial times today. Previous studies concerned with this subject relate mainly to earlier financial crises and are not performed on the financial crisis we are experiencing now. Former studies relate to the dot.com crash in 2000, the credit crunch in Japan and how business angels, and the whole venture capital market, reacted during these times. By looking at these studies we aim to create a frame of reference for the study at hand. How business angels have reacted to financial crises in the past is relevant when researching how they can possibly react today. We look at these studies to create an idea of how business angels may handle their investments today.

Some studies have been made on venture capital today but the business angel market has not yet been researched. There are studies done on business angels in Sweden in recent years (Landström, Avdeitchikova, Månsson&Landström, Sørheim&Landström etc.) but not much of this research relates to the issue we aim to look at. Many of these studies instead aim to determine the size of the business angel market and to categorize business angels. Our findings will hence be something we can contribute with to existing research.

In the US business angels have been studied for a longer period of time, likely because business angels are more common there and they as a whole invest much more money compared to Swedish business angels (Osnabrugge 1998). The US has a higher amount of rich people compared to Sweden, which in turn creates more business angels (Helle 2004). The US actually has the largest amount of business angels in the world, whereas Great Britain has the largest number in Europe. Due to the larger amount of studies from the US, the UK and other countries we will look into these previous studies as well and use them as a frame of reference. We will also look at studies from other countries that have experienced financial turmoil and where researchers have connected this turmoil to business angel research.

2.2.1 Financial Crises and Business Angels in the Past

Sweden’s Real Estate crash in 1990s

The banking crisis in Sweden during the 1990s was in many ways a result of deregulation of credit markets in 1985. This deregulation spurred competitiveness and competitiveness in turn encouraged high growth amongst banks. Along with
Macroeconomic policies a price asset boom was created. This was followed by a crash and prices eventually turned falling down as banks failed (Englund 1999). It would have been interesting to look at how business angels and venture capitalists reacted during this time. However, in Sweden business angel research does not handle this subject. This can be due to the fact that business angels in Sweden are, compared to eg. the US, a rather new phenomena. Hence, research or studies on business angels or even venture capital during this time are very scarce. Therefore we will not look further into this crisis. Having mentioned it is, however, important as this crisis severely affected Swedish credit markets almost 20 years ago.

**Japans Credit Crunch**

In the 1990s all of Asia suffered from a financial crisis caused by many different factors throughout the continent. Japans credit crisis came to its full severity in 1997, along with a large part of the rest of Asia. One of the major triggers behind the crisis in Japan was the deregulation of Japanese financial markets, which previously had been controlled by the Ministry of Finance. As a result of these policy implications banks either went bankrupt or squeezed their borrowing and this in turn froze the credit markets (Nishizawa 1998). In this regard the credit crunch in Japan is not un-similar to the one today.

A study performed on business angels, and wealthy potential business angels, in Japan revealed Japanese investors at the time planned to change their investment practices as a result of the crisis. A large percentage stated they would change their financial institutions and rearrange their portfolios, which is natural given any plunging stock market and the failure of banks. Many of the respondents also stated they were interested in making private equity investments, indicating investments as business angels. This implies troubled times can create more business angels from ordinary investors. This originates as a measure of decreasing risk through shifting investments from the stock market towards unlisted firms in order to diverse portfolios (Tashiro 1999).

**The Dot.com crash**

The dot.com crash refers to the end of the 1990s sipping into the beginning of 2000. Commencing the bubble was the initial fast profitable rise of IT companies due to the spread of the Internet. These companies came to be extremely overvalued and the market eventually crashed. When investors were unable to extract their money from these ‘a minute ago so prosperous’ IT firms many companies failed and went bankrupt (Jensen 2002). In Silicon Valley in the US close to 81 companies per day failed and declared bankruptcy and 135 people per day lost their jobs during 2001 (Sohl 2003). The US around this time also faced other market incidents, which only helped deepen the crisis; terrorist attacks 9/11 and accounting scandals causing disbelief in financial statements in amongst others Enron and WorldCom. Further, as a result of all this, world trade decreased significantly and stock indices plunged. The IT bubble was said to have caused not a recession- but a close thing to (Jensen 2002). Sweden was, as almost all other countries, severely affected by the IT crash. Before the crash the Swedish venture capital and business angel market had just as the American one grown rapidly due to the many investment opportunities. The downturn after the crash was a painful fact (Månsson&Landström 2006).
What could more be seen in the venture capital sector during this time then? Jensen in a paper from 2002 gave some ideas about the US market. There, from 2000 to 2001 venture capital investments decreased by 63.2% (Jensen 2002). This is formal venture capital, however, but it still indicates what logically should have happened to the informal market as well. Business angels were just as venture capitalists hit hard by the markets failures as, Jensen states, many of them held a large amount of their money on the stock markets. This created weaker portfolios and perhaps a weaker incentive to invest. No actual number of amount of investments performed by business angels before and during the bubble are given in Jensen’s paper, but he does state business angels were hit exceptionally hard by the dot.com crash and some investors gave up angel investing altogether (Jensen 2002). The number of Swedish business angel bankruptcies during the dot.com crash was also much higher than what had been found in earlier studies (Månsson & Landström 2006). Jensen at the time also accounted for how he believed angel investors would invest in the future. He accounted for this through a set of practices. These practices are important for our study as we aim to look at how business angels handle their investments during a troubled financial time. The practices mentioned by Jensen can help act as a frame of reference, an indicator, of how business angels in Sweden handle their investments today.

Jensen stated a hard lesson learned from the crisis was that angel investing requires a thorough due diligence process (initial screening of ventures). During the IT growth era there was a view of getting in quickly, making fast money at the expense of a careful due diligence process. This turned out to be regrettable in the after play (Jensen 2002). Sohl in 2003 similarly wrote that business angels before the dot.com crash tended to look upon investing as gold digging, entering the market with grandiose dreams (Sohl 2003). This is something of interest for this study. When looking at how business angels handle and change their investments during a downturn their view on risk and investing is important. The due diligence process is an important part of that risk analysis. Jensen also stated business angels when investing after the bubble should make sure they had full understanding of the market and industry, likely as a mean to minimize the risk. Board participation, openness in discussions, consultancy and the requirement of frequent updates on the health and progress of the company are also some of the things Jensen speculated would be more highly demanded after the crash. Jensen also thought business angels would protect their investments more carefully by creating follow-on reserve funds (Jensen 2002). Jensen was looking at the US market and we can hence transfer these practices to question whether Swedish business angels alternate their investments in any of these matters, or plan to do so.

Sohl in 2003 concerning the crash in 2000 argued that business angels as oppose to venture capitalists are better of in the aspect that they have the opportunity to stop investing when the market is slowing. Venture capitalists are forced to invest the money they have gathered from investors. This would indicate that business angels do prefer not to invest at all during financial downturns. Sohl further accounted for aspects leading up to the crash and what should be done differently afterwards. As vast amounts of money during the rise of the IT sector flew into the venture capital sector venture capital firms felt it necessary to invest these money in more growing firms. The informal venture capital market previously had financed many of these
firms. As entrepreneurial firms previously financed by business angels leapt towards the source of even more money from formal venture capital they missed out on the support and guidance provided by business angels. As mentioned above, this support business angels can provide has been found to be more crucial than the actual financing part (Sohl 2003). The implication for the business angels was that their value added was diminished and uncalled for. Had this not happened perhaps they could have helped these firms towards a less bitter end. Sohls study indicates they would (Sohl 2003).

A major problem in Sweden during the financial chaos around 2000 was the fact that business angels had difficulties in exiting their investments. The declining stock market gave no opportunities for new IPOs, which is a common way for business angels to cash out on their investments. This affected both formal and informal venture capital (Månsson&Landström 2006). Perhaps this can be seen as a problem also concerning Swedish business angels today.

2.2.1.1 Consequences from previous crashes

To sum up, the crash in Japans main consequence or result for venture capital was that it helped create more business angels than before. The existing BAs tended to rearrange their portfolios and made much effort to divert risk. One way to do this was actually to increase private equity investments. During the crash 2000 many business angels conversely stopped to invest altogether and the view of investing shifted from a prosperous gold-digging activity to a risk filled one. Many business angels faced troubles with exiting investments and they hence tended to become more hesitating when initiating investments. A more thorough due diligence process was taken on during the crash. Conclusively, past crises have resulted in different reactions on the business angel market.

Financial Crisis 2008:

Naturally, an enormous amount of literature can be found on the crisis we are experiencing today. Much has been written on the influences on venture capital. Bearing this fact in mind, not many scientific studies have been made. It is however interesting to mention a few articles written just to build up a framework on how the informal venture capital market looks today.

From the US reports from 2008 have told that angel investors keep a steady pace with their investments during the financial crisis. They even tend to invest a larger amount of money compared to the year before (2007) and they invest in fewer companies. This indicates the businesses need more aid during rocky times. Further, the business angels surveyed were in order to reduce risk choosing to co-invest. Software companies in 2008 attracted most investments and capital (Schachter 2008). Another report on US business angels tells another view, that business angels these days are easily spooked and they are more cautious when it comes to investing. American business angels have seen a loss in their portfolios and this affects how they invest as private investors. Also, the fact that business angels invested a higher amount in 2008 compared to 2007 but in fewer companies is explained as a way of decreasing risk. By
investing more money in the companies that stand a higher chance of success risk is diminished (Wehrum 2009).

