

# Motives of habitual entrepreneur and angel investors

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## **ABSTRACT,**

**This paper aims to provide a deeper understanding of the motivation of entrepreneurs to become habitual entrepreneurs or angel investors. it also seeks to provide an explanation as to why habitual entrepreneurs and angels investors enter industries they are not experienced in. Through an extensive literature review key theoretical indicators such as entrepreneurial passion, sense of achievement, financial gain, importance of growth, social responsibility, opportunity selection was identified. a qualitative field study was conducted in which habitual entrepreneurs and angel investors were subjected to a semi structured interview. The results were interpreted via the content analysis method. It was found that habitual entrepreneurs and angel investors are not a homogenous group and although passion and a sense of achievement are identified as important motivational factors it is concluded that habitual entrepreneurs and angel investors have different motivations. The entry of previously unknown industries is largely explained by the identification of opportunities.**

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## INTRODUCTION

In recent years there has been a fast amount of research on entrepreneurial motivation (Fayolle et al., 2014; Krueger et al., 2000; Shane et al., 2003; Jayawarna et al., 2013.) While most studies treat all entrepreneurs as a homogenous group, there is a distinction to be made, there are those entrepreneurs that start a single business and there are those that start one business after the other or are involved in multiple businesses at the same time. The first are called novice entrepreneurs (Westhead & Wright, 1998), the later are what are referred to as habitual entrepreneurs. Experienced entrepreneur that have started or acquired multiple ventures are called habitual entrepreneurs (Ucbasaran et al., 2010). A similar definition is given by Westhead and Wright (1998) they define habitual entrepreneurs as individuals who have established, inherited, and/or purchased more than one business. Working in the hospitality industry I noticed that many businesses are owned or invested in by established entrepreneurs who made their fortune in another industry. These entrepreneurs are using their capital and entrepreneurial experience to start or invest in businesses in industries different from their previous expertise. There is another important distinction to be made between experienced entrepreneurs that own multiple ventures themselves, which are referred to as habitual entrepreneurs and those that use their financial resources to invest in the new ventures started by other entrepreneurs, called Angel investors or business angels. Morrisette (2007) defines angel investors or business angels as an established entrepreneur that invests his or her capital in other entrepreneurs start up. Prowse (1998) offer a more detailed description and defines angel investors as providers of risk capital to small, private firms. The provider being a wealthy individual, not an intermediary such as a Small Business Investment Company or a private equity limited partnership.

In times where traditional methods of finance are becoming increasingly difficult to secure, the market for angel investors is rapidly growing, accounting for 23.1 billion in 2018 (Sohl, 2019) and Habitual entrepreneurs contribute to 50% of all new venture starting (Ucbasaran et al., 2008s). It seems relevant to study what motivates these individuals to become either habitual entrepreneurs or angel investors and to get a better understanding of how these entrepreneurs/investors select the areas of business that they are entering.

While there is an abundance of research on the investment motivation and criteria of venture capitalists and novice entrepreneurs the research on investment motivation of angel investors and habitual entrepreneurs is rather limited. While there is a clear difference between the definition of habitual entrepreneurs and angel investors and the way they do business, many similarities between the motivation and characteristics of angel investors and habitual entrepreneurs can be identified. An intensive literature search was conducted via Google scholar, Scopus and Web of science. While in the literature on angel investors it is often noticed that many angel investors are entrepreneurs themselves (Van Osnabrugge & Robinson, 2000; Morrisette, 2007) and Westhead and Wright (1998) also note that many habitual entrepreneurs become serial business angels over

the course of their lives owning minority stakes in several businesses. I was not able to find any academic literature that directly connects the characteristics and motivation of angels and habitual entrepreneurs apart from a single paper by (Wright et al., 1998), who argue for a better understanding of different types of entrepreneurs. This paper seeks to address this research gap and to contribute to the understanding of the motivation that drives established novice entrepreneurs to become habitual entrepreneurs or angel investors, by providing an answer to the following question:

*RQ1: What motivates established entrepreneurs to become either habitual entrepreneurs or angel investors?*

*RQ2: what motivates habitual entrepreneurs and angel investors to enter the industries that they are not experienced in?*

In order to answer the research question, we will first provide a theoretical framework in which we will elaborate on the definitions, characteristics and motives of both business angels and habitual entrepreneurs. After the definitions are discussed, this paper will elaborate even further on entrepreneurial motivation and theoretical indicators are selected out of the available literature, which will provide the base of our research. In order to get a better understanding of what motivates entrepreneurs to become Habitual entrepreneurs or Angel investors and what are their motives when entering a new area of business, data is collected through a qualitative field study by the way of conducting semi structured interviews of 5 entrepreneurs/investors from the Netherlands. The collected data will be presented and analyzed using the most relevant theoretical indicators. Propositions are introduced to help answer the research question and explore future areas of research.

