

Investigation of Business Angels and Issues with Innovative Entrepreneurship in the Czech Republic

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Abstract— The paper deals with the findings of a survey in the Czech informal venture capital market. The major issues considered by the project included: Who is a typical business angel in this market? What industries do the BAs invest in? What are their key motives for conducting venture capital investments? What is their perception of legal and institutional conditions for investments in the Czech Republic? What is their experience with partners, i.e. investee enterprises, universities, technology parks, business angels networks, venture capital funds etc.? The results of the survey have provided a number of unique contributions to the field, in particular how to manage and increase the development of this market for supporting innovative entrepreneurs and economic growth.

Keywords—Venture Capital, Business Angels, Entrepreneurship, Innovation.

I. INTRODUCTION

WHEN financing knowledge and technology transfer through the setting up of spin-out companies from research institutes, there is a ‘Valley of Death’ to be crossed. This term refers to a decline in the availability of financial resources for the development of innovative ideas during the research and development stage of market implementation. During the various stages in setting up a spin-out – such as proof of concept, protection of intellectual property, setting up the new company, market survey and take-off – it is no longer possible to make use of public funds.

To start the business, the first problem the founder faces is getting the starting capital. Sources for the first installment can be acquired by different ways such as self-financing by the owner, loans from friends or relatives, private stock issue, forming partnership, venture capital or angel investors [1].

However, a lack of conventional financial sources makes it difficult to set up new, technologically oriented companies and ultimately hinders the flexible adaptation of a national economy to world technological trends and, consequently, also

hinders the growth of its competitiveness.

In advanced market economies, a lack of conventional funds during this life stage of a company is, in addition to the various forms of state subsidies, covered by the use of formal and informal venture capital. The venture capital market, as a part of the private equity market, is primarily devoted to equity or equity-linked investments in young growth-oriented ventures. The venture capital market consists of two main segments: institutional venture capital (also called ‘formal venture capital’), and informal venture capital [2].

Riding [3] highlights that business angel investment is ‘the single most important source of early-stage equity capital for small- and medium-sized enterprises’ in the US as well as in other countries. Prelipcean and Boscoianu [4] see in the applications of financial innovations in SME’s financing a very important task, especially in the case of venture capital and private equity financing. They point out the critical importance of this aspect in emerging markets, where the access to funds is very restrictive.

Venture investment is always a minority form of funding, not suitable for the vast majority of businesses without exceptional growth potential over the short to medium term. Held for five years, an investment would need to rise by between four and five times its initial value to produce an internal rate of return (IRR) above 30%, a common pre-downturn target in the industry [5].

To affect the growth potential of an economy, venture capital cannot operate in isolation. Other critical factors include expenditure on research and development, quality of educational system and the range of business support for ambitious firms, such as coaching or incubation programmes [5].

Venture and development capital is traditionally associated with the USA and the UK, from where private investment in various forms began spreading around the entire world. The total VC investment for EU member countries was just under €3.4 billion in 2011. This represents a tiny proportion of the total investment in SMEs compared to other types of finance. However, there are significant disparities among the EU countries when considering total venture capital investments scaled by GDP. Nordic countries and the United Kingdom have been scoring the highest investment in venture funding. Total venture capital investment scaled by GDP in 2011

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reached 0.64 in Sweden, 0.52 in Denmark, 0.45 in Finland and 0.45 in the UK. On the contrary, this form of funding in some recent members of the European Union (Bulgaria, the Czech Republic, Romania, Slovenia, Slovakia) is still at levels low enough to make long-term sustainability challenging since below a certain level of activity the supporting infrastructure (specialist legal and accounting firms, attractiveness of market for entrepreneurs, liquidity of capital markets, scale of angel investment) becomes difficult to maintain. Total venture capital investment scaled by GDP in 2011 reached 0.01 in Bulgaria, 0.04 in the Czech Republic, 0.03 in Romania, 0.04 in Slovenia and 0.00 in Slovakia [5].