One article debating the financial crisis and venture capital in Sweden states that the financial crisis brings new opportunities for whoever has the money to invest. Two female business angels in Sweden further argue that they have not been frightened by the financial turmoil; rather they see the opportunity to invest in businesses they think will rise when the crisis ebbs out. Also, they argue that crises, as the one we are experiencing, make people develop new structures of how to work, which can be profitable for the future (Mattsson&Beckerman 2009). In another article a business angel explains that during financial troubled times it is very profitable to invest. He states entrepreneurs during times like today are more focused and they avoid incurring too high expenses. Challenging times make it more interesting to invest since the entrepreneur and the investor can work closely and experience a profitable journey when the market turns (Coach&Capital). Two debaters from KTH University in Stockholm have written an article where they claim business angels in Sweden are now facing a critical condition. Their supply of capital is diminishing, but this the authors argue is not due to the financial crisis but rather it is due to the regulative climate in Sweden (Arvidsson&Ohlsson 2008). In a press release from University of Lund in Sweden the researcher Sofia Aveitchikova states that business angels in Sweden have a very important role in stabilizing the market, especially during a financial crisis (Lund University).

These articles all give an idea of how business angels in Sweden react to the financial markets today. They imply that business angels see opportunity over distress and challenge over fright. We intend to use these findings in order to see whether our results agree with this or not. Also, part of the aim of this study is to look at how business angels view the regulative investment climate in Sweden, which also relates to arguments in some of these articles.

2.2.2 Business angels over time

Månsson and Landström in 2006 wrote a study seeking to compare business angels’ investments over time by looking at a data from 1992/93 and data from 2004. The data from Månsson and Landström’s two compared studies were collected using different sampling methods and the hazard of comparing data of this kind is recognized. The data used from 1992/93 came from two subsequent studies performed by Landström. The first study was one where 114 business angels sampled through the snowball method were sent questionnaires and the response rate was 45. The second study, in 1993, using the same sample gathered a comeback from 52 business angels. The data used from 2004 were much larger and 854 questionnaires were sent out with usable feedback of 274 questionnaires. In this study a few complementary sampling methods were used. From these three data sources the authors have made efforts to extract comparable numbers in the 2006 study. In spite of the problem of comparison, the writers manage to find some interesting differences in business angel investing over time and they are unique in adapting this time perspective in business angel research (Månsson&Landström 2006).
In the study 2006 it was found that Swedish business angel investments had increased in absolute amount from 1992/93 to 2004. However, the proportion of investments relative to the business angels’ wealth had decreased. Business angels in 2004 tended to invest around 11% of their wealth compared to 27% in 1992. Along with this, portfolios had increased. The implications are that business angels in 2004 tended to invest less of their money proportionally but instead invested in more companies. This is a measure of decreasing risk, and hence implies business angels have become more risk aware. Additionally, business angels in 2004 wanted to make faster exits of the companies, also implying a sense of risk aversion. During the crash in 2000, as mentioned above, one of the major problems was not being able to exit the ventures. This can be something that strongly affects business angels when investing during financial downturns and is a lesson learned for the future. Månsson and Landströms study points in this direction.

Månsson and Landström also mention that business angels in 2004 compared to 1992 seemed to suffer from time constraints, which can be one reason as to why they chose to invest less money proportionally. All of these issues discern the conclusion that business angels have become more risk aware from 1992 to 2004. Keeping in mind that the studies compared were performed right after a financial crisis, this is interesting for our study. Some questions within this study will be how business angels in Sweden invest today in terms of increased or unchanged portfolio size and decreased or unchanged invested amount in relation to wealth. One thing of interest, which speaks against the increased risk awareness, is the fact Månsson and Landström found concerning business angels involvement. The amount of passive investors had increased between 1992 and 2004. This was explained by the fact that business angels suffered from time constraints. Similar results were found in our study 2008, where business angels tended to turn down investments due to not having enough time (Elfsberg & Jonsson 2008). The study by Månsson and Landström discern some interesting aspects on how business angels have changed their behavior over time and some aspects can be used in this study as an indication of how business angels might change during a financial crisis.

2.3 Measures of Decreasing Risk

This study aims to look at how business angels handle their investments during troubled financial times, more specific during the financial crisis that we are experiencing today. In order to know which specific risk factors to look at we will here account for some findings in previous studies on business angels’ evaluation of risk and how risk in general is minimized.

Aernoudt in 2005 mentions seven ways business angels can reduce their risks when investing. One of these ways is to co-invest along with other business angels as this means risk is spread and shared between several investors. Along with this practice comes syndication in the screening process where investors can refer important information to each other (Aernoudt 2005).

Månsson and Landström in their study from 2006 found that Swedish business angels since 1993 significantly have increased the size of their portfolios as a way of spreading risk. Also at the present time they tend to invest a smaller proportion of their capital into ventures and they invest smaller amounts in each venture. This
indicates that Swedish business angels are quite risk-aware. However, Avdeitchikova in her study found that Swedish business angels are not very flexible, which would indicate more risk taking. They tended to take on the same role within the firms they invested in, regardless of their experience of expertise. One explanation given for this is that many business angels invest because they enjoy being involved in a firm and they want to take a role within the firm. Hence, they can tend to get involved in the business regardless of whether or not this is appropriate from the firms’ point of view. Also, business angels in their nature of being different as individuals may prefer a specific role that they are reluctant to move away from. Sometimes this role is not the most suitable. If the business angel invests in a venture working within a sector from which he has no experience another more passive role might be better suited, Avdeitchikova argues (Avdeitchikova 2007). One could argue that doing the opposite can perhaps increase the risk of the venture.

Another aspect of business angels desire to be involved in the ventures is that this in itself can actually be a measure of reducing risk. Instead of merely handing their money over for the entrepreneurs they themselves are able to follow and lead their investment towards growth. Fiet found that business angels compared to venture capitalist are more concerned with agency risk as oppose to market risk. Agency risk means the risk connected to the entrepreneur of the venture, the risk the principal faces through handing over money to the agent (Fiet 1995). By being a part of the venture the business angel can hence reduce this risk.

Serial or Non Serial Investors

Concerning risk it has been found that serial investors compared to non serial investors view risk differently. It is firstly important to explain the basic difference between serial and non-serial investors. A serial investor is in general someone who has made 2 or more than 2 investments in unlisted companies, whereas a non serial investor has only made two or fewer (Osnabrugge 1998). Osnabrugge in 1998 made a study where he compared serial investors to non-serial investors and he found some interesting facts. It was found that serial angels look more at market risk compared to non-serial angels who looked more at agency risk (risk connected to the entrepreneur as an agent) (Osnabrugge 1998). This study aims at looking at how business angels alternate their investment during troubled financial times and hence the issue of risk is important. Osnabrugges results implies that serial business angels would be more risk aware during a financial crisis as they are more market risk oriented.

2.4 Business Angels and the Macroeconomic Environment

Part of the aim of this thesis is to look into how business angels perceive the laws and regulations of Sweden in terms of encouraging or discouraging investments. The objective behind this is to see if business angels, if this were possible, would require some non-financial regulative aid from the government. Here we will look at some studies that have been done on business angels and regulative climates.

Mason and Harrison in 2002 performed a study where they through questionnaires sent out to 84 business angels in the UK gathered data about what issues business angels perceived as barriers to investment (Mason&Harrison 2002). In Europe the UK has the highest number of business angels. To have a very large proportion of
business angels mustn’t necessarily be something positive. One could argue that business angel activity can be negative for entrepreneurs as business angels make a large profit on other peoples ideas while somebody else is doing all the work. There are different views on BAs (Klein 1999). We do believe, however, in accordance to many studies that business angel activity is a good phenomenon. Overall, when studying business angels Great Britain in their aspect of having a large number of business angels is a good example to look at. Much research has been done on business angels in Great Britain and debaters have argued Great Britain must be doing something right that Sweden is not. By looking at the investment climate and how it is perceived by business angels in other countries we can try to discern some critical issues also concerning Swedish business angels.

Mason and Harrison argue there is much untapped potential for business angel investing (Mason&Harrison 2002). Månsson and Landström 2006 also found this in their study, where they concluded Swedish business angels in average invested around 11% of their private wealth as angel money (Månsson&Landström 2006). In Mason and Harrisons study they tried to distinguish what obstacles could be found against angel investing. As the availability of capital by far and large exceeds the actual money being invested the question why such a small percentage is being invested is of interest. Steller and Peters found that the average rejection rate for business angels is about 84 % (Steller&Peters 2002). Riding et al found that it could be as much as 90 % (Riding et al 1997). What they found was that the major barrier for angel investing was not, as one might think, impeding tax regulations. Rather, the main problem was that business angels did not encounter enough enticing investment opportunities. Business angels tend to have rather picky investment criteria, and Mason and Harrison found entrepreneurs could not often match these demands. Also, business angels were found to be reluctant to alternate or lower their demands, as they were unwilling to invest in areas where they did not have experience of the market or business. These issues along with the fact that it was often difficult for the angels to negotiate acceptable terms and conditions with the entrepreneurs made the number of attractive investment opportunities reaching the business angels few (Mason&Harrison 2002). In the previous study we did on business angels we found results consistent with the above, business angels tend to be extremely picky with their investments (Elfsberg&Jonsson 2008).

Mason and Harrison also found in their study that a new incentive creating tax regime made business angels more willing to invest. This favorable tax policy also helped to create new business angels, as ordinary self-made wealthy people found a new interest in private investing (Mason&Harrison 2002). The tax regime in Sweden is not very favorable for business angel investments. On the contrary it encourages a rather wasteful behavior, according to Avdeitchikova. The type of behavior referred to is when individuals as business angels engage in a one-time investment type of deal with a lot of energy and no intention of doing another investment. The tax system in Sweden does not allow all the earned money to be reinvested in the venture if the firm has four or less than four shareholders. Instead, money in the shape of salary has to be withdrawn. As the tax on salary is higher than taxes on capital gains this in turn makes the smaller firms spread out ownership to several shareholders. This type of behavior is not closing an equity gap or encouraging business angels to aid the firms with their know-how (Avdeitchikova 2007).
Governmental aid in the shape of handling the costs of business angel networks is also a way of boosting the investments. Mason and Harrison elaborate on business angel networks and how these can help business angels find better investment opportunities (Mason & Harrison 2002). This is, according to them, one way the government can intervene. San Jose et al. in a study also argue that business angels are sometimes reluctant to make their first investment, and hence co-investing with other business angels is a way to get started. This co-investing can more easily be done through business angel networks (San Jose et al. 2005).

