



AALBORG UNIVERSITY

STUDENT REPORT

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Dynamics

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Title:

How Italian Angels might overcome the lack of understanding and be successfully identified as potential stakeholders for new SME's?

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Abstract:

Although formal institutions have always had a leading attitude on the Italian financial market for SME's investments, it is a clear and objective fact that informal investors, such as Business Angels are running to overcome this trend. This work aims to describe deeply their peculiarity, their way of conducting business to the launching phase and to let them be better known among future entrepreneurs at their very first entrepreneurial experience with start-up fund raising. The lack of understanding is still too widespread and the government is not assuming radical changing to help the expansion of the phenomena. The author will analyse all these factors, willing to describe how and where to put efforts to solve them.

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I would also like to dedicate this entire work to the loving memory of my grandmother, which has always wanted to see me here, i wish she could be proud of me.

Chapter | 1

Introduction

“Investing in a start-up does not make you an entrepreneur any more than buying a grand piano makes you a concert pianist.” — Jeffrey Fry

The quote expresses perfectly how money injection into an entrepreneurial activity is meaningless without right expertise and an excellent strategic focus; this project will highlight a worldwide known investor underestimated in Italy: the Business Angel.

The study under analysis aims to analyse the lack of knowledge around the Business Angel's situation in Italy, where banks and private investment funds have always led the funding process for new enterprises and start-ups. The real identification of this alternative funding opportunity will be treated with a positive approach, trying to define which factors affect the scarce expansion of the Italian network and avoid mistakes, both from institutional policies and lack of proper preparation in universities and formation schools.

That is indeed the starting point where this investigation might lead; in the European market, [EBAN \(2016\)](#), the Business Angels are the primary funding's operator for early-stage enterprises, with 67% of the market share and a total amount of investment of 6.7billion € in 2016, +12.03% from 2013 and +8.2% from 2015. These data refer to the entire clustering of data collected through the 34 EU members, where the majority of the investment are held by UK, Spain, Germany and France. Italy, in this panorama, is not following the rapid growth of the other significant partners; the data provided by [EBAN \(2016\)](#) show a +15% of investment from 2015 and a stable growth since 2013, where the market has reached a +6.4%, with just a decreasing peak in 2014, with a -3%.

Although these numbers might be encouraging, the Business Angels expansion is still too low, compared to the other countries, to be considered a real alternative for funding opportunities. The Italian market, the

fourth larger European's for investment and with all the characteristics to be one of the best accelerators for start-ups (IBAN 2017), is known to be bank-centred; that means that the conventional procedure for fund injection is requiring a bank loan or get access to those local initiatives promoted by the vast spread *Cassa di Credito* (Local Deposit Bank) all over the Italian territory; these local subsidiaries under the direct control of a more massive Bank, were the best opportunities for SME's because were the recipient of European funds and incentives but they are almost disappeared. This decision was taken from the significant Banks who retained that maintaining those small entities was costly and not efficient. The actual Italian government, as well as the pasts, never adopted real measures to help and support local incubators or accelerator's initiatives, letting them work with their strengths and against bureaucracy overtime more challenging to respect.

How is that possible? Are they a niche part of a fund process quite wholly led by banks? How many people could have had access to those Angels instead of pushing for loans or funds from private and costly organisations? No theoretical studies have been made in the Italian market; specifically, some general thoughts and academic papers were written but, even if valid, they are dated 2014. The author wanted, for this reason, to enlarge the perspective for both entrepreneurs to have another option for funding and Angels to see increasing their popularity among young potential start-uppers.

What makes the difference is the empathy and the passion that they are looking in entrepreneurial challenges, even if sometimes not remunerating as expected. The study, in this analysis, will assume a positive approach Kuada (2012), where the description and the external analysis the phenomena will be treated as an external observation, and some suggestion/outcomes will be given, without the presumption of forecasting the future.

The lack of understanding in the first place suggested investigating the phenomena with a blind vision, just taking the data analysis and the stemming observations as trustworthy, preserving an objective vision of the outcomes and, supported by old and very actual theoretical

knowledge, describing the reality without personal consideration nor experiences. The study was organised to present the fact in 2018 where statistics and very recent press releases confirm and support just the evidence and, even where some recommendations may be presented in some specific chapters, the reader will not face the author's thought but his thought strictly linked with the reality of facts.

The logic and the spontaneous deduction of future scenarios are the cornerstones for the reader to start the analysis as it will be presented and, besides some forecast may be done following a logic and mathematical calculation, this study tried to avoid this behaviour, since the goal is just to present the facts as the paper sheets suggested not forecasting future and hypothetical results.

The same, for that reason, will tend to highlight the BA's network as a potential solution for those entrepreneurs who are seeking for expertise, managerial guide and funds to express their willing of doing local businesses. The investigation will mainly focus on Angel's opinion of the economic situation, the way in which the demand knows them, how much the government support their ideology and which are the main issues that they have to face during the normal operations. Thanks to their valuable contribution, either from the associations and freelancers, an ideal scenario will be drawn to put under evidence the weaknesses and the strengths of the phenomena and suggestions will be provided at the end of the study.

During the investigation appeared a close relationship between Business Angels and VC funds, like they have a strong tie in the investment procedure; the possibility to demonstrate and theorising this collaboration was hard for this qualitative research but, according to the internal material collected from Angels networks, they also include some statistics for venture capitalists.

Although the two typologies of investors differ for focus and dedication on every single project, in Italy they appear working as a close business where one organisation influences the other and vice-versa. This statement is enhanced by the correspondent knowledge sharing between IBAN (IBAN (2017)) and Venture Capital Monitor (VeM (2016)), where

both angels statistics and VC's are presented in reports and economic presentations. The manly firmness within the informal investor's categorisation is well described in [Matsumoto et al. \(2008\)](#), where the author enlighten the ideal collaboration between all the typologies of the same category to achieve more significant results, both in term of the amount invested in each deal and the possibility to share the capital risk in multiple actors.

The study also will include, in the discussion chapter, an overview of the French scenario within the same field, how the government decided to push some efforts into the general development and reach the leading position among innovative European countries. The reason for this further description is highlighted by the vigorous assertion of some crucial Italian actor in the business angels panorama and, for the exact reason, the study will try to understand why France should be taken as a perfect example of how to develop an innovative environment for start-ups.

The logic behind this decision is presented to the reader after the Italian market description for Angel investment. Although France is one of the best innovative countries at the moment of writing in the past they were in the same situation as Italy and, just thanks to a robust political decision and public investment, they are now declared as the most innovative European country in the entire informal investment field.

Chapter | 2

Methodology

The study under investigation will drive the reader on the understanding of the general concepts regarding Business Angels: what makes them so different from the other investment's opportunities, how do they operate, how do they attract and conclude potential deals with entrepreneurs and, more important, how many people are aware of their existence (in the Italian scenario).

To achieve that result, an online survey has been shared through the two main association for Angel's propaganda: IBAN (Italian Business Angels Network) and IAG (Italian Angels for Growth). The reason for approaching an online survey instead of personal interviews was driven by the fact that the associates were widespread all over the territory and, even if part of the same association, they live and operate in other regions. For that reason, the kind cooperation of both the HR offices was extremely appreciated for the realisation of this data collection.

The online survey follows the description and the steps described in Kuada (2012), where the entire frame was built around the solution of the research question **“How Italian Angels might overcome the lack of understanding and be successfully identified among new SME's as potential stakeholders?”**. Questions have been displayed logically to involve the respondent on a step by step answering process through which the constraints and weaknesses in their daily processes went out, underlying the main problems.

The online survey appeared the best solution for data collection in this study because of the widespread location on Angels all over the Italian country; they all have memberships and refers to the central association, IBAN, but each region has its operative office in which the projects converge. The difficulty of reaching each single Angel, for a personal and individual interview, appeared too challenging for this study since this investigation took six months and the online survey shared through the weekly newsletter of the first association was the best practice to achieve

such result. The easiness of reaching a vast amount of respondent in such short period helped the answer's collection, but no personal feelings and consideration were collected; for further and more in-depth investigation this might be the new strategy to be adopted to have personal feedback and sensation and, maybe, a complete analysis on the same purpose. The decision of creating the above mentioned online survey using Google Forms appeared the best solution both concerning efficiency and easiness to reach dislocated people all over the multiple and dislocated department for each region to achieve the maximum number of respondents.

The analysis will face, at first, the overall growth of the entire European scenario for the BA's expansion, with data collected through the EBAN (European Business Angels Network), in which some statistics will help the reader understanding how different member states are stimulating the funding in their own countries and, in particular, how Italy is following the directives from the EU government. The focus will be necessary on the Italian context where, thanks to the latest data collected through internal surveys from IBAN (annual survey report data 27.06.2017) and paper sheets from the EU programs for fund incentives, will draw the most actualised Italian situation available in the academic field.

At the end of a detailed description of the concepts surrounding the part, where the author will explain deeply the role of the Business Angel and every possible aspect of its support, the European directives for assistance to SME's and the Italian activities for this development, the data from the survey will be taken under analysis and, according to the existing literature review, some reflections will be outlined.

The literature review will include aspects such as the ideological separation between North (private enterprise and positive environment for start-ups to grow) and the South (unemployment and scarce attitude on starting a new business), the distinction between *formal* and *informal* institution, how institutions can affect the provision of critical resources for business survival and the difficulties of transaction's information/costs between those who are seeking for funds and those who are in the posi-

tion to enlarge them.

Starting from a wider view and going narrower will not just give the reader the opportunity to learn how the EU tried to positively stimulate the real economy among members but also to understand if these actions are well adapted or not, in the Italian market.

The problem formulation aimed to understand why the angel's network was hidden by the students and entrepreneur's eyes and the study at first wanted to understand which problems do the Angel face to let him be known; nevertheless, during the data analysis, many problems were highly selected by the majority, and this brought the analysis into a wider and "behind the scene" investigation.

No single answer may give a complete solution to the research question since the same is affected by multiple problems such as governmental negligence in supportive actions, the too particular and hard courses dedicated to entrepreneurship, the still confusing fiscal taxation for new enterprises and moreover.

All these aspects will be treated in the following chapters where, after the respondent's opinion given, some links with theoretical (possible) solutions may help to understand how to avoid and adjust these deficiencies.

The survey has been created using a multiple selection designs, where different issues were covered in order to stimulate the respondent on as many aspects as possible, including also external influences on their daily operations; these comprehend the governmental support, their preferred propaganda solution/s, their personal point of view about the future, how they differentiate themselves among the other financial investors, their influence within the selected businesses, how do they overcome the lack of credibility among informal investors and moreover. The study, at first, wanted to identify which were the main problems on the less detectability of the Angel identity in the Italian market but, during the analysis, the respondents outlined different issues and this brought the investigation in a broader identification of the results; it will be clear, during the analysis, that there is no single aspect that, once adjusted, would resolve the main dilemma since the lack of understanding is affected by multiple and

diverse constraints. That is, indeed, the reason why many problems will be treated in a different section of this academic study to try to cover (and describe as good as possible) how these hidden problems should be treated to affect the original research question positively.

The entire framework was designed to better facilitate the reader in the comprehension of each step that the author has followed to describe, at first, the Business Angels both as European financial operator and as a specific financial operator in Italy, including as already demonstrated, some European statistics to have a broader vision of the context.

In the discussion part the reader will have the possibility to face another country situation, France, that it would appear far from the original address but, since France and Italy have always shared common political attitudes and interests, the French scenario and its development within the specific field analysed might represent a practical example and model to be followed and understood in the discussion. The following literature review will explain how the research has been conducted, trying to merge quantitative research with already existing theoretical schemata.

A map here below in Figure 2.1, will summarise the main steps of this study, but further steps will be clear to the reader later.

Here displayed the main steps and how some of them influenced each other, to provide a solid basis for this entire study. Although other researches into this paper were made to identify better how to overcome the numerous issues went out from the survey, they have not been inserted into this map because these *potential* solutions cannot be stated as ideal for the final conclusion, so the author decided to illustrate them objectively letting the reader on personal reflection on the validity of this thesis.

2.0.1 Epistemological assumption

The philosophical approach used for the study here under investigation is characterised by objectivism and description of events as they appeared over time, with no personal experiences or thoughts by the author. This approach, from Smith et al. (2015) is defined as *positivism*, which indeed is characterised by the use of objective methods to analyse phenomena,

in the absence of sensation, personal assumptions or intuitions by the author himself, which tent to describe the reality as it was and, according to that, tried to provide logic conclusion using an impersonal overture.

Here following the philosophical assumption of positivism, generally intended in [Smith et al. \(2015\)](#) page 146, with the practical information in the specific study here described.

Independence: the author tends to analyse the main problem externally, without being involved personally in its solution, acting as independent agent;

Value-freedom, intended as the general interest to discover something useful not just for his/her curiosity but rather for a more collective interest in the topic;

Causality: the study here conducted started from a human behaviour, criticised as the main constraint for a general development and achievement of an economical greater good, to a more general regulation and rules description; in the specific case, the purpose is to discover if, and how, laws and regulations influence human behaviour about the Angels' lack of popularity among the demand;

Hypothesis and deduction: the study is comprehensive of external deductions and hypothesis that aim to give strength and solid basis to the final deduction; nevertheless, some objective statistics, such as entrepreneurship ranking charts and reported speeches from different sources, may provide a solid assumption to one of the main issues faced here: the too little preparation within universities and education centres;

Operationalization: the need to bring general assumption to quantitative representation was necessary for the final and proper conclusion of the study here described; although the human behaviour is not possible to be explained with numbers and percentages, gathering both statistics and responses through an online survey allowed to present some numerical shreds of evidence on the abstract suppositions;

Reductionism. The need to divide into smaller problems the main one appeared the best solution to bring, after all, a solid identification of the research question. The fragmentation of the same revealed different aspects of working with, since were those influencing the scenario the most.

Indeed, the study will tend to cover, in the most punctual terms, these aspects deeply, in order to describe objectively how they appear in reality;

Generalization: here the study has not followed the *dictat properly* by Smith et al. (2015), which recommended to start from the specific to the general; this realisation is evident in the last part of this investigation where once analysed all the aspects that influence the research question, a general conclusion will be given. Instead of following a process specific-general, here the situation is most likely to be *General-Specific-General*;

Cross-sectional analysis; the decision to bring the France experience in Chapter 7, strictly agreed with the need to have a benchmark to which compare the situation described for two main reasons: first, to evaluate the problems to a close reality and try to understand in which way to act in the future and second, to better identify the Italian situation with statistics and numerical evidences from a surrounding scenario. Following the same purpose, some European data are reported as well, in order to locate Italy not just compared to a single European country but to position Italy in a more inclusive and complete description of the entire European group.

