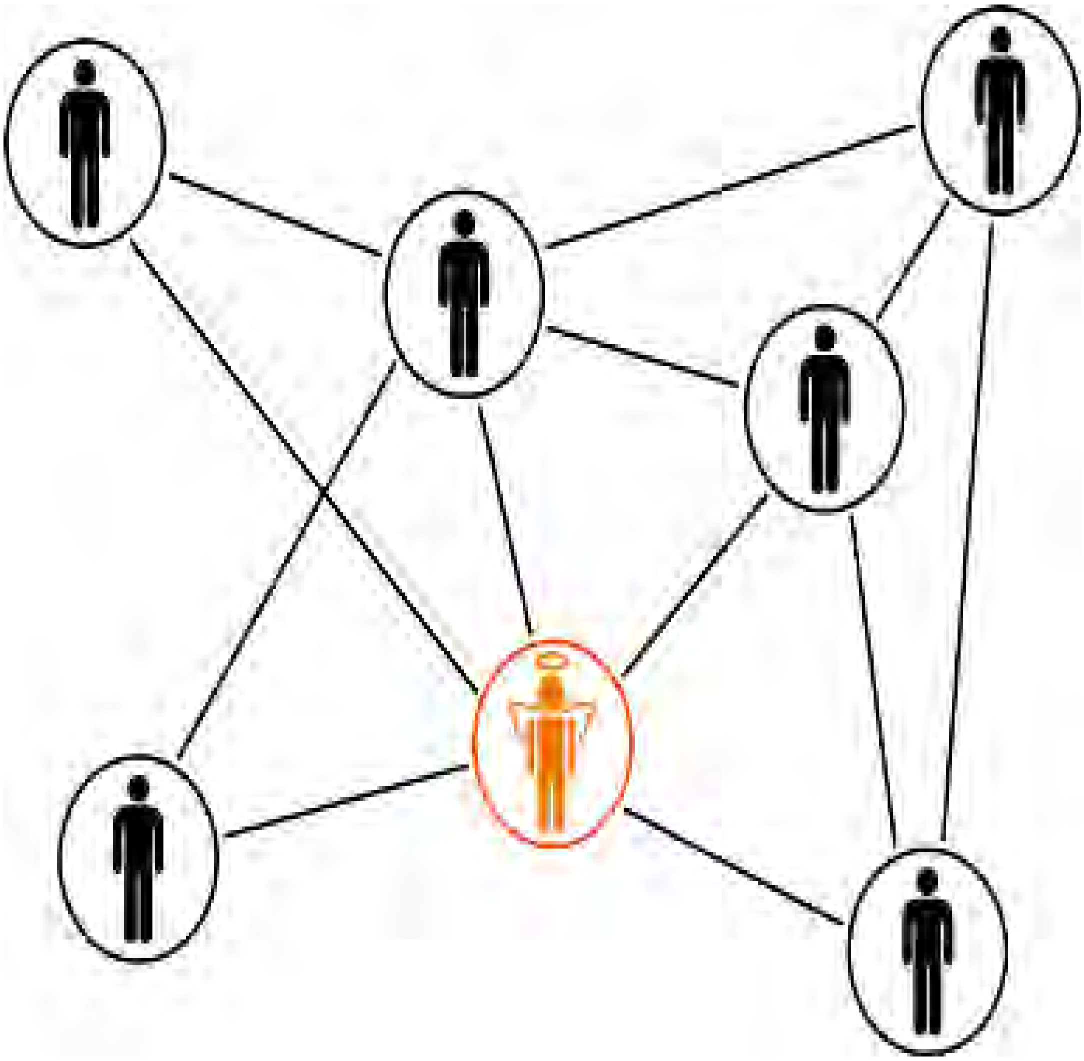
CONDITIONS FOR THE DEVELOPMENT OF BUSINESS ANGELS IN GREECE & THE IMPORTANCE OF KNOWLEDGE MANAGEMENT TO DEVELOP NETWORKS.



1.0 Abstract

Business angels appear to play a critical role in the development of new entrepreneurial ventures, in regions that are prominent examples of innovative and entrepreneurial performance such as Silicon Valley. There is limited literature on the characteristics of business angels, their role and networks.

The aim of this dissertation is to examine whether the conditions for the development of business angels exist in a Greek region, such as Thessaly. First, a review of the literature will be conducted in order to determine the characteristics of business angels, their role and the nature and structure of networking as identified in case studies around the world. Second, fieldwork will be conducted in order to determine whether there are conditions that allow the development of business angel networks in Thessaly.

Finally, an examination of policy measures and the importance role of knowledge will be conducted based on interviews with actors and stakeholders in the regional innovation system.

Οι επιχειρηματικοί άγγελοι εμφανίζονται να παίζουν ένα κρίσιμο ρόλο στην ανάπτυξη νέων επιχειρηματικών δυνατοτήτων, σε περιοχές που είναι χαρακτηριστικά παραδείγματα καινοτομίας και της επιχειρηματικής απόδοσης, όπως η Silicon Valley. Υπάρχει περιορισμένη βιβλιογραφία σχετικά με τα χαρακτηριστικά των επιχειρηματικών αγγέλων, το ρόλο και τα δίκτυά τους.

Ο σκοπός της παρούσας διατριβής είναι να εξετάσει αν συντρέχουν οι προϋποθέσεις για την ανάπτυξη των επιχειρηματικών αγγέλων στην ελληνική περιφέρεια, όπως η Θεσσαλία. Κατ 'αρχάς, μια ανασκόπηση της βιβλιογραφίας θα διεξαχθεί, προκειμένου να προσδιοριστούν τα χαρακτηριστικά των επιχειρηματικών αγγέλων, τον ρόλο τους και τη φύση και δομή του δικτύου τους, όπως προσδιορίζονται απο μελέτες περίπτωσης σε όλο τον κόσμο. Δεύτερον, επιτόπια έρευνα θα διεξαχθεί, προκειμένου να διαπιστωθεί αν υπάρχουν συνθήκες που επιτρέπουν την ανάπτυξη των δικτύων επιχειρηματικών αγγέλων στη Θεσσαλία.

Τέλος, η εξέταση των μέτρων πολιτικής και ο ρόλος σημασία της διαχείρισης της γνώσης στην περιφερειακή ανάπτυξη και στην προσέλκυση επιχειρηματικών αγγέλων θα διεξαχθεί.

Key words: Business angels, Greece, knowledge management, regional development

CONTENTS

2 Introduction

World these days is facing with new challenges which are affecting the economic and social development of regions. We need to view regions as business locations, which compete more and more for resources but also understand their need to utilise their knowledge as a development resource in order to be able to further develop.

Business angels' presence, while has not officially confirmed in Greece, plays a vital role in how competition between regions is going to "change" the entrepreneurship identity of them. These people effectively transfer their funds between areas affecting the transformation of local communities. Shane (2009) defines an angel investor as a person who provides capital to a private business, owned and operated by someone else who is not a friend or family member.