Tashiro in Japan similarly found that a financial crisis could create business angels out of ordinary wealthy people. These wealthy individuals approached angel investing as a way of minimizing risk. Tashiro argues one measure/help taken by the government can be educative. He found that many potential business angels did not have enough experience from angel investing and were in need of advisory services and support in evaluating businesses (Tashiro 1999). This is a bit contradictory to many studies that have claimed business angel investing and their criteria when evaluating businesses are very personal and not homogenous. However, some evaluations such as looking at business plans and financial statements may be similar. The heterogeneity plays its part when it comes to evaluating the entrepreneurs and other characteristics. San Jose et al. argue that educative forums can be helpful for business angels getting started (San Jose et al. 2005). One should not exclude that some general and basic aid in the shape of advisory services is called for amongst Swedish business angels.

Aernoudt writes that governmental stimuli for the informal venture capital market cannot be the same as for the formal venture capital market as these markets function extremely different. Therefore money aid is not a working measure to boost the so important angel capital sector. Instead, he argues, government should focus on the tax and regulative aspects and all impeding regulations for informal capital investing should be removed. He states the main issue hindering business angel investment is not, however, the regulative restrictions. Instead, it is the lack of information and awareness on both the part of business angels and entrepreneurs that hamper the flow of informal capital. This agrees with the findings above by Mason and Harrison and Månsson and Landström, which reveal that business angels do not collect enough appealing realistic investment opportunities (Månsson & Landström 2006, Mason & Harrison 2002, Aernoudt 2005).

Aernoudt states that even though many liberals and socialists may be shocked by the suggestion one idea is to create co-investment schemes between business angels and government, in essence giving business angels public money to invest. In this way, business angels will have a better incentive to invest as they share the burden with governmental organs. A scheme like this was implemented in Belgium and since its start it has been found that many business angels do seek support from it (Aernoudt 2005).

As mentioned, in Europe the UK has the largest number of business angels. This likely has a lot to do with the mere investment climate in Britain. According to a magazine article Swedish business angels do call for tax reliefs similar to those in Britain. In the UK business angels are allowed to deduct taxes for money invested in unlisted firms, which help boost business angel activity a lot. Further English business
angels are allowed to deduct taxes on potential losses on their angel investments, which helps reduce risks. This is something the US and many European governments are looking into. According to the article Swedish business angels are calling out for the same actions to be taken in Sweden (Alpman 2007). The Swedish government has presented a list of different actions to take on how to boost business angel investments, but actions of the sort above are not mentioned. One proposition is the abolition of the wealth tax, which would help risk capital and business angel activity (Prememoria 2008).

2.5 Conclusion of Theory

This chapter has initially gone through the differences between formal and informal venture capital. After this we have accounted for four financial crises; the Real estate crash in Sweden 1990, Japans credit crunch, the IT bubble in 2000 and the one we are experiencing today. Studies done during these crises that concern informal venture capital have been reviewed and as a frame of reference for our purpose some main observations on how business angels have reacted in the past have been extracted. Further, we have gone through a set of articles on business angels in the US and Sweden during the ongoing crises to get a clue of how these investors have reacted so far. These more recent articles are not scientific but can indicate on which issues some attention should be put. We have accounted for how business angels in general reduce the risk with their investments in order to see which activities might change in today’s market. Lastly, we have looked at studies on the regulative climate connected to business angel activity in other countries. This is helpful as it gives an idea of what inhibits vs. encourages business angels to invest and hence what might be called for from governmental organs.
3. Method

In this chapter we account for how we have conducted this thesis. More specifically we go over the process through which we have gathered data, analyzed this data and concluded it. We also briefly go over our standpoints and the conductions of the interview guide and the interviews.

3.1 Practical method

3.1.1 Type of Study

In this study the problem question and purpose is mainly concerned with how business angels handle their investments during the financial crisis. The aim is consequently to find out how business angels perceive the financial crisis today. Another aim is to find out how business angels perceive the regulative climate. These all conform to a qualitative study, as we ask questions as how, why and we want to understand business angels. Through a qualitative study this is best accomplished. As we have stated earlier in the thesis, studies on business angels and financial crises are rather rare and we have been unable to attract any such study from the Swedish market. We are therefore powerless to take a mere theoretical standpoint from which we conclude or contradict established knowledge. On the contrary, we will come up with some new information and aspects undiscovered in previous studies. We also aim to look at a change of behavior during the financial crises and the reasons and feelings behind this change. The choice of conducting a qualitative study is natural given these facts.

The overall goal of this thesis is to find out in which way the financial crisis influences business angels and their investments. We aim to compare our results with existing theories on the subject and as the area does not have much previous research made we will likely attract some new findings on the theme. The findings from our research are aimed to aid entrepreneurs in search for capital and also to spread light on the situation when business angels encounter financial crises.

In order to find qualitative data we decided to conduct interviews with business angels representing different so called ‘business angel networks’. Finding business angels willing to participate in a study of this kind is somewhat difficult due to the nature of business angels (Landström 1995). Business angels are usually very wealthy individuals who are concerned about their privacy and their investments. This can create a problem when locating these individuals. Due to the fact that this is our second thesis on the subject of business angels we already possess some knowledge about where to find these investors. This somewhat eased the problem of attracting interviewees.

We wanted our respondents to answer freely. Through semi-structured interviews we accomplished this goal and were yet able to keep some structure through the questions. All the respondents received our interview-guide ahead of the interviews (interview-
guide is attached in the appendix). The interview-guide was sent to all the respondents in order for them to get a chance to form an opinion about the questions we were to ask. All the respondents greatly appreciated this. During the interviews we gathered a lot of information. This information has contributed to establishing a good understanding about business angels’ situations and has been a basis for a high-quality analysis.

3.1.1.1 Literature selection

When looking for previous articles on this subject we commenced by using the database of Umeå University Library. We mainly used Business Source Premier and amongst search words used were “Business angels and financial crisis”, “BAs and Recession”, “Bas Investments”, “Informal Capital” etc. We were restrained by a low amount of previous studies made concerning business angels and a financial crisis and therefore our selection of literature is both international and culturally varying. We have made great effort to keep the cultural differences between business angels in mind when interpreting the literature in comparison to our results. We have used studies from the US as the US has the largest amount of business angels in the world and more studies on the subject can be found from there. We have also used British research as the UK has the largest amount of business angels in Europe and naturally also more studies have been made there. We have also extracted different studies where business angel activity has been connected to financial crises to attain an idea of how they react. The lack of previous studies on the subject naturally made the search for literature more difficult but in the end we were able to extract some fundamental studies which we have used as a frame of reference. These studies have been both relevant and appropriate for our study.

3.1.2 Respondent selection

When commencing the search for interviewees we used our bachelor’s thesis as an aid of where to begin. This led us to the Swedish Private Equity and Venture Capital Association website. The association had published reports on previous research on the field of business angels that led us to the thesis from Olof Norberg at KTH University on the subject “The Structure of Angel Groups”. In the study the author had listed all the business angels interviewed for his thesis. That led us to find one person to interview.

We then returned to the SVCA website and clicked the heading ‘business angels’ and the subheading ‘Affärsängelsnätverk’ under which 24 business angel networks were present. Due to geographical reasons we chose 15 of these networks and then proceeded to e-mail them. As a lesson from our bachelor thesis we knew that we were only able to contact the networks operating in our geographical surrounding or the networks working more or less nationally. If we were to contact the networks’ southern branches we would be directed to their northern branch. In the e-mails sent to the network contact person we presented ourselves as students studying at Umeå University and asked for one person willing to participate in an interview. However, this rendered no result. We then advanced by contacting these networks once more by phone. This led to finding 3 participants. Lastly, we continued by contacting 2 of the respondents who participated in the interviews for our Bachelor thesis and they agreed
to participate once more. We then succeeded in collecting five interviews. We do not believe that having two of our respondents participate in both of our theses had any affect on the outcome of this thesis.

As mentioned in the introduction our definition of business angels in this study is the one by Isaksson in 2000, and we include business angels who have made only two investments, but are planning to do more. Our sample includes only business angels who have made two or more than two investments, hence serial angels. This enhances the credibility of the study as the interviewees undoubtedly can be labeled as business angels. They are experienced and were able to answer our questions thoroughly. Why some of the networks were not interested in participating in our interviews we can only speculate. However, we do believe that the privacy issue surrounding business angels may have played a role in this matter. Another reason may also be that business angels are normally still very active in the business world and therefore do not have time to respond to our inquiries in the specified time frame set by us. A contact person who screens all the e-mails and inquiries that are e-mailed and phoned to the network supervise almost all of the networks. His or hers obligation is also to keep the identity of all the members secret and this makes it very difficult to get in touch with individual members of the network.

All of the interviews were held anonymously and we clearly stated this in our e-mails and phone calls. One of the interviews was conducted in person here in Umeå and the remaining four was conducted over the phone. The reason why we conducted four interviews over the phone was the geographical diversity of the respondents. The length of the respondents’ answers had no significant difference between the face to face and the telephone interviews. We therefore do not believe that the fact that the interviews were conducted over the phone had any significant impact on the responses we received and the overall result. Finding five business angels for interviews is a very good result due to the nature of the networks and the investments these people carry out.

We feel that the respondent selection is rather representative for business angels. We had one respondent from Gothenburg, two from Stockholm, one from Sundsvall and one from Umeå. This could be considered a good geographical spread. All respondents were male and middle age, which is the most typical for business angels. Due to this we feel that the representativeness of the study is of sound quality. The respondents answered all of the questions in a similar way. This leads us to believe that one or two additional respondents would not significantly have changed the outcome of the result.