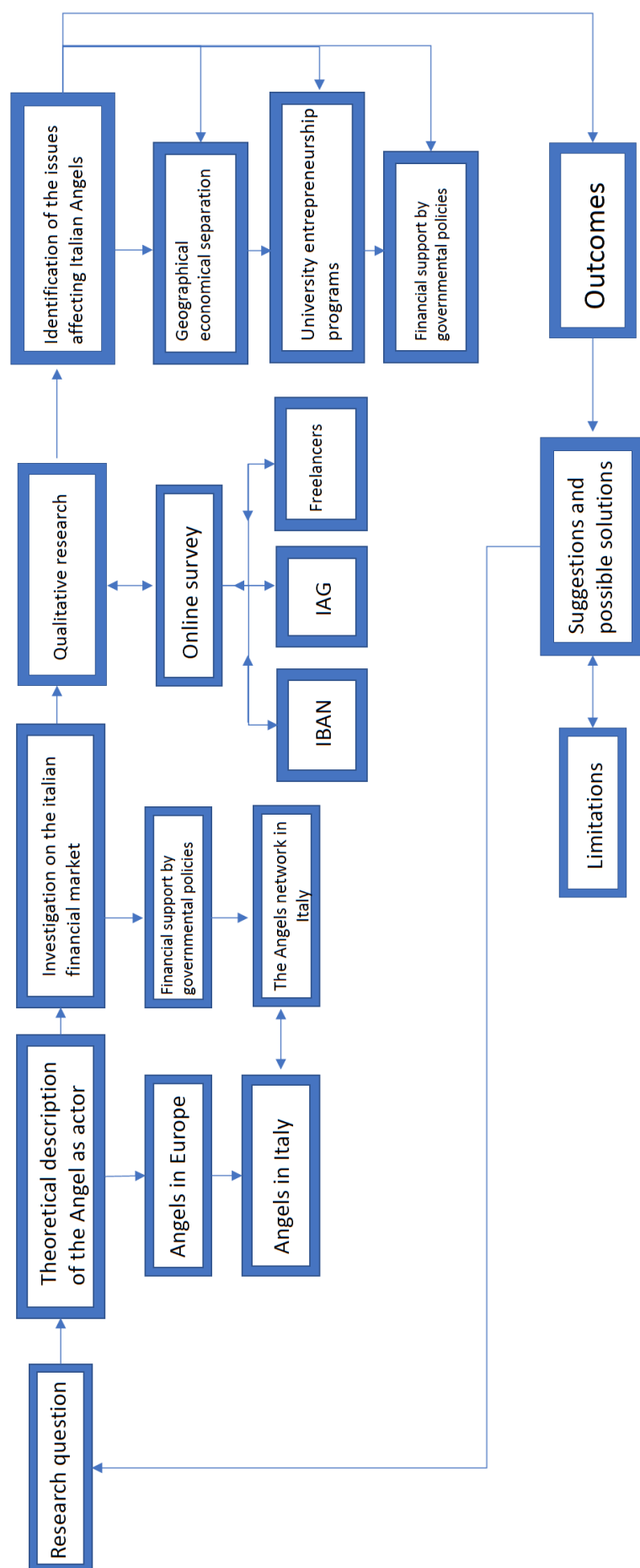


Figure 2.1: Methodology: graphical representation

Chapter | 3

Literature Review

The entire analysis has been conducted mixing different and diverging types of theoretical sources; since this analysis aims to give an actual overview of the Angels network and its development in the Italian field, some very recent article and financial reports were used to get the latest statistics and financial measurements available. To conduct a proper analysis, based on the identification of the potential solutions for the issues occurred after the respondents data collection, the sources collected analyse general description of the Business Angels as private investor as [Dibrova \(2015\)](#), [Politis \(2008\)](#) and [Lerner et al. \(2018\)](#) described in their paper, describing respectively which selection criteria they consider, how do they operate, what really makes the difference between their involvement and others. [Maula et al. \(2005\)](#) in their paper demonstrate what drives micro-Angels investment and which are the main benefits that they could provide thanks to their proposals; the article in many occasions reveals how vital and incisive is the informal capital market within a stable financial market. In their thoughts, the formal capital market and the informal do not have to work as an antagonist but rather cooperate.

[Maula et al. \(2005\)](#) described these opportunities following two primary goals: the better stimulation on a good competition among different agents and agencies and, more relevant, the possibility to share knowledge both from and to formal and informal investors. Many others, such as [Carpenter and Rondi \(2000\)](#) and [Bonini et al. \(2018\)](#), mostly focused their studies into the evaluation of the financial investment market specifically in Italy, with also some references to other typologies of informal investors, mainly Venture Capital Funds. [Bonini et al. \(2018\)](#) illustrate the Italian financial environment describing the existing gap between bank's institutes and micro-investments realities, such as business angels and VCFs genuinely indeed. Their paper, thanks to a strong historical background of the circumstances that brought the banks to be at the centre of the entire financial context, on the contrary, enlightened

the hard work and the difficulties that informal investors had to face to consolidate their position as alternative stakeholder opportunity but, besides the vast amount of efforts so far demonstrated, still bank loans and other financial solutions provided by formal agencies are better considered among the others.

Statistics, as already possible to see in the previous chapters, were necessary since a mathematical and numerical evidence was the backbone for further and more abstract conclusions; these data started from a more general European analysis, mainly from EBAN (2016) and Bygrave and Hay (2003) which allowed a general diagnostic of the other countries to be better compared with the Italian situation. The statistics will be present in many areas of this study, well mixed with general statements in order to evaluate them with some numerical representation. The importance on screening the European context with its latest measurements was essential to provide better a solid basis around which built further and narrower understanding of micro-realities, such as Italy and France as it will follow in the next chapters.

Once described the European informal investment panorama, the author was able to start a deep investigation on the Italian situation and, thanks to both empirical (Lerner et al. (2018), Martin (2017), Carpenter and Rondi (2000), Gaiotti and Generale (2001)) and statistical (IBAN (2017), VeM (2016), EBAN (2016), Bolzani et al. (2014), KPMG (2017)) researchers, an evidence on the past, present and potential future situation could have been possible. Statistics from the two annual reports, IBAN (2017) and VeM (2016) presented a robust and positive attitude on sharing information each other between business angels and venture capitalist funds. The surprise here was to see how, in both the reports, a specific mention and strong consideration was given by the angels to the VCFs and vice-versa. The existing literature review existing at the moment did not cover if there exists a specific connection between those two different informal agencies but, also thanks to the advisory firm KPMG (2017), the need to join forces to counteract the perpetual formal capital market expansion brought competitors in a more cooperative environment in which to share projects, historical data and, sometimes, even partici-

pating in the same business opportunity.

The other major topic covered was the influence in the academic preparation provided to the Italian bachelor and Master's students in entrepreneurial perspective: within the same focus, a narrow geographical analysis was possible also thanks to [North \(1990\)](#) and [Schwartz \(1994\)](#), which emphasised the strong correlation of countries failure because of the scarce and inadequate equilibrium all over national countries. Their efforts were both based on the demonstration that geographically or politically division within the same environment is most likely to be a handicap for the overall growth; in the case here presented a too widely spread dislocation of Italian business angels' network brought to a very complicated scenario. The north is way more advanced than the south thanks to some forefront regional initiatives that brought Italian and foreign capitals into their associations rather than being helpful for the rest of the others. [Peng et al. \(2009\)](#), as well, identifies that national ideological boundaries are one of the three most influencing characteristics for the economic failure in a general environment. Together with strong academic preparation and an excellent cyclic labour market organisation, the environment is ready to be tested with some new regulations and innovative operations, as a way to strike financial wellness.

The comprehension of how the academic systems work to better prepare the student for the labour work was vigorously analysed thanks to [Bolzani et al. \(2014\)](#), [Gnyawali and Fogel \(1994\)](#) and [Alkan \(2015\)](#), which did some further research on how universities and academic institutes should stimulate and involve in more active participation students willing to open their businesses. On this purpose, the study also provides a ranking list elaborated by the author thanks to the data from [Bestmark-ers.com \(2017\)](#), A financial website which aims to classify, in the matter of pertinent, some specific ranking lists for economic comparisons; in Chapter 7, section 2.1, the list presents the 100 top European entrepreneurship MBA programs, the highest postgraduate degree obtainable in the field. Here the just two Italian position in the ranking will give the input to understand how and why the rest of the academies are not even mentioned and, thanks to some models below described, some logic and based to

facts recommendations will be given.

The study will provide the reader with the possibility to face two different models analysing two of the main issues: (1) the lack of credibility, compared to formal investment and (2) university stimulation model for entrepreneurship programs; the three-stage student entrepreneurship encouragement model (**SEEM**) by Jansen et al. (2015) and the Model of Sustainable Local Enterprise Networks (**SLEN**) by Wheeler and McKague (2014) where, thanks to this different theoretical frameworks, the author will try to explain how these may be applied and encouraged as problem-solving methodology.

The SEEM model, generally intended, tends to give a general guideline to those universities willing to better organise their programs for entrepreneurship attendants. The model will be genuinely described in section 7.3.1, and the implication of the model discussed as a result.

Moreover, the other model here used to untangle the lack of networking around business angel community, the SLEN model, will describe how the authors Wheeler and McKague (2014) applied their theoretical approach to two different enterprises far from the reality here discussed: "Honey Care Africa", a medical enterprises willing to help with medical furniture and equipment the local and surrounded populations to defeat some significant diseases; the enterprise described was "Grameen Shakti", selling solar panels for those families how do not have electricity, estimated in 70% of the entire population. The model, even if for entirely different purposes, helped both the realities of a better and easier achievement of the goals planned. Although no evidence is given to the following statement, the SLEN may be extremely appropriate for the Italian context; given the fact that not a single and all-inclusive network for the angel community exists in Italy but slightly two significant associations with regional offices all over the country, the creation of a single but stronger association for both members and freelancers may lead to a higher acceptance of their commitment to the entire economic growth.

In the discussion part, following the *cross-sectional criteria* by Smith et al. (2015), a comparison with France and how they decided to invest in informal capital market will be given also thanks to a very wide selection

of sources; thanks to EBAN (2016) and Business-Angels-Europe (2016) a general picture of both statistics and decisions from the past allowed to analyse the country from the general to the specific. Some external values were also taken from FinancialTimes.com (2017) Which illustrated the number of MBA in entrepreneurship in Europe; here again the surprising revelation, with France leading all the other countries in the number of entrepreneurship best masters, according to the 100 best MBA ranking list reported in the same website. Another relevant source went through for the better comprehension of the dynamics occurring between Italy and France, the comparison made by Hollanders and Nordine (2016) for the European Commission report appeared extremely precious to let the reader have a specific focus on the two realities within the same point of reflection.

Since there is no change without a proper decision, sometimes risky to be effective, the article written by Ranger (2018) helped remarkably the description of the main initiative taken by the French government and, specifically, by its Prime Minister, Mr Macron. The article presents the three main incubators/accelerators born in 2017 and profoundly described in section 7.1 "The French experience". France was selected because of diverse motivations; first, since the very beginning of the European Union, Italy and France have always had a common strategy both in the economic and political attitudes, sometimes even sharing knowledge and prestige mutually; second, the two countries have always shared the same welfare policy, with strong focus on the bank domain among the other financial options and governmental support for their stakeholders; although the strong tie that links the two countries is stronger than ever, since Macron took the leadership of the country, the two attitudes in the matter of informal market has differed in crucial points. Nowadays the gap between banks and informal investors in Italy is not just evident but intended, with a specific distinction for the nature of their work; conversely, in France the biggest lender for business angels is BPI, one of the most prominent financial institutes in France, owned by the state and following directives by the Parliament, as discussed in Stationf.co (2017).

Chapter | 4

Business Angels

4.1 Formal and Informal investors

The understanding of this distinct nomenclature, just after the description of the Angel as an investor, will help the reader in the distinction between *formal* and *informal* institution: North (1990), as first, introduced the distinction between those institutions who have close relationship with regulatory agents and well-established organisations(*formal*) and those who are willing to influence the way in which actors in the economic field might interact and behave, influencing and creating a characteristic thought to be followed. Schwartz (1994) clearly defines informal investors as those who are more interested in the development and stimulation of a new embedded relationship among people's values, aiming a better connection and interaction for new and innovative ventures. Conversely, McMullen et al. (2008) describe formal institutions as those who have an embedded relationship with laws and regulatory attitude, providing higher protection for ideas and property rights to new business's ideas and law security.

Moreover, Angel's strategy for investment is always linked to his/her field of belonging; they might be retired or still working wealthy agents Mason (2009) in the respective field, seeking to invest 10-20 % of their patrimony in similar and nearby entrepreneurial businesses, providing their experience and competencies within the new investment's opportunities Bonini et al. (2018) and Dibrova (2015). The most recognised added values to this launching phase of early phase start-up is the *ex-post* contribution given to the enterprises. van Osnarbrugge (2000), illustrating the differences between angels and venture capitalist funds also essential differences between them, elaborating eight different hypothesis to prove it wrong or right. Both VCf and BAs have asymmetry information costs to be analysed but, VC has more attitude on a better screening and selective orientation than BA; this statement is real in the way in which

VC have more funds available and a more structured organization that allows a better drawing of the project opportunities; on the other way, BA has to be preferred for their ex-post investment support where, thanks to their vast and extensive market experience, they definitely are the best solution for entrepreneurs who seek to achieve a good network, as well as funding.

4.2 Business Angels definition

The Business Angel is a private and own-money investment agent whom patrimony is approximately estimated in 2M €, according to the Italian survey (27.06.2017) through the IBAN internal investigation. [Mason \(2009\)](#) defines Business Angel where the agency risk and the high attitude of investing in Early phase stage enterprises make them unique in the investment field. [Mason \(2009\)](#) defines Angel's figure with characteristic features: (1) deal flow to investigate and evaluate threats in the market; (2) Informal and simple contracts among entrepreneurs and Angel, avoiding the risk of enforcing into impeachments; (3) Prior experience from their belonging's fields, where they feel capable of assessing the market's risks and avoid asymmetric information with new dealers.

Moreover, Mason defines BA as *"high net worth individuals who invest their own money in small unlisted companies, with no family connections, typically assuming a minority equity stake as well as active involvement in portfolio companies"* [Mason C.M \(2008\)](#).

Nevertheless, as many other authors denoted,, BA's primary provision is the *ex post* investment involvement; this support includes forecast for market risks, a massive community and contacts to be in partnership with, the expertise both in the financial and in the managerial tasks and identification of soft and hard tasks to be better evaluated. Although many PhD researchers and authors tried to identify the real business angel definition, [White and Dumay \(2017\)](#), collecting all the sources available starting from 1999, elaborated a scheme introducing all the possible definitions given. The most authoritative was given by [Mason C.M \(2008\)](#), as above described but, until that moment much misunderstanding was

characterising the distinction between "business angels" and "informal investors" where often the two meanings had been mixed up. Nowadays, even if pretty clear the distinction between angels and venture capitalists, in academic articles the two typologies are gathered as unique, instead of being divided, as [Mason \(2009\)](#) pointed out, with the following analysis by [van Osnarbrugge \(2000\)](#). The intense focus here is the analysis cost behaviour that occurs between investors and entrepreneur; as established by [Bhide \(1999\)](#) and [van Osnarbrugge \(2000\)](#), most of the time the BA does not have the complete sources to select projects, according to historical records or experiences of the candidates; the agency problem here is divided into two theoretical approaches: the first is to actively participate on the observation of behaviour, also in the interest of the agent whom can try to decrease the asymmetry of information; the second is to focus on the behaviour of the outcomes, analysing if the result has been obtained and, most important, how. In both cases, an exemplary procedure to be followed, by both the articles, is to establish a rigid but flexible set of rules either during and at the end of the monitoring phase, to understand better which are the strengths and weaknesses, both in the staff and in the core business.

4.2.1 Typologies of Angels

[Coveney and Moore \(1998\)](#) in [Mason \(2005\)](#), defines business angels activity following four distinctive categories:

High net worth, investing up to 10.000 € in no more than 2 to 5 deals, with an impact on their savings of 5-15%; thus an eventual failure does not influence their lifestyle, and they invest mostly in enlarging their business horizons;

Investing their money, using just their financial assets to invest in new deals; this, conversely with banks and venture capitalists as well, provide them with the freedom to follow personal instinct rather than specific guidelines and rules from the institution. The angel is an entrepreneur himself, funding ideas and projects for his financial gain and entertainment, that drives his interests in unknown and new market opportunities;

Direct: that means they are entirely involved in a deal, from the presentation to the (eventual) closing process. The transparency here is essential: the entrepreneur speaks with the angel, and no representatives are screening and/or selecting the candidates in advance on his/her behalf. This fact is easily explained: since most of the angels, when a deal occurs, are just curious of the pitch and how the entrepreneur would present his/her idea, he would never know, until the end, if he could be interested or not in that opportunity. That is the reason why he/she has to select personally the potential venture in which to invest since no rule or setting applies to every deal;

Time and expertise. Many entrepreneurs approaching business angels are not just willing to receive financial support; nevertheless, some of them are more interested in the network and experience that the angel could bring into the business and help them with the overall development in his/her strongest assets. Marketing, design, financing, accountancy and social networking are the most valuable assets that entrepreneurs look for in angels;

Unquoted companies: the angels prefer to invest in very new businesses at their very first experience within the market. This is really what the angels look for: a business to take at their first steps, still able to change rapidly and flexible to modifications or even radical changes. Sometimes they also invest in good ideas but with minimal experience among the staff to see the idea develop over time, teaching and mentoring the staff components;

Financial gain expresses the potential financial gap that the business angel can see realised after 2-3 years since the first fund injection; once the business is ready to evolve and conduct the business with his strength, the angel decides to sell his/her participation both from the business itself or from other external sources, realizing a fair capital gain for further projects.

