Colin Mason

Title: Financing the scale-up of Entrepreneurial Businesses: Beyond the funding escalator

Biography

Colin Mason is Professor of Entrepreneurship in the Adam Smith Business School, University of Glasgow. He previously held a Chair in the Hunter Centre for Entrepreneurship, Strathclyde Business School, University of Strathclyde and before that was at the University of Southampton. He has held visiting positions at universities in Canada, Australia, New Zealand and Argentina. His research and teaching are in the area of entrepreneurship and regional development. His specific research interest is in entrepreneurial finance. He has written extensively on business angel investing and has been closely involved with government and private sector initiatives to promote business angel investment, both in the UK and elsewhere. He was joint winner of the ESRC’s 2015 Outstanding Impact in Business award for his research with Prof Richard Harrison on business angels. He is the founding editor of the journal Venture Capital: An International Journal of Entrepreneurial Finance (published by Taylor and Francis Ltd).

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Abstract

The funding escalator model illustrates the main sources of finance used by entrepreneurial firms as they progress from the start-up stage – and incorporating bootstrapping, business angels, venture capital and public markets. This has now been
complemented by crowdfunding. At the core of this model was the complementary relationship between business angels and venture capital funds which has been described as follows: “It boils down to this. Angel investment runs the critical first leg of the relay race, passing the baton to venture capital only after a company has begun to fund its stride. Venture capitalists focus ... on expansion and later stages of development, when their contribution is most effective.” However, the funding escalator has changed fundamentally, involving the breakdown of this complementary relationship between business angels and VC funds. This can be traced back to the fall-out from the dotcom boom and crash at the turn of the century. Angels have now organized themselves into managed groups to make larger investments, including follow-on investments to fill the gap created by the contraction of early stage venture capital and avoid being diluted. There has also been a decline in the number of IPOs. This is at least partially linked to the preference of venture capitalists to exit through a trade sale (preferably to a Fortune 500 tech company) rather than an IPO. Meanwhile, new sources of seed finance have emerged, notably accelerators and crowdfunding. Governments are now increasingly creating Co-Investment Funds. The outcome is that the funding escalator has been replaced by a ‘bundling’ model in which companies that have passed the proof-of-concept stage will put together a funding package from several sources, typically with a business angel group at the core and also comprising funding from a co-investment fund, crowdfunding platform, corporate venture capital to create a sufficiently large investment to create a financial runway to get them to an exit.

Dan van der Schans

Title: The changing landscape for equity finance in the UK and current issues affecting the availability of funding to high growth potential businesses

Biography

Dan van der Schans is an economist in the British Business Bank’s Market analysis team, focusing on the analysis and research of SME equity markets. Dan has recently produced analysis for the Bank’s Small Business Finance Markets and Equity Tracker reports, and has project managed a number of evaluations of the Bank’s programmes. Dan has worked on SME finance issues since 2008, covering both debt and equity products, and has previously worked in the Department for Business, Innovation and Skills and Capital for Enterprise Ltd.

Abstract

This presentation will provide an overview of UK SME (private) equity markets drawing on findings from the latest British Business Bank Equity Tracker report and other research the Bank has undertaken. Key areas the presentation will explore include evidence of a market slowdown in equity deals during 2016, the changing composition of equity investors in the market and recent improvements in VC fund financial performance.
The presentation will then explore current issues affecting the effectiveness of the market in providing funding to high growth potential businesses by examining the geographic concentration of equity deals, the availability of later stage VC funding for scale up businesses, and demand side issues affecting business awareness and demand for equity finance. The presentation will conclude with how the British Business Bank is currently addressing these issues.

**Prof Dr Othmar M Lehner**

**Title:** Crowdfunding Platforms as Super-Catalysts in an Entrepreneurial Ecosystem

**Biography**

**Othmar M Lehner** is a full professor of entrepreneurial finance at the University of A. S. Upper Austria and a professorial fellow at the University of Oxford. He serves as the director of the ACRN Oxford Centre for Interdisciplinary Research. He is one of the authoritative voices in the fields of Impact Investing and Social Finance with numerous publications and is particularly interested in the role of Crowdfunding as a catalyst for societal changes. As editor of the Routledge Handbook of Social and Sustainable Finance he currently leads a consortium of researchers to further develop the field.