Business Angels usually focus on start-ups and early stage firms. Studies have shown that a majority of firms supported by angels "have not earned revenues when they receive funding from Business Angels" (Wong, 2002). As a result, angel-backed ventures obtain financing earlier in their lifecycle.

The originality of the topic exists since never before a research concerning business angels have been conducted for Greece and especially the area of Thessaly. Since there is limited literature, on the characteristics of business angels, their role and networks its the author's belief that the research will shed some light in the current conditions necessary to develop networks that will create new opportunities for new ideas to be fostered in the Thessaly Region.

3 THEORY

3.0 Business Angels traits and characteristics.

Business Angels (Business Angels or BA) is basically private investors who invest money and have the time, experience and expertise in SMEs with growth potential. Business angels generally have extensive experience in matters related to management and business organization, the rational management of operational resources, and marketing.

Typically, shareholders or business owners, managers, business executives, senior managers or business planning consultants and retired consultants.

Business angels usually have a dual role in the company in which they also work together. On the one hand are investors who invest their capital, with a view to financial gain, and the other an active role in that undertaking or participating in the management board by providing advice informally or, in some cases working in this part-time.

But this situation is not the norm in the market of business angels. The motives for engaging in such investments vary and differ depending on the economic situation, but also based on the personal ambitions of business angels. Thus, some of them aimed purely in economic benefit through investment, while there are others who wish to communicate and share knowledge and experience, gained from years of working with the young entrepreneurs, with a very low wage or no pay . In other words, the incentive of a business angel can occur from simple economic benefit or simply contribution to society or the local community in which they live.

Today BA’s are a valuable fundraising reservoir of knowledge and experience for SMEs, which in recent years has got a more formal character. The spread happened due to the conditions in the new economy of today which are not very favorable for the support of new businesses. Banks are reluctant to finance new business projects, particularly those thought to pose a high risk. New forms of business based primarily on 'knowledge »(knowledge-based companies) usually have less access to financial resources than traditional operations mainly due to the speed of technological development and the central role they play in business these people and ideas . Also, high-tech companies need to invest large sums well before beginning to derive revenue. Finally, the growth of capital is essential in the early stages of an enterprise for opening in major markets and the level of profit in stages are insufficient to finance its growth.

Thus, business angels come to fill the void of equity gap that exists in the equity of a company that wants to evolve. The difference between angel investors from financial institutions is precisely the "lack of formality" of investment. The realization of the investment does not involve any checks and guarantees demanded by such organizations as the dominant element in business angel investment is the personal relationship of the business angel with the entrepreneur. Of course, the size of investment in most cases is less than the one from venture capital and therefore are more affordable source of income for new SME's.

Often business angels supporting a business proposal by intuition based on experience rather than relying on a comprehensive business plan with clearly formulated long-term business goals. Thus, business angels are more tolerant to the business risk and are willing to be involved in company management offering alongside their capital and experience in organization and management of the enterprise, as well as risk management. Instead, investors (venture capitalists) usually do not wish to be involved in the daily business management and risk management and therefore prefer to invest where the risk is low and have guaranteed return of their funds.The equity financing is only part of an angel contribution to a business. Businesses have to greatly benefit from the deposit of personal experience and other administrative capacities of the angel.

The deficit management experience is perhaps the most important problem faced by start-ups and is what contributes greatly to the high rate of mortality. Thus, in the case where there is no investment businesses benefit from business angels from the transfer of experience in organization and management of a business. Moreover, business angels usually have a wide network of contacts with people from the business world and which they can use for the benefit of the new company, which they started to collaborate with.

The experience and knowledge of business angels are characteristics that are assessed by entrepreneurs as important elements in relation to the supply of capital. Especially for young companies working in the field of products and high-tech applications, these elements are fundamental and it is important to emphasize that these consulting services for strategic planning are the first thing you seek from a business angel,. Followed by the financing and networking in the business world by creating contacts and circle of acquaintances.

Business angels can contribute significantly in this area of the administration in the early days following the start of operations of a business and the administration during the first maturation. The second sentence requires a good knowledge on issues that move in the field of management science and to reduce the chances of a business failure the presence of a Business angel is an asset.

Finding a reliable angel investor is critical because you do not want someone that can create problems for you and your business later with privileged information against you. Financing Angel is more like a two-way street; it is important for investor's angel and the entrepreneur to be credible and effective but also that you can rely to them for the guidance and knowledge too. A good business angel is the one who will invest in you and your team, not only in your company. This is the kind of angels who are focused on building a relationship with other investors and organizations. Also, look forward to working with you in the long run as well.

Some of the better angel investors are those who make decisions based on the current situation and give their judgment immediately, and dont slow the process of fundraising, which is time consuming too. Look for an angel whose primary goal is to help you kick start your business and make your success his success also. That is the kind of winning attitude that you should look for in an angel investor who will invest his time to help you grow your business, bringing the experience, knowledge and skills to the table.

These business angels act as mentors to new entrepreneurs who want to become successful in the corporate world. This relationship often concludes in business angels being offered places in the board of directors. These are the people who will challenge the entrepreneur in every step to help him grow as an entrepreneur throughout this journey of building a successful business. Good business angels are those who are very supportive of entrepreneurs so much so that they will be willing to pick up the phone to help in problem situations.

There is a common misconception that angel investors wants to make money only but this is not how they think . Highly successful individual business angels are in it for the thrill of starting a new business, including difficult situations, guidance aspiring entrepreneurs and watch them become successful before their eyes. Business angels addicted to the thrill and adrenaline rush they get from tasting success again and again by investing in various startups .

3.1.0 Why Angel's Knowledge is a resource for companies and regional development

We need to understand what knowledge is initially to understand the huge role that Business Angels existing in an area , a company can bring to the regional development of a country .

The resource of knowledge is also becoming increasingly significant in regional policy. For example new regional policy in Switzerland is according to Roland Scherer et Klaus-Dieter Schnell(2008) "treading new ground with the establishment of a regional development knowledge management system and considerable amounts of public funding are being invested in this scheme".

Initially we need to analyze what is knowledge; *Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms.*

(Tom Davenport and Laurence Prusak, 1998)

Unfortunately, there's no universal definition of KM, just as there's no agreement as to what constitutes knowledge in the first place. For this reason, it's best to think of KM in the broadest context. Succinctly put, KM is the process through which organizations generate value from their intellectual and knowledge-based assets. Most often, generating value from such assets involves sharing them among employees, departments and even with other companies in an effort to devise best practices. It's important to note that the definition says nothing about technology; while KM is often facilitated by IT, technology by itself is not KM.