A further diversification among BAs is given by [Edelman et al. \(2017\)](#) which define **affiliated angels** those who have an already existing tie with the entrepreneur; this may include consultant, suppliers, partners or customers. **Non-affiliated angels** have no connection with the busi-

ness nor the entrepreneur, with just interest on the same field of operation; the angels may be an accountant, a legal, manager or just an expert in that specific economic segmentation. [Edelman et al. \(2017\)](#), no less, describes the potentiality that both angels and venture capitalists may achieve if they start sharing knowledge and invest each others' sources in common project; this phenomenon is characterising the Italian market where, with all the efforts from the state focused on formal investors (banks and related institutes, i.e.), the need to survive brought BAs and VCs on working together and collaborate on some statistic reports, such as [IBAN \(2017\)](#) and [VeM \(2016\)](#).

[Ramadani \(2012\)](#) describes four types of Angel investors as following: **Lotto angels**, trader angels, analyst angels and real angel investors; **Lotto angels** are characterised by minimal managerial and entrepreneurial experience, with small share of their fortune in other businesses, investing alone rather than with other angels; **Trader angels**, with high level of investment activities, with an average of 4,7 investment in 3 years. Not experts within the field but invest a good portion of their fortune in companies, not at the highest ranking level; **Analyst-angels** are those who decide to invest in friends and close parents suggestions, staying aware of the risks and threats in the investment decision part. Their field of investment is regional, with a rate of 66,6% of them investing for their instinct and involvement in the business/es presented. Finally, the **real angel investors** can be categorised by active collaboration with other angels, with an average of investment calculated on 7,3 projects every three years and an impressive level of activity. Vital skill and experience such managerial and entrepreneurship are a strong skill which affects most of them on being leaders in the specific investment group.

Many researchers found that the expected return on investment for each project is not exceeding 30% of the final result, with an average of 20-30%. The financial return, although fundamental for the first approach, is not the only reason why they decide to start a new challenge with new market possibilities; [Ramadani \(2006\)](#) explains that either non-financial reasons have to be taken into consideration when speaking about BA: they feel an obligation on transferring experiences collected overtime

within market investments, knowledge and even failures, to better prepare the new entrepreneurial generation on achieving more significant results, learning from the past. Their intervention in supporting new businesses is also guided by their willingness on helping new people get employed, new families to start a new life and a better development of the entire society where this project takes place.

4.2.2 Added values

The Angel's opportunity, in contrast with banks and VCFM (Venture Capital Fund Manager's Investment), is focusing its efforts in identifying more those human skills presented by the staff of a specific project rather than the gross profit of the investment [Mason \(2009\)](#) ; their interest is in honesty, with a strong and professional ethics, have a realistic vision of the business and, more important, have the capabilities to run the business almost alone, using the internal sources. For the record, the reader has to understand that the same Angel investor may approach different typologies of investment with complete different influence; the Angel, as said, might want just financially to support an already well-established strategy and just inject its contribution to making the development growing faster but, some of them, prefer to overcome the entire managerial staff and substitute himself as project leader. [Politis \(2008\)](#) distinguished the influences and the diverse contributions by Angels into four categorisations: **sounding board**, the knowledge and preparation brought, such as the formulation of proper business strategy, enhancement of critical values within the business, soft and hard skills, maximising the on-time schedule to better perform against eventual competitors and much more. Indeed, the prior business's experiences and know-how is recognised as central and critical value to be added into the new venture; in some cases, startups are just seeking for contacts and strategic partners, rather than funds, because of the high difficulty to reach a good market share with such short experience. The proper identification of the best angel's opportunity, according to their previous experiences, might lead to cover the lack of specific vital sectors, such as marketing and finance.

The second value is identified in **monitoring**, the checks among the

operations, the control of the daily operations achievement and the over-all accountancy regularity. This happens when the company is not anymore managed by the original owner, but specific managers are hired to work on its behalf and interest. The controls among the manager's correct execution are primary for an Angel who wants to see personally if there are trying to maximise their bonus and interests or there are doing the best for the company, as the primary goal.

Third crucial aspect is the **resource acquisition**, the interaction between the Angel and prior contacts/potential further investors and even other Angels, thanks to his/her background and recognised proficiency; in the Italian scenario will be highlight that its a common practice for Angels to invest in "club deals"(Bonini et al. (2018), where the risk is split into more than one investors, and the fund's import for the applicant is higher.

Last, but not in order of importance, is the **mentoring** value, the "coaching" phase in which the Angel transfer some past knowledge and mistakes to teach how to avoid the same mistakes and overcome the threats during the future steps. Nevertheless, it is also crucial for building a close relationship among the new components of the ventures; this may help the confidence and increase the trust since the beginning, aiming for a cooperative environment and positive attitude on facing the following phases.

4.2.3 Applied strategies

Although diverse types of Angels may be reached in the same market, according to their assets, a further distinction need to be highlighted, this time from Angel's selection criteria. Dibrova (2015) in her article, focuses on the six different vital factors that influence the investment's decision; these are: **virgin**, Angels at their very first market opportunities; **latent**, those who have not invested in the past three years; **wealth maximizing**, financial operators just seeking for potential gains through proper deal conclusions; **entrepreneur**, business man/women, interested in the expansion of their personal portfolio with some shares in potential growing ventures; **income seeking**, those who invest both for revenues and

to get access in that specific business; **corporate**, companies who focus their core businesses in dealing the majority of these new born firms, trying to overcome and buy the majority stakes.

According to EBAN (2016), the average amount invested in 2016 just for Angel's community has been calculated in 312,5M €, with a steadily increasing attitude, with a +11,5% from 2013 and +1,3% from 2015. Moreover, the investment for every single BA has reached a historical peak, with an average of 22,500€ and a +2,5% from 2013. The statistics here below described in Figure 4.1 consider just the visible market, without considering those investments made to unknown investors (invisible market).

	2013	2014	2015	2016
Average investment per company	165,000	174,000	184,000	166,000
Average investment per BAN	1,184,000	1,232,000	1,291,000	1,386,000
Average investment per BA	20,400	20,000	19,990	22,500

Figure 4.1: Average investments 2013-2016€, visible market statistics

Quite often the angels decide to merge their financial sources for a project, mainly for two main reasons: first, they do not want to start an increasing price challenge with other investors; that would be costly, and the angel could be tended to offer too much just for a single project so, a typical behaviour, is to see two or more angels cooperate in the same investment opportunity with higher income of funding for the entrepreneur and a lower, shared, financial risk among all the angels. Second, from the entrepreneur point of view, this represents a tremendous opportunity to see gathered around his project many experts and their experiences in the different field, achieving complete support in different critical assets for the business realisation.

4.2.4 Sectors of Investment

The main sectors of interest for European Angels are in the innovation and ICT tech (Informations and Communications Technologies), with the new potential market such as MedTech and BioTech, vanguard market's niches, as represented in Figure 4.2, (EBAN (2016)).

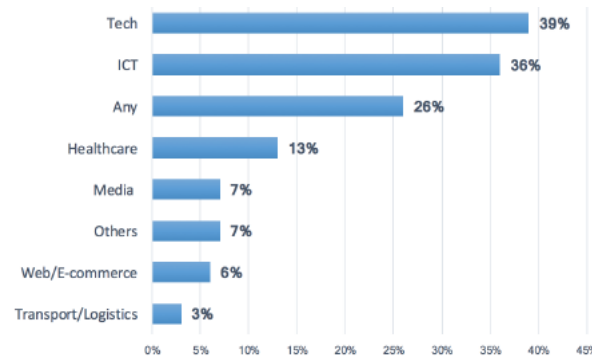


Figure 4.2: Sectors distribution by investment amount in 2016 in Europe

Different EU countries may have different interests and proportions in the illustrated fields; in [Dibrova \(2015\)](#), Germany appears more interested in IT sectors (52%), followed by 22% in life science and 20% in other diverse services; the Italian's Angels, data from [VeM \(2016\)](#), are more interested in ICT and Medtech medical equipment (both 22%), Media and Entertainment (11%) and electronic devices (10%).

4.3 The European panorama

In the European Statistics Compendium [EBAN \(2016\)](#), the leading country is still the United Kingdom, with its 8000+ Angels distributes in 64 Networks all over the country, followed by Spain, Germany and France, all over the 2000 active Angels. The French experience and capability of the growth will be treated in the following parts as an example, citing the words of the president of the IAG, one of the most prominent Italian Network for Angels.

According to [EBAN \(2016\)](#), the Angels's investment represent the 67% of the early stage phase in Europe with an amount of 6.672B€ in 2016 and a +8.2% from 2015 and +12% from 2013, with a total investment of 38.23B€, including a forecast for the invisible market, namely those Angels who are not associated with any of the European networks but they operate as freelancers.

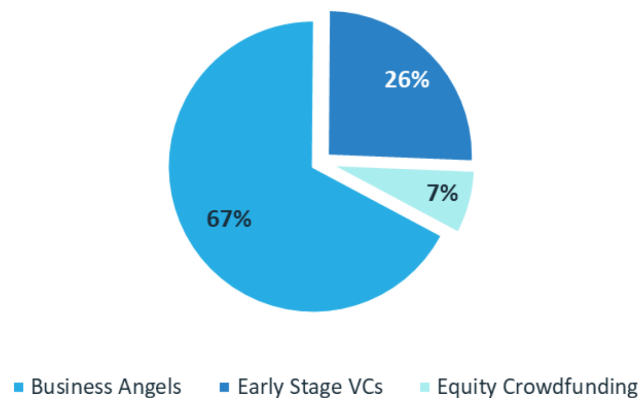


Figure 4.3: Investment in the start-up funding

In 2016 the number of active Angel network has reached the historical peak, with a proportion of 474, seeing the phenomena increasing its number of a + 10.3% in 4 years EBAN (2016).

4.4 Business Angels networks in Italy

The Italian capital market, as already mentioned, is recognised to be bank-centred and its primary funding access is, indeed, the bank loan. Carpenter and Rondi (2000) in their paperwork stated that bank debt is by far the most approached and common practice to achieve funding from external sources and covers around 18-22% of the market debt ratio. This percentage includes those big firms that are capable of proving an excellent Return on Investment (ROI), that defines the capability of returning the given funds. Although a wide range of local incentives, with significant tax reduction and stimulation for new start-up creations, the bank is still inaccessible for those enterprises with lack of economic stability but with right entrepreneurial attitude.

One of the problems has been identified in the asymmetric information, the limited access to historical data and past experiences that affect the funding's injection in entrepreneurial opportunities (Bhide (1999)). Investors are sceptical about investing in low-profit opportunities, and they strictly invest in highly rated opportunities rather than in high rated innovation, the reason why a good passion and positive presentation are meaningless without a proper growth strategy. , in his interview, agreed

with the lack of good projects to be invested in, accusing the Italian universities, Campus and Academies, in not preparing sufficiently the future entrepreneurs in the realisation of their dreams.

4.4.1 The Italian network

In 1999, the first Angel's network born in Italy with IBAN, the first association for informal investors. The mission is still to validate Angel's activity as proper Political Economics subjects, able to communicate and share knowledge with formal investors and achieve a common reward: the reduction of the asymmetry information. They are actively operating all over the Italian territory, with regional offices, working as advisory centres and were pioneers in this way. IAG, Italian Angels followed it for Growth which aims to increase their presence and strength furthermore. Together, they have reached an amount of 14 networks (EBAN (2016)) and an amount of confirmed and operating Angels of 54. This number could be increased of other 40 elements, but those were, or part of an Angel's Club (not yet operating) or they retired so, not valuable for the investigation here presented. The Angel's attitude is to invest in start-up projects and offers their expertise for the first phase of strategical support and assistance, most of the time influencing the decision making part directly and taking control over the management. The chart in Figure 4.4, data from VeM (2016), represents the preferences for investment criteria.

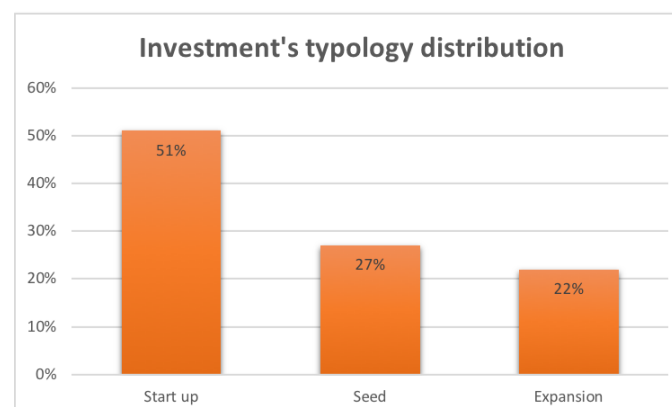


Figure 4.4: Investment preferences among Angels

In 2016, VeM (2016) reports that 37 start-ups have been selected for financing and the entire amount of investment in 2016 has been calcu-

lated in 20.6 billion €, a historical record for the Italian market. The conventional procedure for investment is to get into a "clusterisation": that means many Angels, interested in the same deal, decides to cooperate financing a much higher import for a lower share but minimising the risk.

The strong diversification and separation between North and South also affect the general situation. The majority of investment took place in the north part of Italy, with less than 50% just in Lombardia (41%), followed by Emilia Romagna (14%) and Piemonte (8%), all northern regions. The south, conversely, stabilises its rate around 3%, identifying a lack of initiatives, entrepreneurial attitude and regional law's obstacles. In the graph below, the N and the S will help the reader identifying the statistics about investments in north and south graphically.

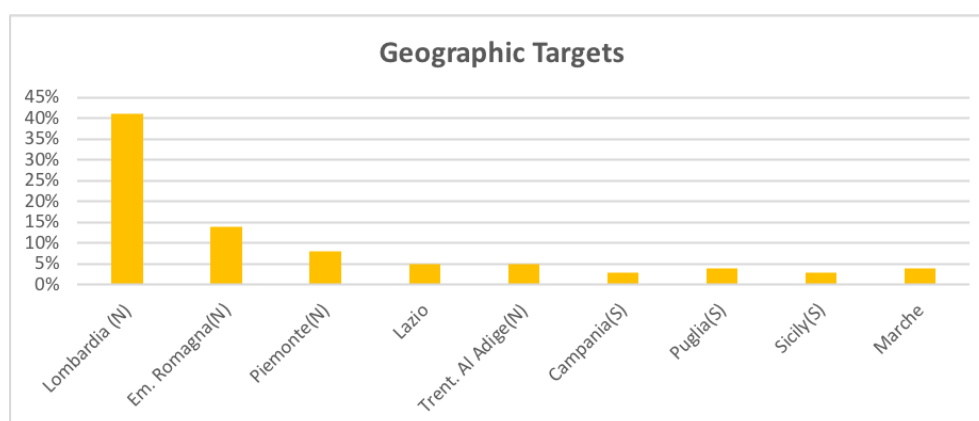


Figure 4.5: Geographic dislocation: North and South Italy

4.4.2 The gender ratio

The reports from IBAN (2017) and VeM (2016) analyse how the gender proportion has changed over time in the Italian market. A graphic representation, taken from IBAN (2017) would help the reader with the statistics and changes (Figure 4.6).

