

Prof. Massimiliano Pellegrini

LESSON 8 – ALTERNATIVE INITIATIVES TO SUPPORT START UPS



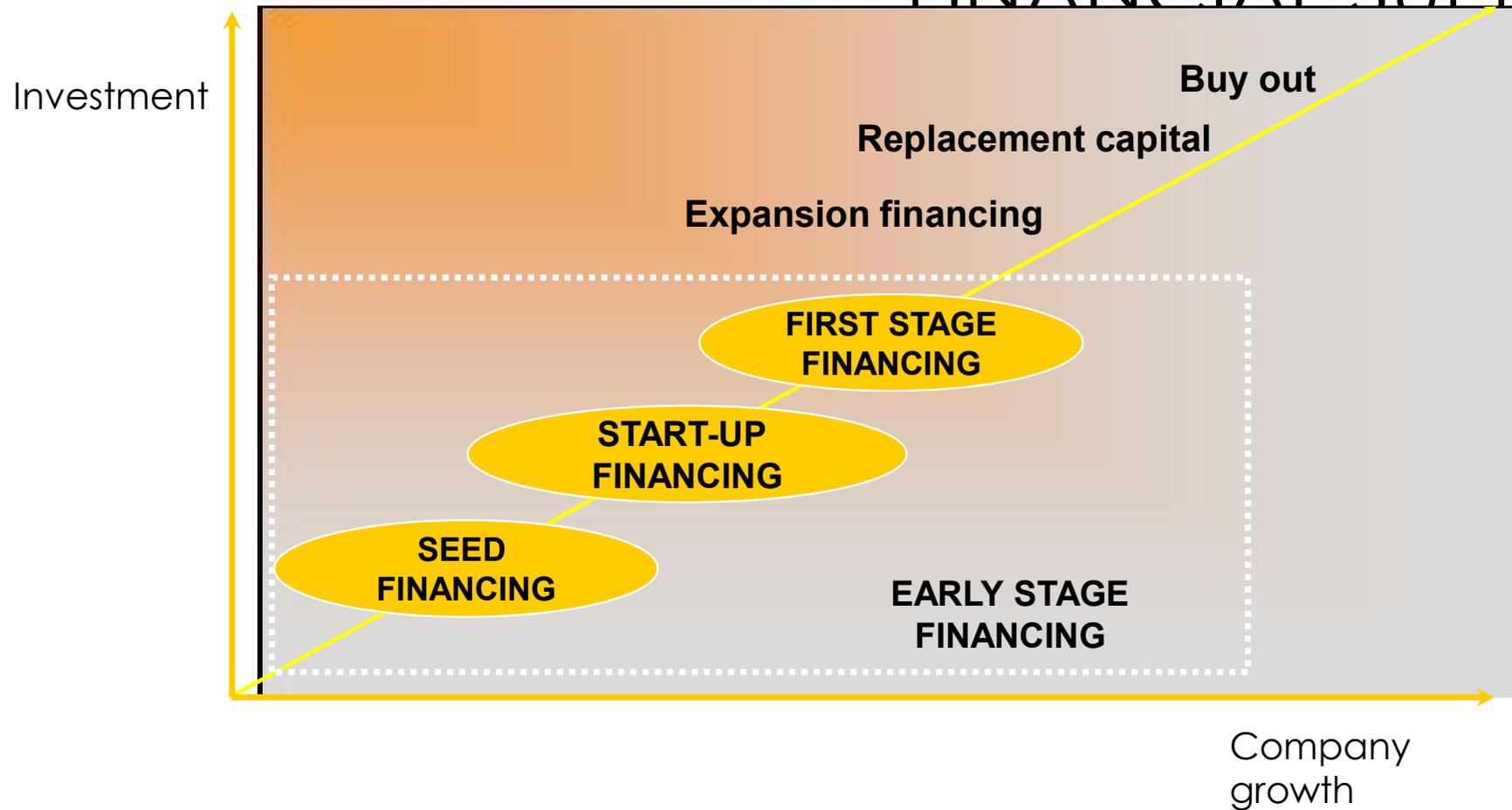
- Financial needs and company life cycle
- Supportive initiatives
 - Incubation / Acceleration
 - Business Angels
 - Public bodies' funds for innovation
 - Venture capitalist
 - Public bodies' funds for SMEs
 - Banks and financial Institutions actions for SMEs
 - Crowdfunding



Life stages of the company



START UPS EVOLUTION AND FINANCIAL SUPPORT



DIFFERENT STAGES – DIFFERENT NEEDS

SEED FINANCING

Intervention made during the experimentation phase of a business idea.
The technical feasibility of the business idea is still to be completely tested.

Low level of investment – Extremely high risk of failure

START-UP FINANCING

Intervention made upon the beginning of the productive activity.
The technical validity has been achieved but the economic feasibility of the product/service is yet to be confirmed.

