

Bachelorarbeit

Abstract

Overcoming information asymmetries in the angel investment decision-making process.

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Startups display the shift from traditional manufacturing companies towards innovative and entrepreneurial business models. These young innovative companies operate in extremely uncertain environments and face above-average risk. One of the most important ways to mitigate this risk and increase the likelihood of venture success is to obtain funding. The most important source for early-stage venture financing are business angels. These individuals have to deal with information asymmetries in their decision-making process when they are considering pursuing an investment opportunity. These information asymmetries in the principal-agent relationship between business angels and entrepreneurs can be analysed within the framework of agency theory.

This paper aims at answering the question of how business angels overcome information asymmetries in the investment decision-making process. Furthermore, the challenges that arise due to information asymmetries and solutions to reduce information asymmetries and the subsequent challenges are examined.

To answer the question, method triangulation was applied. The combination of a systematic literature review and semi-structured interviews with experts showed that adverse selection and moral hazard are the two major challenges that stem from information asymmetries. Furthermore, among numerous solutions, five key strategies to overcome information asymmetries in the investment decision-making process were identified. These are specialisation, screening, due diligence, syndication and contracting.

Keywords: business angel, investment, information asymmetries, decision-making, solutions, adverse selection, moral hazard, specialisation, screening, due diligence, syndication, contracting, systematic literature review, interviews