The 23% of female presence in the BA field is a fantastic result, according to the historical data from 2012 to 2015 where the market was quite wholly male-owned. The forecasts for 2017 are even more optimistic, with a proportion of more than 25% of female, according to Sottocornola (2017); in his interview with Paola Bonomo, elected "Best European Angel Investor 2017" the female portion is following an increasing trend where,

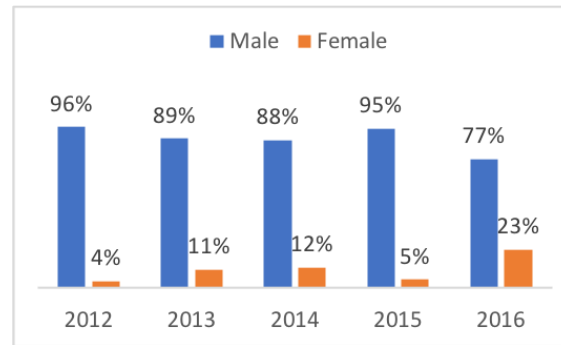


Figure 4.6: Gender- Italian Market

with their diverse approach to deals and potential ventures in which to invest, in 5 to 10 years the market could be evenly shared between men and women. Figure ?? shows a +19% from 2012 and an even more surprising +18% in just one year of activities. According to [EBAN \(2016\)](#), the female ration in Central and Eastern Europe is the higher ever recorded in Europe, with a concentration of around 30%, whereas the US ration in 2016 for female investors is 26,2%, Italy is excellent promoting the female expansion within the field of analysis.

4.4.3 The exit strategy

The Italian Angel investor, as common recorded behaviour, prefers not to focus on a project for more than three years. This time frame was registered in reports dated 2014-2015 but, from 2016 and on, the angels, as reported in [IBAN \(2017\)](#), hold their project until the fourth year of management activities. This furthermore focus is easily explained by the more competition on the market, both from investors and acquiring firms. Nowadays, the Italian market, with its uncountable financial problems is assuming protective and careful attention on new financial and risk-taking operations so, once the Angel leaves the business for the launching phase, it is not possible to prove that the market is ready to provide a reliable solution for it. Here the Angel has to set a robust and exciting frame for the business, to be more attractive once on the market to be acquired from a more prominent and more dynamic firm.

The statistics from [IBAN \(2017\)](#) reveals that the Angels prefer to sell their stock options to other close, trustworthy entrepreneur/s (75%) and

the remaining part, 25% prefer to sell their participation to the business, giving back all the management control over the business.

The European report, [EBAN \(2016\)](#), conversely, draws an entirely different scenario compared to the one already described. Assuming a more innovative and profitable market where to see potentiality grow fast around businesses, the most common behaviour of European Angels is to have long-term horizons with their investments; the report shows that 38% of the European investors decide to hold their stock within the firm for more than 10 years, 31% between 5-10 years and, as in the Italian market, 3-5 years top.

NB: It has to be taken into consideration that the leading countries for Angel investments in Europe (Germany, UK, Spain, France and Netherlands) have all an amount of known active angels in a range of 1128 (Netherlands, i.e.) to the +8000(UK). All the cited countries, as it will be explained for France during the study, have strong public incentives for their growth and in these bring their Angels operators on holding their position within businesses because of a higher chance of higher income, once selling.

4.4.4 Average investment per angel

The Italian market for investments is known to be as stable as conservative, with essential investments just when speaking of fundamental firms and billionaire businesses; in this scenario, it is not surprising to see the angels' contribution to be just a small portion of the whole, where the agents contribute partially to the overall development.

The report from the annual congress for angel associates, [IBAN \(2017\)](#), presented some statistics including the impact that the finance through angels has on the real economy. The financial profile of the Italian angel was estimated, for 2017, in 2 Million €, with some statistics collected through IBAN associates reporting 67% of the respondents investing 5-10% of their own assets, 19% in a range of 11-20%, 7% between 21% and 30% and the remaining 11% between 31% and over.

The same showed that 56% of the projects funded were based in North Italy where the economic development faster than the South and, among

them, 32% of the investments were made on the *Seed phase* while 12% in the *expansion*.

Moreover, besides the financial investment is the focal point for entrepreneurs, 70% of the applicants revealed that they were considering angel's opportunity not just merely for their economic support but, instead, for the expertise provided by each investor. Here presented in Figure 4.7 the average amount recorded by IBAN in their internal survey. The two extremes are highlighted: as is possible to see the Italian angels they seem divided by those who invest a tiny portion of their patrimony and those who invest a considerable amount of their savings to new business opportunities. This differentiation, recalling section 4.2.1, tend to separate Angels in *Lotto angels* and *Real angel investors*, with entirely different goals on their attitudes.

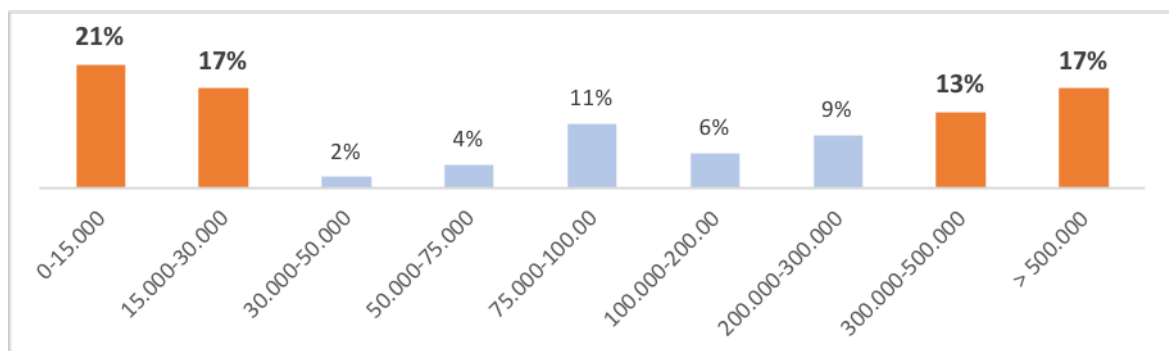


Figure 4.7: Average amount per single project

Chapter | 5

Italian financial incentives for SMEs

5.1 Monetary policy and asymmetric effects

One of the biggest and more complicated issues faced by business angels and informal investors in general is the impact that monetary rules and regulations affect their work. Here the problem will be analysed following both a theoretical approach, thanks to [Bhide \(1999\)](#) and [Li \(2005\)](#), which explained the importance of reducing asymmetric costs as a cornerstone for informal investors; thanks to [Gaiotti and Generale \(2001\)](#), an economical perception of the influence and links that characterises the Italian financial system will be drawn, in order to enlighten the mutual interest between policy makers and Italian banks.

As [Bhide \(1999\)](#) in the early 2000 described, the problems affecting informal investors are basically on the potentiality to reach a certain amount of knowledge that would help them on a more scrupulous and selective screening phase of candidates; the too little and, sometimes even complete absence, politic support represents a huge weight and deficit on their functioning. As also confirmed by [Li \(2005\)](#), the incapacity for informal investors to reach an historical background of the candidates, in order to avoid asymmetric information and get into a risky project. Conversely, formal investors have a greater control of the risks induced by investments: [Zhao \(2017\)](#) presented a study based on the risk calculation in case of *Moral Hazard* or adverse selection, where explained how formal institutes (banks i.e) calculate and prevent their funds to risky and unknown entrepreneurs, Figure 5.1.

Expressing Y the expected revenue from a certain investment and r the interest rate, r^* the optimal interest rate for bank loan, here the bank has interest on borrow funds to entrepreneurs until r^* , so $r < r^*$; in that area, the bank has complete control of the investment and a fair return on the interest side since r^* represent the highest income feasible. For every combination of Y and r , where $r > r^*$, the bank is not realizing the

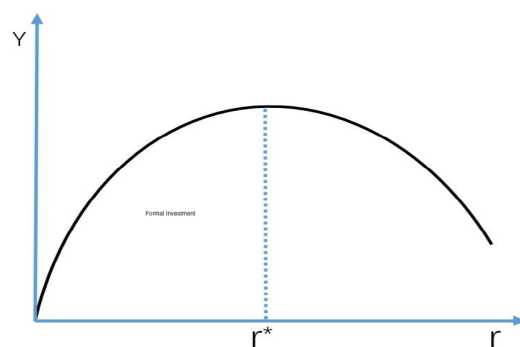


Figure 5.1: The expected revenue and interest rate of formal financial institution

highest output but is losing economical power in terms of revenues. In such circumstance the bank is facing a moral hazard or asymmetric information where the interest rate is volatile and the investment has lost economic potential. The informal market, on the contrary, has no power to reach and to calculate those values and, when possible, it influences the economic transaction considerably.

Zhao (2017) discovered that, in complete absence of economic profile or background information of entrepreneurs seeking for funding, the agency (business angels or VCFs) has to spend an average of 13,3% of the total investment of reaching trustworthy information among the network or by screening the business with meetings, both practical and theoretical tests, trial sessions and other initiatives. This obviously represents a cost that could have been avoided just by having a good network including all the angels from the same country and cooperating in order to reduce the asymmetric information. It is strong intent by the two main organizations here presented, IAG and IBAN, to cooperate closer to each other and realise just a single, but all inclusive, network where to collect historical records of each investments.

As presented by Gaiotti and Generale (2001) in their work through the European Central Bank, a proper and punctual analysis of the Italian financial market is reported, stressing the strong link between banks and policy makers. An historical study, reporting each important financial step from the 1987 to 1996 highlights the mutual interest that banks and government have always shared. Overtime, many governments from both the political sides, had as Economic Minister exponents (or retired

ones) from the major bank institutes and from the Bank of Italy. Nevertheless, besides some of them were against the too wide bank control over the financial system, none of them have always supported the informal market, just as important and widely diffused as the formals'. Gaiotti and Generale (2001) strongly affirm that SMEs have always suffered a too high rate of interest from banks and credit institutes and that brought entrepreneurs and small businesses to financial ruin.

5.2 Governmental support

Although one of the most dynamic country in Europe, Italy has always dealt with innovative negative behaviour. The political situation is uncertainty from 6 years from now, and the GDP% has always affected the financial market development with unemployment and high labour taxes. Even though the financial policy is not yet wholly structure, overtime some incentives and support to SME's with public funds were allocated, to stimulate and encourage the market in investing and betting on the Italian economic growth.

Here below listed the three main public support either for innovative and non-innovative firms, willing to thrive and enlarge their potentiality in Italy.

All of the listed initiatives are still operative and accessible to those applicants seeking for q governmental support, even if those specific opportunities are exceptionally well suggested by formal institutions like banks and private equity funds but no advertisement or propaganda is given through universities and formation centres: this list may help those start-ups on a more general comprehension of the hide opportunities to let the business grow, even without the direct influence of bankers or derivative services.

5.2.1 Industria 4.0

By referring to the so-called "fourth industrial revolution", aims to increase the connection between users and economic actors with a consistent upgrade in the internet connection, fastness and RD development.

The primary goal of this innovative stimulation was to force the upgrade of the old machines, old drivers and/or operative systems to keep up with the new version of the same and be competitive against competitors or new market threats.

The promotion of the described incentive is state owned so financed mainly with public funds but, according to [KPMG \(2017\)](#), also gives the opportunity for external entrepreneurs or external investors (such as Angels, VC funds etc) to lead the board with proper innovative business plans, providing new network potential partners, new IT knowledge and expertise. Furthermore, an essential incentive through the program is the possibility to follow personalised training courses for those entrepreneurs seeking to acquire new competencies without any external interference and running their business independently. Industria 4.0, moreover, offers a massive tax reduction, for those entrepreneurs who present a renovation project, up to 30% in tax reduction and a total amount of investment of 1 million € if individuals and 1,8 million € if legal entity [Calenda \(2017\)](#).

5.2.2 Smart&Start Italia

Established on February 2015, allows the disbursement of funds and economic support to those selected start-ups with at least one of these criteria: (1) high technological impact; (2) core business within the digital economy; (3) the purpose has to be on the research exploitation. To be selected the submitted project has to include funding in the range of 100,000 and 1,5million € ([Calenda \(2017\)](#)). Disbursement is available as mortgage loan interest-free up to 70% of the entire investment, and if the company has a majority of women and/or under-36, this amount could reach the 80%. ([Calenda \(2017\)](#)).

As already illustrated in the previous chapter, a further focus on the subsistence for less advanced regions, all in the south part of Italy, they can also apply for a 20% of the cited funding given as non-reimbursable. Just like Industria 4.0, Smart& Start Italia gives the opportunity to those start-ups created no longer than 12 months from the application to follow specific training courses on best managerial practices, investor's relationships, how to develop a successful business plan and furthermore.

Calenda (2017).

5.2.3 Invitalia Ventures

As well as S&S Italia, established in Sept 2015, Invitalia operates just as co-investor with private and independent operators with an amount from 500,000 € to 1,5 million €. (Calenda (2017) p 146). As a venture, gathers more than 150 private investors, 5000 financed start-up and 650 realised exit strategies. So far it is the biggest organisation supporting the start-up development and the biggest vessel for the Italian market.

Conversely, with the other two organisation, it also invests in SMEs with a share into the risk capital market, with stocks and bonds; although their purpose is not to overcome the already existing leading management, they also purchase and exchange stocks in the capital market for price premiums and price differential.

Invitalia, contrary to the two others, have interest in investing its resources both in the national and international market; this fact is well seen from the start-ups' thanks to the broader network in which they could establish a potential partnership, within and outside the national boundaries and outsource some of their principal assets.

Chapter | 6

Analysis

6.1 The result of the survey

6.1.1 Preface

The data collection was conducted through an online survey, using a multiple choice layout, with some of these questions allowing the respondents to select more than one questions, in order to have the wider vision of their thoughts possible. The entire recognized and visible Angels in Italy, those who are actively part of one of the already cited associations and/or known freelancers in the business, gave a final number of 54; the invisible market was not taken into consideration because there was no chance to prove that they are Business Angels or they are still operating within the field. The survey was shared through the two main association, IAG and IBAN but also some other freelancers were reached through LinkedIn, a business platform for professionals.

The questionnaire was composed of 10 questions, covering all the aspects about Angels activity and issues on their daily operations. The following analysis will highlight, with some graphical representation, the main important results reached in the whole but, the reader can have a complete overview of the entire questionnaire in the appendix part, where all the questions with related results are displayed.

The final results revealed that 35 respondents among the 54 took place in this data collection, with a satisfactory result of **64,81%** of the whole pool. The author tried to reach the remaining 19 respondents but, according to their regional networks, they were rushing in a very busy period or some of them were abroad with no possibility to get access through the internal newsletter where the survey has been shared among members.

Limitations and further analysis will be revealed in Chapter 9 where new possible investigations and studies opportunities will be described but, for now, the study will proceed analysing the collected results. **The pie charts have to be intended as one single option selection and**

the bar chart has to be intended as multiple choices selection, where respondents were allowed to give more than one preference.

6.1.2 The collected results

The section here will describe the three main issues/evidences that appeared as the most interesting for the study here explained: **(1)** The lack of credibility among other financial operators; **(2)** The governmental support; **(3)** The little awareness of their existence among entrepreneurs and economic students. These three aspects, treated as key topics, will be used in the next chapter where, once here described the statistics and the prevailing behaviour, theoretical approaches and models will tend to provide potential solutions to these constraints.

