

Business Angels (english)

Vrsta: Seminarski | Broj strana: 16 | Nivo: Faculty of Economics and Business Administration

ABSTRACT

Financing is a very critical issue for the survival and development of small and medium sized enterprises. Business angels play a key role in financing small and medium sized enterprises, especially those which are innovative and with high growth potential. Business angels fill the gap between founders, family and friends on one side, and institutional venture capital funds on the other side, as a financing source of small and medium sized enterprises. Business angels invest a large amount of finance in seed, start-up and early stage enterprises.

Business angels are very important for small and medium sized enterprises because they provide more than money. They are hands-on investors and contribute their skills, expertise, knowledge and contacts in the businesses they invest in. They are wealthy persons with great business experience. They are willing to invest and offer their wealth and knowledge to owners of small and medium sized enterprises and to entrepreneurs to start or develop their businesses.

One of the attributes of business angels is that they like to remain anonymous. Due to this attribute, a lot of ideas can not be accomplished. To eliminate this, many countries establish business angel syndicates (groups) and networks. These syndicates (groups) and networks facilitate the process of matching entrepreneurs and business angels.

The term "business angels" comes from Broadway, during the end of the 19th century where the rich investors secured means to the directors to finance production of new musicals and plays. Besides financial benefits their motivations rested also in their love for the theatre and the opportunity to meet and socialize with famous actors, screenplay writers and producers. These investors secured high-risk capital and were motivated by something larger than money. Even today, screenplay writers, actors, producers and musicians often depend on the altruism of others to promote their projects and careers.

Besides Broadway, business angels became a critical source of financing risky, but promising ideas and projects. Just to illustrate, in 1874, Alexander Graham Bell used funds from business angels to found Bell Telephone; in 1903 five business angels helped Henry Ford, the automobile industry magnate with 40.000 \$; in 1977 a business angel invested 91.000 \$ in Apple Computer; in 1978 a business angel initiated the founding of the chain of markets of Body Shop. In recent times, many companies such as Amazon.com, The Mining Company, Go2Net, Firefly etc. owe their survival to business angels, to their funds and their expertise and experience (Van Osnabrugge, M. and Robinson, R. J, 2000, p.41-43)

As you can see, business angels represent a relatively new, but very interesting form of security and investment of financial means for perspective and promising entrepreneur ventures.

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