Medium/high level of investment – Extremely high risk of failure

FIRST STAGE FINANCING

Intervention made during the early phase of a business when the production activity has started.
The technical and economic validity has been assured but the market diffusion and acceptance of the product/service is yet to be confirmed.

High level of investment – High risk of failure.

SEED FINANCING

Types of financial support:

- Crowdfunding
- Incubators / Accelerators
- Public bodies' funds for innovation/innovative business ideas
- Business Angels



START-UP FINANCING

Type of financial support:

- Crowdfunding
- Incubators / Accelerators
- Public bodies' funds for small businesses
- Business Angels
- Venture capitalists



FIRST STAGE FINANCING

Type of financial support:

- Crowdfunding
- Accelerators
- Public bodies' funds for small businesses
- Business Angels
- Venture capitalists
- Specific operations dedicated to SMEs from Banks and financial Institutions

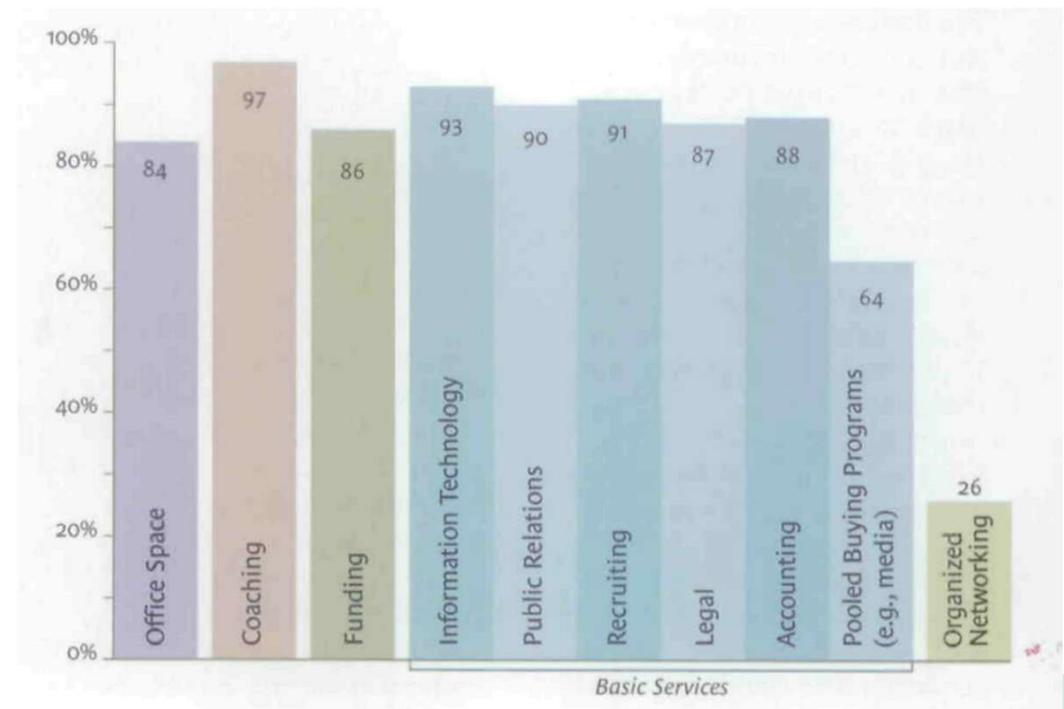
INCUBATION AND ACCELERATION PROCESSES

- Incubation and acceleration often are used as interchangeable terms because there are strong overlaps between the concepts.
- Both offers support to entrepreneurs and start-ups and help them to grow. However, they also provide specific actions to support the process.

INCUBATION AND ACCELERATION PROCESSES

- Incubation: A business incubator is a shared facility that offers to its 'clients' or incubatees business support.
- Temporal dimension 1/2-5 years
- Type of benefits offered

Hansen, M. T., Chesbrough, H. W., Nohria, N., & Sull, D. N. (2000).
Networked incubators. Harvard business review, 78(5), 74-84.



INCUBATION AND ACCELERATION PROCESSES

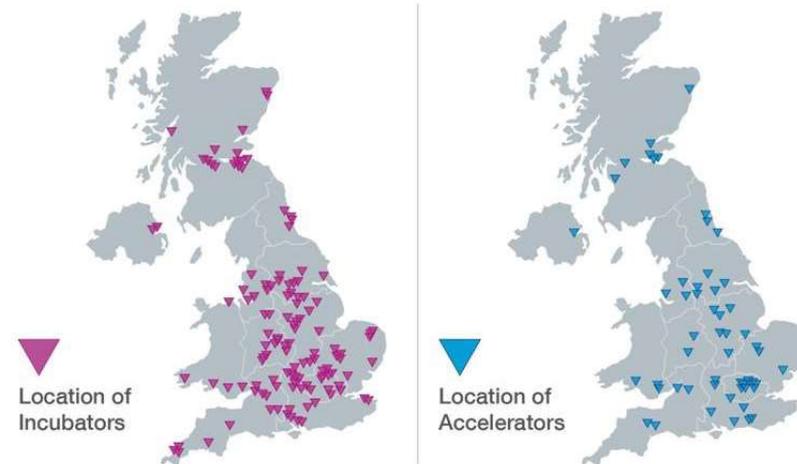
- Acceleration: A business accelerator usually is a program to expand an existing small business
- Temporal dimension: from 3 months up to a year.
- Type of benefits offered
 - Training programs
 - Coaching
 - Networking
 - Funding
 - Office space (not always)