The hard work for Angels to be well recognized among competitors, principally banks and private investment funds, is still one of the most issues in their expansion: as already covered in this analysis, Italy has always been known as bank-centric, with all the financial initiatives driven by banks and related sub-component (local deposit funds and regional agencies, subordinates of major bank institutes). For informal investors, such as BA, is hard to convince the demand that they could be a more pertinent and specialised opportunity for them, especially in the first 2 years of born.

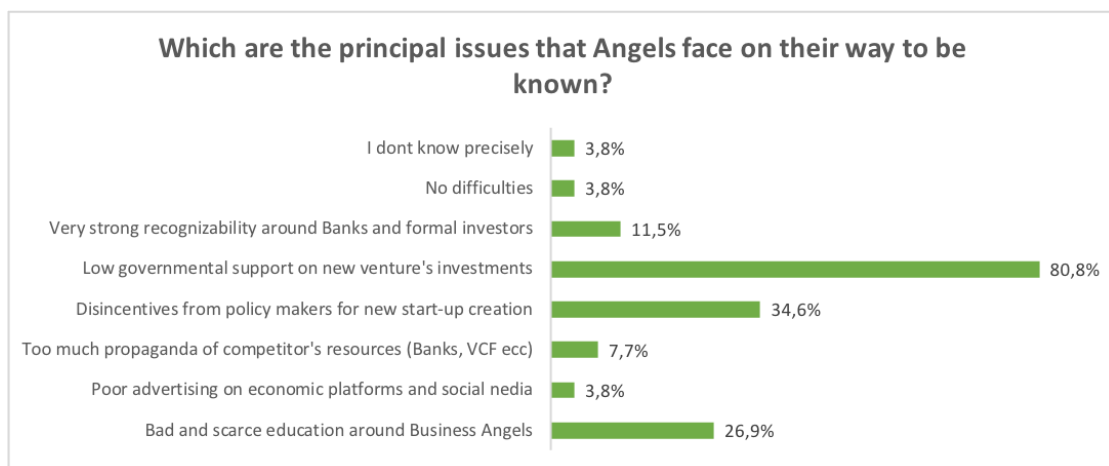


Figure 6.1: Detectability in the Italian market

The chart represented in Figure 6.1 draws the main issues that influence the too little detectability among other financial operators in Italy.

80,8% identified the poor attention by the policy regulators on their support as main consequence for their low development and, following the same logic lead, 34,6% strictly accused them of a privilege treatment in formal investment options than little ones. The final, but relevant verdict revealed a spread disinformation about the Angels procedures on investments, primarily on universities with entrepreneurship courses and related formation centres: 26,9% of the participants identified a lack of knowledge around their work and this final reflection leads the analysis to the next step: the inadequate publicity that informal investors face on their daily operations.

The chart in Figure 6.2 explains how the operators conduce their propaganda within the market and how the respondent perceived the outcomes from this decision; 46% of them uses specific congress and academic meetings to introduce themselves, explaining which is the purpose of

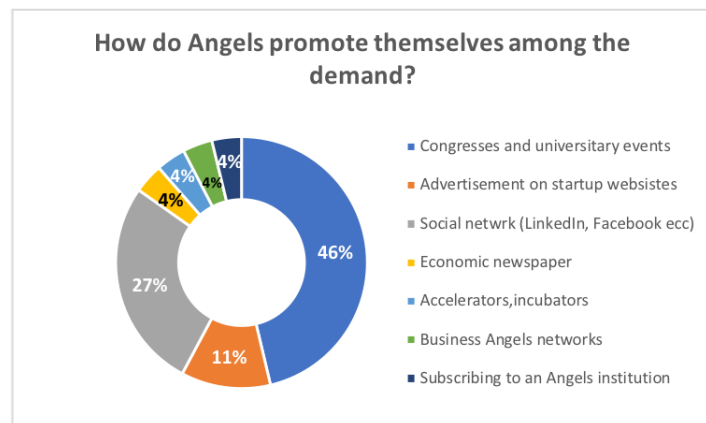


Figure 6.2: Promotion methods

their job, how do they differ from the other financial institutions and try to involve as many students as possible in their understanding; another recognized way to be known is the social network advertisement: since their interest is to reach the young generation of potential entrepreneurs, the content sharing through LinkedIn and Facebook as main target social network is highlighted as strong point to induce curiosity and awareness around their way of approaching venture opportunities. Here it is important to see how there is no unique channel of communication to be used as preferred for the entire category; this will be treated in section 7.3.2 where, the UFO's development may be a solution to concentrate efforts in a single but strong operation. In the discussion Chapter 8 the french Angel's situation may inspire to a more collaborative relationship between government and informal institutions, leading to a greater visibility of the

same and providing a more innovative environment, not just for Angels communities but also for a better stimulation of entrepreneurial attitudes.

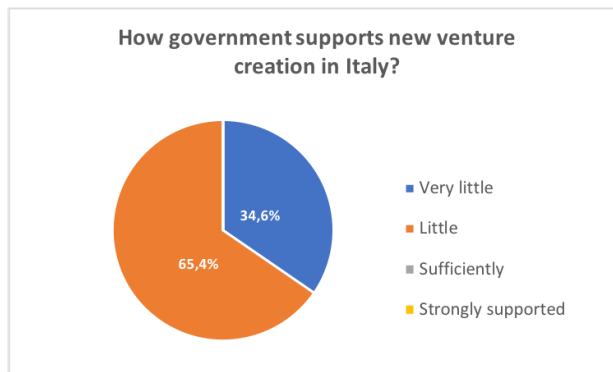


Figure 6.3: Support by the authorities

The governmental support, with initiatives and promoting events is the other main issues faced during the survey where no, or too little, recognition by the policy makers is given to Business Angels activities in order to help their growth and let them being identified as potential solution. As the chart in Figure

6.3 reports, none of the respondent was able to see their efforts supported by law policies, in terms of financial supports and/or incentives of opening new businesses in the Italian context; 65,4% of them have very poor trust in institutional support and indifference around their organizations, the rest 34,6% have none perception of governmental influence on their growth. According to [VeM \(2016\)](#) this is not representing the reality: the financial report shows that in 2016 a tax reduction for those investing in innovative start-ups (in Italy) was **19%**, not in line with the European standards but, since 2017, this rate grew up to **30%**, in perfect line with the tax level of more advanced an innovative countries, such as Germany and France, as it will be seen in the next chapter.

This logic progression bring this study on analysing why the Italian market for Angels investment is stable, so far, but with a huge gap in terms of knowledge share among normal people and potential entrepreneurs.

Here in Figure 6.4 the respondents expressed their feelings and ideas about other European country's expansion within Business Angels concept in their own country and, according to the collected answers, 69,2% of them strictly see a more supportive governmental attitude on other countries than Italy, with major incentives and activities devoted on their recognisability of their operations; 38,5% identified a more efficiency on tax fiscal pressure for new start-up and, more broadly speaking for SME's, 34,6%. The other relevant results, either for statistical representation and

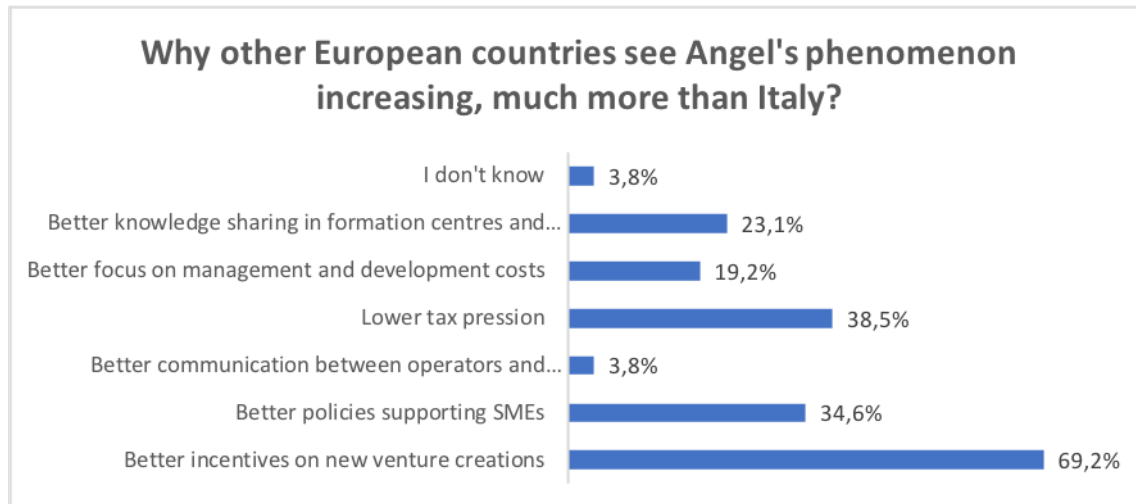


Figure 6.4: Opinions on European Angel's development

for validating this study is the 23,1% of respondents that sees the little attention given to formation centres and university on preparing sufficiently their attending students on every kind of investors, available in the market.

At this point of the study, it is useful to give an overview of the Angels most used practices in their daily routine. The reader has the opportunity to have a general introduction of their theoretical layout in Chapter 4 where, following internal reports, academical articles and economic congress reports, an overview based on historical record was given.

From this point and so on the analysis will treat the own respondents's perception of their involvement in investments, how do they perceive themselves against competitors, both formal and informal, and which are the strenghts that should convince entrepreneurs at their very first project on choosing them as partners.

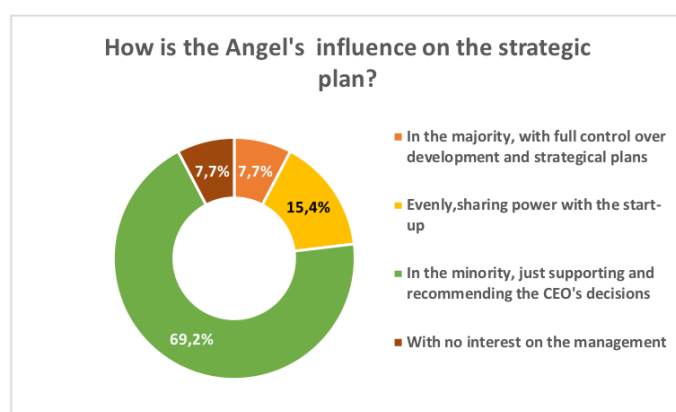


Figure 6.5: Influence on managerial tasks

Conversely with other Angels practices, such as the American's where

they most likely decide to acquire the majority of the board of the company, the Italian Angels prefer to help and recommend for the best the existing management in which they decide to invest in; 69,2%, indeed, prefer to stay apart and let the start-up grow with its own strength, taking over just when personal experience and linkages with suppliers and potential partners and, when the competences in the components of the business are not sufficiently strong to lead the company they, as 15,4% of respondents say, share in even parts the board in the decision planning stage to better guide the business with experiences and proved skills by the Angel. Very few respondents, 7,7% in each cases, take over control of the entire business to adjust, modify or even change the business as they prefer, according to their field of belonging. Nevertheless, this statement does not give an explanation of the real differences that occurs between them and the other possibilities withing the financial selection.

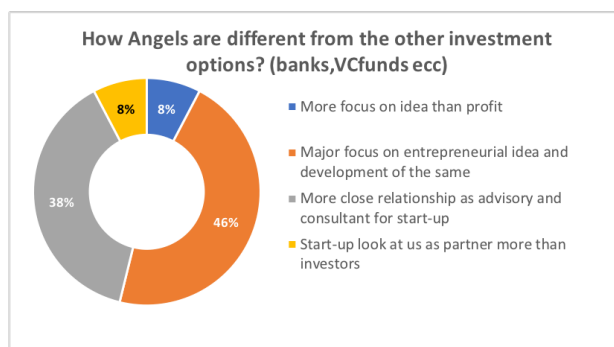


Figure 6.6: Differences with other investment opportunities

The pie chart in Figure 6.6 contains the mainstays of the Angels and why, in their opinion, asking for their financial sources may also help practically other aspects of the venture.

Unlike bank loans and private investments, where the only interest is in the practical realisation of profits in a pre-stabilised time frames, called ROI (Return on Investment) and other calculation, Angels sometimes decide to invest in projects with no profit monetary exchange, just because of the willingness to be helpful with some new thrilling challenges. As reported by 46% of the participants, they are more focused on the general understanding of the potentiality of the project rather than in the actual profit realisation, whereas 38% prefer to be identified as advisory and strategic partners than proper financial investors. This particular is what really affects being an Angel, with a deeper focus on the components and human skills within the business instead of the revenues produced overtime.

The characteristics affect the entire category, no matter where they are located and in which market do they operate. As already explained in Chapter 4, section 4.1, [Mason C.M \(2008\)](#) described them as individuals seeking to invest their money in challenges and human values, rather than being locked with rate in profitability and rigid deadlines, affecting formal investment's decision making.

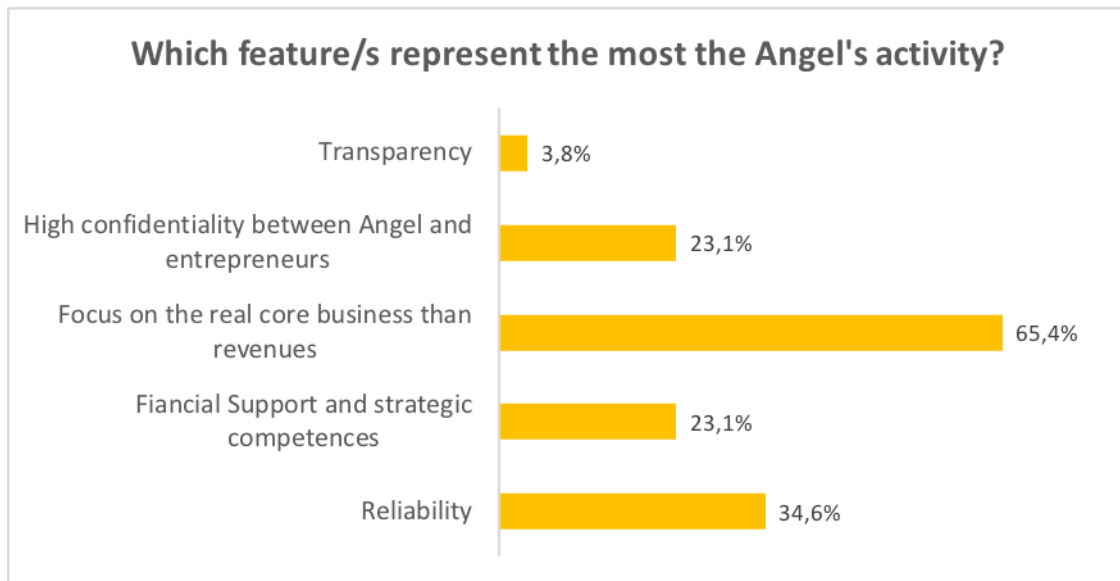


Figure 6.7: Features brought by Angels

In Figure 6.7, a strong confirmation of what already determined can be seen in the 65,4% of the answers given, where the real focus is on the idea more than in the revenue deriving from it and the reliability provided by Angels, estimated with 34,6% of the respondent's selection. Strong impact on the human relationship's tie in this investment process is given by 23,1% where the Angel is seen not just with merely financial merits but with strong attention on the dynamics occurring among components of the business.

The respondents were asked to express their preferences about the position that Italy covers, in the latest position, according to GDP% ratio. This further question appeared interesting just after the reported statistics from [EBAN \(2016\)](#).

The statistics presented all the European countries in a linear graph where they were displayed according to their yearly GDP growth in business angels investments and, it was surprising how smaller countries such

as Estonia, Finland, Portugal and Kosovo as well, were on the head of this reported graph.

Their governments and policy makers strictly decided to invest in new venture creations funded by informal investors to shake their entire economies. On the same graph, despite the greater extension of their lands in the EU, countries like Germany, Norway, Croatia and Italy (on the very last position), are investing less than 5% of their GDP in business angel's activities. It has to be taken into consideration that Italy, for instance, has always been affected by a negative GDP growth and this may justify the too little investment in business angel's organization but this can not be verified here, since it is not the primary goal for the study.