Central and Eastern European venture capital markets with a very low relative venture investment seem to experience similar macro-economic challenges like Spain and Italy. Redoli and Mompò [6] use the Ventakaraman's Vicious Cycle for explanation of the situation in the Spanish venture capital market where politicians and board directors are concerned about poor Spanish R&D results compared to other EU countries. Public R&D policies try to cut down the problem, but the result is worthless when there is lack of high quality firms that are consistent with these policies and thus lead up the transition to the desired virtual cycle. Moreover, best talent is not pushed to create new business models based in novel ideas but is driven to comfortable ones. The result is a poor deal flow because economy is based in traditional businesses and in incremental innovations rather than in new economy business either disruptive technology-based innovations or market based innovations.

The Vicious cycle can be also found in the Czech Republic in many forms. The consequence is a lack of innovative project, which are the ones capable of transforming the business environment. The venture capital is not available.

It appears that it is thus necessary to implement projects that support the development of this strategy of corporate financing, because filling this identified gap will facilitate the availability of financial resources for the creation and development of technology businesses and thereby ultimately enhance the competitiveness of the economy of the Czech Republic.

It follows from the following literature review that survey into issues associated with BAs has a tradition going back many years in advanced market economies. Under the conditions of emerging capital markets in Central and Eastern European countries, both theory and corporate practice grapple with an absence of empirical results.

This paper addresses the following issues connected with the Czech informal venture capital market: Who is a typical business angel in this market? What industries do the BAs invest in? What are their key motives for conducting venture capital investments? What is their perception of legal and institutional conditions for investments in the Czech Republic?

This paper is organized as follows. Immediately following this introductory section, the existing survey literature is reviewed. Next, the data employed and the method of analysis

are described. Lastly, the empirical findings are presented, and the paper closes with a discussion of the implications of the results for future survey.

II. LITERATURE REVIEW

This study concentrates on the provision of investments in the start-up and early stages of business enterprises by BAs; therefore the main aspects that distinguish angel investing from other forms of informal capital ('love money') have been incorporated in this literature review.

The past two decades have witnessed a worldwide rise in the importance of funding early-stage entrepreneurial ventures through business angels. This segment of the informal venture capital market has been the subject of many empirical studies in advanced market economies [e.g. 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23].

The existing studies on informal venture capital 'have typically been descriptive, focusing primarily on investor characteristics, investment activity, information channels, and involvement in investee companies in different countries including the USA, UK, Sweden, Canada, Finland, Japan, Australia, Norway, and Singapore. Common for these studies is that they have estimated the size of the informal venture capital market to be multiple times the size of the formal venture capital market. These studies have also frequently profiled a typical angel investor as a high-worth middle-aged male with entrepreneurial experience' [24].

Mark van Osnabrugge [23] conducted the first-ever detailed comparison of the investment criteria and procedures of two investor types, business angels and venture capitalists, across the full investment process the British informal venture capital market. 'Utilising data from 40 personal interviews and 262 questionnaire responses, this study empirically supports the main hypothesized notion that, although both investors reduce agency risks at all stages of the investment process, BAs place more emphasis on doing so ex-post investment (the incomplete contracts approach), whilst VCs stress doing so more ex-ante investment (the principal-agent approach). In supporting the hypothesis, empirical information is gathered about each investment stage and each investor group's heterogeneity. Possible implications of these findings are then discussed in the hope of aiding, no matter how slightly, the funding efficiency of small entrepreneurial firms.'

Brettel et al. [8] aimed their empirical study at 'gaining a deeper understanding of business angels' motivation, personality, investment preferences, modus operandi and estimates of future developments' in Germany. The study also compares its results with those in other countries. 'A total of 232 valid questionnaires (return rate of 46 %) enabled the widest sample of this area in Germany to date to be analysed.'

Other studies on informal venture capital market deal with business angel networks (BANs) providing a channel of communication between business angels and entrepreneurs who are seeking venture capital. Mason and Harrison [16] demonstrate that there are 'significant differences between

public sector and other not-for-profit BANs and private sector, commercially-oriented BANs, in terms of the investments that they facilitate in the U.K. The emergence of private sector BANs has not eliminated the need for public sector support for locally-oriented networks.'

