

MB 301

ENTREPRENEURSHIP & PROJECT MANAGEMENT

LECTURE 17

Funding new ventures – bootstrapping, crowd sourcing, angel investors, incubation, acceleration

FUNDING NEW VENTURES – BOOTSTRAPPING

- ❖ When an entrepreneur does not use capital from external sources but uses her own savings or capital borrowed from family and friends to build her business, the process is called bootstrapping.
- ❖ Bootstrappers take an idea and using talent and professionalism to build a worthwhile business without the backing from investors and having little or no starting capital.
- ❖ Bootstrapping is a process whereby an entrepreneur starts a self-sustaining business, markets it, and grows the business by using limited resources or money.
- ❖ It is a good funding option for startups.
- ❖ Examples of bootstrapped companies are Dell Computers, Facebook Inc., Apple Inc., Microsoft Corp., eBay Inc., Cisco Systems Inc., etc

FUNDING NEW VENTURES – CROWD SOURCING

- ❖ Generally Crowdsourcing involves obtaining work, information, or opinions from a large group of people who submit their data via the Internet, social media and smartphone apps.
- ❖ While crowdsourcing seeks information usually, crowdfunding seeks money to support individuals, charities, or startup companies.
- ❖ Crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture.
- ❖ Crowdfunding has created the opportunity for entrepreneurs to raise hundreds of thousands or millions of dollars from anyone with money to invest.
- ❖ Real estate business, DELL are companies that use customer funding.

FUNDING NEW VENTURES – ANGEL INVESTORS

- ❖ An **angel investor** is a person who invests in a new or small business venture, providing capital for start-up or expansion.
- ❖ **Angel investors** are typically individuals who have spare cash available and are looking for a higher rate of return than would be given by more traditional investments.
- ❖ Angel investors are hands-on investors and contribute their skills, expertise, knowledge and contacts in the businesses they invest in.
- ❖ **Angel investors** are so known due to their **role** as a guardian to the person who comes to them for making investments.

INCUBATION IN ENTREPRENEURSHIP

- ❖ A **business incubator** is a company that helps new and startup companies to develop by providing services such as management training or office space.
- ❖ **Business incubators** differ from research and technology parks in their dedication to startup and early-stage companies.
- ❖ Business Incubation is the name given to the process, wherein an individual or an organization supports the establishment and growth of a start-up.
- ❖ The goal of incubation is to increase the success chances of business.
- ❖ The three stages of incubator support include physical facility support, networking facility support and finally once the start-up starts growing, support services support.

INCUBATION IN ENTREPRENEURSHIP

BUSINESS INCUBATION

BUSINESS INCUBATION refers to those who support the start up / new companies. These people do high level research before supporting or funding the start-ups.



Organizational Structure

Usually Partnership or collaboration between one or more pro business organizations which can be :

- Economic development organizations
- Government entities
- Local colleges and universities
- For-profit ventures
- Trade associations

Services Offered

- Basic Operation and Fin. Management
- Marketing and PR assistance
- Connect other businesses for growth
- Assistance/Resources for conducting market research
- Sorting accounting books
- Brings credibility to the company
- Helps the companies with presentation



BUSINESS INCUBATORS	BUSINESS ACCELERATORS
Generally assist in long term (in addition to short term) growth.	Only assists for short term growth (generally for few months)
Companies can grow at their own pace	Companies are under pressure to grow quickly
Most of incubators are non-profit organization	Are For-profit organizations

ACCELERATION IN ENTREPRENEURSHIP

- ❖ A **business** accelerator is a program that gives developing companies access to mentorship, investors and other support that help them become stable, self-sufficient businesses.
- ❖ The goal is for companies to emerge ready to run on their own, with strong positioning to claim a share of their target markets.
- ❖ Startups enter accelerators for a fixed-period of time, and as part of a cohort of companies.
- ❖ The accelerator experience is a process of intense, rapid, and immersive education aimed at accelerating the life cycle of young innovative companies, compressing years' worth of learning-by-doing into just a few months.
- ❖ They are fixed-term, cohort-based, and mentorship-driven, and they culminate in a test day when satisfactory achievement has to be proved unlike incubation which can be long term.

- TILL WE MEET AGAIN IN THE NEXT CLASS.....

