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FORMING AND DEVELOPMENT OF THE AMERICAN MODEL OF VENTURING

This paper examines the experience of forming the American model of venture funding, distinguishes the stages of its development, the features are defined for each stage of the genesis and concludes that the introduction of venture financing in Ukraine on the experience of creating the American model of doing business venture, the first phase will require significant public funding.

Keywords: *venture financing, the US venture capital model.*

According to the Decree of the Supreme Council of Ukraine on the withdrawal from consideration of some bills and other acts of the Supreme Council of Ukraine No. 3607-VI [1] "About Venture Activities in the Innovation Sphere", introduced by MPs of Ukraine K. Samojlyk and J. Karakay from 30.11.2007 No. 1082 [2], was removed from the consideration as one that has lost any relevance. One of the reasons for which this Bill did not pass, was its private law orientation – draft positioned standards for asset management venture capital funds would need to carry out venture innovative companies, and the role of the State amounted to the creation of a favourable investment climate, tax and credit incentives for venture capital companies. Actually, the authors of the aforementioned bill proposed to introduce the modern American model of venture financing. Of course, this model is the most successful, because the mechanism of the venture capital financing was formed in the United States much earlier than in other countries, so the venture business on the North American continent is more developed and its volume surpasses the European and Asian. However do not

forget that the American model was formed more than 60 years ago, taking into account national, administrative and historical conditions of the development of the United States, so the blind borrowing for Ukrainian realities of foreign experience, even such successful, without regard to the specifics of its development may prove to be not only counter-productive, and even detrimental to the innovative sphere of Ukraine. It is therefore proposed by K. Samojlik and J. Karaky the draft law "On Venture Activities in Innovation Field" the modern American model of venture funding could not stand criticism.

At the same time the legislative vacuum in the sphere of venture funding, formed in the current legal support of Ukraine, is not a positive one for our legislation. Venture business and high-tech companies occupy a significant place in the economy of many developed countries, because of the lack of normative regulation of venture financing in Ukraine creates from one side of the grounds for the activities of unscrupulous companies in this field and on another – deprives Ukraine strategic advantages in the international market in innovation sphere.

The necessity to introduce a mechanism of venture financing emphasized in their works by such scholars as: A. Abryutina, A. Ivanova, Y. Kosenko, K. Kutran, A. Kudryavtsev, I. Komarova, D. Sklyar, I. Cherep, Filippenko, A. Shatylo and others, but among them there is no consensus about which of the models of venture financing, prevailing in the world practice, it is advisable to apply in Ukraine. As you know, traditionally single out three main models of venture financing – American (formed on the territory of the United States), European (that operates in Western Europe – Germany, Britain, France, Holland, etc.) and Asian (which covers countries of Eastern and Northern Asia – Japan, China, India, etc.), while each of them has its own special features [3, 3].

The most effective is the mechanism of venture financing of the United States, but the introduction in Ukraine the models that formed before the beginning of the 21st century, is premature (as evidenced by the situation with designed by K. Samojlik and J. Karakay Bill). So you need to explore the process of formation of the American model of venture business step by step, as well as to select the

specific type of venture financing on each stage and from these positions to consider the appropriateness of borrowing experience of the United States for Ukraine.

The first phase of formation of venture financing in the United States began in 1949, when based at the Stanford University in California have created the world's first technology park – Wafer Valley, the stimulus for the creation of which had large government orders for the development and manufacture of new types of products, mainly in the field of electronics that were given to a group of companies. The main task that lay before the Silicon Valley is to mobilize material and human resources for the development of new high-tech enterprises, creation and development of the new, technically demanding industrial firms. The experience of the functioning of Technopark has proved so effective that until the mid-1950s of the 20th century in the United States was founded more than 25 technoparks [4, p. 129].

The intensive growth of the techno was associated with a number of reasons. Firstly, at the time was exhausted the traditional resources industry, and therefore has relevance the need for modernization of its basic industries to ensure their competitiveness. To solve this task was only the introduction of fundamentally new production facilities. Secondly, there is a need for the development of priority technologies, and, accordingly, new industrial sectors based on these technologies. Solving these two problems required drastic increase of a scientific production, which, in turn, required a search for the new forms of interaction between science and manufacturing. So, technology towns appeared as a result of the merger of the scientific and production activities [5, p. 164].

Thus, the first stage in the development of venture financing in the United States was characterized by the creation of technoparks, effective functioning of which at first was supported by big government orders for the development and manufacturing of new types of products, i.e. actually was funded by the State.