## 2. THEORETICAL FRAMEWORK

### 2.1 Angel investors

To start a new business an entrepreneur often needs external funding, one of the ways of getting funding is by gaining the support of a business angel. The term business angel or angel investor describes wealthy individuals that provide capital for startup companies. (Morrisette, 2007) Business angels play an essential part in funding small and medium-sized enterprises. (Ramadani, 2012) Although the information on angel investors is limited due to the unregulated nature of the funding it is estimated that the market for angel investors accounted for 23.1 billion in 2018 (Sohl, 2019). In order to make a distinction between habitual entrepreneur and angel investors we first need to have a clear picture of the characteristics of business angels.

#### 2.1.1 Business angel demographics

Ramadani (2009) reports that while the population of angel investors is diverse, the main part of the population has the same demographic features. Most business angels are wealthy male entrepreneurs, between 40 and 65 years old with either a college degree or professional credentials and invest locally. Morrisette (2007) provides a detailed overview of angel investor

demographics that are in line with those of Ramadani (2009). The most relevant criteria for the purpose of this study are age, sex, educational background, business background and geography. Appendix 1 states the complete table with angel investor demographics as identified by Morrisette (2007). Although relevant information about the demographics of business angels is essential in sample selection it tells us little about their motivation to invest. The research on business angel motivation is rather limited, much of the research that has been done investigates the selection criteria business angels use when evaluating a new investment opportunity. Investment criteria used by business angels are of foremost importance to entrepreneurs seeking the support of a business angel, as have prior knowledge of the criteria that are most commonly used can help them securing the support of business angels. Selection criteria are also deemed relevant for this paper, it is believed that the selection criteria used by an angel investor are a reflection of the underlying motivation as business angels are often motivated beyond return on investment and have non-financial motives as well (Van Osnabrugge & Robinson, 2000; Sudek, 2006; Morrisette, 2007). It is believed that selection criteria can also help explain why angel investors invest in areas of business that are quite different from their fields of expertise by revealing how opportunities are assessed by business angels

### *2.1.2 Business angel investment criteria*

In order to get a better understanding of the investment motivation of angel investors Van Osnabrugge and Robinson (2000) found that angel investors use a wide selection of criteria when assessing investment opportunities. Van Osnabrugge and Robinson (2000) identified a total of 27 investment criteria and ranked these criteria in order of perceived importance by angel investors. The 5 criteria that were rated most important are: Enthusiasm of entrepreneur, Trustworthiness of the entrepreneur, Sales potential of the product, Expertise of the entrepreneur, Investor liked the entrepreneur upon meeting. Appendix 2 states a table with the complete ranking of investment criteria by Osnabrugge & Robinson (2000). Sudek (2006) builds directly on the research of Van Osnabrugge and Robinson and identifies Passion, trustworthiness, management team and exit value as the most important investment criteria. In both the studies by Van Osnabrugge and Robinson (2000) and Sudek (2006) non-financial criteria are often perceived more important and ranked higher than financial criteria. They note that while most angel investors have the obvious financial motives, many contributed a greater value to the thrill or the fun of helping start a new venture. This is confirmed by the study of Sullivan and Miller (1996) who divided investors into three categories based on their motives. One of the investment criteria that deserves extra attention because it is one of the most discussed topics and is receiving a lot of attention in the existing literature about angel investor investment criteria, is entrepreneurial passion (Cardon, et al. 2010). Like Sudek (2006) Cardon et al. (2010) identify perceived entrepreneurial passion as an important selection criterion for angel investors. Another study by Murnieks et al. (2016) research the role of entrepreneurial passion in relation to tenacity and inspirational leadership, they also argue that perceived passion is

an important selection criterion for angel investors. Ding et al., (2014) in their study compare the difference in selection criteria between angel investors in Denmark and China. They point out that there can be significant difference in selection criteria due to social, economic and cultural differences between countries and that most of the available literature is limited to one country. They also suggest that the criteria used by angel investors are a reflection of their investment motivation.

### *2.1.3 business angel motivation*

Similar to Osnabrugge and Robinson (2000), Sullivan and Miller (1996) in their study of 214 investors found that although the most dominant motivation for investing is wealth maximization. However, they also identified other motivations that motivate a significant part of the investor population. They have identified in total three significant motivations for angel investment and have divided angels in three distinct categories based on their investment motivation:

Economic investors are investors that are motivated by wealth maximization they invest strictly for financial gain. (47%)

Hedonistic investors, those that invest not primarily to maximize their wealth but for the fun and thrill of investing. (31%)

Altruistic investors are motivated not by wealth maximization or hedonistic motives but by the will to do something selfless and help others without immediate personal gain. (22%)

The three types of investors as described by Sullivan and Miller (1996) are deemed the most useful typologies for describing the motivation of angel investors in this paper as they provide a clear distinction between the motivation of different types of angel investors. The three motivations identified by Sullivan and Miller (1996) are generally accepted and confirmed by other studies (Osnabrugge & Robinson, 2000; Paul et al., 2003; Morrisette, 2007; Ramadani, 2009). Based on characteristics and preferred selection criteria we can establish whether angel investors have economic, hedonistic or altruistic motives. Although Sullivan and Miller (1996) only studied investors, a critical analysis of the literature brings to light that quite similar motives can be identified for habitual entrepreneurs.

