

LCMB7004

MBA- Master of Business Administration Entrepreneurship

Assessment 2 (Group Presentation)

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Slide 1: Fundraising for start-ups – challenges and opportunities Slide 2: Introduction

Start-ups can get the funds they need for their expansion through fundraising, which is a crucial procedure. These new businesses are distinguished by their inventive spirit and capacity for quick development. Their importance stems from their ability to spark innovation, promote job opportunities, and promote general economic progress. But because start-ups depend on outside investment to further product development, boost operational capabilities, and expand into new markets, their trajectory is sometimes hampered. This presentation digs into the complex world of fundraising, shedding light on the challenges these innovative projects face as well as the numerous opportunities

they may take advantage of to get the funding they need to succeed. Slide 3: Types of Funding Sources

Startups explore a variety of funding options. Selling ownership shares to investors as a means of raising

funds is known as equity financing. Startups that use debt financing borrow money and promise to repay it with interest. Specialised companies offer venture capital in return for stock, typically in high-

potential start-ups. Angel investors provide their own money in exchange for stock or convertible debt,

sometimes in addition to mentoring. Through internet platforms, crowdfunding collects money from a

large number of people while encouraging widespread participation. Finally, Bootstrapping limits scalability while maintaining autonomy by relying on personal savings or earned income for self-funding.

The trajectories of start-ups are impacted by these techniques, which cater to various demands and growth stages.

Slide 4: Challenges in Fundraising

Lack of track record is a big problem since startups don't have a history of success to show their viability.

The fundraising process is slowed down by this absence, which lowers investor trust and credibility. Market uncertainty makes these difficulties even more difficult. Due to the inherent uncertainty of markets and businesses, investors frequently hesitate. It might be difficult to estimate the possible

returns on their investments due to the constantly shifting environment. Negotiations get more

complicated as a result of valuation issues. For both parties, determining a fair valuation is essential since it affects funding conditions and equity distribution. This complicated approach may result in lengthy negotiations, which would postpone financing. The start-up ecosystem is rife with competition.

There is fierce competition for investors' time and money because there are so many startups looking for funding.

Slide 5: Opportunities and Trends

There have been several major developments and possibilities in the fundraising industry. Early-stage incubators and accelerators stand out for their comprehensive assistance, which includes money,

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mentoring, and resources and fosters the development of start-ups. Technology and fundraising have come together to expedite procedures, introduce online platforms and digital communication, and so increase investor accessibility. The increase in environmental, social, and governance (ESG) awareness

encourages investments in businesses that uphold moral principles. The digital landscape's breadth is also demonstrated by its capacity to cross regional boundaries, allowing start-ups to easily interact with

foreign investors, facilitating a variety of partnerships, and improving financial prospects. Slide 6 : 1.

Academic Theory and Frameworks in Start-up Fundraising:

Pecking Order Theory:

The Pecking Order Theory is a useful framework for understanding the order in which new businesses prioritise different types of financing (Rahman, 2019).

The UK-based FinTech Startup Revolut gave its internal funding sources the highest priority at first before looking for money from other sources (Wewege et al. 2020). Signalling Theory:

When it comes to start-up financing, Signalling Theory sheds light on how start-up companies convey high-quality information in a strategic manner in order to impact investor impressions (Nigam et al. 2020).

During the course of its successful crowdfunding campaigns, BrewDog, a craft beer Startup in the United Kingdom, made extensive use of Signalling Theory (Mac et al. 2019).

Agency Theory

The knowledge gap between business owners and investors is addressed by Agency Theory. It

works to bring everyone's priorities into line and facilitates sound decision-making (Poletti- Hughes and Briano-Turrent, 2019).

Neobank Monzo, which is situated in the United Kingdom, used the ideas of Agency Theory to align the interests of its founders and investors (Bradford, 2020). The "Golden Ticket" referral programme that Monzo offered created a shared interest in the expansion of the bank by rewarding early investors and clients with special perks (Monzo, 2018).

