

Venture capital more impactful than angel investments for tech startups

October 28 2016, by Kevin Manne



Credit: University at Buffalo

Technology entrepreneurs who get funding from venture capitalists go public sooner and have more impactful innovation than those who partner with angel investors, according to research from the University at Buffalo School of Management.

Published in the *Journal of Business Venturing*, the study found that high-tech startups that received funding from [venture capitalists](#) were able to find a buyer or issue stock sooner than those that received angel investment—and the patents issued by venture capital-funded firms had greater reach.

"Angels and venture capitalists are both critical to innovation in

business," says study co-author Supradeep Dutta, PhD, assistant professor of operations management and strategy in the UB School of Management. "But it's not enough to just get a patent. You need a strong network to shape the impact of the innovation, and venture capitalists have that network."

The researchers tracked external investments in 350 technology ventures—137 by [angel investors](#) and 213 by venture capitalists—and found that the limited control angel investors have on startups may undermine their ability to influence innovation. Prior research has studied contributions from [venture capital investments](#) but has not analyzed the difference between angels and venture capitalists.

The study's authors say that angel investors bring some benefits of their own, however.

"While the stringent control rights that venture capitalists have can move startups toward success, it can also create conflict with founders," says Dutta. "Angels, who are investing their own money, tend to be more flexible and less focused on immediate financial returns, allowing longer-term experimentation."

Provided by University at Buffalo

Citation: Venture capital more impactful than angel investments for tech startups (2016, October 28) retrieved 23 April 2024 from <https://phys.org/news/2016-10-venture-capital-impactful-angel-investments.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.