## **2.2 Habitual Entrepreneurs**

While in recent years entrepreneurs and their behavior have been a highly researched topic in academic literature, there is one type of entrepreneur that has received little attention even though they are estimated to contribute to 50% of all new venture starting (Ucbasaran et al., 2008). Once an individual starts a business venture, they are considered novice entrepreneurs (Westhead & Wright, 1998). While some Entrepreneurs remain novice entrepreneurs and only start one venture, there are also others that start multiple ventures over the course of their entrepreneurial career, the last type of entrepreneur is what is referred to as habitual entrepreneurs. Habitual entrepreneurs are defined as individuals who have established, inherited, and/or purchased more than one business (Westhead and Wright, 1998). Between

habitual entrepreneurs there are several distinctions to be made that might help get a better understanding of the motives that drive these entrepreneurs.

### *2.2.1 Portfolio and serial entrepreneurs*

Westhead & Wright (1998) identify Two types of habitual founders in their study comparing habitual entrepreneurs and novice entrepreneurs. Serial founders are described as those entrepreneurs that sell their original business but at a later date inherit, establish, and/or purchase another business. And portfolio founders, however, retain their original business and inherits, establishes, and/or purchases another business. Westhead and Ucbasaran (2005) use the same distinction between habitual entrepreneurs in their research on the difference between novice, serial and portfolio entrepreneurs. Dabić et al. (2021) also use the same typology and focus in their research on serial entrepreneurs, which are entrepreneurs that exit or sell their previous venture before entering a subsequent one. Dabić et al. (2021) suggest that failure and the gained experience because of this failure is in important motivator for serial entrepreneurs to try again and start another venture. They also suggest that failure in one market might lead serial entrepreneurs to enter new markets. Thorgen & Wincent (2015) make a distinction between portfolio, serial and novice entrepreneurs in their research on the difference in entrepreneurial passion between the types of entrepreneurs and suggest that habitual entrepreneurs are often motivated by entrepreneurial passion. Once the difference between portfolio and serial entrepreneurs has been established the two types of entrepreneurs can be further dissected into those that start ventures and those that acquire them.

### *2.2.2 Starter and acquirer entrepreneurs*

In order to be able to fully understand the motivation of habitual entrepreneurs another distinction must be made between habitual starter entrepreneurs, those that start multiple ventures, and habitual acquirer entrepreneurs, those that have purchased or acquired more than one business (Ucbasaran et al., 2010). Ucbasaran et al (2010) assume that habitual entrepreneurs use previously acquired knowledge as Human capital to identify new business opportunities. In their study they found that Starter entrepreneurs mentioned credibility and enhanced reputation the most valuable tool for successfully starting a business. They argue that Starter entrepreneurs are more motivated by independence and autonomy. Whereas Acquirer entrepreneurs rely more upon negotiation skills as their most valuable asset. Acquirer entrepreneurs are found to be more often motivated by the challenges of owning a business and by wealth creation.

### *2.2.3 Habitual entrepreneur motivation*

One of the topics that has received a lot of attention in the field of entrepreneurship is entrepreneurial motivation (Fayolle et al., 2014; Krueger et al., 2000; Shane et al., 2003; Jayawarna et al., 2013.). Murnieks et al. in their literature review identify entrepreneurial motivation as one of the most important factors for explaining entrepreneurial actions and behavior. While most studies treat entrepreneurs as a homogenous group in the

literature it is suggested that the motivation of habitual entrepreneurs might differ from that of novice entrepreneurs. However, many similarities in base motivation of novice and habitual entrepreneurs can be found. By combining the study of Jayawarna et al. (2013) and studies of (Westhead & Wright, 1998; Westhead & Ucbasaran, 2005; Gordon et al., 2009; Ucbasaran et al., 2010). The most relevant motivations for habitual entrepreneurs are identified:

- Financial gain
- Desire for achievement
- Growth of business
- Opportunity
- Contribution to community
- Passion

One of the most discussed motives entrepreneurs in the literature on entrepreneurial motivation is the importance of entrepreneurial passion (Sudek, 2006; Cardon et al., 2009; Thorgen & Wincent, 2015; Cardon et al., 2017) Warnick et al. (2018) research the importance of entrepreneurial passion on the investment decision of angel investors and venture capitalists. They state that there are two types of entrepreneurial passion: passion for the product and passion about entrepreneurship itself. Cardon et al. (2017) in their study identify six mayor types of passion and found that most entrepreneurs are driven by multiple passions. They identify passion for growth as the most frequently mentioned passion, which is also identified by Jayawarna et al. (2013) as a mayor motivation for entrepreneurs. The assumption that there is a difference in the type of passion that entrepreneurs experience is also confirmed by the study of Westhead & Wright (1998) where they find that novice and serial entrepreneurs show more craftsman like characteristics and portfolio entrepreneurs more manger like characteristics. Spivak et al. (2014) highlight the need for achievement among entrepreneurs and go as far as suggesting that there might even be a link between habitual entrepreneurs and addictive behavior. Studies by Ucbasaran et al., (2008) and Westhead and Ucbasaran (2005) suggest that the ability to identify opportunities and the gained experience in entrepreneurial activities is an important success factor when habitual entrepreneurs enter in a new venture or market and that this can also work as a motivational factor.