**Abstract:**

Research into Crowdfunding (CF) rarely uses a holistic view on the positioning of relevant actors and their activities. We are looking at how crowdfunding platforms (CFP) as focal actors exert influence to create and delineate the field and apply an ecosystem perspective by studying structure (focus on activities) as well as affiliation (focus on actors) in multiple case-studies of platforms and ventures. The following major themes have been extracted from the data: Signaling, Isomorphism, Tools and Instruments, Investor Relations in Cascaded Funding Strategies and Agenda Setting. It is demonstrated how obstructive hurdles and service-gaps are targeted by CFPs to realize the implied value proposition of crowdfunding. As an outcome, we conceptualize and label a fine-grained set of value propositions for CFPs and discuss the broader role of financial intermediaries. With this we provide value for policy makers, platforms and entrepreneurs and contribute to the literature on entrepreneurial ecosystems and tech-innovations.

**Dr Robyn Owen (Middlesex University), Tiago Botelho (University of East Anglia), Osman Anwar (SQW), and Richard Copper (Oxford Innovation)**

**Title:** Which UK SMEs apply, receive or are discouraged from accessing external finance? The implications for SME growth policy.
Biography:

**Dr Robyn Owen** is an Associate Professor of Entrepreneurial Finance at the Centre for Enterprise and Economic Development Research (CEEDR), Middlesex University Business School. She specialises in SME finance policy and has undertaken several programme evaluations for the British Business Bank and UK Department for Business, Energy and Industrial Strategy (formerly BIS), including for the UK Innovation Investment Fund, Enterprise Capital Funds, Angel Co-investment Fund and Help to Grow. She was guest editor of Venture Capital journal’s special issue on SME finance in 2015 and is a three-time winner of the ISBE best finance track paper.

**Dr Tiago Botelho** is a Lecturer at Norwich Business School, University of East Anglia. He has specialised in Business angel research.

**Osman Anwar** is a Senior Consultant at SQW, he joined SQW in 2004. He is an Economist by training with strong working knowledge and experience of undertaking appraisals, evaluations, feasibility studies, market assessments and other economic research studies. He brings particular expertise and experience in areas relating to: SME finance, business start-up and growth, entrepreneurship, innovation, and knowledge and technology transfer and commercialisation. He is one of SQW’s principal leads on access to finance work. Through his work on finance for UK, EU and international clients, Osman has a developed an understanding of the policy, data and research issues relating to access to finance in the UK and internationally. He has had exposure to a wide range of public and private sector stakeholders operating in SME finance including fund managers, venture capitalists, business angels, financial institutions, academics specialising in access to finance for businesses. He has also presented at a workshop organised by the European Commission and chaired by the OECD in Brussels on access to finance. Osman is an experienced Project Manager with strong research/analytical skills and experienced in conducting primary research with representatives from the private and public sector. He has worked on studies covering a wide range of sectors including: financial services, ICT, energy, renewables, life sciences, aerospace, defence, construction, engineering and manufacturing.

**Richard Copper** currently leads the Strategic Finance and Funding team for Oxford Innovation Services and is also Investment Manager for the Thames Valley investment network. Richard combines his knowledge of marketing, business development and funding to not only help companies secure funding but to make sure that they fulfil their growth plans. Richard has helped companies raise in excess of £100m in both England and Australia. He has previously run two start-up companies in the software sector and has worked with investors ranging from Private Equity to Angel Investors.

Abstract

The paper examines the characteristics of a representative sample of 15,002 UK SMEs regarding applying, degree of success in receiving or discouragement from accessing
external finance in 2015. Data are examined using univariate and binary logit regression to assess the main factors contributing to external financing outcomes and their relationship with growth in terms of sales turnover and employment. The paper addresses four key questions: (RQ1) Which types of SMEs seek external finance, what are their reasons for doing so and what types of finance they seek? (RQ2) Which SMEs are successful or unsuccessful in applying, why this occurs and how it impacts on future growth? (RQ3) Which SMEs are discouraged, why this occurs and how this impacts future growth? (RQ4) How can policy address the barriers faced by unsuccessful and discouraged SME borrowers and deliver more effective business growth? The findings reveal a strong significant correlation between the current and predicted growth performance of SMEs and their successful access to external finance. Furthermore, they indicate the significant importance of increased SME size, age and the resource base of management experience and external advice in successfully accessing finance. The paper supports the resource based view of SME access to finance and suggests the need for improved business finance support to upskill entrepreneurs’ financial management and investment readiness.