### 3.1.3 Design of interview-guide

Our interviews were conducted in a semi-structured way. We chose to do semi-structured interviews instead of structured interviews because we wanted to have a conversation with the respondents and let them speak freely. The purpose with this way of conducting interviews was to pick up and capture facts that were not mentioned in the theories and hence not highlighted by us as a question reasonable to ask (Bryman&Bell 2003 p. 45). By conducting semi-structured interviews we were also able to ask follow up questions and clarify if there was something we felt needed
more explanation. All the respondents received the interview guide before the actual interviews. The interview-guide consisted of 33 questions divided into two sections. The interview-guide and all the questions were designed with the theory chapter as a framework.

The first section of the interview-guide concerned the business angel’s background and consisted of 9 questions. Among the questions asked were demographic factors, how long the business angel had been active and how many investments per year they did on average. We tried to keep these questions as short as possible and in the end the questions gave us the background information needed. The second part of the interview-guide consisted of 24 questions guided by the theories found and the aim of the thesis. These questions gave the respondents the possibility to elaborate more and also gave us the opportunity to ask follow up questions if needed. When designing the questionnaire and the questions we made great effort to formulate them in a way where they could not be interpreted as leading or misinterpreted by the respondents. The questions were formulated in a way easy to read and acknowledge for the respondent.

3.1.4 Execution of interviews

All interviews were carried out in Swedish and we tried to speak clearly when asking the questions which made it easy for the respondents to acknowledge the questions and thoroughly answer. The answers were later translated into English for the result and analysis part of the thesis. When translating the answers from Swedish to English we were very careful about capturing the tone in the answers.

All the interviews were carried out in an equal manner. The same person was asking all the questions and was acting as the interviewer in all five interviews. During the interviews we tried to follow the interview guide as much as possible. However, sometimes the respondents replied in a way where they answered the following question as well as the posed one. On such occasions we briefly touched on the subject again in order to fully clarify that we had understood the respondents answer correctly.

Four of the interviews were conducted as phone interviews and one in person. The first interview was done over the phone and lasted for 19 minutes. The respondent explained that he had studied the interview guide in advance. We believe this is partially why he was able to answer our questions relatively fast as many of his answers were prepared in advance. There was not any background noise or other distractions and the respondent was most likely in his office when we talked to him.

The second interview was longer and lasted for 30 minutes. This time the respondent had not had the time to look at our interview guide in advance to prepare his answers. This probably affected the length of the interview. However, the respondent answered in a clear manner and only once or twice did we have to ask follow up questions in order to clarify an answer. We were not disturbed by any background noise during the interview and this interviewee was also most likely in his office during the interview.
The third interview lasted for 41 minutes and the respondent had not had time to look at our interview guide in advance. During this interview the respondent was very keen on explaining all of his answers very carefully so that these answers could not be misinterpreted in any way. The respondents’ cell phone also rang two times during the interview without him answering. This still caused some background noise that might have affected the respondent in his ability to focus on his answers. We do feel that the answers given by the respondent were thorough and concentrated.

The fourth interview was conducted face-to-face and lasted for 29 min. The face-to-face interview gave us the opportunity to visit the respondent in his office and the interview was later on carried out in a conference room under very calm circumstances and we never felt that any outside noise distracted the interview. The respondent had not had time to look at our interview guide in advance. Nevertheless, most of his answers were very carefully thought through and we only had to ask two follow up questions to clarify his answer.

The fifth and last interview was the most time demanding interview. The interview lasted for 53 min. The different reasons as to why this interview was longer than the other ones may have several explanations. The most important one to consider is that the respondent was one of the pioneers in business angel investments in Sweden and in Europe and had a long experience of investing as a business angel. At the beginning of the interview he wanted to carefully explain this, which led to very extensive answers on the background questions. During the interview the respondent also received two phone calls that he answered but promptly declined due to being in the middle of an interview. This may also have affected the length of the interview. Overall the respondents’ answers were very extensive making the interview more time-consuming that the other ones.

Overall, we would argue that the all of the interviews were carried out in a relaxed manner and the answers we attained from the respondents were all in concurrence with the questions asked. We never felt that any of the respondents were stressed or that time was a disturbing factor when answering our questions. We are very pleased both with how the interviews were carried out and with the result from the interviews.

3.2 Quality issues

3.2.1 Credibility

One very important aspect of doing research is the aspect of credibility. With credibility the researcher ensures that the study is carried out according to good practice and that the researcher has correctly understood the outcome of the study (Bryman&Bell 2003 p.288). Credibility is something that can easily be distorted if the interviews are not carried out according to standards. Credibility can be distorted in a qualitative study if care is not taken when conducting the interviews or analyzing its results. When we conducted our interviews we first sent the respondents the interview guide in order for them to have a chance to formulate an opinion on the questions in advance. This also helps to ease the interview procedure for both the respondent and the interviewer. We conducted the interview under calm circumstances and we were very careful about carrying out the interview in a way so that the respondents
understood the questions correctly. The respondents were also able to elaborate whenever they felt this was needed. Because of the manner in which the interviews were conducted and the results were analyzed we feel that the credibility should be considered to be high. When analyzing and interpreting the results from the interview we kept in mind that there could be cultural and personal differences between the respondents.

3.2.2 Transferability

When conducting a qualitative study like the one at hand the concept of transferability does not hold a central part of the quality issues of the thesis. As mentioned by Bryman and Bell the importance of qualitative issues lie within possessing sufficient depth in the interviews, which is more associated with qualitative studies (Bryman&Bell 2003 p 289). The purpose of this thesis is to investigate how business angels handle investments during financial crises. In order to resolve this five business angels have been interviewed, all of which have provided us with extensive information on their perceptions on the matter. Many respondents have answered our questions in similar ways, which leads us to credit the thesis as having a good transferability. The answers from the respondents have given us a clear understanding of business angel investments during the financial crisis.

3.2.3 Dependability

Throughout the whole process of writing this thesis we have been cautious about saving all the material that has been used. Upon request all the material may be reviewed and easily accessed for the person who wishes to have a look. This conforms to Bryman and Bells’ criteria for attaining good dependability (Bryman&Bell 2003 p. 289). We feel that we have fulfilled this requirement. The interviews and all the answers from the interviews have been carefully transcribed and can easily be accessed upon request. The interview guide we have used is attached in the appendix.

3.2.4 Conformability

When conducting the interviews and when analyzing the results we were in occurrence with good conformability cautious about not involving personal reflections or values into the interviews (Bryman&Bell p. 289). However, due to the fact that both authors have written a bachelor thesis on the subject of business angels our objectivity may be questioned. The intention behind the two studies is completely different. We cannot decline that we do posses some knowledge about the subject already and this may distort our conformability. We do believe, conversely, that the previous knowledge held acts as a pro for the study. With more knowledge we are able to go into more depth.
3.2.5 Authenticity

When it comes to the subject of authenticity we have decided to focus on the criteria of fairness (Bryman&Bell 2003 p. 289). We feel that we have fulfilled this criterion rather well due to the fact that the respondents represent different parts of the country geographically and they all come from different backgrounds concerning previous employment history. All of the business angels interviewed were male and this may lower the fairness of the thesis. However, the amount of female business angels in Sweden is relatively low compared to male business angels. The information presented in this thesis hence represent the climate in which business angels operate today and we believe that all the information has been presented in a fair way.
4. Results

In this section we account for the answers given by the respondents in the interviews. Each respondent is accounted for under the headings A, B, C, D and E. We lastly in every interview account for how the governmental organs are perceived by business angels.

4.1 Respondent A

Background aspects

Our first respondent was aged 53 and had been active as a business angel for approximately ten years. During his ten years as a business angel the respondent had carried out 10 different business angel investments. However, he wanted to point out that this did not mean that he had invested in a new company every year the last ten years. He told us that the amount of investments every year was determined by how attractive he found the different proposals given to him. The business angel network that he was engaged in usually received about 100 proposals to invest in different companies every year. The most common reason for declining to invest with a company was that the proposal was not good enough or the company was not interesting enough. He continued to explain that some companies he receives proposals from lacks the potential of making it on the market and that some of the main components are missing in the company in order for him to find it interesting.

Our respondent was the CFO for a company before he started his career as a business angel and he had previously started two companies which operated in the travel industry and in the IT-business.

Focus questions

When asked what the respondent considered as the most important factor when looking at a new investment during times of financial crisis, the respondent answered that the factors he considered when investing was not affected by the overall economic situation in the country. The factors he considered when investing in a new company was always the same. He always considered the market, the technology of the company, the market risk and the entrepreneur. He explained that the important thing is that his return from the investment has reached at least ten times the invested capital in a period over three to five years. Another important aspect he wanted to highlight was that he only invested in minority shares; he never wanted to be the majority owner due to the fact that he believed that if he were to become the majority owner it would perhaps de-motivate the entrepreneur and founder of the company to keep on working with the firm. He usually invested an amount of capital that was the equivalent to 20-49 percent of the company’s total amount of shares. The only obvious effect on the respondents due diligence process due to the financial crisis was according to the respondent that in general the price for investing was lower.

There was no difference in the amount of investments made by the respondent due the financial crisis. According to the respondent there were different factors than the crisis itself that decided if the respondent were to invest or not. The amount of
investments proposals he had received since the financial crisis started were in the same level of proposals as before the crisis. One difference he had noticed in the proposals received lately was that the companies asking for investments were more realistic about the financial value of the company and therefore had a more realistic approach to the amount of capital that they could request from business angels. He explained that the amount of capital requested in the different proposals was not totally unrealistic, like many of the proposals he received before the crisis started. The respondent explained why now the case was like this, a fairly simple explanation. When the economy slows down and sales start to drop, the values of the companies start to drop too. In combination with more difficult times to find new capital, the companies have been forced to lower the price of their companies in order to find new investors. However, just because the price was lowered it did not mean the respondent invested in order to gain a bigger share of ownership in the company. The respondent told us that he did not demand a higher return on his investments because there was a financial crisis, contrary to what some may expect.

When it comes to exiting his investments he emphasized that the timing of when to exit is a lot more important compared to when you are about to start your investment. He said that he usually exits his investments in 5-8 years from investing. The respondent told us the economic situation did not affect the amount of work he puts into his investments.