(Megan Santosus and Jon Surmacz, 2001)

Knowledge can be divided into explicit, tacit, implicit (Figure 1.0)

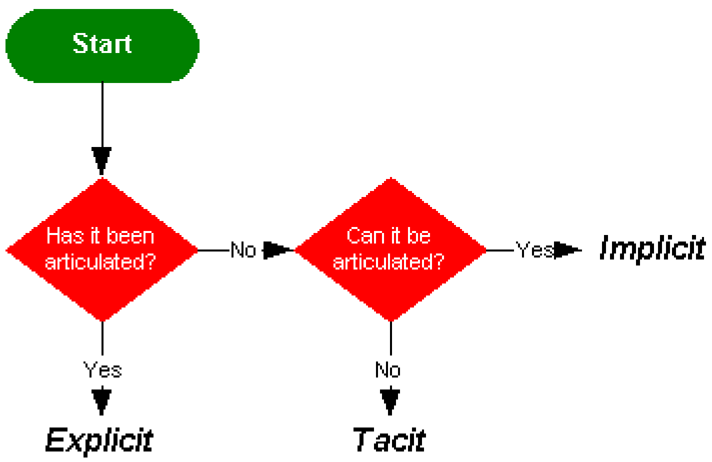


Fig 1.0

According to Nonaka and Takeuchi (1995) "Explicit knowledge can easily be "processed" by a computer, transmitted electronically, or sorted in databases"

While as suggested by Nonaka and Takeuchi (1995) tacit knowledge "*is highly personal and hard to formalize, making it difficult to communicate or to share with others. Subjective insights, institutions, and hunches fall into this category of knowledge. Furthermore, tacit knowledge is deeply rooted in an individual's action and experience, as well as in the ideals, values, or emotions he or she embraces.*"

Implicit Knowledge can be defined simply "as knowledge that is not explicit. It could be said that Implicit Knowledge is that which hasn't yet been put together either by expression, concept development, assumptions that lead to principles, or through analysis of facts or theory"[1].

3.1.1 How understanding knowledge helps a company?

By understanding where the knowledge in a company exists we understand the company's culture, which is the personality of the company. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of company's members and their behaviors (Carter McNamara, 2000). An effective company culture can help people to gain greater interpersonal, team leadership and motivational skills.

Any company's staff needs to be aware of the personality the company has establish in order to be capable of accepting change and compete successfully against the most dynamic industrial forces in the world. Lord Sainsbury in his speech back in 2003 is stating that "Only then the company can create new opportunities for all those who want to innovate and create new business, whatever their job and in whatever region of the country they work." (Lord Sainsbury, 2003)

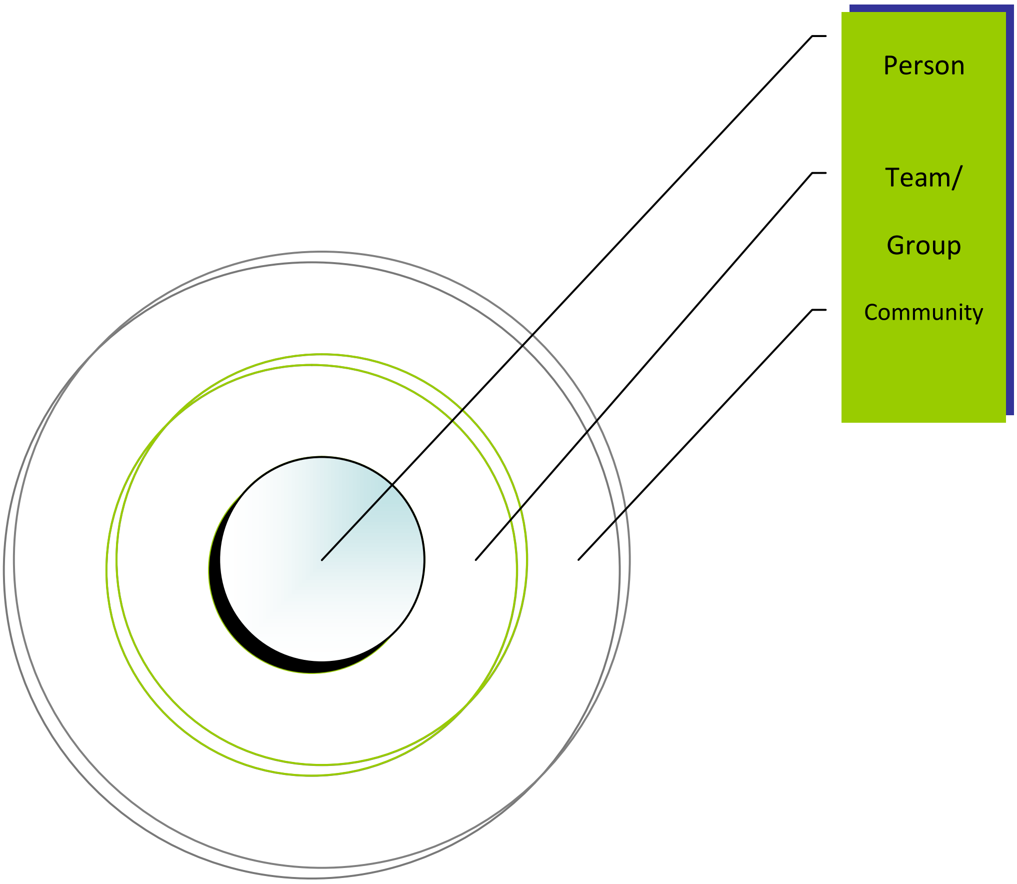
3.1.2 Corporate culture

We need to be aware of the difference in culture when we are talking about applying human resource practices in an organisation. Central to this cultural approach is "that societies/countries are conspicuously different from each other and that this distinctiveness is reflected in the way that organizations are managed" (Olie, 1995). It is the fact that "management and organization cannot be isolated from their particular cultural environment" (Journal of Cross Cultural Management, 2004).

Also we are going to analyze Knowledge management in different levels that

[1]http://it.toolbox.com/wiki/index.php/Implicit_Knowledge

exist based in the work of Ian Cunningham. A tree ring analysis showing approach will be the key aspect of our analysis. We are going to examine how Greek companies operate in regions to explain that approach.



Person level: There is not enough attention paid to the individual level. The companies only want to recruit personnel that has only the technical skills and not any other skills causing conflicts in the structure of the organization and in the team working process

Group/team level: One of the key problems was the political power that was entrusted to small groups of individuals and we witness high power play in place. People didn't look forward seeing the changes in the market and thought that the existing monopoly will continue to drive their businesses. Also in some companies there is a gap in the communication and in the sharing of knowledge between the managers and workers (working outside the organization). Even when workers delivered tacit knowledge in form of reports, to improve the efficiency of the organization the managers were neglecting to look at them or discuss the findings.[2]

Community Level: We are again witnessing that SME's in Greece tend to fail to recruit from communities that have similar culture and knowledge. This is based in the assumption that people would be absorbed by the organization values and will fit in the knowledge environment after a short period of time. This had as a result that no ties with local communities could be present to improve the image of the organizations and SME's and limited creation of knowledge that is critical to all staff throughout the companies exists.

