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## THE SALVATION FOR IDEAS: BUSINESS ANGELS

The term "angel" originally comes from Broadway where it was used to describe wealthy individuals who provided money for theatrical productions. In 1978, William Wetzel, then a professor at the University of New Hampshire and founder of its Center for Venture Research, completed a pioneering study on how entrepreneurs raised seed capital in the USA, and he began using the term "angel" to describe the investors that supported them.

Angels typically invest their own funds, unlike venture capitalists, who manage the pooled money of others in a professionally-managed fund.

Professional venture capitalists get all the kudos—and most of the money—but the informal choir of business angels plays a large role in starting the innovation machine rolling. Between them, the angels form an unofficial and little-known capital market on which the future is built.

The equity gap exists because two well-trawled sources of finance no longer overlap. In their earliest stages, start-up companies typically rely on precarious financing, such as their owners' credit cards, second mortgages or cash from close contacts. There is a limit to these sources, which professional venture capitalists disparagingly called the “three Fs”—family, friends and fools.

In September 2005, one of the most successful software project Skype was bought by eBay for €2.1billion (\$2.6 billion). The deal made its Scandinavian founders, Niklas Zennstrom and Janus Friis, millionaires many times over. For their part, the earliest investors saw a huge return, 350 times or so, on their estimated €2m investment. Other remarkable achievements from BA are Google and Amazon. Much more, recently 16 years old Nick D'Aloisio received 250 000 \$ from BA for the development of the “TrimIt”. It is the special application for web-content analyzes that convert every web article into 3 sentences and now it has skyrocket popularity in the AppStore [1].

Just as theatrical angels are now less star-struck, so business angels tend to be highly professional. Many are successful entrepreneurs in their own right. Others are well-paid managers or professionals who have specialist knowledge of an industry. Like most rich people, they prize anonymity and do not broadcast their activities, which can make them as hard to dig out as the details of their successes.

And they do expect success. Typically, a business angel is willing to invest between \$25,000 and \$250,000 in each of between five and ten new ventures. They expect to make money from the spread of investments, but they also seek “psychic income”. Angels want the satisfaction of putting their commercial acumen, contacts and practical knowledge to work on behalf of talented people whom they like [2].

The right combination of people, business venture, capital and skill gives a greater chance to, not only succeed, but exceed expectations.

Business Angels Pty. Ltd. provides a central register where both angel investors and businesses find each other. The needs of the business are matched with the angels' criteria.

The process of both sides finding each other has been described as a "giant game of hide and seek with both parties blindfolded" until now. Our Business Angels database provides structure to the private venture capital market and opens up opportunities that may not have been considered. Registering with a central database offers everyone wider options.

Small and medium businesses and innovation play a pivotal role in the health of the economy. Many innovative technologies are being ignored. A Business Angel's skill and investment can increase the success of a business.

In Ukraine there is an Association of independent investors: Association of Private Investors of Ukraine – the first non-profit organization that brings together private and corporate investors in all regions of Ukraine. Their work is based on the principle of the Association of Regional Associations of investors and is based on international experience and modern approaches to the organization of investment projects.

Association "Private investors of Ukraine" is the only association of investors in Ukraine, which is a full member of European Business Angel Network (EBAN). Association of private investors in Ukraine is not an intermediary between investors and project proponents, and is an organization bringing together like-minded people who are willing to become investors [3].

Ultimately, the success of any new venture will depend on the desire of people with ideas to risk their careers and livelihoods on the promise of wealth and success. According to the Global Entrepreneurship Monitor, an annual report of enterprise, the proof of such animal spirits depends on the fear of failure and the example of successful entrepreneurs. A survey on attitudes to entrepreneurship, sponsored by the European Commission, estimated that 26% of Americans would refrain from starting a business because of the risk to income and career. This share grows to 34% in Britain and to 46% in the European Union as a whole [2].

The European Business Angel Network says there is a social dimension to this disparate result. Americans are surrounded by entrepreneurs who have "cashed out" and have lived through a full cycle of founding, cultivating and then selling their businesses only to start all over again. Angels are more likely to put up their money if the person knocking on the gate has already worked out a heavenly exit route.

## References

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3. *About association of independent investors in Ukraine [Electronic resource] <http://www.uaban.org/>.*