
Business angels: who they really are

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ABSTRACT:

Financing is a critical issue for the survival and development of small and medium-sized enterprises. Business angels play a key role in financing these enterprises, especially innovative ones 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. Business angels invest a large amount of money in seed, start-up, and early-stage enterprises. Business angels are 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, willing to invest and offer their wealth and knowledge to owners and to entrepreneurs to start or develop their businesses. Business angels like to remain anonymous, so many ideas cannot be implemented. To address this issue, many countries establish business angel syndicates and networks to facilitate the process of matching entrepreneurs and business angels.

KEY FINDINGS:

- Business Angels are predominately middle-aged men with above average levels of education and high net worth.
- They invest locally and their investments are personally held using their own money.
- Most have past experience with managing businesses, and they prefer to invest in privately owned companies and typically risk only 5%-15% of their assets in any one investment.
- A variety of different types of Business Angel have been identified in past research. They have a wide range of motivations for investing in new business ventures. Most do it to make money and also to have fun or assist other emerging entrepreneurs.
- They expect rates of return of around 20%-30%.
- Their main role is to assist early-stage ventures to help them through the financing gap that is typically between \$25,000 and \$500,000.

IMPLICATIONS FOR MANAGERS:

- Business Angels have assisted many well-known businesses such as Amazon.com, Apple Computer and Body Shop.
- They can be difficult to find and may be fairly private about their business activities.
- Business Angels networks are being set up in many countries to help facilitate pooled investment by Angels.
- Most Business Angels are to be found locally and via personal networks that may include other business owners, successful entrepreneurs, accountants, and other professionals.