In the middle of the 1950s begins the second phase of formation of venture financing in the United States. In this period was significantly increased State

funding for a national principle of State laboratories, which was necessary for the administration of government departments. Great importance for the state of the scientific sector played the development and wide dissemination of the program-target methods of the organization science. The inclusion of State laboratories in a number of co-operators diversified national and departmental programs enabled in some cases eliminate insignificance of scientific works, more closely associated with the main directions and plans of research laboratories with the priorities, proclaimed as a priority for American science. Also one of the most important directions of the State innovation policy of that period was the support for small innovative businesses. The solution of relevant issues are involved in a specially created State authority – the authority for small businesses [6].

Thus, the second phase of the formation of venture financing in the United States characterized the State financing of public laboratories, providing a favourable investment climate for small companies, the further development of techno and the creation of the system of State power special authorities that are responsible for developing and implementing policies in country's venture.

The third stage of the formation of venture financing in the United States associated with a significant increase in the scale of investment in scientific and technical sphere in the early 60-s of the twentieth century, and, consequently, the rapid development of this sphere. This time is the first experience of the creating of innovative centers, when federal agencies that fund research and innovative research, have stepped up their activities with the organization funds research and technical reports, descriptions of innovations, completed developments, began taking special measures on advertising their content and proviing an access to the broad scientific and business circles.

The Coordinator of the information activities of agencies included the Ministry of Trade, which in 1970 had created the National Technical Information Center (NTIC) in the funds which have been collected numerous data about the results of scientific and technological research in the different departments, and 75% of the data received from the ministries of Defense, Energy and NASA. To

the sphere of the support of NTIC are included about 100 thousand scientific organizations and industrial firms in United States. However, passive, purely informational character of the spread of its innovations led to the fact that NTIC got rid of its main consumers – small firms, which in the vast majority did not have enough strong research base and is primarily needed not only information, but also other, more effective forms of support for innovation. In 1973 was created by the National Association of Venture Capital with the aim of forming in wide circles the thought of the importance of venture financing to enhance the competitiveness of the economy of the United States [7].

In this state the scientific sector particularly badly hit with the problem of lack of the clear functional purpose. Fragmented functions of the large national laboratories created inertial in their work, led to an excess of scale laboratories compared to active task [8, p. 113].

Thus, in the third stage of the formation of venture financing in the United States, the financing of the innovative enterprises solely through the state resources proved to be unprofitable and hindered the development of the innovation sphere.

Since the early 1980s venture policy of the United States was aimed at increasing the role of the private firms in the sphere of the investment activities that led to the demotion of the State research sector in the developing, organizing and implementing of major national programmes. Adoption in 1981 of the Bill by Stevenson-Wilder “About Technological Innovations”, and in 1982 the Federal Bill “About Innovation and Development in the Small-Scale Business” was the beginning of a new stage in the formation of a venture financing in the United States. Since then, were developed and adopted several federal and local programs to stimulate innovation in the fields of small and medium entrepreneurship. Attracting private capital to the development of the innovation sphere led to the formation of the venture capital market. If in 1970 the similar market was missing, then in the mid-1980s has already reached 1 billion dollars, and in the mid-1990s it reached 35 billion dollars [9, p. 27].

Considerable success to attract private structures to venture financing and its dynamic development caused the necessity of State regulation in this sphere. First and foremost, were expanded the powers of the – she was the representative of the interests of venture capitalists. The adoption in 1982 of the Bill "About the Development of the Small Innovative Firms", which involved the extension of funding their research projects in various federal agencies, including the National Science Foundation, has provided an opportunity to small entrepreneurs to get free from targeted subsidies under the contracts for federal research projects and orders for manufacturing of new products. Within the program, introduced in 1992, for small business innovations were created 12 federal agencies that have received more than 100 million dollars for innovative research, considered the proposals emanating from small firms, and have allocated them the funds to create innovation. In addition, the best strategy for the formation of companies with venture capital is the placement of shares, stock dealers created automatically quotes the National Association of securities dealers which is the second (after New York) stock exchange United States that specialized in primary floatation innovative companies [10, p. 101].

Thus, at this stage of the development of venture financing in the United States Government gave the venture business in private hands, preferring to encourage the development of innovative areas not due to its own budget, and providing loans and credits to the participants of the venture capital market. Summurizing, we can state that the experience of the United States with the formation of a venture investment indicates a gradual transition from State to private sector financing, innovation that led to the creation of the specific entrepreneurship. Thus, the introduction of venture financing in Ukraine, using the experience of the American model of doing business venture at the first phase will require significant public funding, the establishment of regulatory bodies, venture activity, providing innovative firms large State orders and a private sector venture financing as a specific field of business.

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