Venture Capitalists and Angel Investments

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Most micro and nanotechnology businesses are still in the early stages of development, with technology being optimized and markets tested. Venture capitalists have historically invested a small portion of their portfolio in seed and early-stage companies. In the last few years, venture capitalists have almost completely abandoned these early venture rounds. National Venture Capital Association statistics show that only 2% of total venture capitalist funds in 2003 went to seed and early stage investments. This issue is exacerbated by the funding gap for smaller rounds because the average per-deal investment was $6.7 million in 2003. The solution for early-stage funding is angel investors, either individually or through groups. Collectively, angels invested essentially the same amount as venture capitalists in 2003 ($18.2 billion for venture capitalists versus $18.1 billion for angels). The definitive difference is that angels have a far greater focus on early-stage investments. These statistics argue for greater education of entrepreneurs and angels about investment opportunities and the potential value of micro and nanotechnology.