Professor Javed Hussain (Birmingham City University)

Title: Financial literacy, access to finance and the growth of small and medium size enterprises: An analysis of enterprises in the UK

Biography

Professor Javed Ghulam Hussain is Professor of Entrepreneurial Finance at Birmingham City Business School, Birmingham City University. He completed his Ph.D. in Finance at the University of Birmingham. He worked for the Midland Bank and Birmingham City Council before joining Birmingham City University in 1990. Professor Hussain has published widely in international peer-reviewed journals and at national/international conferences. In addition, he has made a significant contribution in the last three BCU REF submissions. His current research focuses on entrepreneurial and microfinance.

Abstract

This paper examines the relationship between financial literacy, access to finance and growth amongst small and medium-sized enterprises (SMEs) within Midlands region of the UK. It assesses whether financial literacy assists SMEs to overcome information asymmetry, mitigate the need for collateral, optimises capital structure, improves access to finance and impacts on SMEs growth prospects. Research findings, based on responses from 37 firms, suggest financial literacy is a resource that mitigates information asymmetry and collateral deficit when lenders evaluate potential loan applications. The analysis suggest financial literacy mediates access to finance through improved flow of information between lender and borrower.
There is a relationship between educational provision and financial literacy; therefore, there is a need to enhance financial literacy that reduces monitoring cost and serves to optimize firms’ capital structure that impacts on the firms’ growth. Therefore, financial management knowledge is a core resource that facilitates an effective decision making by SME owners.

SMEs growth is seen as a strategic policy to stimulate enterprise but finance gap tend to constrain that objective. The UK government’s effort to improve access to finance and to mitigate collateral demands by lenders has proved elusive. The results of this study advocates financial literacy at schools and targeted support for SMEs to acquire financial management skills to mitigate information asymmetry. This study is novel in that it examines financial literacy and its implications for access to finance and firm growth in the UK. The study is an effort to highlight the role financial information serve to mitigate barriers to finance for SMEs.

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**Ciaran Mac an Bhaird, Pierangelo Rosati and Theo Lynn (Dublin City University)**

**Title:** Performance and default: 7 years of peer to peer lending in the UK.

**Biography**

**Dr. Ciarán Mac an Bhaird** is lecturer of Economics and Finance at Fiontar (Enterprise), Dublin City University and founder of USTART, the DCU Business Start-up accelerator. His research is focussed on Entrepreneurial Finance, specifically capital structure, financial management, resourcing nascent firms, and alternative sources of finance. He has published in international peer-reviewed journals including Small Business Economics, Strategic Change, Venture Capital, and The Journal of Small Business and Enterprise Development. He is a trustee of the Institute of Small Business and Entrepreneurship, and along with Robyn Owen co-founded the Entrepreneurial Finance Special Interest Group.

**Abstract**

We analyse microdata on loans advanced by one of the leading peer to peer lending platforms in the UK over a 7 year period. Analysing differences between performing and defaulted loans, we investigate whether the platform is efficient in determining risk categories and interest rates. We find that the platform is relatively accurate in it’s risk categorising strategy. Probability of default increases with term of the loan, and is positively related with the interest rate, suggesting accurate risk pricing. Limited firms are more likely to default, as are borrowers of smaller loans. Loans in which institutional investors are the sole investors have a lower probability of default, suggesting they are better informed than the crowd. Participation of institutional investors suggests that peer to peer lending provides a premium to lenders, although it is not apparent if rates are greater in comparison with commercial banks.
Keith Arundale (University of Glasgow)

Title: Exploring the difference in performance between European and US venture capital funds

Biography

Keith Arundale is a Doctoral Researcher at the Adam Smith Business School, University of Glasgow where he is carrying out research into the difference in performance between European and USA venture capital funds. He is also a Visiting Fellow at the ICMA Centre, Henley Business School, University of Reading where he teaches private equity & venture capital. Keith is a chartered accountant and a chartered marketer and was formerly with PwC where he led the venture capital and marketing programmes for the Global Technology Industry Group in Europe. He is the author of “Raising Venture Capital Finance in Europe” (Kogan Page, 2007) and the BVCA’s “Guide to Private Equity” (2010).