## **2.3 Theoretical indicator and propositions**

In order to give an adequate answer to the research question the most relevant theoretical indicators are selected out of the existing literature. Indicators are selected based on their applicability to both habitual entrepreneurs in all their forms and angel investors and highlight the similarities that exist between the two, furthermore indicators are selected based on the most common identified motivations in the available literature and their proven validity in multiple prior studies. The theoretical indicators are in line with the most relevant motivations of habitual entrepreneurs identified (Jayawarna et al. 2013; Westhead & Wright, 1998; Westhead & Ucbasaran, 2005; Gordon et al., 2009; Ucbasaran et al., 2010) and the three motivations as identified by Sullivan and Miller (1996). These theoretical indicators form the basis of the questions that are asked during the interview with the

entrepreneurs and investors. Out of the reviewed literature a total of 7 theoretical indicators have been selected that are deemed most relevant for determining the subject's motivation to become a business angel or habitual entrepreneur.

- Whether the entrepreneur/investor is motivated by financial gain
- Whether the entrepreneur/ investor is motivated by a sense of achievement
- Whether the entrepreneur/investor is motivated by opportunities to enter new industries
- Whether the entrepreneur/ investor is motivated by a sense of social responsibility
- Whether the entrepreneur/investor is motivated by growth of their business
- Whether the entrepreneur/ investor is motivated by passion for entrepreneurial activities or by passion for the product/industry
- Whether the entrepreneur/ investor is motivated by the thrill/fun of investing/ doing business

With the theoretical indicators as a framework on which this study will be build the following expectations are developed (see table 1)

**Table 1: Expected most important motivations**

	Portfolio starter	Serial starter	Portfolio acquirer	Serial Acquirer	Angel
Financial gain			X	X	X
Social responsibility	X	X			X
Achievement	X	X	X	X	
Product passion		X			
Entrepreneurial passion	X		X	X	X
Opportunity	X	X	X	X	X
Growth	X			X	
Fun/thrill					X

Based on the theory and the expected motivation of the different types of entrepreneurs the following propositions are developed:

*P1: Portfolio entrepreneurs are more often motivated by entrepreneurial passion than product passion.*

*P2: Acquirer entrepreneurs are often motivated by financial gain.*

*P3: Starter entrepreneurs are more often motivated by a sense of social responsibility.*

*P4: Serial starter entrepreneurs are motivated by product passion.*

*P5: Both habitual entrepreneurs and angel investors are often motivated by opportunities*

*P6: Portfolio entrepreneurs are often motivated by growth of their business.*

*P7: Angel investors are often financially motivated.*

*P8: Angel investors are often motivated by the thrill of investing in a new company.*

*P9: Habitual entrepreneurs are motivated by a sense of achievement*

### 3. METHODOLOGY

#### 3.1 method

In order to get a better understanding of what motivates angel investors and habitual entrepreneurs to invest in or start a new venture qualitative field research was conducted. Given the complex and divers concept that is human motivation and the importance of gaining deep insights in the matter the research conducted is qualitative in nature. As theory suggests entrepreneurs and business angels are a heterogenous group and the group of subjects is expected to be no different. It is also expected that there is a wide variety of motivations among the different subjects and might not be fully covered by the available theory. Qualitative research allows for interpretation and development of new ideas and gives us the Ability to probe subjects and ask follow-up questions to gain deeper insight in the subject's motivation. In order to gather data a series of interview where conducted. The conducted interviews where semi structured as to provide somewhat structure in answering the questions and sub questions but also allowed space for more in-depth answers. Participants were encouraged to give detailed descriptions of their personal experiences. The questions in the interview are based on the theoretical indicators that have been identified through reviewing the available literature. All interviews were conducted face to face in Dutch. The interviews have been recorded and are available on request via the author of this paper. Unfortunately, during the interview with entrepreneur 4 it became evident that although the entrepreneur did qualify as a habitual entrepreneur, this entrepreneur only owned ventures one industry and thus the insights he provided where not relevant for answering second the research question. More potential subjects were approached but due to the time constraint of this project no replacement was found. It was therefore decided that the data collected from E4 was still useful in answering RQ1 but was excluded when answering RQ2.