3.1.3 Knowledge in Team working

It is imperative to separate what we call individuality and group individuality. The slim line between these terms is perhaps the reason of confusion in a group coherence and performance. In the end of the day what defines a group structure is nothing else but perhaps a random idea of a person who might influence the group only at the initial stage. Also the theory of motivation comes into practice and especially the needs for esteem and self-fulfillment, higher order needs, which can be difficult to be satisfied if the member needs to do a routine job due to the group function.

So once again we are facing with a conflict about the role, like Porter and Lawler emphasize about role perceptions, “The individual wants are good for the organization (the ‘bigger’ group) only if the correspond to the needs of that organization. It is when groups should set goals that even if they are difficult they can help motivating the group further because individuals , when they agreed (According to Latham and Locke,1979) in performing certain goals the results are better than performing easier goals.

[2] Main conclusions were drawn from a field research made few years back in companies such as OTE and SME in the area of Volos.

3.1.4 Knowledge in recruiting

Because the Greek culture is associated with strong family values and bonds this is influencing the recruiting of people and there is a tendency to employ people that are known to them. It is more possible that will employ people not because of the selection methods but because of recommendations. To support the above argument due to a research from Myloni (2004) in the Journal of Cross Cultural Management it was stated that “Greek firms will be less likely to use standardized selection methods and make more use of references and recommendations than MNC[3] subsidiaries”. This can be seen as a direct discrimination but due to nature of the social environment it is being ignored and can only be heard as an informal complaint. Internet recruiting is also another sector that in the last years significant efforts are being made to encourage people to use it (in form of doing tests, internet interviews etc.)

3.1.5 New ways to share knowledge

It is what Nonaka (1995) argues that competitive advantage is founded in the ability of companies to create new forms of knowledge and translate this knowledge into innovative action.

In terms of organization culture and how tacit and explicit knowledge is transferring SME and bigger companies in Greek regions we have to use what Robert SternBerg(1997) calls “Group IQ”, which is a “product of not only the sum of group’s intelligence but the sum of the group’s social skills. Intelligence without social skills or social skills without intelligence-handicap a group severely” (Golemen, 1995)

So if a person can’t use his own skills and intelligence then the group is likely to fail. That is the reason why managers of companies that exist in regions, should be aware and understand, that the use of every person’ strength will produce better results helping in reaching companies goals.

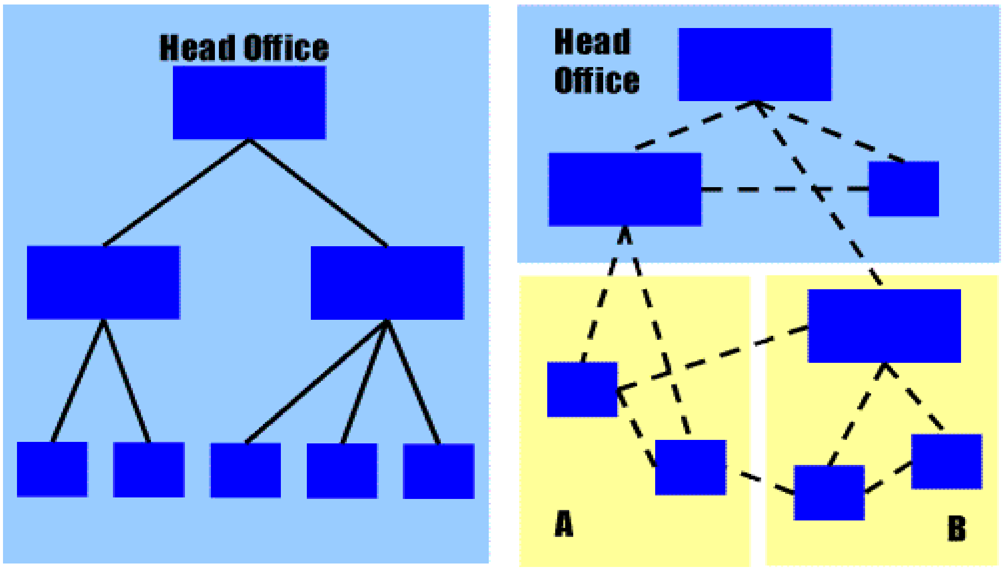
[3]The term stands for Multinational Corporation

The above argument was a major problem for a lot of companies that acted and still active in Greece since until recently they have failed to create a framework for their staff to share knowledge. Because of the nature of the hierarchical organization structure (Fig 2) there was a problem sharing knowledge between top manager level and low level personnel. For example when the staff was going to seminars to learn about a new program so they could come back and use it in their office, they never had a forum (database) to provide feedback about the course or their learning experience. The staff most of the time had questions after starting using the new software but they were unable to ask anyone. This was mostly shown in Greek companies such as OTE which experienced some degree of privatization after being public companies (Leousis, 2005)

Another problem was, that because of the restructuring in these organizations , by hiring new staff, the new staff could not find out the information of how to use software and had to rely on the old personnel who as we mentioned before had questions of their own. The managers that knew how to use this software because of lack of communication and delegation of their duties never had time to share their knowledge. By introducing a new KM platform it is the author's belief and hope to move from a hierarchical organization structure to a more networked organizational structure as seen in the figure below (fig 2)

Fig 2

Figure 2.1 Before Change Figure 2.2 after change



Possessing a KM platform with documents and knowledge base content that can be uploaded and use by staff provides some of the typical advantages that a KM approach of knowledge sharing is bringing to a company; higher levels of internal communications, increase effectiveness and project management consistency. Employee performance is also enhanced because employees witness and understand their contribution to the value chain when knowledge is managed. This helps to encourage their loyalty and adds to their value in the companies, motivating them to cooperate in teams and to share their knowledge throughout the organization.

Eagerness about the process is growing as employees see what is called “Km’s potential to leverage untapped competence and expertise” (Leousis, 2005). Kristin M. Johnson (2008) is also mention that successful adaptation of knowledge management from companies or organizations “will realize a competitive advantage for strategic innovation. These organizations will benefit by being positioned to establish themselves as market leaders in various practices”

3.2 How Regional Innovation fits in here?

What is innovation?

Is the conversion of knowledge and ideas into a benefit, which may be for commercial use or for the public good; the benefit may be new or improved products, processes or services.