Abstract:

There is a long-standing difference in performance between European and US venture capital (VC) funds. This qualitative study investigates the structure and operational investment practices of VC firms in Europe and the US and the wider environment in which the firms function in order to explore if these factors might have an impact on the fund performance difference. The study involved carrying out semi-structured interviews with 64 separate VC firms in UK, continental Europe and US and with 40 other stakeholders in the VC sector in those regions, including limited partner investors, entrepreneurs, advisors and corporate VCs. Thematic analysis was used to identify emergent themes and a unique database of variables potentially impacting on fund performance was created.

The study revealed that US VC firms in the sample engage around one more partner in total than European firms. They also have proportionately more partners with operational and entrepreneurial backgrounds. More US VCs use a “theme” approach to identify future areas for potential investment, do most of their due diligence in house, are proactive in achieving an optimal exit, have “entrepreneurially friendly” terms in their term sheets and pursue a home run investment strategy than European VCs. An open and sharing networked ecosystem in the US, particularly in Silicon Valley, was cited by interviewees as opposed to a more protectionist focus in Europe.

By adopting the investment practices of US VC funds, and with larger funds and thinking “big” by both VCs and entrepreneurs, VC fund performance could potentially be improved in Europe leading to increased investment in the asset class and additional finance for young, innovative, potentially high-growth European companies.
Li Xiao (Lancaster University) and Robyn Owen (Middlesex University)

Title: How trust influences the development path of equity crowdfunding platforms: an exploratory study of AngelCrunch in China

Biography

Li Xiao is a Lecturer at Lancaster University Business School. She specialises in research into entrepreneurial finance in China. She has published work on Chinese business incubators.

Abstract

This paper examines the roles that competence and relational trust play in the success of equity crowdfunding campaigns and shaping the development path of equity crowdfunding platforms. Using combined datasets covering the life of a platform and including in-depth information, firm-level evidence and archive data, we find that competence and relational trust shape the development path and operation model of equity crowdfunding. Positive signalling on founding entrepreneurs and lead investors is key to build competence trust, whilst face-to-face contacts irreplaceably play a key role in building relational trust. We discuss the implications of our findings for theory and future research.

Theresia Harrer (University of Upper Austria)

Title: A Theory of Social Change in Crowdfunding Campaigns: A Critical Feminist Approach

Biography:

Theresia Harrer is an aspiring researcher in the field of entrepreneurial finance at the University of A. S. Upper Austria with an academic background in Finance. In her research she specifically looks at novel instruments for the funding of innovative ventures and applies critical societal lenses. In doing this she embraces feminist and socio-technical perspectives in her empirical work.

Abstract:

From a holistic perspective, Crowdfunding (CF) can be seen to denote the interaction between crowdfunding platforms, ventures and the crowd as players in the field. In order to embrace the ethical evaluation criteria stemming from a desired informed pluralism, communication between these players needs to be informed by perspectives from feminist theory in the entrepreneurial narration. Borrowing from both, social and liberal feminism we thrive to ascertain the innate as well as the psychological and emotional
factors causing behavioural differences between men and women on platform representations of ventures. Following an idiographic methodology, we critically analyze discourse in these representations by looking at structure, linguistic usage, visual artefacts and the implied value-propositions. Based on the found differences we come up with guiding factors to enhance the representations of ventures to better target a heterogeneous group of people in a global inter-cultural setting. Besides these practical implications we contribute to research on entrepreneurship by addressing ontological and epistemological considerations from a social change perspective.

Tom Britton (SyndicateRoom)

Title: Is crowdfunding the new junior junior market?

Biography:

Tom Britton studied economics before moving into the tech world where he led the original mobile application development at ‘Thetrainline’. He returned to studies and completed his MBA at Cambridge. During this time he met his co-founder while chatting through interesting start-up ideas. That was four years ago. Since launching in 2013 SyndicateRoom has been involved in over 100 funding rounds and now spans from first round equity finance through to IPOs.

Abstract:

The presentation examines the number of businesses that have listed on AIM over the last 5 years. There has been a notable downward trend in listings. This is compared to the number of later stage businesses raising funds through crowdfunding.