#### 3.2 Sample

A sample of 5 habitual entrepreneurs/angel investors from the Netherlands have been interviewed. All participants where between the age of 18 and 65 years old. The sample group was collected from the authors own network, acquainted entrepreneurs/investors in several different fields of business. The following information was extracted from the sample (see table 2)

**Table 2: Sample information**

	E1	E2	E3	E4	E5
<b>Age</b>	58	60	54&60	45	59
<b>Sex</b>	Male	Male	Both	Male	Female
<b>Education</b>	Mbo	Mbo	Mbo&hbo	Hbo	University
<b>First business</b>	Hospitality	Jewelry retail	Clothing retail	Hospitality	Travel industry
<b>Current business</b>	Hospitality, retail, consultancy, import	Retail, hospitality	Retail, hospitality	Hospitality	International hospitality, gym, charity

### 3.3 Analysis

Due to the limited time available for this research a limited number of subjects was found, therefore a detailed analysis of the acquired data through coding techniques is not ideal and would most likely not give us representational results. Given the abstract nature of entrepreneurial motivation an analyses technique that allows for interpretation is more suited. An analysis is carried out by analyzing and interpreting the answers obtained from the interviews. This is in the methods literature, described as content analysis, “An interpretive and naturalistic approach. It is both observational and narrative in nature and relies less on the experimental elements normally associated with scientific research, reliability, validity and generalizability. (Columbia Public Health, 2019). The most descriptive answers to the interview question are quoted and related back to the theoretical indicators that have been previously identified. This makes it possible to make distinctions between the subject in the interview and through their answers categorize them accordingly. First demographics of the sample will be mapped to see whether demographics are in line with those described in the literature (Morrisette, 2007; Ramanadi, 2009). Then the subject is categorized as either angel investor or habitual entrepreneur or both, this is done based on the answers subject give to question 7, 8 and 10 during the interview. If the subject is the owner and active in the management of their businesses, they are categorized as habitual entrepreneurs. If subjects invest in businesses and are not actively involved in the management of said businesses, they are categorized as business angels. If a subject both invests and owns/manages businesses, they are seen as both business angel and habitual entrepreneur. If a subject is categorized as habitual entrepreneur or both business angels and habitual entrepreneur further questions regarding how their business came to be are asked to determine whether entrepreneurs started their businesses themselves, making them starter entrepreneurs or, acquired their respective businesses making them acquire entrepreneurs (ucbasaran et al., 2010). By asking whether subjects are currently involved in multiple business it is determined whether entrepreneurs are seen as portfolio entrepreneurs or serial entrepreneurs (Westhead & Wright, 1998) Once entrepreneurs or investors are categorized by typology their motivation can be mapped. The subjects were directly questioned as to their motives to start their first business, this helps establish their base motivation. As to gain insight in the current motivation of the

subjects they were asked a series of questions that directly linked to the identified theoretical indicators. Subjects were asked to describe the perceived importance of financial gain, growth of their business, the importance of opportunity, the need for achievement, feelings of social responsibility and whether they were motivated by passion for entrepreneurial activities or passion for the product/industry. Based on the answers given by the subjects the different types of motivations are ranked as high, average and low. Based on the answers the propositions are either confirmed or denied.

## 4. RESULTS

A total of five entrepreneurs/investors were interview for the purpose of this research, entrepreneur 4 turned out to be active in only one industry and thus the data acquired from his interview was not useful in determining motivation of entering formerly unknow industries, however he did qualify as an habitual entrepreneur and did offer insights into his motivation as an habitual entrepreneur, therefore his data is included in answering RQ1 but is deemed irrelevant for answering RQ2. Out of the 5 subjects E1 and E5 were identified as both habitual portfolio entrepreneurs and angel investors, subject E2 as angel investor and E3 and E4 as habitual portfolio entrepreneurs. Out of the subjects classified as habitual entrepreneurs E1, E3 and E4 were classified as habitual starter entrepreneurs and E5 as habitual acquirer entrepreneur.

4 out of the 4 habitual entrepreneurs scored average on motivation by financial gain. Although all subjects identified as habitual entrepreneurs stressed the importance of financial gain none of them indicated that was their primary motive. E1” *I have always wanted to make a lot of money; I have achieved that already now the financial aspect has become less important to me but still I would never start a business if there wasn’t a profit to be made.* E5 “*I do not strive for profit maximization with my businesses, the quality of the product is more important, however I do expect a healthy and steady return.* the subject identified as only angel investor scored high on motivation by financial gain, he clearly indicated that financial gain was his primary motive to make investments. E2 “*My motives are strictly financial, with my jewelry store I never thought about building up a pension and when a friend of mine came to me with an investment opportunity that in my opinion couldn’t fail, I saw it as a way of securing my pension.*” E1 and E5 in their role as angel investor indicated that they had made investments for primarily financial reasons E5” *when acting as a business angel I invest my money through venture capital firms and my goal is to make a good return on investment.*”

Out of all subjects only E1 scored high on motivation by growth indicated that growing his business was one of his prime motivators, E1” *my goal is to see how much I can grow my businesses, with my restaurants I currently aim to grow to 10 million yearly revenue and from there we’ll see how much further we can go.*” All other subjects scored low indicating that growth of their business had only occurred through opportunities that

presented themselves and they did not actively seek to grow their businesses.

