18 Questions for Evaluating an Angel Group's Progress

Background: When recruiting new members angel groups often explain how over their years of operation they have both refined their investment focus and improved their processes. Gathering the requisite data to identify warranted changes can be challenging because there are so many factors that may be interesting or even relevant, but the return on effort for collecting them may be minimal. Attachment A lists 36 such factors. However, each group should decide which handful are worth the time to collect. Ideally, all data would either confirm the wisdom of the group's current approach, or identify appropriate changes.

Before diving into data collection consider the narrative that you want to provide your potential and existing members. Your overview might have two basic components: "Numbers" (the data), and "Changes" (how your group has used the numbers to make improvements). If you collected all 36 of the Attachment A factors, then you should have what is needed to show why you have made changes since your group's inception.

However, not all facts are equally illuminating. To aid the selection of what will be most valuable to your group, you might consider which of these 18 questions below you would like to be able to answer. The first eight are "number" questions and the second ten address the course corrections your numbers have prompted you to make.

- *"Number" Questions:*

1) Since the time of your initial investment in your portfolio companies, what have been the average and median months of operations for those on which you suffered losses versus those which provided a positive return?

2) Same question, but provide the average amount of your group's investment in your losers versus winners.

3) Same question, but provide the total number of your members who invested in your losers versus winners…….and their total number of checks/rounds.

4) Compare and contrast your winners and losers in terms of the number of follow-on rounds. Does the evidence suggest you more often ducked following-on with your losers than with your winners? (***n.b.*** It is essential that the data not merely reflect whether or not a follow-on investment was made, but whether the group had the opportunity to follow-on, so was faced with a decision to make.)

5) Look at the co-investors in your winners and losers. How does your exposure compare with theirs? Are some of them wiser at not following-on with the eventual losers? Are some more adept than your group at spotting the winners and continuing to invest?

6) Do you track what happens to ventures that you chose not to invest in (i.e. your "anti-portfolio")? Have you ducked more losers than winners? Avoiding losers funded by others can be an impressive point of differentiation.

7) Explain your historic VC relationships. How many of your lucrative exits were driven by VCs? (Although you deserve to take credit for each and every success, you probably did not drive these exits.)

8) Of your winners and losers, on how many of their BODs did your members sit? Did this make a difference?

- *"Course Correction/Change" Questions:*

9) As a result of the impact your Directors have had on your positive exits, have you implemented any Director training programs?

10) Does the dollar concentration in various industries reflect your positive exit results (i.e. you have invested more dollars in the industries that have provided you superior returns)?

11) Compared to when you launched your group, are you now pursuing or avoiding any specific industries?

12) What Due Diligence Questions and processes are you currently using that you did not employ when you launched your group?

13) Compared to when you launched your group, has your focus on the stage of investees changed?

14) Compared to when you launched your group, have you changed your focus regarding the types of risk you undertake (e.g. technical, regulatory, legislative, financing, market, execution risk)?

15) Have you purposefully nurtured any special relationships with savvy co-investors (other than VCs) that others do not have locally?

16) Based on your past results from co-investing with VCs, has your process for vetting them changed over the years?

17) How do the characteristics of your typical or preferred investee differ today from when you launched your group?

18) Overall, what have been the 3 most important learnings that have arisen from your group's years of experience?