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Slide : 7 2. Support Systems for Business Start-ups and Growth: Business Incubators and Accelerators

In recent years, the role that business incubators and accelerators like Seedcamp play in the development of new businesses has become more important (Harris, 2021). Notably, Monese, a Startup that focuses on digital banking, used Seedcamp to hone its business strategy and cultivate critical relationships, both of which contributed to the company's eventual success (Seedcamp, 2015).

Government Grants and Subsidies

The expansion of new businesses in the United Kingdom is substantially influenced by programmes run by the government, such as Innovate UK (Aurigi and Odendaal, 2022). Graphcore, an AI chip innovator, obtained money from the government, which allowed them to speed up the development of their technology and attract more private investments (Jacobides et al. 2021).

Networking Events and Communities

In order to link new businesses with useful resources, networking events and entrepreneurial networks play an essential role (Wadhwani et al. 2020). For example, London Tech Week helps start-ups like What3words interact with investors and industry professionals, which in turn increases their visibility (London Tech-week, 2023).

Slide : 8 3. Entrepreneurial Skills, Traits, and Characteristics Impacting Fundraising:

Resilience in the Face of Setbacks: Instilling Investor Confidence

Resilience is emerging as a cornerstone trait that affects the results of fundraising (Usman et al. 2021). Investors are more likely to have faith in a company if its founders demonstrate unyielding

resolve in the face of adversity.

Deliveroo, a UK food delivery platform, showed resiliency in its early years when it was confronted with regulatory constraints and competition (Türkeş et al. 2021). The unyielding will of the company's founder, Will Shu, to overcome obstacles and go on with their expansion not only piqued the interest of potential investors but also inspired trust in the company's capacity to survive in the long run.

Adaptability to Changing Dynamics: Navigating Dynamic Fundraising Landscapes

The landscape of fundraising is always shifting; therefore, adaptability is a trait that helps in standing out in the market (Van et al. 2022).

TransferWise, formerly known as Wise, is a FinTech unicorn based in the United Kingdom that repositioned itself as a borderless account platform to show its adaptability (Girling, 2021). The ability of co-founder Kristo Käärmann to pivot strategies in the face of shifting FinTech trends and shifting regulatory environments won the confidence of investors and led to large funding rounds.

Leadership and Visionary Qualities: Inspiring Investor Confidence

Investors are drawn to strong leadership qualities. Founders that demonstrate visionary leadership are able to successfully explain the long-term objectives and strategic direction of their enterprise

(Mohammed, 2022).

Nikolay Storonsky, the founder of Revolut, showed visionary leadership by seeing deficiencies in the services offered by conventional banks (20VC, 2023). His crystal clear communication of Revolut's mission to democratise finance resonated with investors, which aligned them with the start-up's vision and contributed to the success of the start-up's fundraising efforts.

Effective Communication Skills: Building Investor Confidence

Founders who are able to define the value proposition, market potential, and growth strategies of their enterprise through great communication inspire confidence in the initiative's prospective investors (Rizvanović et al. 2023) (Miller et al. 2020).

Ali Parsa, the founder of Babylon Health, has strong communication abilities in expressing the company's potential to revolutionise the delivery of medical care (Babylon Health, 2021). Investor trust was boosted as a result of Parsa's capacity to articulate Babylon's value proposition and

development strategies in a way that was easily understood, which resulted in major funding rounds.

Slide : 8 4. Cross-Border Fundraising and International Investment: Navigating Regulatory Diversity

When looking for investment from outside their home country, start-ups encounter intricate challenges due to the wide variety of legal regimes (Rode, 2023).

The challenges of regulatory diversity were made clear by Revolut's entrance into the United States (Huibers, 2021). The firm was required to traverse the intricate legal requirements, and it had to adjust its strategy in order to fulfil the criteria of compliance in a foreign jurisdiction.

Cultural Nuances and Market Dynamics

The key to successfully gaining overseas investment is to tailor one's company practises, investor preferences, and consumer behaviours to those of the local market (Tolstoy et al. 2022).

Deliveroo's expansion into a variety of new areas brought into further focus the necessity of being aware of cultural variations (Lord et al. 2023).

Technological Advancements and Digital Platforms

Through the use of communication technologies, virtual roadshows, and online networking, geographical distances have been efficiently addressed, making it possible for start-ups to easily interact with investors all over the world (Stein et al. 2020) (Okundaye et al. 2019).