When we asked about risk associated with business angel investments the respondent answered that he found business angel investments as risky, especially if these investments take place in a new start-up company. He explained that the earlier you invest in a company the greater risk you are accepting. The respondent tried to minimize his own financial risk by simultaneously investing in several different projects or companies in order to divide the risk between different industries and companies. He also pointed out that he tried to look at different factors that might contribute to the overall risk of the company and if the same risk factor was involved in several companies he usually invested in companies that did not share the same risk factor. For our respondent it was very important to divide the risk between different investments as much as possible.

There was no change in how often the respondent demanded economic reports from the companies he had invested in as a result of the financial crisis. He told us that he stuck to quarterly reports. The respondent also told us that the amount of companies he invested with now had not changed due to the financial crisis. The amount of companies he was working with was still the same as before the crisis started. When asked if he chose to invest more of his capital on the stock exchange or in bonds the respondent answered that he had chosen to become a business angel and had accepted all the risk it meant, this meant he was not changing the way he was living or how he invested his capital due to changes in the economic conditions of the world. He did, however, once more emphasis the importance of finding the right time to exit an investment. The easiest part of the whole investment process is to actually invest, the most difficult part however is finding the right time to exit. The respondent told us that he usually did invest in partnership with other business angels when there was an economic downturn.
Opinions about governmental aid

When it came to the questions about the Swedish government and how business angels perceive regulations and support from the government, the respondent answered that he did not feel that the government was doing enough to support business angel investments and business angel in general. When asked if he could give some examples of measures that he would like to see from the government he described to us that countries like Great Britain and USA has different systems to support business angel activity. These systems could be applied in Sweden too according to him, and he also stated that there are new measures being developed by the venture capital industry and the government as we speak. The respondent was also of the opinion that more people would engage in business angel investments if the government would inform the public more about this option to invest.

4.2 Respondent B

Background aspects

The second respondent was aged 67 and had been an active business angel for the last 5 years. Before he started his career as business angel the respondent had a career as a commanding officer in the Swedish Air Force. During his five years as a business angel he had carried out three different investments. He never felt forced to do a specific amount of investments every year, he explained that he invested only when a really good proposal was given to him. The respondent was active in a business angel network that received about 50 – 70 proposals from companies looking for investors every year. Among the different reasons not to invest in a company the respondent mentioned his personal opinion about the entrepreneur as number one, secondly he mentioned if the proposal lacked some obvious return for him. If he were to consider a proposal he had to feel that the return from investing in the company was high enough for him to invest money and time into the project. These were the two most common factors that made him decline investment proposals.

Focus questions

When asked what factors he took into consideration when investing during times of economic downturn he explained that they were always the same, if he did not connect with the entrepreneur he always declined the proposal to invest. He continued to explain that he had experience of receiving investment proposals from companies that had a really good business plan but the personality of the entrepreneur made it very difficult to work with that person and he usually decided to decline those kinds of proposals. It could also work the opposite way, where the business plan needed some more work but it was compensated by the energy from the entrepreneur. One thing that did differ when investing during times when there was a downturn in the economy was that the respondent did consider the market risk a bit more compared to when the economic conditions were better.

Due to the fact that the respondent invests a lot in start-up companies it is out of utter importance that the value of the company is realistic from the beginning. This is important because of several reasons of course but the main reason is that the capital invested in the company and the expected return on the investment is founded in what
future investors are prepared to pay for the business angels share of the company, when he is about to exit. If the value of the firm was too high when the business angel invested with the company he will not get the return he expected when he first invested. He usually demands, depending on the company of course, about an increase in turnover of about 40 – 50 % every year when he is involved in the company.

There is a difference in the due diligence process when there is economic downturns the respondent explained. He mentioned an example where he was looking at investing with a company where the issue price had dropped with almost 60 % compared to the original issuing price, meaning that this time around the investors were only paying about 40 % of the price compared to the last investment round. The respondent explained that if you as a business angel have a lot of capital to invest when there is an economic downturn this is the time to invest. The companies are relatively cheap and you may have the possibility to find really good deals. Since this financial crisis started, the respondent had not noticed any difference in the amount of proposals received from companies. What he had noticed though was that the investment proposals presented by the companies during the financial crisis usually involves more capital to invest. The respondent was, however, investing less capital now during the financial crisis but that was due to the fact that he was already engaged in several investments and he explained that if you have a limited amount of capital you have to look after the investments you are already engaged with before you can look at investing with new companies.

When asked if he did demand more ownership in the companies when investing during times of economic downturns he explained that this had to do with the due diligence process. If the value of the company was lower now compared to before and he was investing the same amount, it would be pretty obvious that he would gain a bigger share in the company. This was however once again connected to the amount of capital available to invest. The respondent accounted for having a constant percentage of return on his investments but at the same time he explained that the returns may become significantly higher when the economy is blooming and the other way around of course. He continued to explain that only about 10-15 percent of all investments succeed.

The respondents exit strategy and his time span for exiting investments did change when there were economic downturns. As an investor you always have to adapt to the current economic situation and if there is an economic downturn like the one we are experiencing now of course he as an investor also have to adapt the exit strategy, the respondent explained. “It’s not ideal for me to exit an investment when the value of my investment is dropping”, the respondent explained. The amount of time that the respondent is actively contributing with in the companies he has invested in did not change if there was an economic downturn. He went on to explain that the amount of time is not depending on the overall economic situation, it is more about how the economic situation is like in the companies he had invested in. He claimed that he was as busy now, as he was before the economic situation worsened.

Overall the respondent was of the opinion that investing as a business angel is risky and he went on to explain that as a business angel you have to be prepared to loose all of the money you invest. You should not invest money that you are not prepared to
loose, he explained. When it comes to evaluating the risk the respondent answered that he first of all evaluated the risk involving the entrepreneur because after all, without a good entrepreneur you will not succeed. However, as a business angel it is also important to evaluate the market risk, so you have knowledge about the potential in the market and that you know what factors that may be potential risks when the economy is starting to slow down.

The screening process did not change due to the economic situation in the country, the respondent explained. He went on to explain that in the end it all came down to money and the market anyway.

On the question if the respondent was demanding more frequent updates from the companies he was investing with due to the financial crisis he answered that so was not the case. When investing in start ups as the respondent was doing, he explained it is crucial that you are in constant contact with the companies. On average the respondent was receiving monthly updates from all his companies. The respondent continued to explain that if he had capital to invest during times of economic downturns he would invest during those times. He had chosen to invest as a business angel and he continued to do so even if there were economic downturns. He also continued to invest in companies where he felt that his own knowledge would be beneficial for the company and in companies where he had some knowledge about the industry.

Opinions about governmental aid

The respondent was of the opinion that the government was not doing enough to support business angel investments. He explained that the government could establish financial support which had been done by the governments in USA and Great Britain. The government was however working on this according to the respondent. If the Swedish government was to lower tax it might contribute to more business angel investments according to the respondent and in turn to that Swedish citizens with saving accounts outside of Sweden would perhaps use that money and instead invest in Swedish companies.

4.3 Respondent C

Background factors

The third respondent was 44 years of age and had been active as a business angel for four years. During his time as a business angel, the respondent had invested in about four different companies and was averaging one investment every year. The amount of requests that the respondent received from companies wanting him to invest was fluctuating and dependent on the overall economic situation in the country, he told us. At this time, he claimed that the amount of requests had dropped and one explanation for this according to him was that it was very difficult overall to raise capital for investing in start-ups. The most common factor for not investing in a company according to the respondent was that the risk involved with the investment was too high. The risk involved with the investment was of course compared with the expected return from the investment, and if the risk is higher than the expected return the respondent decided not to invest. The respondent had founded some companies in
different industries and was at the moment just starting another company. He had also
had a management position in several other companies before he started his career as
a business angel.

Focus questions

When evaluating an investment, the most important factor to evaluate is the
possibility to realize the idea into a functional company with a good return according
to the respondent. It is all about if the product is able to reach the market and to
succeed. Another aspect of the risk evaluation of a potential investment is that there
has to be a really solid business model backing up the idea. Without a well written
and solid business plan and a good business model the investment is not even
considered according to the business angel. The respondent said that during times of
financial crisis he did consider his risk evaluation process somewhat different due to
the reason that some industries were cooping better in times of economic downturns
compared to other industries. However, he explained that if the investment is truly
worth investing in it should be able to handle economic downturns too.

He continued to explain that regarding whatever investment you are evaluating it is
very important to think critically. The due diligence process is in itself not changing
due to the overall economic situation in the company, however the value of the
companies looking for investors do change which lead to that the process might
change a bit according to the respondent. The total amount of new business angel
investments is lower in a financial crisis according to the respondent. This is of course
depending on the overall economy and it is simply because there is less capital on the
market. The amount of request that the respondent has received from companies has
also been less since the financial crisis started. The companies looking for investors is
however asking for the same amount of capital according to the respondent, because
the amount of capital needed does not matter if there is a financial crisis according to
the respondent. The respondent is investing the same amount of capital now as before
the crisis started, he goes on to explain that the world is now seeing two types of
investors, the ones who have a lot of capital to invest and are seeing a lot of
opportunities and the other type is the cautious investor which is more cautious in
investing with new companies right now.

The respondent is not demanding a higher share of ownership when investing with a
company now compared to before the crisis started; the share of ownership in the
company is always the same according to him no matter what the overall economic
situation is. The demanded return for investing is not changing according to the
respondent, because he believes that investors are now looking more at the market
risk accompanying the investment and how the return might be affected. When
considering the time span for exiting an investment, the respondent answered that the
time span for exiting is changing due to the fact that the normal time span for an
investment is three to seven years but if the overall economy is changing the investor
has to adapt to that change, which might mean an earlier or later exit than expected
from the beginning. The respondent claimed that during times of economic downturns
he is investing more time in every single investment compared to when the economic
situation is better.
The respondent went on to explain that investing as a business angel is associated with a high risk, and many business angels are of course considering the risk factor a lot more in times of economic downturns. This is because capital is expensive now; the respondent went on to explain. As an entrepreneur you have to put yourself into the situation the investor is facing when investing with your company, why should he invest with you and how can he get his money worth investing with you? These kinds of questions are especially important in times like these the respondent explained.