INCUBATION AND ACCELERATION PROCESSES

- [Global accelerator map](#)
- [Accelerators initiative in Italy](#)
- [List of UK Accelerators](#)

Map of Incubators and Accelerators in the UK



BUSINESS ANGELS

- Venture Capitalists and Business Angels have the same nature. They both lend money to start-ups and entrepreneurs as investment in equity shares.
- A Business Angel (BA), or informal venture capitalist, is a private investor that target start ups or small companies. The total investment is usually limited ranging from 10,000 to 500,000 £ per start-up. Statistics report a 100,000 £ share as the average investment of a BA in a single company. In case of syndication, investment from a pool of BAs may reach 2 millions. Most of the investment are made under the SEIS/EIS scheme (UK business Angel association).



BUSINESS ANGELS

- A BA do not bring along capital only; rather a directly involvement in the business offering their experience, knowledge and network to back up the start-up.
- Thus, the relationship is mainly personal, entrepreneur-BA and is based on mutual trust and respect.
- Usually a BA invests in something that:
 - S/he knows and understands
 - Has potentialities to grow
 - Managed by a competent and engaged person or group of people



BUSINESS ANGELS

- A Business Angel Network (BAN) is a institutional entity that seeks to put in contact entrepreneurs, start-ups or small companies (demand side) with BAs affiliated (supply side).
- This institution offers:
 - Pre-examination of business idea proposals.
 - ‘Matching’ processes for entrepreneurs and their business idea or project with suitable BAs.
 - Help in structuring the contract between entrepreneurs and BAs.
 - Organization of formal network meetings increasing the probability to get to know the best investor.





BUSINESS ANGELS

Some examples of BA networks:

In Italy

- [The Italian Business Angels organization](http://www.iban.it/) (IBAN - Italian Business Angels Network) <http://www.iban.it/>
- [Il club degli investitori](#) (local BA network affiliated with the Piedmont Region)

In UK

- [UK Business Angel Association](#)
- [Business Angel Initiatives guide](#)

PUBLIC BODIES' FUNDS FOR INNOVATION

- Public sector is rich in initiatives to support innovation and innovative ideas.
- At the pre-founding stage, interventions mostly target specific sectors with cutting-edge knowledge contents such as biomedical and biotechnology, technology and IoT, and renewable energies.
- In addition there are specific public competitions to find best solutions to contingent problems.



PUBLIC BODIES FUNDS FOR INNOVATION

- Innovation scheme UK
 - <https://www.gov.uk/government/organisations/innovate-uk>
 - <http://www.nesta.org.uk/get-funding>
- Innovative start-up initiative in Italy
 - <https://www.pmi.it/tag/finanziamenti-start-up>



VENTURE CAPITALS

- Venture capitals (VC) are usually Institutional Investors, thus professional firms, that invest in unquoted companies in the form of equity share.
- They are similar to BAs, but due to their nature, they seek larger projects with higher levels of investment.
- The procedure of investment is more formal and the process of due diligence necessary to conclude the contract is much more detailed and bureaucratic.
- For this reason this kind of intervention is more suitable for a small business company already on the market.
- [UK venture capital and private equity association](#)



BANKS AND FINANCIAL INSTITUTIONS

- There is a plenty of initiatives targeting specifically SMEs and their needs. However, banks have a problem in coping with the risk of a young start-up, especially in terms of procedures and bureaucracy.
- It is important to know specific needs and related opportunities.
- [The business Finance guide \(UK\)](#)
- [Opportunities for SMEs](#)



CROWDFUNDING

- This innovative way of fundraising has recently emerged in the business panorama but it is considered one of the easiest way to get funds for projects and business ideas or, start-ups.
- It consist in a co-funding initiative sustained by wide range of small and micro investor with single quota starting from 2-5 £ each bid.
- [What is crowdfunding?](#)
- [Examples of crowdfunding projects](#)



CROWDFUNDING

Crowdfunding in UK

- [UK crowdfunding association](#)
- [SEEDRS](#)
- [Angel Den](#)

Crowdfunding in Italy

- [Italian crowdfunding platform](#)
- [Numbers of crowdfunding \(2017\)](#)