(Jon Erlendsson, 2005)

Regional companies are trying to use Knowledge innovation , which can be define as "Knowledge Innovation is the creation, exchange, evolution and application of new ideas into marketable goods and services for the success of an organization, the vitality of a nation's economy, and the advancement of society as a whole" (Amidon, 1993). Companies widely believe that they need to change now so that they can make a big difference to the way they operate by taking risks, seizing opportunities, train and encourage staff, restructure systems and processes. Of course in exemption to the above statement are cases that include companies that are used to ensure consistency, repeatability and efficiency of current processes and products they need to look for new ways to encourage and force innovation.

3.2.1 To manage knowledge and how companies benefit from it

Knowledge management is helping organizations and companies to understand the way they operate and potential opportunities that exist. It takes a more closer look in comprehending the staff needs and wants so that it can recommend suitable solutions that will help the organization to gain a competitive advantage and an improve position the market.

It provides a framework that managers can use to minimize the risk involve in a decision. The time to reach a decision is also smaller and faster results are expected.

- Identify important information, lessons learned, and tacit knowledge
- Enable people to share what they know and create new knowledge
- Capture best information and useful facts in a form that other people can use in the future

3.2.2 Regional development, location and knowledge system how they all link.

When we discuss about regional development, studies has shown that economic success of a region is based a lot in how it use its resource of knowledge. Richard Florida was writing that knowledge-intensive capitalism in regions played a major role in creating knowledge. More precisely he used the term “learning region” (Florida, 1995). Discussions around the learning regions are describing the capacity of locations to continuously “adapt to changes in regional and global environments by permanently re-configuring their economic structure in order to sustain competitiveness “[4]. So we go back to our paper question in how regions effectively use knowledge as a resource in achieving this.

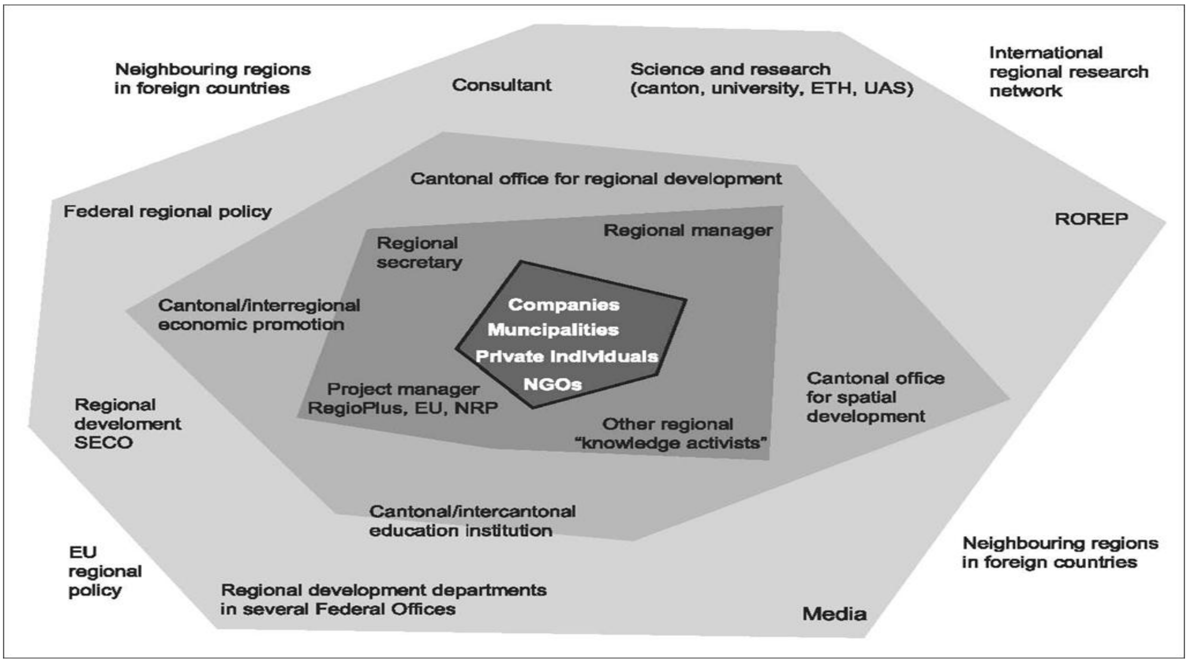
We mentioned in the above paragraph about locations. A common issue we notice is that locations and regions are frequently not even aware of their knowledge capacity; how much they miss or where to get this knowledge which of course does not hold a constant value. In addition locations and regions need to have a system of knowledge management on track and constantly (companies included in that notion) running, so they can react to changes and be viable in the long run. As Schuppel(1996) is mentioning that half lie period , “which is the time passes until only half of knowledge on hand is still up to date”, of university level knowledge to be at 5 years while for technological and statistical knowledge to be at 1 to 2 years.

In this moment its worth mentioning that with the term knowledge system we are including various parts linked together, which depend on each other. It’s an open social system which according to Schnell, Held & Scherer(2005)[5] various parts are connected in a “network and are dependent on one another and which is defined by the knowledge-exchange relationships between its members”. This includes a variety of players who can hold or transfer knowledge to a specific system such as e.g. regional development or agriculture and come from various fields such as government, areas of business, culture, education and science. All of them constitute an informal knowledge system which is held together by similar fields of interest and areas of responsibility. This of course are not the only players since we have others such as entrepreneurs, tourism specialists, municipalities, private individuals which are the users or getting benefits from the officeholders involved in actively shaping the strategic and operative activities of the regional association.

In the picture below we are seeing that in case of Switzerland its regional development knowledge system is including a lot of forces and supporters of the

[4]Source: Florida R., 1995. – “Towards the learning region”. Futures, Vol. 27, N° 5. pp. 527-536.
[5]Cross reference from STRAUF, Simone, WALSER, Manfred, SCHERER, Roland “How to improve the regions’ ability to learn? Processes of formal and informal learning as an impetus for regional development”

regional knowledge basis of a specific region. In order to pass and share this knowledge this can be achieved by learning and communicate this learning to individuals so they create their own business (therefore add directly to the economic development of a region). Learning can also help persons and institutions to monitor or "supervised the projects and activities of other regional actors."[6]. We can examine both individually and see how they develop allowing therefore an informal learning (life activities and how they apply) instead of formal learning (e.g. university)



Schnell, Held & Scherer(2005)

Passing on and sharing knowledge and creating skills means learning. Learning can, in principle, pursue two aims in the area of regional development: on the one hand is the learning of content which is communicated to help individual actors conduct successful business activities themselves and hence contribute directly towards adding value and towards economic development. On the other hand the learning of content can be communicated in order to enable persons and institutions to initiate and supervise the projects and activities of other regional actors.