The respondent is not demanding reports from the companies his is invested with more often now compared to before the crisis started. No matter what the overall economic situation might look like it is important that these reports are collected frequently. The respondents’ portfolio has not changed since the financial crisis started and it will probably not change in the future either. The respondent is looking at another investment now, however it is still very uncertain if is going to invest with that company. The respondent is not considering the stock market as an alternative to investing with start-up companies during financial crisis. He wants to be able to affect all his investments by taking an active position in the companies, and that he is not able to do when investing with companies on the stock market. Investing with just one kind of industry is not something the respondent is considering either. He agrees that there are industries that are more vulnerable during financial crises, however this does not encourage investing with just one industry. He considers the business model and what the expected return might be, and then if these two factors look good it pretty much does not matter in what industry they are organized in. In order to decrease the risk of investing as a business angel, the respondent is sometimes investing together with other business angels.

**Opinions about governmental aid**

The respondent is of the opinion that it takes a special type of people to act as business angels, however he believes that the government could be able to affect the general public to start acting as business angels if there was more information available to the public regarding business angel investments. This would however demand a substantial marketing effort from several different organizations. The respondent was aware about a proposal from the government which could lead to tax cuts for these kinds of investments and he was of the opinion that the government has started working with different measures to stimulate more business angel investments.

**4.4 Respondent D**

**Background aspects**

The respondent was 48 years of age and had been active as a business angel during the last two years. During his two years as a business angel he had done two investments and he continued to explain that this was not many compared to other business angels. The most common factor for why the respondent declined to invest with companies was according to him the lack of belief in the entrepreneur. He mentioned that of course the business plan is of significant importance to him, however what it all comes down to is his own belief if the entrepreneur can pull it off or not so to speak. The respondent had started his own company which he sold a couple of years ago.
Focus questions

When considering the different risks associated with investing at a time like this during a financial crisis the respondent was first of all considering the entrepreneur and how he or she is working and how he or she is responding to an increase in e.g. responsibility. Another thing he considers is the industry the company is working in, he would never invest in a company that is in an industry he has no knowledge about. He has a background of working in the IT and telecom industry. Besides the factors mentioned above he is also considering the business plan because he thinks that he has by now developed so much understanding for investing as a business angel that he is able to spot a good business plan or not. One factor that he is considering more now if of course the effect the overall economic situation may have on the company and he believes that many of his fellow business angels are considering this a lot more now too. The respondent was also in the overall opinion that it is a lot more difficult to attract a business angel now during this financial crisis.

The due diligence is always carried out in the same way according to the respondent, it does not matter how the overall economic situation looks. The respondent was of the opinion that the amount of investments made by business angels since the financial crisis started were fewer compared to before the crisis. He continued to explain that this was not just his individual opinion and it was an opinion shared by fellow business angel in the network he belonged to. Another aspect that he felt was important to bring up was that most entrepreneurs are still of the opinion that their company has the same value as it did two years ago. At the same time as business angels are decreasing the number of investments made the amount of capital every single business angel is willing to invest is also decreasing. This combination leads to that fewer investments are realized. The respondent went on to explain that some business angels are also realizing that it is less costly to invest in some companies now if the valuation of the company is sensible. During a time like this it is also perfect to start your own company according to the respondent due to the amount of financial and strategic support that are available for people interested in doing so. According to the respondent he, however, receives about the same amount of proposals from companies looking for potential investors as he did before the financial crisis started. He is also of the opinion that the companies looking for investors are asking for the same amount of capital as before.

The amount of capital the respondent is investing is less now compared to before the financial crisis started, he explained that the supply of capital is lower now. When it comes to the actual amount of ownership in the company the respondent is investing with, there is no significant difference compared to before the crisis started. The respondent is not demanding a higher rate of return from his investments during the financial crisis either.

The time span for exit is not changing, according to the respondent. He still wants his money back within three to five years with an increase in value of three to five times the invested capital. He explained that this is independent from the overall economic situation of the country. During times of economic downturn the respondent is willing to work more actively with the companies he has invested with, he is of the opinion that fellow business angels are doing the same thing right now.
Overall the respondent was of the opinion that business angel investments are risky and he continued to explain that when investing like he is doing, with start-up companies, there is always a high risk accompanying the investment. High risk investments like these therefore demand a high return in order to compensate for the risk factor. The respondent went on and explained that these investments might as well generate a high return but might as well end up generating no return and as a business angel you then do not possess any abilities to get some of your money back. The invested capital is then gone. So if you compare business angel investments with for example investing in the stock market, where you rarely see companies go bankrupt, then of course business angel investments are associated with a high risk. When it comes to evaluating risk in times where there are financial crises the respondent always goes back to basics and starts with evaluating the risk associated with the entrepreneur. If the respondent then feels that he is able to manage that risk he will continue to discuss the investment with the entrepreneur. However, he wants to point out that if he invests with a new company, the company will never receive a lump sum covering the whole investment. He uses a system where the entrepreneur and the company have to fulfill some established goals before receiving more money from the investor. He is using this system in order to decrease the risk and by being able to decrease his involvement in the company if things are not turning out the way he would like to. By using this system and by being more cautious when evaluating potential investments the respondent is trying to minimize the risk associated with investing during financial crises. The respondent has during this crisis also chosen to transfer more of his capital into more traditional measures of investing and saving, such as traditional bank accounts and so on.

When it comes to the financial updates from his investments he is still demanding to receive them at the same frequency as before the crisis started. He wanted to point out that it is important to not bother the entrepreneur with too many financial updates which might disturb him with the development of the product. Overall the respondent was of the opinion that most business angels portfolios is holding less investments now during the financial crisis compared to before the crisis started. The investors has to focus on the investments that they are already involved with and are therefore not focusing on finding new investments to the same extent as before. According to the respondent he is now investing more with other business angels in order to spread the risk more and also because most business angels are not prepared to invest the same amount of capital now days.

**Opinions about governmental aid**

The respondent is of the opinion that the Swedish government is trying to improve the regulative climate for business angel investments and also for start-up companies. However, he mentions that the Swedish tax system could be more beneficial. He brought up an example from Great Britain that could work in Sweden too. In Great Britain you do not have to pay taxes for returns if this capital is re-invested in a new company right away. As the system is working in Sweden now you have to pay taxes for the return coming from your initial investment before you choose to invest with a new company, and when you chose to exit the second company you have to pay taxes a second time. So much of your profits are lost from investment to investment so to say. The respondent was however of the opinion that more people would engage in
business angel investments if there were more information available on the subject and if the tax system was modified according to the British standard.

4.5 Respondent E

**Background aspects**

The respondent had been active as a business angel since 1984 and was 67 years old. Since 1984 the respondent had carried out 102 investments as a business angel. On average he has conducted about five to six investments a year. Being the pioneer in business angel investments in Sweden he receives a lot of proposals from companies looking for investors. When he was active in a business angel network consisting of 450 business angels they received several thousands of proposals but now when he is not active in that network anymore he receives a couple of hundred proposals a year. The most common reason for why the respondent is declining investment proposals is due to the fact that he can not be as active as he wishes to be in the company he is investing with or that he can not assign the right people to work with the investment. Other reasons for why he declines investments is because he can not spot a potential buyer in the future who is ready to buy his share or the whole company, other reasons might be that the respondent does not connect with the entrepreneur which may cause potential problems working together in the future. Before he started his career as a business angel he was working in the financial sector and has also held a managerial position in a shipping company. Until the age of 42 years old he was active in several different companies before leaving to become a full time business angel. The respondent also has a background from being an entrepreneur and has started his own companies during several different occasions.

**Focus questions**

Investing during financial crisis is when you have the best possibility to accomplish really good investments according to the respondent. During financial crisis you as an investor are able to invest in companies whose value has decreased and you might receive an overall better return. According to the respondent he has been able to carry out some of his best investments during financial crisis like the one we are seeing today. Among the factors he considers extra carefully when investing during times of financial crisis is primarily the company’s cash flow statement. If the company has been able have a positive cash flow over the last couple of years he might become interested in evaluating the proposal further. He also considers the same factors as when there is not a financial crisis, but during a crisis like this one he considers the above mentioned factor extra carefully and also the overall market risk associated with the company.

In times of financial crisis the respondent has strategies through which he aspires to increase the amount of investments. His strategy is to try to exit some of his investments when the economy is performing well and to re-invest the capital during economic downturns. However, he admits that this strategy does not always work according to plan. He continues to explain that in reality the amount of investments usually do decrease during financial crisis. However, the amount of proposals from companies looking for investors has only increased since the financial crisis started.
The entrepreneurs’ valuations of their companies are much more realistic now since the crisis started according to the respondent. The respondent explains that the market and many companies are built around much more sound values nowadays. Companies are developing as they are making profit, not like before the crisis started when companies received a lot of capital without even having tried the product on the market and so on.

The amount of ownership in the companies the respondent is investing with are at the same levels as before the crisis started and he explains that this will not change either, because the amount of ownership in the investment should not contribute to giving the entrepreneur less motivation working with the investment. The respondent usually has about 25% ownership in all his investments. The expected rate of return that the respondent is demanding is also at the same level and he usually demands a return about ten times the invested capital within three to five years. When it comes to exiting investments the respondent admits that the time span for exiting an investment may change due to financial crisis. He mentions that he is still involved in investments that he entered into 14 years ago. However even if there are effects on the overall economy he always tries to keep to his three to five year plan, but as mentioned earlier this does not always work. The amount of time that he puts into his investments are more now than before the financial crisis started. He admits that you have to take an even more active part in most investments now, and try to make them work as best as they can.

