

ICE Project Form

<p>Name of Project <u>Understanding Angels and Venture Capitalists and their impact on firm growth</u></p>
<p>Purpose</p> <p>The purpose of this study would be twofold. The first is to determine the relationship between Business Angels and Venture capitalists, in particular how each of the players enter and exits the firm (in terms of investment); the collaboration of the players in the growth and development of the firm; and the financial and management contribution provided by each. This is important from a policy perspective as understanding the role provided by each supplier of capital enables governments to better understand the potential supply gaps that exist in the marketplace and where it is best suited to fill those gaps.</p> <p>A second objective would be to understand how the involvement of each player has impacted on the growth of the firm. How does the involvement of Angels attract follow-on investments by VCs? Does government policy play a role in facilitating these links? If not, can it? What strategies do small firms employ to grow their company and ensure proper valuation of the firm at time of exit?</p>
<p>Method</p> <p>The task of measuring the relationship between Angels and Venture Capitalists would be to a degree quantitative, but more qualitative in nature. Based on some preliminary results from the survey of Angel groups administered by Canada, US and the UK, an additional question may be included in the survey that would ask Angel investors if they would be willing to participate in a short interview with a member of the academic team. For the venture capitalists, some of this information could be obtained by mining the Thomson Financial dataset.</p> <p>The second task would rely on a mixture of a literature review and interviews with potential Angel and VC investors. Therefore, an interview guide would need to be developed and administered by the academic team.</p>
<p>Creation of New Data and/or Policy Analysis</p> <p>Possible outputs include:</p> <ul style="list-style-type: none">- A research paper that would highlight the issues associated between Angels and VC in terms of deal size, rates of return and exit opportunities. The other element of the paper would examine the impact each investor had on firm growth.- This project would be useful to policy analysts by informing them of potential gaps that exist in the supply market and where best government could intervene to fill those gaps. The intervention governments may not only be supplying capital, but also promoting

relations between various suppliers with an ultimate outcome of improving performance and growth of small businesses.

Synergies with other ICE Projects

Access to financing is vital to firm growth. Understanding obstacles firms face in obtaining financing and how the various investors' impact on the firm's ability to grow would help complement the discussion on growth firms.

In addition, this project would be an excellent follow-on project from the Risk Capital Market project currently being administered by ICE. The current risk capital market project will provide a good collection of data between informal and formal investment, as well as, a starting point of a policy handbook that would highlight best practices and policies aimed at improving the risk capital market. This project would complement well both these elements of the current project, as it would provide further insight into the potential policy analysis and data related to suppliers of risk capital.

The approach would be to target the questionnaire to Angels and Venture Capitalists in one particular country (eg. Canada). Following those results, the questionnaire could be repeated to other member countries of ICE (in particular US and the UK) who would have completed the Angel Survey being administered by Canada, US and UK. This would allow for some interesting cross country comparisons.

Tentative Work Plan and Output

Assessment of potential candidates to complete interview	2 months
Literature review and preparation of interview guide	1 month
Interviews of Investors (Angels and VCs)	3 months
Compilation of data; analysis of information	3 months
Development of report	3 months

Duration:
One year

Costs (total and ICE contribution)

Expected cost is \$35,000 euros - \$10,000 for the literature review and data collection; \$25,000 for conducting interviews.

Contact Person

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