All of the subjects, E4 was excluded because of his irrelevance on the topic, indicated that opportunity was one of their main reasons of entering new markets and industries E1 *“just last week I started importing racing simulators from Italy, I met a guy while racing in a rally that was producing them. It intrigued me and I found out that there is no one else importing racing simulator to the Netherlands”* when asked about what they paid attention too when entering a new market 3 out of the 4 subjects indicated that they trusted their gut feeling and did not really conduct any research. E3 *“all our stores we opened because we saw an opportunity or others came to us with the opportunity, same goes for the restaurant when we were approached by the owners of the building, even though we have no experience in hospitality we could not resist the great location and beautiful building.”* Only E5 indicated to conduct extensive research before acquiring a new venture.

3 out of 5 subjects scored high on motivation by need for achievement they indicated that they felt a need for achievement, they explained that when their businesses and/or investment where doing well they felt that they achieved something and that they were proud of their success. E4 *“when younger I always looked up to other entrepreneurs and their achievements this made me want to achieve things for myself.”* E5 scored average on motivation by need for achievement, she explained that she did have feelings of achievement but that this was not what motivated her to do business or make investments. Only E3 scored low indicating that they were not at all motivated by the need for achievement and did not even feel proud of their accomplishment E3 *“we love the startup process and coming up with ideas and see them take shape but when the business is up and running we do not sit back and enjoy our achievements, we are almost always dreaming about the next venture or opportunity”*

4 out of 5 subjects scored low on motivation by sense of social responsibility. E2 and E3 expressed that they did feel a certain social responsibility and indicated that they were involved in some local initiatives, they admitted that this was not a something that motivated them when doing business. Out of all the subjects only E5 scored high on motivation by sense of social responsibility. E5 *“giving something back to society is very important to me, I run a foundation that supports sports and cultural activities but through my holding I also donate to charities helping the poor and under privileged”*

Each entrepreneur explicitly stressed the importance of passion as a motivator for entrepreneurship. 3 subjects identified as habitual entrepreneurs scored high on motivation by entrepreneurial passion. E1 indicated that he had only ever be passionate about entrepreneurship and the product was of less concern. E1 *“I don’t really care about using the best products or ingredients, what I feel passionate about is being entrepreneur and what it takes to run and grow business.”* E3 indicated that while their original business started out of passion over the course of their career, they had developed more passion for the actual entrepreneurship to the extent that it was now more important to them then the product.

E3 *“we have always cared about the product, and we are still passionate about the fashion industry, but we now draw more motivation from running the business then we do from the products we sell”*. E4 scored high on motivation by product passion E4 *“I started in the hospitality industry because to me it is the most beautiful industry there is, 25 years later I still feel the same, for me it is really the passion for hospitality that motivates me”* surprisingly E4 also indicated that he feels very passionate about being an entrepreneur. E2, the angel investor, indicated that the product did not necessarily matter to him but the competencies of the entrepreneur E1 and E5 in their role as angel investor also indicated that when investing they did not care about the product but about the entrepreneur, they invested in.

The results of the interview are summarized (see table 3)

**Table 3: results**

	E1	E2	E3	E4	E5
Habitual or angel	Both	Angel	Habitual	Habitual	Both
Portfolio or serial	Portfolio	-	Portfolio	portfolio	Portfolio
Start, acquire or inherit	Start and acquire	-	Start	Start	Acquire(inherit)
Importance of financial gain	Average	High	Average	average	average
Product passion	Low	Low	Low	High	Low
Entrepreneurial passion	High	-	High	High	High
Sense of achievement	High	Low	high	High	average
Social responsibility	Low	Low	Low	Low	High
Importance of growth	High	Low	Low	Low	Low
Opportunistic	High	High	high	-	High

With regard to the acquired data, we can confirm proposition 1, portfolio entrepreneurs do seem to be motivated by entrepreneurial passion more than product passion. Although entrepreneurs might have started their first business out of passion for the product once the number of businesses, they started grew the passion for entrepreneurship seems to have outgrown the passion for the product.

We cannot confirm proposition 2 because the data is conflicting. All of the subjects indicate the importance of financial gain. But there is no evidence that suggests that acquire entrepreneurs are more motivated by financial gain then starter entrepreneurs.

Proposition 3 cannot be confirmed there is no evidence that suggests that starter entrepreneurs are more motivated by a sense of social responsibility.

Proposition 4 cannot be confirmed nor denied due to the fact that there was not serial starter entrepreneur identified in the sample.

