



ANGEL CAPITAL ASSOCIATION



As a part of of ACA's Data Insights Initiative, we share useful learnings from analyzing data on angel investing and portfolio returns.

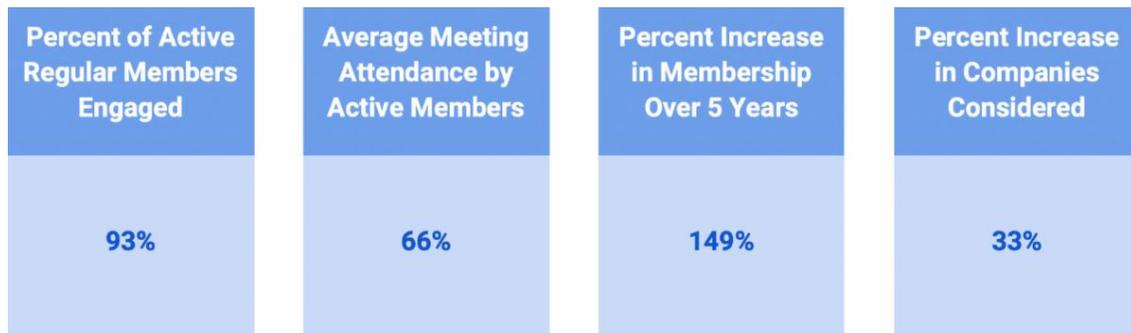
Measuring Member Engagement as Driver of Angel Group Success

Angel investor groups, similar to other volunteer organizations, are enabled by the level of the individual members' engagement. Intuitively, the level of engagement in combination with members' experience and expertise tends to be directly related to an angel group improving its investment outcomes. For the sake of clarity, Queen City Angels (QCA) is defining "engagement" as a member's commitment to QCA's success as demonstrated by their intellectual contributions and participation in activities key to the organization's mission.

"We're all flying this plane together. So, you know, it's in no one's interest to not do a good job," QCA Member-Investor.

Given the importance of member engagement to investment outcomes, this should be an area of interest that most angel groups want to better understand. -- especially since the data to track individual members' level of engagement can be fairly easily obtained, as compared with experience and expertise information which are far less quantifiable and thus more difficult to track. What level of individual member engagement, within an angel investor group, is needed and should be expected for the group to achieve their goals? Can more be accomplished simply through a greater level of member engagement and, if so, what should be the expectation for individual investor engagement?

These important questions were recently raised by an ad hoc committee of QCA members, who sought to address these issues and better understand how QCA member engagement (e.g., the Pareto Principle: 80/20 Rule) actualized. The interesting and thought-provoking questions raised by the committee prompted QCA to begin the search for answers through analyzing historical member participation data. In particular, the focus was to determine how engaged the QCA membership has been as measured by attendance at regular investor meetings; serving on deal screening or due diligence teams; participating in post investment governance activities; and/or, serving on standing QCA committees.



In an extensive research project, six-years (2016-2021) of QCA historical member participation data was aggregated and analyzed and this high-level analysis revealed:

1. The percent of active "Regular"* member engagement far exceeded the Pareto Principle in all categories that were analyzed.
2. Active membership more than doubled in the six-year time frame and the regular meeting attendance (as a percent of active members) increased by more than 25%.
3. Service on both due diligence and screening committees was broadly distributed throughout the membership. For these committees, engagement doubled over the six years considered.
4. Member engagement kept pace with the expansion of companies being considered. Despite the growing number of companies being screened, and/or moving into due diligence, and/or receiving an investment, the percent of active members' engagement per company was consistent (at a high level) over the six-year period, for all categories analyzed.

Given these findings, QCA members' engagement was higher than expected and clearly indicates a broader distribution of the workload. It also indicates more members are gaining valuable experience and developing the needed expertise to better evaluate companies coming through the pipeline. Intuitively, the level of engagement in combination with members' experience and expertise tends to be directly related to the group improving investment outcomes.



So, what impact and/or purpose has this project had on the way QCA conducts its operation? Generally, it has enabled the following:

- Allowed the organization to establish a clearer picture of what to expect from an engagement standpoint for current and future QCA members.
- Allowed the organization to plan more efficiently for handling the functional activities that are required to manage an expanding portfolio of companies.
- Provides data that can be used to benchmark QCA member activities against other angel groups.
- Provided data that can be shared with prospective new members when they ask, "how much time will I be expected to dedicate to QCA activities if I become a member?"

In the past three years, QCA has raised its largest investment Fund (\$23 million, which is more than twice its previous largest Fund) and increased membership by more than double. Additionally, QCA has increased its annual investment amount from approximately \$5M to approximately \$10M and its number of active portfolio companies has almost doubled. None of this growth would have been possible without the active engagement of its members keeping pace with the investment opportunities. Furthermore, QCA believes that its members are more likely to remain engaged in the organization if they have a direct hand in executing the important activities that allows QCA to thrive and expand.

*QCA Regular members are defined as a investor member that agrees to invest \$250,000 over the first three years of membership.

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We hope you are enjoying these Monthly Data Insights. If you have an insight (chart with narrative) that you'd like to share in a future edition, please send us your submission to insight@angelcapitalassociation.org. Our goal is accelerate learning from each other.

[Read the 2021 ACA Investor Insights Report](#)

The Angel Capital Association is your authority on angel investment information! The [Angel Funders Report](#), is the only official report from ACA for angel investment data in North America. Quality and accuracy are verified by collecting information directly from our member groups and then validated through the efforts of our data partner, Hockeystick, ensuring the most reliable information in the market today.

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