Maula et al. [24] studied the determinants of the propensity of individuals to make informal investments in businesses owned by others. They built their survey upon two important theoretical bases. First, they employ the social psychological theory of planned behavior; second, they employ the economic theory on the determinants of demand for risky assets in household portfolios. Building upon these two theoretical frameworks, they develop a set of hypotheses predicting the propensity of individuals to make informal investments in new businesses owned by others under the conditions of The Finnish market. In their analysis they test whether the determinants of micro-angel investments are similar when investing in a business owned by a close family member versus more distant business. The findings show that the theoretical frameworks have more power in explaining investments in firms not owned by close family members. The study provides new understanding of the differences in the drivers of different types of micro-angel investments.

Riding [3] has examined the Canadian market for informal investment. It was found that 'the flow of investment from business angels was several times that of the flow of institutional venture capital. Moreover, it was found that the flow of investment from business angels was substantially greater than that from formal, institutional, sources of risk capital.' Riding [3] also points out another finding: 'business angels experienced losses less frequently and substantial gains more frequently, than did other categories of informal investor'. He warns that 'it may be counterproductive to the economy to encourage amateur informal investors, but that business angels are not amateurs'.

The literature review emphasizes the importance of the informal venture capital market for funding new entrepreneurial projects in the US and most Western European countries. However, there is a lack of empirical evidence on the Czech informal venture capital market. The only exception is the dissertation by Andršová [25] dealing with the following questions: Who are BAs in the Czech Republic? How to encourage the development of the market? Does the Czech legal and tax framework encourage the development of the market?

Therefore, in order to encourage the development of this market it is necessary to gain knowledge concerning the main characteristics of Czech business angels. This explorative survey will aid in filling in the existing survey gap.

III. SURVEY METHODOLOGY AND DATA SOURCES

The purpose of this empirical survey is to gain a greater understanding of the Czech informal venture capital market. Therefore, the nature of this study is explorative. It relies on primary data that were collected using semi-structured

interviews, i.e., it does not test a specific hypothesis. The authors explored a list of key issues to be covered. The main topics were adopted from a survey conducted by Stedler and Peters [20, 21], though personal interviews with business angels contributed to reshaping the questions.

Collecting a sample of business angels operating in the Czech Republic is a great challenge because there are no official statistics and business angels want to retain their anonymity. Therefore, only some experts' estimations exist regarding the size and characteristics of the population. The authors of this study rely on such experts' estimations and suppose there are not more than 10 business angels in the Czech informal venture capital market (Chodák, interview, Prague 9 November 2011).

The obtained sample was collected during the time period from September 2011 to January 2012. The obtained data comprise 6 business angels. The sample has been collected asking mentors at StartupYard, South Moravian Innovation Centre and Technology Transfer Office at the Czech Technical University. The sample is clearly very small in comparison to most studies in the informal venture capital market conducted abroad. However, we should consider the small degree of development of the informal venture capital market in the Czech Republic and the small amount of existing knowledge about this market.

Three business angels were willing to respond during personal interviews, the other three business angels responded by e-mail and telephone interviews. The interviews played a very important function, because the business angels could comment on the content and relevance of each question.

The interview consisted of five separate parts:

A. Questions related to personal characteristics of interviewed BAs;

B. Questions related to the investment preferences of interviewed BAs, the average value of an individual investment and its payback period and the estimated share of a successful investment project. The respondents were also asked for questions concerning reference investments, their performance and key success factors;

C. Questions related to the evaluation of the partnership between BAs on one side, and investee enterprises, universities, technology parks, the business angel's networks, venture capital funds etc., on the other side;

E. Questions related to the key motives of BAs for conducting venture capital investments;

D. Questions related to the perception of legal and institutional conditions for venture capital investments in the Czech Republic by Bas.

Most questions were open-ended. Open-ended questions allowed for the obtaining of extra information, e.g. individual opinions or comments on the subject, and may be a good basis for designing a quantitative-based survey on the Czech informal venture capital market in the future. In some cases, the questions were answered only partially. This was due either to the time-consuming nature of the interviews or by the

sensitive nature of the questions.

The following main steps were undertaken to analyze the qualitative data: After reading through the responses, response categories for each surveyed part were developed. For example, with the question asking for respondents' personal characteristics, the information was grouped into categories such as 'region of operation', 'gender', 'the respondent's current career', 'the respondent's experience with investments in unquoted enterprises', 'the inspiration leading the respondent into venture capital investments'. By dividing the responses on content into categories, the trends in the data and the main issues raised by respondents could be highlighted. The following discussion explains the data analysis results in order to draw some specific issues existing in the Czech informal venture capital market. The results are also compared with the results of similar studies conducted under conditions of well-developed informal venture capital markets.