Proposition 5 is confirmed, as 3 out of the 5 subjects scored high on the importance of a sense of achievement and 1 subject scored average. There for we assume that there is enough evidence to support proposition 5

Based on the acquired data proposition 6 is denied, only one of the subjects in the sample indicated to be very motivated by growth of his business whereas others indicate that they are not motivated by growth, but that growth happened organically.

Proposition 7 is confirmed, both subjects identified as angel investors confirm that they are motivated by financial gain when acting as angel investors.

Proposition 8 is denied, there is no evidence in the sample that suggests that angel investors are motivated by the fun/thrill of investing.

Proposition 9 is confirmed all 4 relevant subjects indicated that opportunity had been the primary motivator of entering new industries and that opportunity recognition led to the expansion of their businesses.

## 5. CONCLUSION

Although most of the propositions are confirmed a straightforward answer to the first research question cannot be provided. Evidence suggests that entrepreneurs are motivated to become habitual entrepreneurs because they are motivated by passion especially passion for entrepreneurship. Based on the evidence we also assume that sense of achievement is an important motivation in becoming habitual entrepreneurs and that it can also be considered a motivational factor for angel investors, although this was not suggested in the studied literature. Evidence also indicates that financial gain is not necessarily a motive to become habitual entrepreneur but is a key factor in becoming an angel investor. Clearly habitual entrepreneurs and angel investors are not a homogenous group, and neither is their motivation to become one. The second research question is as to why habitual entrepreneurs and angel investors enter industries they have no experience in is primarily explained by their ability to identify opportunities.

## 6. DISCUSSION

The purpose of this paper was to get a deeper understanding of the motivation of entrepreneurs to become habitual entrepreneurs or angel investor and to explain the motivation these entrepreneurs and investors have to enter industries where they have no prior experience. The first thing that was noticed when studying the available academic literature are the similarities that exist between the motives and characteristics of habitual entrepreneurs and angel investors. Both habitual entrepreneurs and angel investors are often entrepreneurs that have established successful businesses and are often looking for new ways to employ their capital. The second thing that was noticed is the lack of academic literature that identifies these similarities. While in literature the typologies angel investor and habitual entrepreneur are clearly defined the difference in reality are not always so clear when an entrepreneur purchases a venture because he expects to make a good return on his investment and invests capital to improve this venture but is never actively involved in managing the business in any way. Theoretically this would make him a habitual entrepreneur but the characteristics of such a purchase are almost identical of the characteristics of an angel investor. I therefore suggest that we must think critically and make a careful assessment of the realistic situation before labeling individuals as habitual entrepreneurs or angel investors.

On the other hand, another point of discussion is the broadness of the typology habitual entrepreneur. While there exists a distinction in the different types of habitual entrepreneur, such as portfolio and serial entrepreneurs (Westhead & Wright, 1998) and starter and acquirer entrepreneurs (Ucbasaran et al., 2010) these distinctions do not comprise the full range of possible forms of entrepreneurship, an entrepreneur could very well have inherited a business while later starting and/or acquiring new ventures making him 3 types of habitual entrepreneurs simultaneously. What these different forms of habitual entrepreneurship also fail to include is the fact that in practice habitual entrepreneurs constantly transition between forms of entrepreneurship. A serial entrepreneur can easily become a portfolio entrepreneur when he decides to start a new venture while holding on to his current venture. The same goes for portfolio entrepreneurs, they might sell their portfolio of businesses only to start a new venture turning them from portfolio entrepreneurs into serial entrepreneurs. While theory paints a rather black and white picture in reality there is a whole spectrum of possibilities, and it might very well prove impossible to attribute a Taylor made motivation to all these different types of entrepreneurs through quantitative hypotheses-based studies. I therefore would like to stress the importance of qualitative studies and a more personal and situation-based approach when dealing with heterogeneous groups such as habitual entrepreneurs.

With regard to the data and the propositions it is noticeable that not all expectations as derived from the theory were fulfilled. It was most surprising to find that all habitual in the sample indicated that financial gain was a lesser motivation to them. This might be explained by the fact that habitual entrepreneurs while perhaps initially more motivated by financial gain they now are often already successful and have acquired considerable wealth making capital gain of lesser importance, this must be further investigated. It was also not found that starter entrepreneurs are more often motivated by a sense of social responsibility as is suggested in the theory, this might however be due to the size and composition of the sample, and we will refrain from making assumptions about this matter. Another surprise was the conflicting evidence for growth of the business as a motivational factor. Cardon et al. (2017) find that the majority of entrepreneurs indicate that growth of their businesses is a major motivator for them. But during the interviews most entrepreneurs indicated that they did not actively try to grow their businesses, a possible explanation could be that once a habitual entrepreneur's business has reached a certain size their need for growth diminishes, another explanation could be that once an entrepreneur has reached a certain age growth of their business becomes less important, both explanations are mere suggestions and their lie beyond the scope of this study. There was also no evidence found that angel investors are motivated by the fun of investing in this study again this is most likely due to the limitations of the sample, and we will refrain from finding an explanation.