[6]Source : Scherer (2008)

Since both learning processes pursue different targets, it may be effective to take a look at each of them individually and to allow them to develop separately. In this case learning is not carried out in educational facilities and on courses (formal learning); instead it is for all intents and purposes carried out in everyday life or in specific applications (informal learning). This is always something that if it done effectively can help regions to use their resource of knowledge to help their regional development

We mentioned Switzerland earlier because author believes that its example can be followed in Greece in some extent. In Switzerland the target group is consisted of "primarily regional managers, business promoters and project managers who initiate and supervise regional development processes. This aims at putting the explicit and implicit knowledge available to those involved in Switzerland to specific use and exchanging such knowledge. "[7] . How you handle network management is a key role to the whole procedure, since implicit knowledge is usually not well share between persons due to culture and methods used. It is important to have the necessary tools to facilitate this exchange of knowledge as mentioned earlier.

Therefore the necessary skills need to be created that will increase innovation activities in region. Education plays an important role in here by supporting and train people by providing them with necessary education. Improvements in technology also can assist in sharing explicit knowledge and as mentioned in the case of companies above a regional development knowledge platform will greatly help in sharing and exchanging explicit knowledge. Linking what we said above about networks is also applied here. As Enkel, Rumyantseva,Gurgul (2002) say "wide-ranging experience with knowledge management systems in the world of business shows that this function cannot simply be replaced with electronic knowledge systems" so it is important various actors establish contact between them through successful network management.

[7]Source : Scherer (2008)

4 Interviews

It is important to notice the limitations of the interviews. That all three of people being interviewed asked not to send any written questionnaire back but to discuss the questions and more issues over the phone, skype and from meeting them in person while they were in Greece . They also asked due to personal reasons, that their identities to remain hidden but details about their life could be included to help this dissertation. Also we need to identify that only one of the three is Greek and from the area of Thessaly while the other 2 live abroad, but have previously invest in Greek companies and visit Greece quite often . The interviews took place last year before the Greek elections (2015) so a lot of the things mentioned could have change.

4.1 Person A

4.1.1 Description & Personal Details

Person A was a 38 year old male. He had been active as a business angel for 3 years. He is currently running his own companies where he is actively working as the CEO. During his career, he has started about 4 companies and been involved in seeking founding for many more.

The interviewee described a business angel as a person that has knowledge. By knowledge meant a person who has knowledge from doing business for quite a while before starting his business angel investing career. He based his response in the fact that the most important thing is the contribution someone makes to to the company so the company can start earning its own funds, and not the actual money that an angel is investing.

The respondent stated that he has invested around 60 % of his funds for business angel purposes and the other 40 % on the trading of stocks. He went on to explain that he was active in all his investments as a business angel, but in some cases he was more of a silent associate.

4.1.2 Investment traits of Person A

He uses the Internet a lot to find information about his future investments but he believes that most of the business angels find their investments trough formal or informal networks.

During the last year it had received around 7 investment proposals from different companies and 2 of them from Greek companies .He also mentioned that it was easier to invest if there was a boom in the economy due to the fact that he was using his own private capital during the investment. Another aspect, reported was the reason to close an investment was the amount of work that it would take to finalise the investment. He had rejected investment due to limited time to get involved. This was also a common element for the disposal of an investment referred to by his colleagues in the network.

How important is his network can be shown by the fact he had invested approximately 60% of his equity by simply following other investment channels. Mostly he is being contacted to invest in a company and the The first thing that he is looking at when a potential investment possibility arose was the entrepreneur leading the company, and how well he connected with the entrepreneur. Since a business angel is also there to help develop the company and is willing to contribute so a good connection between both parties is important. If the interviewee was to become interested in the investment the entrepreneur had to show a strong willingness to sell his own product. By this, he meant that the entrepreneur must possess a strong drive for selling his product on the market. The second thing that he looked at was the product and the potential in the product. He favored products that were in his own area of expertise. He did not consider that the business plan was that influential when it came to evaluating a possible investment.

Concerning the questions asking if he used any particular financial models, the Person answered that it is very difficult to use financial models as a business angel due to the fact that the companies most often do not posses any financial history which can be taken into consideration when deciding on investing or not. This is because business angels invest in companies that are very young. Person A only invested in businesses within industries he had experience from and in which he had contacts he could use to help develop the business. He also stated that in the future he would always invest in sectors he had experience from, and that would not change.

He furthermore answered that he relies on his insticts when making most of his investments. Nevertheless, he also concluded it is important to be aware of the risks that an investment brings and it is important that the both the entrepreneur and the business angel are aware of these risks. The interviewee told us that a common problem among entrepreneurs looking for investors is that most entrepreneurs overestimate their own company's abilities and do not hold a realistic view of the company´s ability to grow.

We asked him what qualities he considered important for an entrepreneur to posses in order to attract him to invest, and he explained that the ability to sell was the most important quality for an entrepreneur to have. For the Person to even consider an investment he held the prerequisite of a market- and sales oriented entrepreneur. The entrepreneur had to have substantial selling capabilities, but also had to be humble in his approach. The interviewee stated that another important issue for him before considering an investment was of course trust; that he could always trust the entrepreneur behind the product.

The investee stated that if he invests in a company he always wants to be active within that company, and as a rule he is active in the company by being a board member. He also wants to contribute to the company he invests in, and that is generally done by contributing with contacts within the industry the company operates in. The Person mainly had experience from the Telecom industry, and he stressed that contacts are very important in this business. He also wants to contribute with leadership to the companies he invests in. With his experience as a former CEO he believed that he could contribute in a good way in that sense.

A typical investment for Person A lasted between 3 – 5 years. The exit from the company was normally carefully planned. When exiting, the interviewee together with the entrepreneur either decided to sell parts of the company or the whole company. As mentioned earlier, the Person had in this case, however, the last saying of whether or not to sell. So, if he should decide that he wants to sell the company, then the company must be sold or the entrepreneur has to buy the part of the company that the investor owns. However, the Person felt it is important that his part is sold to a person, or a company, that can take care of it and can keep developing it.

4.2 Person B

4.2.1 Description & Personal Details

Person B is 53 year old female. She had been active as a business angel for the last 11 years. Her last active position in a company was as the CEO of that firm. She has during her career started more than three company and is currently partner in a firm.

The Person described a business angel as a person with a lot of capital to invest in unlisted companies. It is also a person distinguished by investing in an early start-up phase of the company. The interviewee also stated that a business angel is a person who invests some of her or hers capital on the stock exchange. It is a person that is characterized for spreading capital risks. She also felt that a business angel is someone who contributes with more than just capital to the company, but someone who also contributes with knowledge and experience.

She points out that most business angels are very skillful entrepreneurs themselves and have succeeded with their own companies, which has lead to that they have capital to invest in other companies. She also pointed out the difference between business angels and venture capital companies; Business angels invest and manage their own capital, and therefore they can make quicker decisions when it comes to investing in a new company or not. This is a big difference between business angels and venture capital companies, she stated.