IV. EMPIRICAL FINDINGS

Table 1 reports the results of the interviews divided by content into five separate parts (A-E). This method of data processing is suitable for highlighting common characteristics and differences and comparing survey results with other studies. Table 1 is also the basis for the subsequent discussion on the survey's findings.

A. Personal characteristics

The sample of respondents represents business angels investors – exclusively men living or working in the Czech Republic. During the data collection process, it was not possible to contact the only woman, an investor, but the growing proportion of businesswomen and female entrepreneurs in the Czech Republic presupposes their existence.

In terms of age, BAs fall into two categories: the first category of respondents are those over the age of 50, and the second are aged 30-35 years. A private investor may thus be a relatively young person (30-35 years of age) who is able to offer his know-how despite having a short professional career. In this context it is really necessary to emphasize the fact that the 'young' investors are exclusively linked to the dynamically developing field of information and communication technologies. Some of them graduated at British universities and gained professional experience abroad.

All of the contacted BAs are economically active and work in corporate management, whether for their own or a foreign enterprise. Four of the respondents work in the field of information and telecommunications technology, one respondent is active in the field of Life Science and one respondent deals with trade and catering. Survey results suggest that BAs invest in sectors in which they have acquired some know-how during the course of their professional careers, usually in positions of company management, and also in the areas of design, survey and development, marketing, trade, logistics, financial management, commercial law and

human resources. In terms of professional experience, a typical business angel is a manager (a general manager) with professional experience gained from having been in various positions of corporate management. It can be assumed that business angels play an important role not only as providers of venture capital, but also as providers of competences, e.g., 'value added' in the sense that they contribute their experience in addition to equity. The importance of the role of BAs with regard to the needs of start-up companies has been emphasized by studies such as EBAN [26]. Among other important findings is the fact that the majority of BAs in the Czech Republic are not, unlike in the US and other developed markets, 'full time' investors.

When contemplating private investments, BAs get inspired during the exercise of their profession both in the Czech Republic and abroad. While searching for investment opportunities (deal flow), an important role is played by contacts that BAs have made with domestic and foreign business partners and contacts established through social networks, blogs, and other forms of electronic communication. Survey results in this direction point out the inadequate functioning of institutionalized business angels networks and networking within the Czech Republic, which, within the conditions of developed markets, enable the necessary exchange of contacts and experience, as well as matchmaking innovative businesses with investors. Entities in the Czech Republic focused on the institutionalized matchmaking include Business Angels Czech and Business Angels Club Brno. The South Moravian Innovation Centre is also intensively active in activities regarding this field on the market.

B. Value of investments and investment preferences

BAs prefer investment projects in fields in which they have been successful as managers or owners in previous years and in which they have already built their own network of contacts. Thus, there is a correspondence between professional experience and the preferred field in terms of investment decisions. The BAs involved in this study have a greater tendency to focus their investment interests on dynamically developing business areas such as communications, computer and consumer electronics and life sciences. The dynamism of these business sectors in other European countries have been confirmed by the EVCA [27].

All of the interviewed investors consider the start-up stage to be the right time to implement capital injection; only two respondents have been interested in the past in a company going through the expansion stage. BAs do not support financing business in buyout (MBO/MBI), growth or bridge phases, which is in accordance with the definition of private capital. According to data provided by BVK [28], VC funds in the Czech Republic supported a total of 15 projects in 2010, of which seven businesses were going through the buyout stage, five companies were in the growth stage, one company in later stage venture, and only two projects in the start-up stage. It can thus be concluded that BAs and VC funds behave complementary with regard to supporting company life stages.

BAs are by definition wealthy persons who, in order to diversify risk; invest part of their assets in risk and development projects (investments in unquoted companies). The results of the survey indicate that the share of private investments in the asset portfolios of BAs in the Czech Republic are usually in the range of 10 to 30% (proportion of venture capital investments in the net worth); only one investor indicated a value higher than 50%. This share corresponds to the data published in a study by EBAN [2006], according to which the proportion of investments by BAs in unquoted businesses without family connections is around 11%. The relatively high proportion of declared wealth in the form of shares in unquoted companies indicates strong investor confidence in the success of financed enterprises and their ability to correctly evaluate investment opportunity (experienced-based due diligence).