While in theory there is a massive difference in liquidity between listed and unlisted companies, at the lower end of the AIM market there are often so few buyers and sellers that it is as if the company were private.

Beverley Gower-Jones (Carbon Limiting Technologies)

Title: The Sustainability Technology Fund

Biography:

Beverley Gower-Jones is a business leader with proven track record in pre-revenue, low carbon investing and technology commercialization. She founded CLT in 2006 and has supported low carbon ventures in a wide range of sectors including energy efficiency,
transport, distributed generation, renewables. During her tenure at Shell International she gained wide exposure to businesses globally and delivered the £500 million subsurface technology transfer programme to worldwide operations. Beverley was founder and Vice President at Shell Technology Ventures and in this role she was instrumental in defining Shell’s strategic approach to technology venturing. She has 30 years industry experience, 20 of which are in technology commercialization and corporate venture management including at QinetiQ a portfolio of 8 ventures with a total value of £60 million. She chairs the BEIS Energy Entrepreneurs Fund VC panel, responsible for final grant investment decisions, and is Chair of a flywheel energy storage venture.

Abstract

Climate change is not just a distant future threat. It is the main driver behind rising humanitarian needs. The number of people affected globally and the damage inflicted by extreme weather has been unprecedented. People who are particularly vulnerable include those whose lives are already threatened by abject poverty. Tackling climate change and keeping global warming below 2°C needs innovative technical solutions to the provision of energy and transport, as well as the manufacture of goods. The UK has a part to play and a responsibility.

The Department of International Trade estimates the global market for low carbon goods and services to be £4 trillion and rising: the UK revenue in 2013 from this sector was £121 billion.

For too long however, too many promising early stage clean technologies in the UK have failed to commercialise and reach the market. They have gone bust, treaded water or tried their luck overseas and thus failed to deliver to this country any long-term economic and environmental benefit, nor help in the global fight to tackle climate change. In short, the UK has for many years struggled to fund “first of a kind” demonstrators to commercial scale.

Others have spotted this gap also, Bill Gates’s “Breakthrough Coalition” with its international investor base moving to invest in (and reap the rewards from) low carbon technologies in the UK and around the world, but alas without any significant British involvement

The time has come to establish a UK Sustainable Technology Fund that’s backed by both the government and by investment funds to support and commercialise and make an attractive investment return from clean-tech innovation in this country.

Robyn Owen, Fergus Lyon & Geraldine Brennan (Middlesex University)

A Review of Early Stage Investing into Sustainable Green SMEs

Biography:

Fergus Lyon is Professor of Enterprise and Organisation and Director of the Centre for Enterprise and Economic Development Research at Middlesex University. His research
focuses on social enterprise, hybrid organisations, enterprise support, innovation, trust and sustainability. He is Deputy Director of the ESRC Centre for the Understanding of Sustainable Prosperity (CUSP), and is leading a research theme on enterprise, the social economy and investment. He has a background in international development, enterprise support and is actively involved in conservation and farming enterprises in the UK. He has conducted research on enterprise issues in UK, Ghana, Nigeria, Pakistan, India, Nepal and Bhutan. He has published on social enterprise, alternative organisational forms, in a range of journals including International Small Business Journal, International Journal of Management Reviews, Organisation Studies, World Development and Entrepreneurship and Regional Development. He published the Edward Elgar Handbook of Research Methods on Trust, now in its second edition.

Abstract:

The Paris agreement 2015 highlighted the need to address climate change through the development of sustainable green businesses. This paper examines the early stage financing of these businesses examining the post Global Financial Crisis (GFC) funding escalator, focusing mainly on the UK. There is a long-established funding gap for early stage innovative potential high growth businesses – due to information asymmetries and prohibitively high costs of due diligence leading to failure to invest or moral hazard and agency failures resulting in poor investments. A succession of government financing schemes post-GFC has addressed this gap, but these have been criticised for being short-term biased. Far less is known about the situation for early stage sustainable green businesses, which appear heavily disadvantaged by information asymmetries, long horizon and high investment requirements. The paper reviews the green finance ecosystem revealing demand and supply-side failures, providing insight into a widening finance gap, new business models and collaborations, and the requirements for long term business and finance support policy.