The respondent is of the opinion that all business angel investments involve a high risk. When looking at the different risk factors involved with an investment the respondent always starts with looking at the entrepreneur and if he or she is to be considered a risk factor. This is especially important in start-up companies according to the respondent. In larger companies he starts looking more and more at the overall market risk and what the competition looks like. In order to spread the risk involved with investing as a business angel during a financial crisis he tries to invest in several different companies and in different industries. He even invests in different countries to minimize the risk even more. His portfolio does contain the same amount of companies at the moment and he is of the opinion that this will not change. He tries to have about 36 different companies in his portfolio and explains that this is important in order to spread the risk as mentioned before as well as when it comes to exiting investments on a regular basis. The respondent always receives quarterly financial updates from his companies and this does not change during a financial crisis like the one we are experiencing now.

**Opinions about governmental aid**

When asked what the respondents’ opinion is about the Swedish governments support for business angel investments he explained that the attitude about business angel investments in Sweden has changed a lot during the last couple of years, and people are now realizing that these kind of investments are good for the economy and the country as a whole. The thing that makes these kinds of investments more problematic is the Swedish tax system. The Swedish tax system was also one of the reasons for why the respondent left Sweden during a period of time to pursue business angel investments based in England. He then met other Scandinavians interested in business angel investments and they started investing in Scandinavian companies as well as
other international companies but they were however based in London. The respondent was of the opinion that if the Swedish tax system would be adapted to business angel investments as well as these investments could be done in cooperation with other government institutions well then the interest for business angel investments could perhaps attract more Swedes. He mentions that the tax system in Great Britain could work as a role model for a new Swedish tax system.
5. Analysis

In this chapter we aim to connect the results from our study to previous studies’ findings in order to determine what can be reaffirmed and also what new aspects we have found. The background aspects part briefly looks at the results we found on business angel demographics and compare them to previous studies. The focus section concerns the questions related to our actual problem formulation, namely how business angels handle their investments during trouble financial times, more specifically the financial crisis today. In this section we conclude some unprecedented aspects on business angel behavior today and hence clearly account for the uniqueness of our study.

This study aims at looking at how business angels handle their investments during today’s financial crisis. We approach the study realizing the lack of a solid base of previous studies on the subject. Hence the analysis is much based on our actual results and underlined by existing theory. In this aspect our study is unique and can serve as a base for more studies on the subject.

Background aspects

The interviewees had similar background aspects and these characteristics are in accordance with Morrissettes’ table describing business angels from 2007. Our respondents were around the age 44-67 and they were all former entrepreneurs who had held managerial positions. Similarly both to Morrissette 2007 and Landström and Månsson 2006 our respondents were actively involved in their investments, they made approximately 1-2 investments per year and their investment horizon was around 3-8 years. The industry preferred was also one where the business angels held previous experience. The most common reason for turning down an investment is, according to many other studies, issues related to the entrepreneur (Mason & Stark 2004, Osnabrugge 2000). We found somewhat diverse results on this aspect; some interviewees agreed with this and stated the entrepreneur was a main reason for declining an investment. Other responses included a too low return, too high risk and not being able to be involved with the firm to the extent wished for. This shows business angels are different in their characteristics and they all value risk differently. They all have in common that they do put high emphasis on risk in their evaluation process. Osnabrugge in 1998 stated business angels compared to venture capitalists can act more on a gut feeling and this is perhaps reaffirmed by our findings as they seem to view risk differently and invest on somewhat different grounds.

When asked how many investment opportunities reached them during a year the business angels seemed to be content with the number. This shows many entrepreneurs do seek support from business angels. Our respondents did feel, however, that even though they were approached by many opportunities not that many of these opportunities were realistically operable. The unrealistically high valuation of the companies approaching them along with an unsatisfactory business model many times hinders the investment to take place. Previous studies show that the rejection rate has been high for business angel investments (Steller & Peters 2002, Riding et al 1992). This is reaffirming studies by Månsson and Landström 2006 as well as Osnabrugge 1998. One significant difference in our findings when looking
at background aspects was the fact that our respondents seem to require a higher rate of return compared to Morrissette and other studies’ findings. Our findings show business angels require a return of approximately ten times their invested money back, whereas other studies have found that business angels tend to not require an extraordinary return as compensation for the risk taken (Freeney, Haines & Riding 1998).

**Focus Section**

During the dot.com crash studies have shown that the venture capital sector more or less froze as investors suffered capital as well as confidence losses (Jensen 2002, Sohl 2003). During the financial crisis in Japan instead more investors started investing as business angels (Tashiro 1999). Articles and writings on the crash today tell a different story, that business angels see the opportunity to invest during the financial crisis (Schacter 2008, Coach & Capital). Our findings are prone to agree with the latter, that business angels do not tend to stop investing due to the negative economic climate. However, some of our respondents thought that entrepreneurs might have a harder time finding business angels now. While believing this the respondents themselves did not stop investing. One respondent stated that the economic situation within the company he was looking to invest in was much more significant for his investment decision than the overall outside economic situation. This is good news for entrepreneurs as well as policy makers as business angels are a significant actor in the economy. Our interviewees further seemed prone to follow a similar pattern as during the crisis in Japan as they all clearly stated they experienced the financial crisis today as a prosperous time to invest. They all thought business angel investing was very risky and this implies business angels are not particularly risk avert during the financial crisis. As will be more discussed further on, business angels tend to minimize the risk and in this way control the risk factor. Hence, they can take on more risk than ordinary investors. They can engage in this type of practice likely because they have sufficient experience and knowledge about investments and markets. They tend to see the opportunity and be courageous.

Our respondents did not seem to require more frequent updates from the companies invested in, their ownership share remained the same and the required rate of return is constant during the financial crisis. These results are somewhat contradictory to Jensens findings concerning the dot.com crash where he predicted these aspects would change in business angels behavior (Jensen 2002). One aspect we found which corresponds to Jensens findings is that business angels tend to attribute more time to their investments now compared to pervious good economic times. This is perhaps in order to aid and lead the investments towards more prosperity when times are hard. Jensen also predicted this is something that would happen after and during the financial crisis. Soohl also stated that many ventures during the dot.com crash failed due to the fact that they abandoned the business angel support which could have helped them with the business angels knowledge and guidance (Soohl 2003). It seems, then, that business angels during this crisis are more prone to help their investees. This implies that the business angel abandons the role as a pure financial investor and takes on a more private role as a business angel. This is something that distinguishes a business angel from a venture capitalist and is as implied by our results something especially visible during a financial crisis.
While our respondents did not seem to halter their investments they did change the ways in which they invest. This is natural and also happened during the financial crisis in Japan (Tashiro 1999). Our respondents pointed to the fact that if they would have wanted to exit during the financial crisis today they may have faced difficulties. They all stated that the problem is not to enter the investment, but rather the problem is to exit. If one holds the sufficient capital required to enter an investment the times today are a profitable time to do so, the business angels agreed. Soohl in 2003 described how many business angels did face the problem of exiting during the crash 2000, and this seems to be in accordance with our findings. A negative implication of this is that business angels in the future could be discouraged to invest as they would fear not being able to exit. Our study indicates that business angels act the opposite way and instead of being discouraged they are encouraged to invest during a troubled financial times. This is because the price of investing is more realistic and a higher growth can be expected. While our respondents stated they do see the financial crisis as a profitable time to invest they experienced it difficult to always live by these facts. Capital is scarcer and it might be difficult to actually live as you preach, especially during a financial crisis. Some of our respondents did express that they believed the market held less capital for entrepreneurs and that business angels in general invested less money now. The ideas, the will and mindset of our respondents to invest more during a financial crisis and to see the financial downturn as an opportunity is however a very optimistic phenomena. An implication of this is that perhaps an extra push is needed during a financial downturn. The business angels see the opportunity and they aspire towards it but are sometimes constrained by previous engagements or similar obstacles. The will is crucial and perhaps with some extra aid they could act more as they wished, aiding both the economy and more entrepreneurs.

Månsson and Landström in 2006 found that business angels in Sweden over time have tended to diverse their portfolios. Japanese researchers found the same when looking at the crash in the 1990s, many Japanese business angels then tended to want to diversify their investments (Tashiro 1999). In this study we found similar results. Our respondents tended to diverse their risk by investing smaller amounts of money in a larger amount of companies. Some respondents actually actively diverged their risk in this manner and some were aiming towards doing this but unable due to already being attained in a business. Our findings hence directly contradicts reports from the US where it has been found business angels invest more money in fewer companies to be able to help the firms they already have invested in. This does not seem to be the case in Sweden so far. The cause behind this difference can be attainable to many different reasons. One possible explanation is the difference of access to capital which naturally is larger in the US. Another explanation is a cultural difference; American business angels are perhaps more willing to see through their investments by providing more capital whereas Swedish business angels are more prone to help through involvement. Diversification seemed to be a major aspect within our respondents investing overall. This is likely due to the fact that they in essence look at financial return and as they invest their own money they want to spread risk. Even though they are not risk avert, as stated above, they minimize the risk to the largest possible extent. This implies they believe they can control the risk by using certain measures; creating large portfolios, being involved in the ventures, investing in industries they know and investing money they in practice can do without.
One finding from the US that corresponds to ours is that American business angels tend to co-invest as a way of decreasing risk these times. Our respondents also use this practice. This shows co-investing is a common way of reducing risk and hence is a profitable phenomena for the economy. This implies that business angels do not stop investing; rather they are innovative and tend to approach new ways to invest in order to minimize the risk involved during a financial crisis. An aspect of this is that business angel co-investing is profitable for the society as more money is being invested and more companies can continue to grow.