To date, most investors have participated in the execution of 5 to 10 deals, during which time the value of the individual investments (investment per deal) range in the hundreds of thousands of Czech crowns rather than millions. That is less than shown by foreign survey, but it is necessary to take into account the fact that the low level of individual capital investment in the Czech Republic corresponds to the preferred field of business, which is the low-cost field of information and communication technologies. Stedler and Peters [20, 21] estimated an average deal size in Germany between €10,000 and €200,000. Riding [2008] reports that an average deal size in Canada was of \$113,900 in 2005. According to the EBAN study [2006], 'BAs generally invest €25,000 to € 250,000 in individual businesses – up to €400,000 in the UK'.

The BAs are in agreement that the roots of an investment's success are in a business idea that is supported by a well thought-out business plan, the timing of the project with regard to favorable conditions on the corresponding market, and the implementation team.

C. Evaluating Partnerships

The BAs indicated that their relationship with the supported businesses was generally 'good' in cases when their exit took place within a time horizon of approximately 5 years and their investment was found to be successful (i.e. the return on their investment was ensured and the desired degree of appreciation of the capital investment was achieved). The BAs also point out the importance of the personal relationship between the managers of the supported businesses and the investors at each stage of the investment.

When evaluating the investors' cooperation with other possible partners – such as universities, technology parks, business incubators, business angels networks, chambers of commerce, VC funds, public administrations and other partners – the views of the BAs significantly differ. Some investors consider cooperation with universities and business incubators to be desirable and beneficial, as 'innovative ideas are born here'. The second group of investors, however, can see only other private investors as possible partners with whom it is possible to create an informal network and share

contacts and services. VC funds (potential competitors) and public administrations (a sector placing obstacles) are perceived rather negatively. The results of the survey show that an emphasis is placed on the need to network in order to effectively manage cooperation with potential partners. Most investors are registered on the LinkedIn network.

D. Investors' motivation for conducting informal venture capital projects

The motivation of BAs is both financial and non-financial in nature. The main motive is financial and is given by the degree of appreciation of the capital investment (Return on Investment). The prevailing non-financial motive is the effort of investors to assess their managerial experience. Some of the interviewed investors also consider it important to support and cultivate the business environment within the region through their activities and they see private investment as an opportunity to become members of the wider business community. Most of the investors see private investment partly as their hobby.

With one exception, the investors are not motivated by the desire to take great business risks; on the contrary, private investments are considered as a way to diversify the risk of the investor's asset portfolio. None of the BAs are interested in a majority share of the capital stock of a supported business.

It can be concluded that the motives of the respondents toward private investment in their essential character corresponds to the motives mentioned, for example, by Stedler and Peters [2002]. Among the motives of greatest import are the investment's profitability and the utilization of their experience for the development of the company. In accordance with the literature, it has also been found that BAs do not seek to acquire a majority share of the capital stock of the financed businesses.

E. Perception of legal and institutional conditions for venture capital investments in the CR

The BAs are in agreement when evaluating the legislative framework of the Czech Republic in terms of the development of venture investing. They do not see any major legislative obstacles with regard to their investment activities within the Czech Republic. However, they did mention the instability and difficult predictability of the tax legislation here, as well as the absence of long-term government priorities in the field of science and survey. The problem is seen in the bureaucratic burden placed on enterprises by the government and in the difficulty in enforcing the law. Czech private investors would also welcome the possibility of the tax exemptions that foreign investors have, for example, in Great Britain and Italy. The importance of a public VC fund as an instrument supporting the financing of businesses is perceived rather negatively by the investors. They are particularly concerned about a possible lack of transparency regarding redistribution of the resources. A public VC fund is also considered a potential competitor to informal venture capital.

The BAs consider it important to be able to organize

themselves within networks and create a more effective system of matchmaking and networking; ideally with the use of the existing infrastructure of business incubators and technology parks.

Numerous critical comments concern those submitting business plans – innovation-bearers. The BAs describe proposed projects as ‘insufficiently prepared’; entrepreneurs ‘are generally not ready for the entry of external investors, are not willing to take risks and are also not able to enthruse investors when presenting their projects’.