According to what just said, the questionnaire was designed to ask personal opinion from the respondents about this matter; as Figure 6.8 presents, a consistent portion of them accused the policy makers for not supporting their expansion with initiatives or general venture creations (46%) and the following highest portion accused the too high taxes that new entrepreneurs have to pay in the primary steps, 23%.

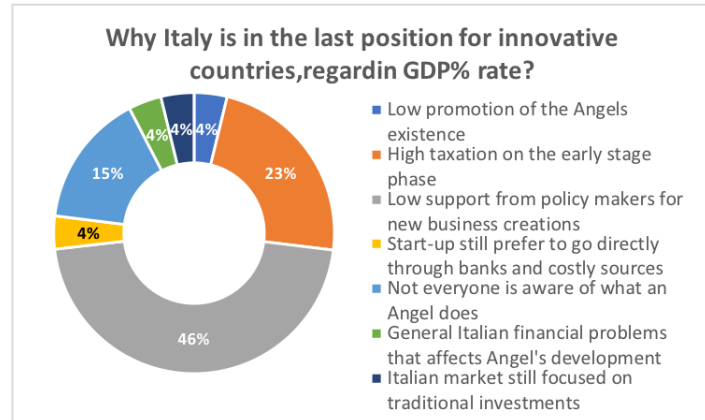


Figure 6.8: Comparison with other EU countries

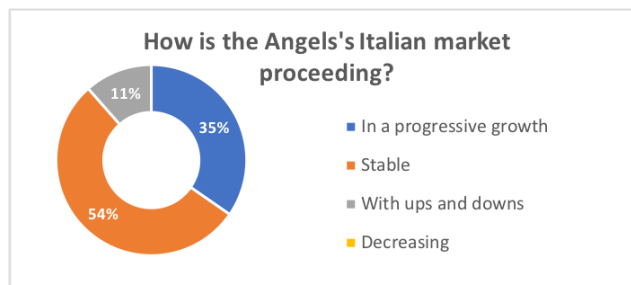


Figure 6.9: Forecasting Italian market

The following 31% is divided roughly even and they do not represent a common behaviour to be highlighted as relevant. Here again, the opening and maintaining costs with their subsequent tax rate, are seen as the enemy to be at least reduced but, as this study has already demonstrated, a new support to start-up and SMEs is given with

ready demonstrated, a new support to start-up and SMEs is given with

a higher tax reduction from the 19% of 2016 to a 30%, in line with the European standards.

The respondents, furthermore, were asked to give personal opinion on the general trend that the angel's community had in the past and may have in the future, as showed in Figure 6.9; a consistent portion of them saw a stable growth within the Italian market and this may be direct consequence of the still uncertain financial and economical guide that Italy should receive from the incoming government in 2018.

The good result here is that none of the participants assumed a pessimistic vision, all converging to a stable or consistent growth over the years coming and, 35% of them seemed optimistic about the new incentives that the policy makers may insert in the next legislation. Some small but important decisions were already taken in the past legislation where, according to Calenda (2017), now the entrepreneurs are more supported then the past with accelerator programs, financial incentives (i.e. tax reduction up to 30%) and a better communication in universities and educational sites. Although some changes are recognized by the direct interested, still a too little understanding of their existence and their importance in a more productive financial environment seems relevant.

The last question here analysed tried to stimulate the respondents on identifying which selection best fitted their perception of being known among students, entrepreneur or just curious people in the matter of finance.

The question was built listing all the educational opportunities in finance and related aspects, starting from bachelor degrees in economic studies, to master's and, finally, those private and (for some people) un-accessible courses in term of fees.

Starting from the biggest section reported in Figure 6.10, 48% of the

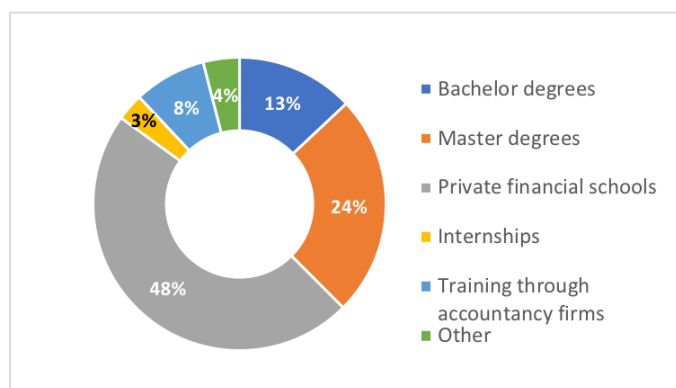


Figure 6.10: Popularity within the economical field

angels see their figure most known precisely in those dedicated and extremely costly schools, with high admission costs that allow just a small portion of participants. The following 24% strongly affirm that a proper formation is given through the Master programs enlarged all over the country, even if this same study just demonstrated that just two universities (not even state-owned and so private) are on the 100 ranking best entrepreneurship programs, with the following dedicated programs a too little preparation within their acknowledgement. The remaining options have to be considered not useful for the study here because they just represent small sample of participants and so irrelevant to be analysed.

This final assumption revealed the main issue ,so far identified, as the core issue and for this reason the study will proceed on describing some already existing solutions (university spin offs and work experiences) and potential further activities within educational programs to better spread the consciousness around business angels's existence.

Chapter | 7

Discussion

The analysis showed very interesting thoughtful arguments; many expertise, as the already mentioned Antonio Leone in its interview released to Pagliuca (2017), and other professionals, recommended France as the closest example to emulate and learn from; in the article written by Sottocornola (2017), the just rewarded as "**Business Angel of the year 2017**" (Castagneri (2017)) Paola Bonomo, reported her thoughts about the past and the forecasts thoughts about Italian Angels activity: the need of a real guidance and a real managerial support, either for entrepreneurs and for managing partners, such as Business Angels indeed, seemed to be essential to achieve a more estimated consideration among new venture possibilities. In her thoughts and suggestions the need of a more close relationship between the *Ministero dello Sviluppo Economico* (Ministry of Economic Development) and those firms who are seeking to invest in others idea, needs to be more cooperative and the legislation has to facilitate the funding process through incentives and low level of taxation for new enterprises.

As the section below will describe deeply, Ranger (2018) focused on the practical and radical innovative way that the new Prime Minister Macron strongly used as a key point for his election. The combination between governmental realisation of the strategic plan and the strong support among french citizens became a reality: in less than two years since his election, France has grown with a +2.3 GDP % and the total informal investment sector achieved a +4,65% on the total investment for the Angel's and VC funds, according to EBAN (2016).

As stated in Levratto and Tessier (2017), a deep focus on the growing performances using regression models were highlighting that the informal capital market was growing in the exact way as Italy: lack of capital values around Angels, scarce attitude on investing in innovative projects and high taxation forbidding the start-up growth. In 2018, according to Alderman and Morenne (2017), the new tax programs not just help their

growth but also attracts foreign entrepreneurs, or investors, to display their business within the french land.

The Italian fiscal regulation, although still work in progress because of the establishment of the new 2018 government, offers high tax reduction for those entrepreneurs that decides to remain in Italy and evolve with the national financing programs already mentioned in Chapter 5.

7.1 The french experience

France has always followed a clear target concerning innovation within early stage phase businesses; some statistics and historical background provided by [Business-Angels-Europe \(2016\)](#) offers a clear overtime description of how France has developed, since early 2000, a very impressive model where Business Angels and informal investment practices were at the centre of the same. The goal was oriented on a better consolidation of the multiple investment opportunities in the whole country.

France Angels, the first and the biggest Angel's network in France, has reached recently the historical record of 4300 active Angels investors, all distribute among the widely spread 14 networks all over the country; one of them, called Femmes Business Angels is characterised by the absolute and only presence of female angels, with a reported membership subscription of 100 in 2013, according to [Business-Angels-Europe \(2016\)](#). The 4300 Angels from France Angels have invested since 2001 in more than 2000 start-ups and mid-caps, with an estimated average of investment per business of 300.000 € in 2015. The number of Angels, as also impossible to be defined in the Italian case, may add another "potential" 2500-3000 Angels but, they are not known publicly for anonymity or disinterest of being associated with some existing association, working as freelancers.

One of the biggest result to be extrapolate from the french experience, even though not precisely financial, is the good cooperation and relationship that occurs between informal investors and formal's: in France, indeed, the bigger backer is BPI, Banque Publique d'Investissement, a state owned private bank whose main goal is to support start-up investments

and informal investor's growth in the market. Together, France Angels and the Ministry of France, have established an optimal financing process for early stage ventures, with a public investment of 100.000 € over 3 years helping the Angels network to grow. BPI has invested over 10 billion euro since 2000, with a recorded amount of 750.000 € just in 2013 where, after the "Internet bubble" they were the first to realise the need to invest in local and small projects to keep staying one step ahead with the rest of the European competitors. According to EBAN (2016) in 2013, investments in France were estimated in 41.1 M € and this amount decreased to a -8% in 2014 where the total was 38.0 M €. Thanks to the intervention by the institutions, the amount restarted growing achieving a +11% in 2015 with 42 M €. All the reported amounts have to be intended just for the Business Angels market operations. The French government, since Macron was elected Prime Minister in 2017, has worked on attracting new entrepreneurs and ventures to convince them on working in the french context. "We want the pioneers, the innovators, the entrepreneurs of the whole world to come to France and work with us"- Emmanuel Macron, president of France (Ranger (2018)).

This change does not imply innovative firms and start-ups but also influences the way in which student from economic studies perceives being an entrepreneur, in one of the most innovative countries, as an amazing career opportunity.

"The purpose of education is to replace an empty mind with an open one."
(Malcolm Forbes)

The quote above presented just highlights the main changing occurred overtime in student's preparation for being successful entrepreneurs: the MBAs courses in France.

As shown in 7.1, France is leading the European context in number of MBAs for new entrepreneur's formation with its 62 programs, conversely with the "just" 9 Italian's. These numbers are the result of a statistic research made by the author through FinancialTimes.com (2017), displaying the number of entrepreneurship master courses in the top 10 list among European countries.

The new initiatives promoted by Macron are strictly related with the

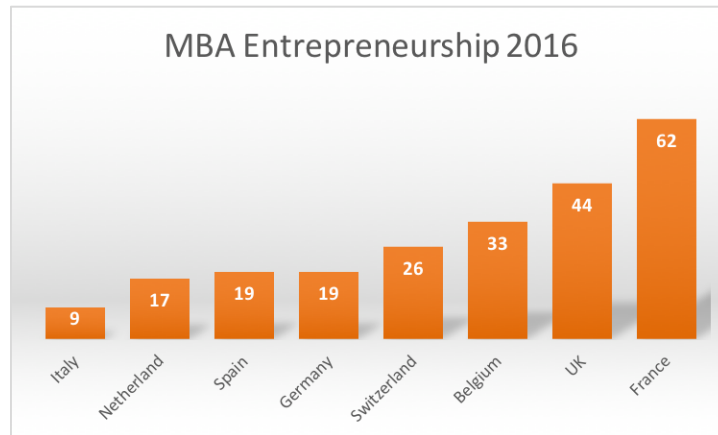


Figure 7.1: MBA 2016

start-up expansion within the territory, thanks to the UK's decision to leave the European directives and, consequently, leaving the leading market position to France.

7.1.1 Angel Source

In 2012, an important merger of France Angels (the leading angel's network in France) with iSource (a leading early stage venture firm), created Angel Source, the very first co-investment fund for business angel ventures in France. The merger allowed both angels and venture capitalists to access the related networks to better assist start ups and entrepreneurs with their launching phases and other opportunities such as: (1) easier access to expertise of business angels and innovation knowledge; (2) higher rate of investment thanks to this cooperation; (3) acknowledgement of the best investment practices to be utilised for future development.

The **French Tech Ticket**, a state-owned initiative, allows those entrepreneurs seeking for a good environment in which to grow, the perfect place in Europe. The incentives are multiples, such as a start-up funding teams of two-three English speakers, up to 45.000€ a year and 12 months in incubator if they decide to move their enterprise in France (Ranger (2018)).

7.1.2 **Aqui-Invest**

Operative since 2010, Aqui-Invest was created to be the first centre to overcome the equity gap among creation of new innovative start-ups. Their main partners are VC funds and business angels in the local area, to let entrepreneurs face their possible investors just applying for the dedicated events within the organisation. In 2017, statistics from , reported a number of 5000 operative start-ups with an increasing rate of +500% since 2011, with an increasing trend of 1000 start-up's creation every year.

The organisation does not aim to provide deal flows to the members but rather to distribute and share their business plan through partnerships, crowdfunding platforms and national/regional business angel's association. The results collected after 7 years within the field are remarkable: 25 start-ups financed with an average amount of 0.30 million € and a total estimated amount of 5.091.000€ (Marro and Borg (2017)p30)

7.1.3 **École 42**

There is a place in Paris where students, mostly from IT tech and coders can access a private owned building to better train their computer and coding skills: the École 42 (Ranger (2018)). Open 24h a day and able to welcome up to 3000 students, is the perfect place to stimulate the creation of new business opportunities and potential entrepreneurs. The peer learning process is characterised by solving problems and creating projects, without lectures or teachers: that's exactly the vibe that the head of pedagogy at École 42, Oliver Crouzet, wanted to see in it's incubator.

Although the building is accessible h24, some primary tests are executed among students. After a first step of online tests, students are invited to the school and placed in the so called "*la piscine*" aka the swimming pool. There they interact and share knowledge about past experiences and future perspectives. The model adopted to stimulate their creativity is displayed as gaming code, so that they feel free to make mistakes, correct them and learning by enjoying.

École 42 is one of the best incubator for IT talents all over the world

and a well considered place where Angels and VC funds dip into for deals and partnerships.

7.1.4 Station F

In 2014, Macron (not yet France Prime Minister), sponsored the creation of the biggest start-up campus in the world, the Station F (Ranger (2018)). With its 34,000 square meters and +3000 desk positions, is leading France as most innovative European country ever, thanks to the *Brexit* decision made by UK, to leave the union.

The idea was to create a "European Silicon Valley", where start-ups may grow surrounded by major companies and expertise within the same building: indeed, visitors and entrepreneur can submit their projects to Google, Amazon, Facebook, AirBnb, Microsoft and many others (Stationf.co (2017)). The project is available both for already advanced start-ups in the seed phase both also for those early-stage companies seeking for an incubator where to accelerate their growth in an innovative environment. The cost per single desk is extremely attractive: just 195\$ per month and enterprises from different countries, both Europe and USA, applied to gain the opportunity to be part of one of the greatest revolution in the SME's field. The opportunity given by this accelerator is remarkable: start-ups and business angels co-exist in the same environment both to create strong partnerships with close businesses and to attract finances while developing the core business staying under direct angel's supervision.

Marwan Elfitesse, start-up relation director at Station F stated: "Let's say you are a 3D printing start-up; you can meet an AI (Artificial Intelligence) start-up and you can have a lot to learn from each other. Ninety percent of entrepreneurs' challenges can be solved by other entrepreneurs" Elfitesse in Ranger (2018).

7.1.5 Main results

The description provided so far tried to describe the actual situation in France where both institutions and future/potential entrepreneurs work simultaneously to achieve a greater consolidation of the results so far ob-

tained: being object of foreign investments and international firms dislocation.

Here the governmental support represented one of the key factors that truly influenced the development; Macron, even before being elected, has always identified in the start-up encouragement the success factor to arise the overall wellness among citizens and, successfully, succeeded in the realisation of the electoral promises.

Antonio Leone, as already mentioned, focused his attention in the French development; indeed, he strictly recommend the Italian government to follow the direction drawn by France to emulate their behaviour and push into a more innovative direction; just with a proper agenda, with real goals and positive attitude Italy could present itself as an opportunity for young entrepreneurs all over the EU to realise their business within the Italian field.