## 7. LIMITATION

As all research has its limitations, this paper is no exception. First of all, given the time constrained on this project it has proven to



be difficult finding adequate subjects to study. Due to rather small sample, not all types of habitual entrepreneurs as identified in the literature were present. Secondly the small sample size also makes it possible that false assumptions are accepted as true. Furthermore, all subjects in this study were found in the same geographical area which might make the sample a false representation of the actual population. Another potential limitation is that due to the qualitative nature of this study and the personal experience of the author in same industry as the subject there is a risk of bias. Lastly this paper is limited by the inexperience of the author who had never conducted face to face interviews prior to this study, this might have caused valuable information to be missed or data to be misinterpreted.

## 8. IMPLICATIONS

The finding in this study contribute to findings by Westhead & Wright (1998) and Ucbasaran et al. (2008). This study also provides an important link between the motivation of habitual entrepreneurs and angels investors, it is suggested that motivations are often quite similar, this provides an orientation for future research. Furthermore, this study combines existing theories on entrepreneurial motivation and applies them to real life experiences of entrepreneurs and investors, this allows for a deeper understanding of their motivations. As implied by Murnieks et al. (2020) understanding entrepreneurial motivation is a determining factor in gaining deeper insight into entrepreneurial actions and behavior.

## 9. FUTURE RESEARCH

Due to the authors own experience in the hospitality industry and due to the fact that all study subjects were found through personal connection, the sample of this research consisted of entrepreneurs and investors that are all active in the hospitality industry. Since hospitality is generally known as an industry where passion is considered very important, future research should focus on other industries to verify if results are similar across industries or discrepancies exist. Another recommendation for future research is the change in motivation that comes from during the interviews it was often noticed that subjects started their entrepreneurial career with different motivations and that as their career progressed their motivation transitioned into new motivations. But foremost the similarities between habitual entrepreneurs and angel investors must be studied to further to gain a better understanding of their motivations.

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## APPENDIX 1

Enthousiasme of entrepreneur	1
Trust worthiness of the entrepreneur	2
Sales potential of the product	3
Expertise of the entrepreneur	4
Investor liked the entrepreneur upon meeting	5
Growth potential of the market	6
Product quality	7
Perceived financial reward	8
Niche market	9
Track record of the entrepreneur	10
Expected rate of return	11
Products informal competitive protection	12
Investors involvement possible	13
Investors strengths fills gaps in business	14
High margins of business	15
Low overhead	16
Nature of competition	17
Break-even without further investment	18
Low initial capital expenditure	19
Size of the investment	20
Overall competitive protection	21
Low cost to test the market	22
Venture is local	23
Investor understands the business	24
Potential exit routes	25
Presence of potential co-investors	26
Formal competitive protection of product	27

Source: Morrissette, S. G. (2007). A Profile of Angel Investors.

*The Journal of Private Equity*, 10(3), 52–66.

## APPENDIX 2

Demographics:	
Age	47-50 years old
Gender	85-95% male
Education	60-8-% have college degree
Net worth	Most over 1 million
Business background	70% own/manage business 83% have entrepreneurial experience
Investment size	Average 50-75.000, 85% is under 250.000
Frequency	One deal every 18-24 months
Geography	Close to home (75-85% within 50 miles)
Industry	Eclectic, prefer industry they know
Company stage	During formation stage or less than 2 years old
Sourcing	Friends and business associates
Co-investing	80-90% of deals have other angels
Due diligence	Informal, subjective, focus on entrepreneur
Contract structure	80% have simple common stock structure
Role	Hands on; meet or talk with entrepreneur several times each month; full or part-time employee 40% of time
ROI expectations	Most expect 25-30%
Holding period	Average is 5 years
Investment criteria	Focus on quality of entrepreneur
Non-financials	Thrill/fun of helping start a new company is significant motivation

Source: Osnabrugge, M. V., & Robinson, R. J. (2000). *Angel Investing: Matching Startup Funds with Startup Companies--The Guide for Entrepreneurs and Individual Investors*. John Wiley & Sons.

## APPENDIX 3

1. What is your age? 58
2. Where do you live?
3. What is your educational background?
4. What was your first real job?
5. What was the first business that you started?
6. What motivated you to start this business?
7. What businesses are you currently involved in?
8. Are you the owner of or an investor in these businesses, or both?
9. Did you start x businesses yourself or did you acquire any of them?
10. Are you actively involved in the management of your businesses?
11. What motivated you start businesses x,y,z?
12. What motivated you to invest in businesses x,y,z?
13. When starting/investing in a business what do you pay attention to?
14. How do you asses new business opportunities?
15. Would you say you are passionate about the businesses that you start or about the process of starting these businesses?
16. How important is making profit to you, when starting a new business?
17. How important is making an impact on society with your businesses to you?
18. Does starting/investing in a business give you a sense of achievement