If the Czech government would like to support innovative entrepreneurship or private investment, the study's results suggest that it should strive to improve tax and other legislative aspects of business that are relevant from the perspective of private investors. The Czech Republic is lagging behind in a number of these aspects in comparison to developed countries such as Italy or the United Kingdom, where both BAs and individual innovative firms have more favorable conditions for their activities.

V. SUMMARY AND DISCUSSION

This explorative study has examined the Czech market for informal investments. Under the conditions of the informal venture capital market in the Czech Republic, this study has been one of the first descriptive analyses of the personal characteristics of informal investors, the nature of informal venture capital investments and the factors influencing investment activity on the informal venture capital market. Most of the findings discussed were quite expected.

It was found that a typical business angel is a wealthy male general manager with professional and entrepreneurial experience and specialized know-how. The majority of findings is consistent with previous descriptive surveys [e.g. 10, Landström 14]. Moreover, it was found that a typical business angel is not exceptionally middle-aged, i.e., a 35-65 year-old man or woman [26]. Another category of informal investors are young predominately male investors (aged 30-35 years) with entrepreneurial experience in information and communication technologies. In this respect, the results from the Czech market survey indicate agreement with the survey by Maula et al [3], according to which ‘attitudes, experience, and skills matter more than demographics such as income, age or education in explaining the propensity to make informal investments’.

Another aspect that distinguishes BAs in the Czech market from the traditional investors that are known, for example, from the USA, is that the vast majority of domestic BAs are not ‘full time’ investors.

Another point with which the survey results match the results provided by, e.g., the EBAN study [26] are issues of financial and non-financial motives of private investors and of preferred areas of business (industries).

The fundamental financial motive of BAs is to maximize the return on their investments. The key non-financial motivation of BAs is to contribute their expertise in business management

and personal network of contacts in supporting the development of investee enterprises. BAs do not usually seek to acquire a majority equity stake in the financed enterprises. Private investment is also seen as a way to diversify investors' asset portfolios.

The results of the survey indicate that there is a correlation between a private investor's professional experience and the field in which they carry out the investment project. The focus of investment interest of the interviewed BAs, in most cases, are in dynamically developing fields of business such as communications, computer and consumer electronics and life sciences. In this point, this survey confirms the impact of venture capital on innovation mentioned by Prelipcean and Boscoianu [4]: ‘Venture capital investments add technological innovation and have a significant positive effect both on the production of patents and the creation of new businesses’.

The value of the individual investments (investment per deal) in the Czech Republic is at a lower level than provided by, for example, the EBAN study [26]. Conversely, the share of private investment in the asset portfolios of domestic BAs (10 to 30%) is, in principle, comparable with the results of this study.

The survey results further indicate that the informal venture capital market in the Czech Republic faces several major problems.

The first of them is an insufficiently developed infrastructure, especially the absence of an effective platform that would enable entrepreneurs and business angels to meet (matchmaking), and this is despite the fact that there have been associations of BAs in the Czech Republic for several years, e.g., Business Angels Czech (BA Czech), BID services s.r.o., Business Angels Club Brno, The South Moravian Innovation Centre, Central European Advisory Group, and TUESDAY Business Network. The respondents stress the need to network in order to effectively manage cooperation with potential partners. One of the prerequisites is the development of networking organizations within the Czech Republic which could represent a form of government support for the development of an informal venture capital market. Mason [18] points out the role of government intervention in the form of business angel networks (BANs) to increase the supply of early stage venture capital: ‘BANs improve the efficiency of information flow in the market by providing a channel of communication which enables entrepreneurs seeking finance to come to the attention of business angels and, at the same, time enables business angels to receive information on investment opportunities without compromising their privacy’. Skinner [29] highlights that ‘the idea of linking, communicating and networking are major contributors to a successful ICT innovation’. His study conducted among Australian investors lists many of ‘success factors’ such as quality staff and knowledge (‘the key is collaboration’) and financial support by venture capitalists.

The respondents also agree that the current tax and other legislative conditions do not sufficiently stimulate the

development of this type of investment. They highlight the need of government intervention to support and stimulate the development of the Czech informal venture capital market, for example in the form of tax relief schemes. There is also agreement over the necessity to reduce the bureaucratic burden for businesses, to decrease the amount of uncertainty in the tax system and to improve law enforcement. As to the issue of establishing a public venture capital fund (co-investment schemes) to support innovative entrepreneurship, the respondents were mainly guarded in their responses.