As shown in 7.2, the comparison made by [Hollanders and Nordine \(2016\)](#) in the report for the European Commission, strongly affirm the gap in the innovation rate between the two countries. In the presented statistics most of the field analysed are confirming the right implementation that the new french government has presented not just for new enterprises and venture creation but also for student preparation and public fund supports.

The rate is strictly influenced by the overall decision to invest in those segment where the economical growth could have provide a more attractive environment for foreigner investors and give a proper preparation to local citizens in entrepreneurial dynamics, in order to compete at very high level not just with the other European leader countries but, also, to demonstrate the economical stability all over the world.

For this specific case study it is possible to see that 2.1.2 section, relating to venture capital investment rate, France has more than 4 times the Italian's, with an amazing result of 86,6 against 23, in terms of leverage operators within the specific field. On the same way it is surprisingly reported in 1.1.1, how the two countries offers the same number of doctorate graduates in innovation programs (115.1 France and 102.2 Italy) but, once on the labour market, as illustrated in 1.3.2, the motivational

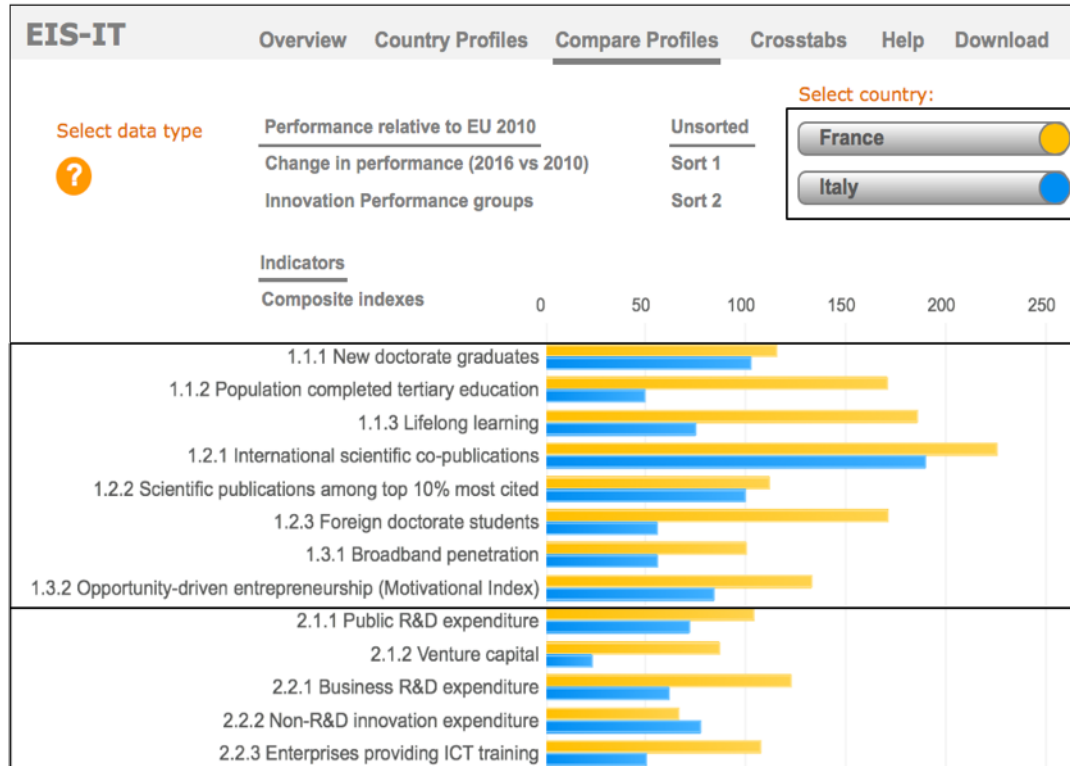


Figure 7.2: Comparison France and Italy innovative scoreboard

index for entrepreneurship reports an again important divergence with France 132.6 and Italy 83.8. How to explain this two selected results?

An empirical analysis conducted with the observation of these statistics may lead to further reflection: the graduate students are extremely similar in number but, after the preparation, the Italians seem to be less prepared to face the practical issues for new businesses creation than the French and, with a logic process, this may be direct consequence of a very good theoretical preparation but with a scarce attitude on using those skills for practical usages. The study tries to solve this problem using a model by Jansen et al. (2015) to better involve students attending entrepreneurship programs into a more practical problem-solving scheme, as illustrated in 7.4.

7.2 Italian economical boundaries

An important and relevant problem in the Italian market has been identified in the difficulty to reach potential deals among start-up projects. The

high number of submissions through the main portals (IBAN and IAG for the majority), strictly counteract with the low percentage of closed deals; although 2016 was a remarkable success, in terms of funding per company, the same can not be said for the number of closed deals by Italian Angels.

The statistics from IBAN (2017) revealed that, among the 454 examined projects, the Angels funded 52 of them, with a percentage of 11%, not really a good result, compared to 2015 where the percentage was higher (25% with 101 closed deals among the 391 examined). Even though the number of closed deal decreased consistently, in 2016 the Angels funded ventures for 24.4B€, compared with the 20.9B€ in 2015, with an higher rate for each deal, 479.000€ against the 314.000€ in 2015. Why to invest in less companies but with higher funding? Antonio Leone, president and CEO of IAG, revealed in the interview (Pagliuca (2017)) that *"not that many start ups were capable of presenting themselves as partners, they presented business plans with no perspective and lacking in crucial assets, fundamental for their project's growth"*.

7.2.1 The lack of preparation in the universities and formation centres

One of the most highlighted problems in the data collection is the scarce preparation that students receive during their economic programs in entrepreneurship masters and MBA (Master in Business Administration) in Italy.

As it is possible to see in 7.3, in the top 100 MBA programs in Europe (Bestmarkers.com (2017)), just two institutes in Italy are considered as strongly focused on entrepreneurship, with one on the 8th position (Bocconi in Milan) and another on the 81st (Università Cattolica in Milan). Alberto Leone in his interview released to Pagliuca (2017) accused the lack of preparation that the other universities, all over the other regions, offers to their attending students which are completely blind on the existence of the Angels as potential partners and investors for their market opportunity, once completed their programs.

The list here enlighten that, compared to France, with its 12 programs and UK with its 9, Italy is still far away to be object of interest for local and foreign students aiming to be well prepared in the entrepreneurship knowledge. Italianinsider.com (2016), in its article published in February 2016, affirms that in 10 years Italy has lost more than 65,000 students that decided to move to more advanced and innovative countries where to prepare themselves properly and with major opportunities to see their theoretical knowledge applied in a more reactive environment. The other important focus within the article is the absence of professional institutes completely state-owned; the two already mentioned universities are well known to be costly and private, with high tax payments and, more than anything, both located in one

Figure 7.3: 100 top Eur. Entrepreneurship programs.

Country	Ranking
Spain	3
Belgium	4
Italy	8
United Kingdom	9
France	10
France	13
France	15
United Kingdom	21
France	22
United Kingdom	24
France	29
France	31
France	32
Belgium	34
United Kingdom	43
Belgium	51
Belgium	55
France	59
United Kingdom	60
United Kingdom	61
United Kingdom	63
United Kingdom	64
United Kingdom	66
France	67
France	76
Italy	81
Spain	87
France	91
France	97

single region, Lombardia.

The already analysed division between north and south in the economical perspective is strongly affected and affirmed by these further evidence: students from the south have to move to the north for better opportunities in the field because the state is not able to provide them proper public solutions to perceive their willing without leaving family and relatives. For the sake of clarity, there are different economic universities either in the south and centre part of Italy but not all of them offer entrepreneurship master programs and, if they do, they do not have a solid reputation.

7.3 Models to overcome the reported issues

7.3.1 The Three Stage Student Entrepreneurship Encouragement Model (SEEM)

A wide amount of studies focused on the impact of academical initiatives to promote and stimulate potential entrepreneurs or the realisation of their theoretical acknowledgement. The theoretical framework provided by Jansen et al. (2015) illustrates the three main steps to develop the existing academic environment and to achieve a greater practical preparation for new venture creation. The model, divided in three main target areas (educate, stimulate, incubate) suggested how and where to push for initiatives that might help the students on a better access to practical and concrete experiences, rather than focusing on theories and abstracts. The paper took under analysis three of the main best entrepreneurship programs in the world, such as MIT in the USA, IIT in India and Utrecht University in Netherlands but it might be adopted for future Italian education programs in order to develop moreover future entrepreneurship.

The three main phases are here below described in 7.4 and explained as follow.

Educate: the primary step where the institute should help the student on comprehend the potential of being an entrepreneur; presenting successful cases and seminars with old students, now successful entrepreneurs, dedicated events about entrepreneurship and venture cre-

ation, meetings where student can learn from experts to understand why they decided to follow this career and so on. This phase tend to help those dormant business man/women by raising their perception of this career, illustrating which constraints they had to face to reach that success and how to avoid them.

Stimulate: This phase is dedicated to those students who already have a managerial attitude and willingness to create their own venture but no knowledge about the realisation of strategic plan. To do so, universities should reduce the existing gap between ideas and funding; a lot of potential entrepreneurs decides to step back on their careers because of the lack of funding and trust in the validity of their outlook. A good insight may be to increase those *soft skills*, such as leadership, team building and communication skills to better prepare them on illustrating their competences properly and successfully.

Incubate: The final and third step is the incubation where, the universities should have a strong tie with those acceleration centres and incubators to help start ups and small enterprises in enlarging their network and consensus among the demand. Hosting competitions and rewarding for students may help bigger investors and/or firms in take their profile into an incubation program, where to be assisted and mentored with greater experiences and a more prepared staff to be supportive in that sense. The incubation may also help students on a faster development of crucial activities (marketing, finance, recruitment and so on) for the first approach within the market and, with a rigid and well organised deadlines, stimulate their constant progresses.

7.3.2 University Spin-Offs: a potential solution

Very broad analysis were made to understand the impact of the UFOs (University Spin-Off companies) as best solution for the commercialisation of academic discovery and research. Three Italian professors at the University of Bologna, Bolzani et al. (2014) decided to investigate how the Italian UFOs were operating in 12 years of analysis, from 2000 to 2012. In their research question was visible the intent to demonstrate that these companies, born within the academic context, were the per-

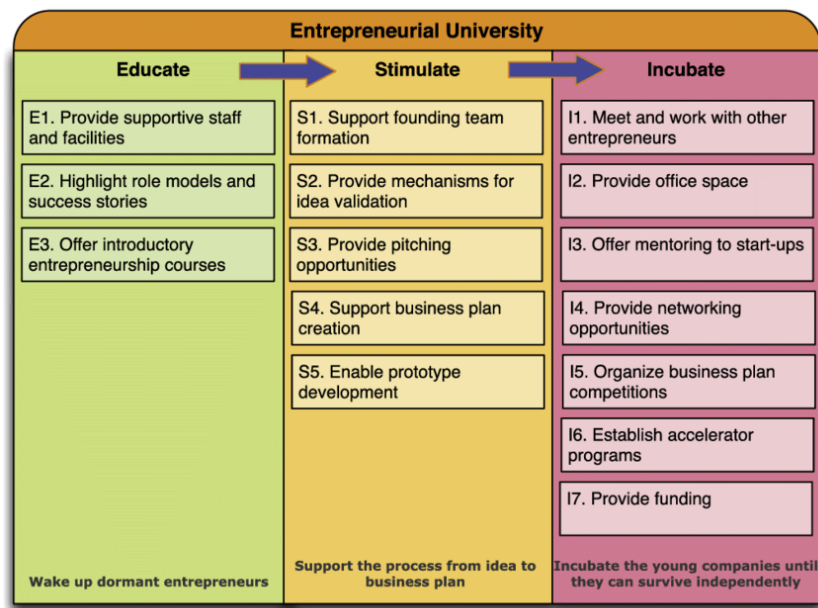


Figure 7.4: The Three Stage Student Entrepreneurship Encouragement Model

fect link between university and labour market, with a strong tie among entrepreneurs and academic support. The UFOs are already a reality in Italy, with their 935 small firms opened in these years among all the Italian universities, including every single educational program: chemistry, entrepreneurship, engineering, architecture, medicine, IT services and moreover.

Here again, a conducted analysis by Bax et al. (2014) showed that, in the 935 projects already cited, most of the promoting universities are located in the North part of Italy with University of Bologna (55 projects), University of Padova (54 projects), Polytechnic of Turin (47 projects) and Polytechnic of Milan (40 projects) leading the group; this furthermore geographical division may also lead to a more cooperative environment between more developed university and less to achieve greater results both for new entrepreneurial career creation and for new Angels's investment opportunities.

7.3.3 The Model of Sustainable Local Enterprise Networks (SLEN)

The model here below represented in 7.5, taken from Wheeler and McKague (2014), highlights the possible capabilities, relationships and net-

work opportunities that a well designed and supported network could bring, supporting enterprises and organisations (such as Business Angels i.e.) within their operation field.

The model tend to explain which are the factors that most influence a sustainable network for a greater cooperation among enterprises in the same context, as informal investors may be in the case specific here under analysis; the graph represent how integration among participant within the same economical environment, such as government, development-institutions, business (big, middle or small size), and individuals, can be profitable in terms of knowledge sharing virtuous circle in which every component benefits from each other's outcomes.

The first phase is the support of the key factors that most influence and allow the synergistic circle above described: human capital, social capital, financial capital and ecological capital are the strongholds of this model and, despite in this analysis the last one may be useless, the others are extremely pertinent with this purpose.

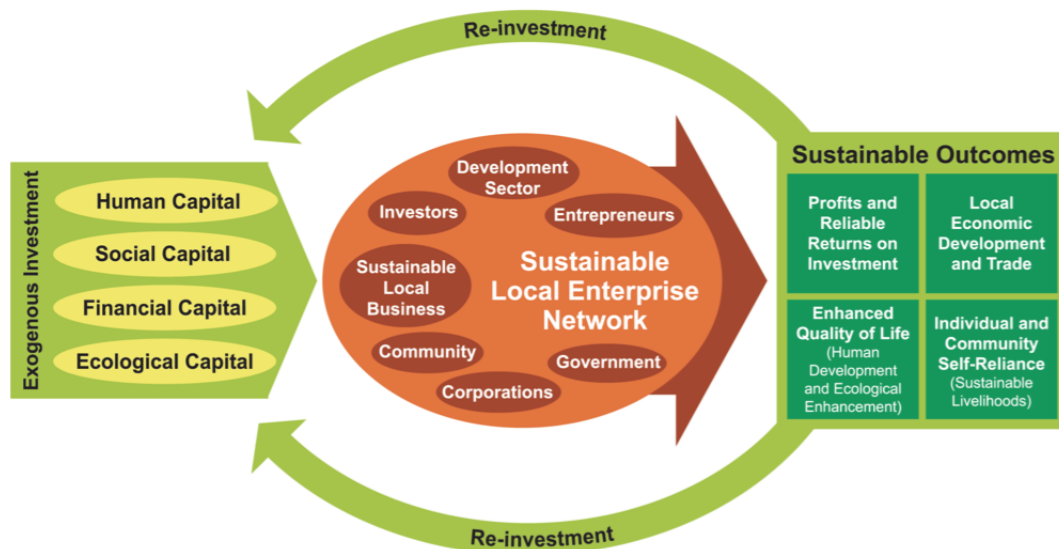


Figure 7.5: Model of Sustainable Local Enterprise Networks

The perpetual investment in those four categories allows the value creation of sustainable assets, considerably relevant for the next steps. As illustrated in the centre, the main important and influencing organizations and partners in a general collaborative network are displayed; these aims to better communicate in order to provide the community the

highest level of services possible such as good education programs, fair law statute, high degree of developed assets and resources to generate competitive advantages. The outcomes deriving from these investments are reinvested in the same, to create an even stronger perpetual cycle and so on.