Our respondents clearly stated they saw investing during financial rocky times as profitable concerning the aspect that not as many firms as before are overvalued. In our bachelors thesis we found that many business angels tend to experience that many of the investment opportunities handed to them are clearly overvalued and the entrepreneurs face difficulties in realizing the actual value of their venture. This was seen as a true problem (Elfsberg & Jonsson 2007). Now times have changed and our respondents leaned towards the opinion that the ventures approaching them had a more realistic valuation. One respondent experienced that entrepreneurs were not realizing the true value nowadays but were asking for the same amount of money as before the crisis. This was seen as purely negative. These findings are something entrepreneurs should keep in mind. Overvaluation is according to the business angels a common phenomenon in the minds of the entrepreneurs. This is understandable as many entrepreneurs are believers and in truth engage deeply in their ideas. To overvalue the firm and then ask for unreasonable amounts of money is only seen as negative by the investors, however. Many business angels are former entrepreneurs themselves and a hazard could be that they as well become too engaged in the ventures approaching them and then unable to see the reality of the idea. However, this seems not be the case. From our interviews we can extract that the rate of return seems to play a too important role for the business angel to get carried away in enthusiasm and blinded by the vision of the aspiring entrepreneur. They keep it real. Overvaluation was also one of the main causes of the whole IT bubble and the crash in 2008. It is only natural that business angels experience this as a problem and it is positive for the business angel market that overvaluation diminishes when the bubble crashes.

**Governmental aid**

According to Aveitchikova 2007 the Swedish regulative climate is discouraging for business angel activity. All of our respondents agreed to this and brought up examples of measures that governments´ in Great Britain and the USA had instituted in order to increase business angel investments. Among these measures was a tax cut regarding serial investments where the business angel did not have to pay taxes for the profits he or she had made from their investments under the condition that that money was to be re-invested in a new company. That the business angels prefer the climate in Great Britain is negative for the Swedish economy in many ways. One aspect is that prosperous business angels in Sweden may move their investments abroad. Sweden would then loose out on valuable tax money and knowledge for small companies. One of our respondents had done exactly this and was now performing many investments abroad as well as investing some within Sweden. The regulative climate is also negative as potential business angels do not take that leap into becoming a business angel as the tax is too high. This is negative for the growth of small businesses in
Sweden. Also, it becomes more complicated to start a business as attracting capital is more difficult, hence fewer ventures are initiated. Sweden, as mentioned in the introduction, already has a low number of entrepreneurs (Global Entrepreneurship Monitor 2007). The implication is that Sweden is loosing its own much needed financial capacity. Another is that if fewer businesses are created the Swedish competitiveness in industry in the long run can be diminished. Obsolete products need to be replaced by innovation and business angels spur the core of innovation.

Many of our respondents are co-investing with other business angels. Studies have found that governments in other European countries are financially supporting business angel networks which then would be an option for the Swedish government too (Mason&Harrison 2002). Overall we found that Swedish business angels did not feel that they received enough support from the Swedish government and that measures like the ones mentioned above would help improve the climate for business angel investments. We found that business angels tend to co-invest during financial crises and therefore aid in this area is implied to be extra needed today. Our respondents further indicated that they believed that with more information on how to conduct business angel activities and more general support from government more people might actually engage in business angel activity. This is a valuable conclusion and can be something of great interest to policy makers, especially during a financial downturn when investors’ capital is crucial.
6. Conclusion & Discussion

*In this section we extract our main conclusions and hold a discussion on these findings. We also give some topics for future research within the field.*

This study aimed to see how business angels handle their investments during the troubled financial times today. Many detailed aspects have been found as a result, such as the fact that business angels do not tend to require more detailed or frequent updates now compared to earlier, they to some extent spend more time with their investments and they tend to diverse their portfolios in order to minimize risk. Some overall main conclusions can be drawn from our findings and we will point them out here.

The business angels in our selection were in general middle aged men, previous entrepreneurs who had managerial experience. They invested different amounts and had somewhat different investment backgrounds. A common fact found was the high rejection rate found amongst the business angels agreeing with many other studies. A high rejection rate along with many business opportunities reaching them is something which we found also in our bachelors thesis. Investing together with other business angels tended to be a common activity. They were all somewhat involved with their investments and they enjoyed investing as business angels.

One finding we have discovered is that business angels do not tend to stop investing during troubled financial times. As investors business angels tend not to be risk avert and they accept a great deal of risk. This is likely because they do not see the risk as especially hazardous and they tend to minimize and control the risk through different actions. One way is to create large portfolios and be involved in the ventures. They have great experience and they are able to use this experience in their business angel activities. This is likely a base as to why they believe they can themselves decrease the existing risk. They in general believe that today’s troubled financial times are a prosperous time to actually invest. One reason behind this is that the constant overvaluation of firms is diminished. Our respondents clearly expressed an opinion that ventures reaching them often tend to require too much money and claim unrealistic valuations of their businesses. This has been experienced as a continuous problem by business angels. In a failing market the entrepreneurs approaching the business angels seem to be more down-to-earth and they are closer to understanding the true, more realistic, value of their ventures. Naturally business angels experience this as a positive thing when investing. Another aspects making it a god time to invest was the prospect of strong future growth in the ventures. The business angels expressed a will to be a part when the market turns. Important to note is that business angels sometimes find it difficult to actually live as they preach. To some extent they believe certain activities or actions during a financial crisis are profitable but still are unable to act this way due to other constraints. A conclusion of this is that perhaps an extra aid could be needed during a financial downturn, a push towards overcoming the obstacle hindering business angels to live as they preach.

We found one problem with the financial crisis was the exit. Some business angels logically have to wait with their exit as this is not a good time to leave. This was not
experienced as a major problem, but it was mentioned as a possible problem for business angel colleagues or themselves in the future.

In general we have found business angels do not tend to be content with the regulative climate in Sweden. Some suggestions from the business angels on how this can be changed were the possible abolishment of taxes on money planned to be reinvested in a subsequent venture. Another idea was how the government could co-invest along with the angels. Yet another is for the government to take care of the business angel network operation cost in order to ease these types of gatherings and activities.

**Ideas for future Research**

One area where future research could be conducted is concerning the tax discussion. A study where business angels and different countries’ tax regulations regarding business angel investments are compared across borders would be interesting to engage in. A comparison on how Swedish business angels vs. British business angels perceive the regulative climate in respective country is one idea also worth looking into.

Another study that could be performed is on how well business angels’ investments have turned out after the financial crisis. This could be difficult to measure as business angel investments are private and difficult to attract facts about. One way to work around this problem is to look at companies business angels have invested in and compare the results of those companies to results on companies financed by primarily bank loans. Naturally companies active within the same industry would have to be selected in order to diminish disturbing factors. In this way one could see how prosperous the business angel investment actually is.

Another idea for a future study is to perform a sort of case study where many business angels are given a prospect of a firm. By looking at how business angels value the risk of that firm some conclusions could likely be drawn on how risk taking business angels in general are. The results could then be compared to results from a similar study performed on venture capitalists. By doing this one could continue on this study as we found business angels in general tend to take on a high risk.
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Intervjuguide

Bakgrundsfrågor

• Hur länge har du vart verksam som affärsängel?

• Hur många investeringar har du gjort som affärsängel?

• Ungefär hur många investeringar gör du per år?

• Hur många förfrågningar om att investera får du per år?

• Vilken är den vanligaste orsaken till att du avstår en investering?

• Har du haft en ledande befattning inom ett företag innan du startade din karriär som affärsängel?

• Har du själv startat företag? I sådana fall, inom vilken industri detta företag verksamt?

• Kön:

• Ålder:

Fokusfrågor

• När du tittar på att investera i ett företag, vad är den viktigaste faktorn du tittar på under tider av finansiell nedgång?

• Tittar du på andra faktorer då du investerar under en konjunktur nedgång jämfört med bättre tider? Om ja, i sådana fall vilka?

• Hur ser din värderingsprocess ut?

• Skiljer sig den i konjunktur nedgångar? Om ja, i sådana fall på vilket sätt skiljer den sig?

• Ökar eller minskar du antalet investeringar under konjunktur nedgångar? Varför?
• Har du fått fler eller färre förfrågningar att investera sedan konjunktur nedgången började?

• Har du märkt någon skillnad i hur mycket kapital företagen efterfrågar nu jämfört med innan den finansiella nedgången?

• Investerar du mer eller mindre kapital vid finansiella nedgångar? Varför?
• Kräver du större eller mindre delar ägande i företagen när du investerar i finansiella nedgångar?

• Kräver du en högre, lägre eller konstant avkastning på din investering under tider av finansiell nedgång?

• Ändras ditt tidspann för exit om konjunkturen är sämre? Varför?

• Följer du din strategi för exit även om konjunkturen blir sämre?

• Investerar du mer eller mindre arbetstid i din investering om det är nergångar i konjunkturen?

• Anser du att affärsängel investeringar är riskfyllda?

• När du tittar på de olika riskerna som kan vara inblandade i en investering, tittar du då mest på risken förknippad med marknaden entreprenören jobbar på eller tittar du mer på risken som är involverad med entreprenören som person?

• Utför du dina riskanalyser annorlunda nu i tider av ekonomisk nedgång jämfört med då ekonomin var stabilare? I sådana fall, vad skiljer sig?

• Hur minskar du bäst risken med att investera som affärsängel under dagens finansiella kris?

• Kräver du ekonomiska uppdateringar från företagen oftare nu jämfört innan den finansiella krisen?

• I regel, innehåller din portfölj mer företag eller mindre antal företag under tider av finansiell nedgång?

• Väljer du att investera mer i onoterade bolag under en finansiell kris eller väljer du att investera i andra medel som räntefonder osv.?

• I tider av finansiell nedgång, finns det någon speciell industri du brukar investera i? Varför?
• Väljer du att investera tillsammans med andra affärsänglar för att minska risken vid tider av finansiell nedgång?

• Anser du att regeringen gör tillräckligt för att uppmuntra personer till att agera som informella investerare? Om nej, vilka åtgärder skulle du vilja se från regeringen?

• Anser du att flera personer skulle engagera sig som affärsänglar om regeringen hade uppmuntrat detta bättre i form av mer information kring möjligheten samt i form av skattelättnader?