This empirical survey has pointed out the problem that many of the businesses seeking finance are not 'investment ready'. According to Mason [18], 'this concept encompasses all aspects of the business that relate to an investor's perception of its 'investability', including the management team skills, the clarity with which the opportunity is defined, the business model, route to market, governance arrangements and presentation'. Access the potential recipients of capital (investee enterprises) in the Czech Republic requires a change, particularly with regard to the readiness of the submitted business plans, a willingness to share information and readiness to take business risks.

As far as being able to make generalizations about the aforementioned conclusions is concerned, it is necessary to point out that the survey results are based on the analysis of primary data collected from a very limited number of respondents. It is thus necessary to view the survey primarily as a starting point from which additional studies can be carried out with a greater number of respondents in areas which appear prospective on the basis of the survey results.

Any survey results for individual areas may then be the subject of an international comparison, especially in the context of individual market regions within the CEE, or select small European economies.

Table 1. Survey results

Investor Nr	1	2	3	4	5	6
A. personal characteristics						
region of operation	ČR	ČR	ČR, U.K.	ČR	ČR	ČR
gender	male	male	Male	male	male	male
age	53	63	62	31	32	32
current career	manager	manager	manager	manager	manager	manager
professional experience (industry sector)	information and communication technologies	life science, transport telematics, health services	trade, catering	information and communication technologies	information and communication technologies	information and communication technologies
professional experience (profession)	designer of control systems in mechanical engineering	survey and development, authors of many survey studies, membership in the national register of consultants at Czech Invest	management and marketing in catering	marketing, trade, logistics, financial management, commercial law, human resources	management	management, survey and development, HR, commercial law
inspiration leading to venture capital investments	experience with doing business in the CR, personal contacts	experience with doing business in the CR, personal contacts with investors abroad	favorable investment climate in the country of investment	successful venture capitalists in the CR	experience with doing business in the CR, personal contacts with domestic and foreign investors	domestic and foreign markets, blogs
B. value of investments and investment preferences						
proportion of venture capital investments in the net worth	10-15 %	10 %	10-15 %	10-20 %	more than 50 %	less than 10 %
number of investments in unquoted companies	about ten	about five	Six	less than five	eight	between ten and twenty
preferred industry sector	information and communication technologies	life science	Trade, catering	information and communication technologies, e-commerce	information and communication technologies	information and communication technologies
stage of investee ventures	start-up, expansion	only start-up	start-up, exceptionally expansion	start-up, expansion	only start-up	only start-up
average payback period of investments	8 years	8 years	5 years	between 3 and 5 years	In some cases 1 year	up to 5 years
proportion of successful projects in total investments	30 %	20 %	17 %	n.a.	60 %	n.a.
key success factors	business idea, favorable investment climate on the market	favorable investment climate in the market, implementation team, well-developed business plan, possibility of expansion into foreign markets	timing of the project (favorable investment climate in the market)	industry growth potential (attractiveness)	timing of the project (favorable investment climate in the market)	n.a.