For the study under analysis, a good cooperation between government and the Angels network may provide outcomes and profitability not just for the informal-financial niche segment but also the related and dependent institution may rely on this process to better perform and be competitive.

Returning to the model as generally understood, the importance of such a layout is relevant where all the participants accept to share a common purpose, a goal or a direct outcomes, that enhances the stability of businesses as pre-requisite to let the organizations being profitable and prosper; indeed, they are intended to be arrangements among the existing partnerships that deliver economic sustainable solutions both in term of wellness and incomes.

-Implications of the model -

As discussed above, the network can not exist without their participants, all agreeing on a common purpose and goal to be achieved; this could be realised just if the components, before policy makers, profit markers and rule-setters agencies, start thinking about their new role within the network in four distinctive characteristics: **Network Builders**, aiming to let big, small and medium size business to interact more, developing shared strategies and sharing knowledge maximizing the contribution to sustainable development through new network creation; **Capacity Builders**, where competences and knowledge is shared among participants not just from the same field of operation, as in the business case, but also among individuals and entrepreneurs or no profit and profit organizations and so on. This specific aspect may lead into new business models creation facing the same issue from different perspectives and mixing thoughts following a common interest; **SLE Network Incubators**, working with financial institutions and other financial operators

in order to scan the market potential and find some new possible field in where to be present with new venture creation and stimulation; **Innovators, Leaders and Disseminators of Good Practice and Lessor Learned**, the last and final step, where the past experiences and the best practices utilised during the entire process, policies, and reported comments are studied and analysed to avoid the same mistakes and inefficiencies for future projects and challenges.

Through these four roles and their development, a stronger and more facilitate expansion of the network can be realised both for a greater outcomes for production and a better communication among the participants, acting in the interest of the entire community and not singularly.

-How to address the research question-

This is what IBAN and IAG, taken as the promoters for a greater Italian network, are working on, trying to include the government and universities into the same. The results could be impressive: the more the support from policy-makers, the better the educational system and the better the educational system the greater the expansion of new business opportunities.

This final statement include precisely what this study is about: trying to let informal investors and Angels as primary agents to be recognized into a network in which they are supported, not hided by formal investments and their ties with politic interests. Not a single and easy answer to the main research question could have been given without this chain correlation between actors that, directly or indirectly, influences their propaganda but, once described each of them, now the reader can have a more complete and precise analysis of the issues presented in the survey.

As reported in Figure 2.1 the path to reach a final establishment of the main problem had to investigate hided problems, which were influencing incredibly the working environment. The surrounding environment represented since the very beginning a challenge for the conclusive solution since not many articles or academic paper works were written in the argument and, the few existing, were reporting other problems affecting their scarce recognisably among the demand. That is, indeed, how this

study was built, starting from a broader and general understanding of the visible issues and trying to analyse, as punctual as possible, all the hidden ones.

In the next chapter the reader will have the perception of all the outcomes went out so far and, thanks to some important limitations described, find a proper solution to the initial research question. Limitations, moreover, will highlight which aspects influenced the most this study in order to suggest and recommend, if possible, where to lead further investigation, starting just from the results collected by the present work.

Chapter | 8

Conclusion

8.1 Outcomes

In conclusion, at this point of the study, the reader should have gained an overall understanding of the Italian financial market, first, and regarding business angels expansion. As seen, the solution to the research question was not easy to address without a proper and deep analysis, searching for the hidden variety of problems that still affects the situation. The study tried to explain each issue starting from the general context, Europe, and trying to compare the Italian situation with the surrounding environment; conversely the reader now should have a better and wider understanding of how other European countries overcame the lack of understanding of informal institutions and, furthermore, in which way they decided to stimulate their internal market to a more innovative one. The French experience presented was selected among the others for two main reasons: first, the welfare policy and the overall political situation was extremely similar to the Italians' since 2015, where the two countries were sharing the same objectives and guidelines in many target areas and just thanks to Macron the first grew more rapidly than Italy; for this reason France was inserted in this analysis as the closest example from which to take a lesson; second, many Italian experts and financial agents reported in their interviews, the hope to see Italy emulating the French model in the Angel expansion. The change affected both formation centres and private institutions, as seen for Ecole 42 and Station F, two amazing infrastructural accelerators for entrepreneurial talent recruitment and development.

The previous focus on the literature review and the following data collection through the online survey revealed a common sense of awareness around public and institutional support for informal funds in Italy where banks and formal institutes lead the market for SMEs, thanks to the strong tie that has always been a cornerstone of the financial equi-

librium in the country.

The Italian respondents accused the lack of attention from the policy makers on what they can offer and could, furthermore, offer to the demanding sources. The problem here is that, starting from the universities and dedicated entrepreneurship programs, widespread all over the country, students seems not properly educated on the alternatives available for funding and investment applications, just conscious of the existence of formal institutes and banks rather than less costly and more skill-oriented solutions, such as BA indeed.

This study draws a scenario where a lot of potential entrepreneurs acquire a huge amount of knowledge from their educational programs but they seem not able to perform a good presentation for their first challenge in front of investors, since no practical and in-field experience was given by their professors. This gap in between is where the most efforts should go, working on the steps that divide the new graduates with the investors' requested experience.

The participation just to selected and specific convention in universities appeared insufficient, since just a theoretical description of their work and their way of conducting businesses to the launching phase does not represent a complete experience through which collect consensus; rather, some practical experiences or start-up competitions within universities may give a more complete outlook on how to become business angels, why to invest in them and why using their competences can be the best solution for inexperienced talents.

The other main goal of this work is to list a set of parameters for a better network creation and a stronger collaboration within the same operational field; this just not include business angels and VCFs but rather, such as the French scenario described, would tend to include those policy makers with specific tasks on the economic development and innovation upgrade, in a closer relation. The mutual interest on seeing the informal capital market growing may become, in the future, one of the Italian market's cornerstone, riding the positive way that, in recent years, has strongly affirmed the stability and the profitability of the business angels' market.

The respondents' majority can be described as optimistic for the future, even if not all of them appeared enthusiastic about the forecast, in terms of governmental support and pro-growth policies. The belief that banks will be leaders even in the future for start-up funding is too radicalized to be removed but, with proper and strong dedication, the formal and the informal market may join their efforts for projects or big ventures, just as it happens in France.

The future is unpredictable, also because at the moment of writing the new 2018 Italian government is on the building phase and the economical guides still work in progress but, according to the winning political party, some good efforts will be on the schedule for entrepreneurs, enterprises and informal capital market.

Universities, as such, should adopt more in-field experiences for their attending students, to stimulate and practically use the huge amount of knowledge shared through lectures and classes.

The need of a single organisation/association gathering all the agents of a specific market's segmentation (such as business angels i.e) would also give strength to the entire economical environment, with no leakage in fund raising.

8.2 Limitations

The showed analysis and the following reflections tried to describe as completely as possible the actual recognition about Angels and informal investors in the Italian panorama. The analysis brought the respondents into a prefixed survey where they had to select which of the answers were best suiting with their own perception. The hard efforts made to reach a considerable number of active Angels among the two main networks and some freelancers, appeared enough for this evaluation but, since not all the members and active angels answered to the cited questionnaire, the analysis can just reveal a common perception, not a whole. Some personal calls to regional networks, part of the bigger associations, have been made by the author to stimulate their participation on this survey but they seemed busy on pursuing other personal and internal operations

so that they could not participate in the investigation.

Since an important outcomes regarding universities programs in entrepreneurship was mentioned, studying the reason why not that many Italian universities decide to include in finance and business administration courses may help a better a more inclusive overview about the limited Business Angels propaganda.

The results showed that many Angels decide to interact with students using academic meetings and dedicated congresses where to show the potentiality of having a partnership with their characteristics; understanding why not so many universities decide to attend these initiatives may be a key point to involve them into incubation programs, selected internships to let the student face how an Angel acquire and decide to be involved into a project and, more relevant, having partnerships with other and more innovative university (in the North i.e) to share knowledge and past experience with fellow students or Alumni association.

The governmental support also needs to be better highlighted since all the financial support illustrated in Chapter 5 are dedicated to start-up , generally intended, but no law assistance is provided to the single Angel to be better supported (and recognised) as potential opportunity. Some public investment for accelerator institutes and incubative solutions may lead to a greater communication between those in posses of a new business opportunity and those willing to invest on it.

The experts cited in this study, such as Paola Bonomo and Antonio Leone among the others, were not able to participate in personal interviews because of their too intense schedule in these 6 months but, running a qualitative data analysis, with interviews based on a narrative approach, how do they perceive the situation and how did they succeed in a such niche segment could reveal other important research studies.

In conclusion, the understanding of how EBAN is working to reduce the gap between more advanced and less advanced countries could have been a good argument to be taken into consideration, trying to understand if the European Parliament has an agenda specifically for angels's communities or each country has freedom to operate with no directives.

Appendix | A

Appendix

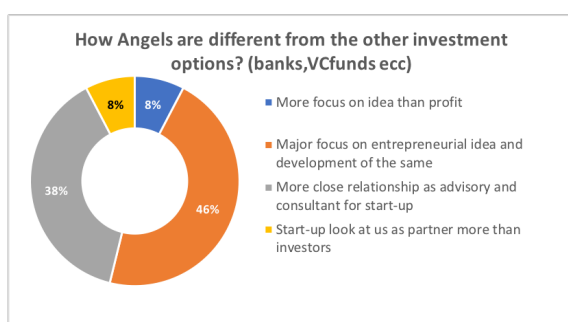


Figure A.1: Question I

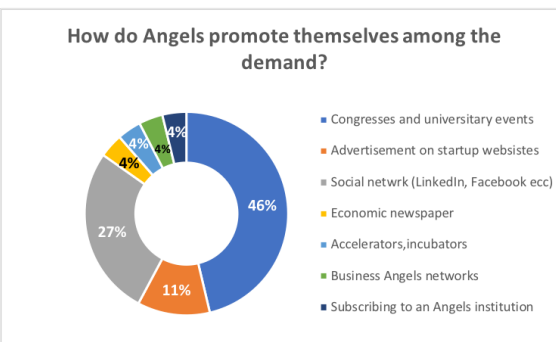


Figure A.2: Question II

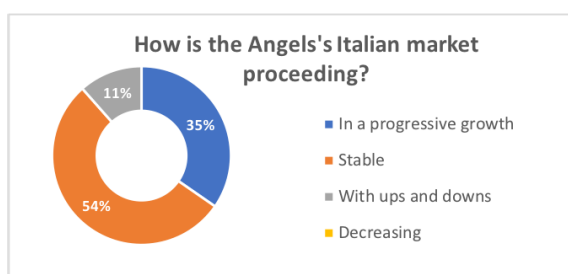


Figure A.3: Question III

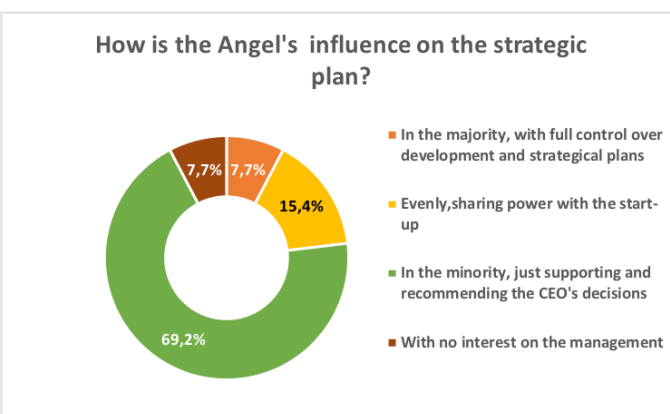


Figure A.4: Question IV

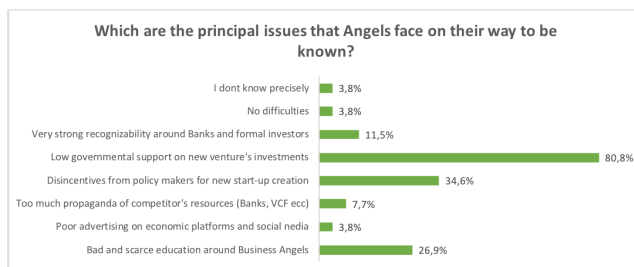


Figure A.5: Question V

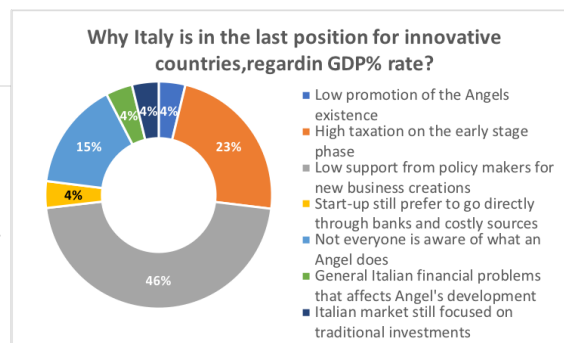


Figure A.6: Question VI

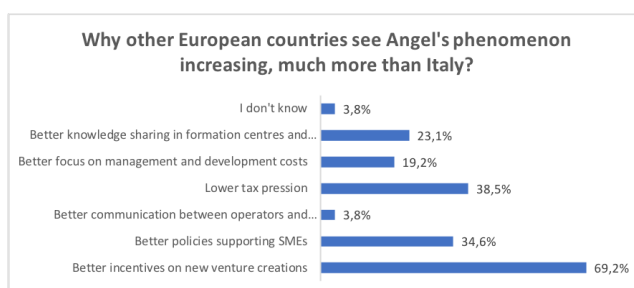


Figure A.7: Question VII

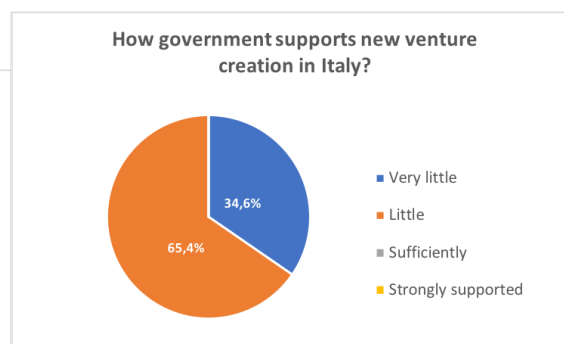


Figure A.8: Question VIII

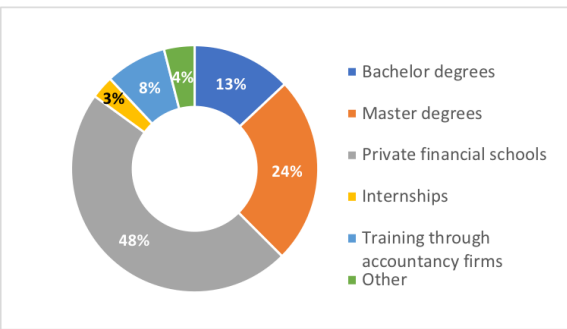


Figure A.9: Question IX

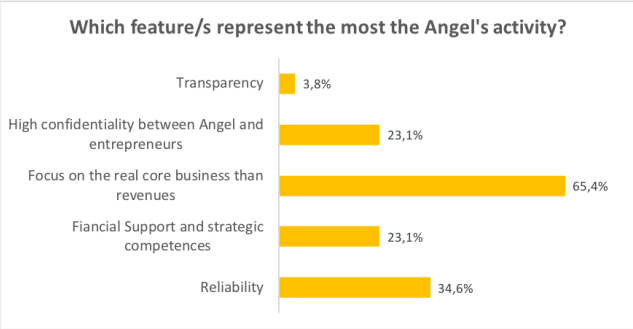


Figure A.10: Question X

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