4.2.2 Investment traits of Person B

The Person said that she finds most of her investment trough formal networks such as business angel networks. The other investments she has found have been located trough informal networks and contacts. She has never used the internet as a source for finding potential investments. The interviewee claimed that she makes one to two investments per year, and stated that she has not experienced any large changes in how she invests. She receives about ten new investment offers every year.

The interviewee answered that she was affected by macroeconomic factors such as changes in interest rates and recessions and booms in the economy. She stated that it is always more difficult to handle the cash flow when there is a recession in the economy. She went on and explained that some of the capital in the company may be loaned capital from banks or from other institutions, which is then affected by the changes in the economy and this must be taken into consideration.

However, generally these companies are in such an early stage of development that they are not very affected by how the worlds' financial market changes. But she stressed that you should not disregard these issues entirely, as they may affect the financial construction of the company and most often lead to an overall slowdown of the economy.

She invested very small amounts of her capital on the stock market and said she prefers to invest her capital in start-up companies because she likes to be a part of the journey most start-up companies do. It is more fulfilling to be able to be a part of the development in a new start-up than investing the capital in stocks and so on.

The interviewee did not really have any specific expectations on the return on her invested capital; she never mentioned a specific figure. She explained that she invests in such and early stage of development that it is hard to say anything about the return. For her it's more important to see the bigger picture of the company.

On the question if the Person contacted the companies she invested in, or if she in turn was contacted by them, she answered that she was contacted. When she is contacted by a company that wants him to invest, she always starts to look at the entrepreneur and the business idea.

Her evaluation process of the potential investment is most often conducted in a way that she starts to look at the business plan and the company's business model. She explained that it is always comforting to have a business plan to look at first. After that she looks at the people behind the company and tries to establish an opinion about them and if they are suitable for her investment. She also looks at how much capital the company is asking for, and if she believes it to be a reasonable amount for this kind of investment. If the company is in an early start up phase she also likes to look at the idea of the company, and why this idea should work for this particular company, and why no one else could sell this idea instead of them? The interviewee continued to explain that investigating the idea and the competition, if someone else can produce the same service or product as you do, works a starting point for the evaluation. If it shows that someone else holds a lot more capital than you and can go trough and compete with the same idea, it is very easy to be killed by competition, so to speak. The Person concluded with saying that these mentioned factors are very important when evaluating a potential investment. When asked, she pointed out two things she looked most at when evaluating investments and that was the people involved in the company and the business idea. She also felt that it is very common that entrepreneurs overestimate the value of their own company.

The interviewee stated that she does not use any specific financial models for evaluating a potential investment. She claimed there is no use to even consider those sophisticated models because start-up companies do not have any financial facts to contribute with, due to the fact that they are still too young. The only financial figures one can look at are the yearly results and the cash flow. By the use of those figures you can do some kind of prediction of how the company may evolve. When asked if her own instinct plays a role when making the investment decision, she agreed that they do matter to a large extent.

4.3 Person C

4.3.1 Description & Personal Details

Our third Person was a 51 year old male. He had been active as a business angel for the last 8 years and during that time the amount of investments made had varied. He had now been running his own startup for almost 1 year. The Person had during his career also helped other people start up companies. He estimated that he had helped start up somewhere around 4-5 companies.

The interviewee described a business angel as a person who should also have knowledge about the industry that he or she wants to invest in. He believed that some obstacles in the development of a company could be overcome by contributions of capital. He stated that some business angels operate mostly by the use of money and hopes that the company will develop anyway, but that is only a way to lose money in the long run.

According to this person, a business angel does not have to be alone when investing in a company. If he wants to be the sole investor or not depends much on how the company is structured and if there are certain areas in which the company needs extra help, such as marketing or finances and so on. If that is the case, then he believes it can be good to divide the risk with another investor who has knowledge of that sector.

4.3.2 Investment traits of Person C

This Person most often finds his investments trough informal contacts. He told us there are not that many people who are involved in companies as business angels, so if a company is interested in attracting a business angel they most often know who might be interested. This Person explained that, most often the companies were come looking for him, but at the same time if he had a high interest in the industry he wanted to invest in, then he would also ,"might", find a potential investment on his own. The interviewee also stated that he does not use the internet as a source to find potential investments, because he feels his interest depends a whole lot on the person behind the company, and the character of the entrepreneur is hard to estimate over the internet.

Last year the interviewee did two investments, and during the coming year he hopes to do another one or possibly three. He claimed that he had some good potential investments coming towards him. On the question if there had been any changes in how he invests during the years he answered that there have been some. When he first started as a business angel he was very eager on investing in many companies, but over the years, he has become more alert when it comes to investing. He believes he has much higher requirements on investments today, and this is because he has learned from previous investments. He feels he is now more cautious when it comes to investing. The interviewee claimed that he received about 15 to 20 offers for investing in new companies per year.

The Person said that his desire to invest in new companies is affected by macroeconomic conditions. Aspects that might have an effect were interest rates and recessions and booms in the economy. He explained that if for example the stocks on the stock exchange were increasing in value then it would be foolish not to invest in those stocks instead. However, he pointed out that investments made as a business angel could be of interest even if there is a recession or a boom in the economy, it all comes down to the specific company and the specific entrepreneur. If the entrepreneur is skilled and the product is excellent, it does not matter if there are disorders in the economy.

The interviewee invested about 25 to 30 % of his capital as a business angel. He pointed out that when you invest as a business angel you must take into account the fact that the invested capital is tied up in the company for a much longer time compared to other investments. The Person also said that how much you invest as a business angel depends on how willing you are to take risks.

The Person does not have what he called a demand for a certain percent of return from each investment. He said that he makes an estimation of what he keeps for himself and does not reveal this information to his investees. He told us it is meaningless to tell the investees his estimation of a return because it is impossible for the companies to live up to it any way. However, of course, he wants more than just the money back on an investment, he stated.

He must have some knowledge about the product or the service that the company is selling. After he has looked at that aspect of the company, he continues to look at the person behind the company, the entrepreneur. He prefers to meet with the person running the company and then he can create an opinion of whether or not the company is interesting for him. After that, he tries to do his own research on the company and see if the timing is right for the company to grow or not. He always looks at the prerequisites that the entrepreneur displays, the market forecast and so on. Then he accounts for the competition on the market, and he said that according to the entrepreneur there is never any competition, but there always is. There are some control points, which the Person said he always looks at before starting to crunch numbers and calculating.

He regarded the business plan as important when evaluating an investment and deciding if he is going to invest or not. However, it does not have to be the first thing he looks at.

The interviewee said it is customary for entrepreneurs to overestimate their own companies; however it is not that strange that they do so, it would be stranger if they did not. They have generally invented the product and if they do not believe in it, who will? The interviewee concluded that therefore it is very important to ask critical questions when evaluating a potential investment. Some entrepreneurs can handle those questions, while others cannot. Those who cannot are no longer interesting for me to invest with, the Person said while noticing that he is not always right but the entrepreneur must be able to handle these questions if he wants to do business with him.