Investor Nr	1	2	3	4	5	6
C. evaluating partnerships						
evaluating the entrepreneur/management of investee ventures	rather positive experience in the case of successful investments, rather negative experience in the case of unsuccessful investments	rather mixed experience, co-operation with investee ventures can be described as good only in the case of one third of investments beneficial co-operation with other BAs, emphasizing the importance of networking, some critical comments on the role of universities, technology parks and business incubators	rather positive experience, however, sometimes difficult rather no co-operation with other subjects, investor emphasizes the benefits of informal networking of BAs	rather positive experience beneficial co-operation with other BAs and universities	rather positive experience emphasizing the importance of co-operation with business incubators, venture capital funds and BAs; co-operation with universities, chambers of commerce and public governance rather unimportant;	rather positive experience beneficial co-operation with business incubators, technology parks and other BAs; no or little experience with co-operation with universities, chambers of commerce, venture capital funds and public governance
evaluating the other partners	beneficial co-operation with universities and business incubators					
D. perception of legal and institutional conditions for venture capital investments in the CR						
perception of legal and institutional conditions	no significant legal barriers to the development of venture capital investment in the CR	key issues are difficult predictability and instability of the tax policy, absence of long-term priorities in the field of science and survey, incorrectly set remuneration system for science	evaluation of the legislative framework in the UK where there are no major legislative barriers for venture capital investment'	n.a.	refusing the government project of data boxes	no significant legal and tax barriers to the development of venture capital investment in the CR
recommendations on how the government could support venture capital investments	the abolition of the system of subsidies, reduction of the tax burden, support of technologically advanced domestic enterprises	reducing the bureaucratic burden on enterprises and, at the same time, improvement in the area of the enforcement of rights	system of tax relief (tax relief schemes)	n.a.	'limiting the bureaucratic burden on enterprises is a more effective way to aid business than by artificially induced and non-transparent aid in the form of public VC funds'	n.a.
government venture capital funds and their role in supporting start-ups	government VC funds and BAs are more competitors	positive evaluating of the Czech Eko System and the government seed fund as tools for supporting venture capital investments	government VC funds and BAs are direct competitors, refusing of government venture capital funds	n.a.	refusing government venture capital funds	reserved attitude to the project of a government seed fund

Investor Nr	1	2	3	4	5	6
instruments encouraging business angels for conducting investments in unquoted enterprises	effective networking, need for developing networking organizations in CZ	technology parks and business incubators providing enterprises quality service, functional Regional Chambers of Commerce, cooperation with universities, venture capital funds, networking business angels	support an entrepreneurial mindset of potential innovation players and systematic promotion of cooperation between schools and businesses so that investors have a more attractive selection of submitted business plans	n.a.	n.a.	business accelerators, whose aim is to 'accelerate the process establishing businesses in the domestic market and, ideally, in the international market as well'
perception of venture capital by investee enterprises	holders of innovative ideas, for the most part, are not ready for the entry of BAs (external investors in general) - one of the biggest problems of the Czech investment climate	innovation players are extremely risk-shy by nature, are often not able to prepare/formulate a good business plan, and generally lack entrepreneurship	the readiness of Czech start-up firms in comparison to British ones is very low, project holders are rarely able to inspire investors during initial meetings	a positive evaluation of the 'uniqueness' of business project's weaknesses are the personality of a manager and a rough business cooperation model	investors assess the readiness for the entry of a business angel and venture capital by those with innovative ideas as 'medium'	n.a.
E. investors' motivation for conducting venture capital projects						
	a high degree of appreciation of capital injection, use of managerial experience and expertise, desire to be a part of the Czech business environment, network of investors, opportunity to realize their own innovative ideas, possibility to support entrepreneurship in the Czech Republic	high rate of return on capital investments, tax aspects, potential to use managerial experience, involvement in strategic management of the company, interest in executing one's own innovative idea associated with a specific product or service, contribution to the support of entrepreneurship in CZ, transition of development to practical applications and thus demonstrate the credibility of incremental innovation	efforts to diversify business portfolio, prospect of high rates of return on capital investments, tax aspects, possibility to use one's own managerial skills acquired in the course of one's professional career, investing as a hobby	prospect of high rates of return on capital investments, effort to use acquired management experience, VC investments as a 'societal challenge', to promote the Czech business climate	prospect of high rates of return on capital investments, ability to tap into managerial experience acquired during one's professional career, perceptions of investment activities as a societal challenge by which one can implement one's innovative ideas	prospect of high rates of return on capital investments, possibility to use one's own managerial knowledge and skills, opportunity to execute one's own innovative idea associated with a specific service in the IT environment
rather important motivation for conducting venture capital investments	possibility to engage in the decision-making processes of the enterprise, social challenge, desire to take a high level of risk	n.a.	desire to take entrepreneurial risk, societal challenge, acquisition of a majority share in the supported company	acquisition of the majority share in the financed enterprises, desire to take a high business risk, aspiration to join a network, support business in CZ	acquisition of the majority share in the financed enterprises, desire to take a high business risk, aspiration to join a network, support business in CZ	tax aspects, greater share the joint-ownership, degree of risk, societal challenge, support of innovative business in CZ
rather unimportant motivation for conducting venture capital investments						

Source: Own Study

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