5 ANALYSIS

All the interviewed business angels said they usually leave their investments within a certain time frame. . Two interviewees stayed with their investments for 3-5 years, one for 5 years, and another from 2 years to indefinitely. The Person who stated he stayed from 2 years to indefinitely also said that sometimes the reality is harsh and the business angel cannot exit even if he wants to. Of course, his goal was to be able to exit. Business angels do tend to invest during a limited time period (Isaksson 2000), and this was reaffirmed with our findings.

When I asked the business angels how important a potential exit route was for them, the responses were that it is crucial. This can perhaps be a lesson learned the hard way by business angels, and therefore they now require a fixed plan for how they will exit in the future.

Our study reaffirms these findings. If the investors do not see a future exit, they do not invest. Three Persons clearly stated the importance of a fixed exit strategy. To be involved within a firm forever is not what business angels do, and therefore the exit is naturally important. One Person, however, stated that there hardly ever is a fixed plan for how the exit will take place, but did feel the importance of being able to exit.

One thing that was of some new interest to us was the fact that three of the business angels felt that entrepreneurs often value their firms too highly. Two interviewees even claimed that the entrepreneur never can see the competition and the market realistically, and they always overvalue their firms. They all stated that if the entrepreneur overvalues his firm, and refuses to see a more realistic view under the guidance of the business angel, this is a reason for not investing. In previous studies this aspect of overvaluation has been brought up, (Freeney, Haines & Riding 1998, Gerald & Joel 2000), but not to the extent that we expected the business angels to find it as important as they evidently did. We can analyze it further; if the entrepreneur does not want to listen to the business angel the business angel might feel he is not needed within the venture, and hence back out.

One Person pointed to the aspect that the entrepreneur needs to be open-minded, humble and realize his limitations. Freeney did find in his study that entrepreneurs needed to have a realistic view of the future of the business and not promise the investor unreasonable returns. To be overly optimistic was seen by the business angels as unserious and unsupported (Freeney, Haines & Riding 1998). Our findings, however, further shows that this aspect is perhaps even more important than so. If the entrepreneur consistently overvalues his firm, the business angels will back out and not consider investing.

It has been established that business angels like to be involved in the firms they invest in, and we will discuss this next. One interviewee stated that he does not need to have any previous experience within the sector the firm operates in, whilst the other two felt this was important, due to the fact that they could more easily evaluate those firms and they also had a larger possibility of being involved. One added also that he does not need to know the industry , but he does like better to have some knowledge about it. When asked about how important it is for the business angels to be involved the replies were important but not crucial. One Person said he would like to believe the entrepreneur has some interest of being helped by the business angel with other issues other than capital supply. This reaffirms what we stated above, that business angels do want to be involved and feel the need to be acknowledged.

Traits, which, our angels usually contributed with were mentoring, networking , advising and leadership . They all stated that they usually are involved in the firms by being a board member. Studies have found that business angels do wish to be involved in firms they invest in, and our findings reaffirm this. A few studies which state the involvement to be important are; Prasad, Bruton & Vozikis 2000, Gumpert 2007, Mason & Stark 2004.

Osnabrugge and Robinson found that business angels do want to be involved, but do not need to know much of the actual industry the firm operates in (Osnabrugge & Robinson 2000). This was the case for one of our interviewees. The interviewee who stated he does not need to have experience from the sector did feel the need to be involved in the firm, but felt he could be involved through qualities other than expertise of the actual market.

All three of them, as stated, preferred to invest in firms operating in sectors where they had previous experience. Two subsequently stated that they invest in businesses where they can contribute, within sectors they know. One further explained that he did not like to put money into a firm and then trust the entrepreneur to a 100%; he liked to have some control. One Person preferred to either invest in firms where he had previous experience or strong interest, or could also invest where there was someone who he believes has the knowledge of the industry.

6 CONCLUSION

I believe that little could have been done in a different way under the policy constraints that prevailed in each period. The crisis that we are facing in the EU does't help much but European integration also help towards building a framework to resolve all issues and questions that aroused concerning building the necessary conditions to develop Business Angel's networks . Questions and issues that constantly changing and get different shapes. So far Europe has response according to existing process and frameworks. Even if in some cases, we were late to respond, to adapt and act according to the challenges ahead against not a favouritable enviroment most of the times like with the recent economic crisis who was view as a strong blow in economic integration.

Another point that deserves attention is the limited perception of young people and not only young- entrepreneurs about extroversion. Despite the fact that new companies with extrovert nature tend in their internationalization process to develop skilled human capital and innovative skills, in Greece we use to plan and implement the business plans based on the needs of the domestic market, while many projects aimed on already saturated activities.

However, at this level should both consulting firms and regional players put much weight for extraversion prospects of new ventures with a high quality criteria importance of early-stage entrepreneurship. In a globalized business environment, the export orientation of enterprises can create the conditions to increase the chances for survival, their development, creating and sustaining competitive advantage in the domestic market, absorption and diffusion of knowledge.

In an era characterized by increasing globalization and where international competition is becoming increasingly fierce, new businesses need to pursue strategies of internationalization and extroversion in order to successfully meet, to be sustainable and exploit opportunities to penetrate markets abroad. Especially in recent years, rapid technological evolution, the wide diffusion of Information and

Communication Technologies and digital development to the enhancement and the presence of new companies with extrovert nature. In other words, the Internet spread seems that creates significant opportunities for penetration and consolidation of new businesses in markets abroad, and provides unique, efficient and alternative channels to reach customers worldwide while attracting business angels that will help with liquidity of Greek companies.

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APPENDIX

Business angels Questionnaire

Personal Details

Age: ________________________________

City________________________________

Country: ________________________________

What is your Fields of Expertise

____

____

____

What is your Current Activity

Company: ________________________________Industry Sector: ________________________________

Role in the company: ________________________________

What is the company about? ________________________________

What is your educational background (e.g. Master Logistics)

____

____

____

What type of Company/Industry Sector you are looking to invest ?

How much are you prepared to invest per Company?

Minimum: Maximum:

How important is the role of the following factors for your investment?

(5. Crucial 4.Very Important 3.Important 2. not so important 1. not important at all)

Factors
Bureaucracy
Founder's team
Idea
Business Plan
Stage of development
Geographic location

Factors	1. Not important at all	2. Not so important	3.Important	4.Very Important	5. Crucial
Bureaucracy					
Founder's team					
Idea					
Business Plan					
Stage of development					
Geographic location					

Have you made any investment during the last 10 years in Greece (If yes could you describe the industry/field of the investment)

If you have not yet invest in Greece which of the following factors have been the most problematic for your investment (multiple selection apply)

Factors
Bureaucracy
Founder's team
Idea
Business Plan
Stage of development
Geographic location

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