The revolutionary power of technology is shown well by Monzo's utilisation of various digital channels (Farrell, 2020). Neobank successfully connected with investors all around the world by doing online "virtual roadshows" and making use of internet networking.

Enhancing Access to Global Capital

Fundraising throughout several borders enables access to a larger investor base as well as a greater variety of sources of funding (Apampa et al. 2021).

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TransferWise (Wise) is a company that demonstrates the possibilities of international fundraising (Berg et al. 2020). The financial technology company was able to get access to a wide variety of sources of finance and expertise when it secured funding from outside.

Mitigating Risks and Maximizing Opportunities

In order to navigate international fundraising with ease and success, strategic preparation and cultural sensitivity are both required. The worldwide collaborations that Babylon Health has are excellent examples of this strategy (Babylon Health, 2021). The start-up health technology

company was able to minimise risks, make use of cultural insights, and maximise the potential of

investments made across borders by building strategic collaborations with local actors. Slide : 9 5.

Ethical and Sustainability Considerations in Fundraising:

Rising Importance of ESG Principles:

In the context of fundraising, the ESG principles are prioritised by Bulb, a green energy supplier located in the UK (Geneco, 2023). This demonstrates how environmental, social, and governance (ESG) factors have an impact on fundraising tactics by demonstrating how the company's commitment to renewable energy corresponds with investor aspirations for sustainable practices.

Leveraging ESG-Focused Investors:

In the case of Allbirds, a sustainable footwear start-up in the United Kingdom, the company's dedication to producing eco-friendly goods helped it attract investors interested in ESG (Allbirds, 2023).

Showcasing Responsible Business Practices:

As an illustration of ethical business behaviour, consider the food-sharing app OLIO from the United Kingdom. OLIO demonstrated its ethical behaviour to prospective investors by way of public reporting and community involvement programmes (Harvey et al. 2020). Long-Term Impact and Business Sustainability:

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An example of an ethical smartphone maker that places an emphasis on responsible procurement is Fairphone, which is situated in the UK (Bocken et al. 2022). Incorporating ethical and sustainability concerns into fundraising not only helps to get financial support but also contributes to the long-term viability of the organisation.

Therefore, ethical and sustainability issues are transforming the process of funding for start-up companies. Start-ups may not only obtain finance by aligning themselves with ESG principles, utilising investors that are focused on ESG, exhibiting responsible business practices, and incorporating ESG into their plans, but they can also contribute to the long-term sustainability of businesses and to constructive social change.

Slide 10: Conclusion

Promising themes like technology integration and ESG investments collide with obstacles like track record gaps and market uncertainty in the world of start-up financing. The key to success is careful planning, which includes a strong business strategy, an alluring value proposition, and effective communication. Startups must continue to be flexible, accepting changing patterns in funding and

utilising new channels. Utilising resources wisely, especially early-stage incubators and accelerators, is

essential for encouraging development and successfully overcoming obstacles. Slide 11: References

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Reflection

I could easily understand the importance of start-ups in a growing economy. Through the expansion of fundraising, start-ups nowadays can easily get funding. Still, the complexity of fundraising still my concern as I will also look forward to growing a start-up in the future. The shortage of track records is a major problem for entrepreneurs during fundraising. That is why my suggestion is to self-funding to improve the limits of business scalability. Most importantly, the trends of making start-up create fierce competition in the market and it create problem to get funds from higher authority. One of my younger brothers faces the same problem during his start-up ecosystem. I could strictly suggest that confining an appropriate valuation is required since it impacts on equity distribution and funding conditions. The development and growth of the fundraising industry are major priorities nowadays with the inclusion of mentoring, resources and money. The breadth of the digital landscape is easily demonstrated its applicability over different cross-regional boundaries and it is easily improvising financial prospect management for any start-up. In future, when I will try to fundraise for my company I will definitely, use resources appropriately, specifically early-

stage accelerators and incubators, which are significance for motivating development and successfully handling any growth obstacles.

Fundraising for startups – challenges and opportunities

LCMB7004 Group Presentation



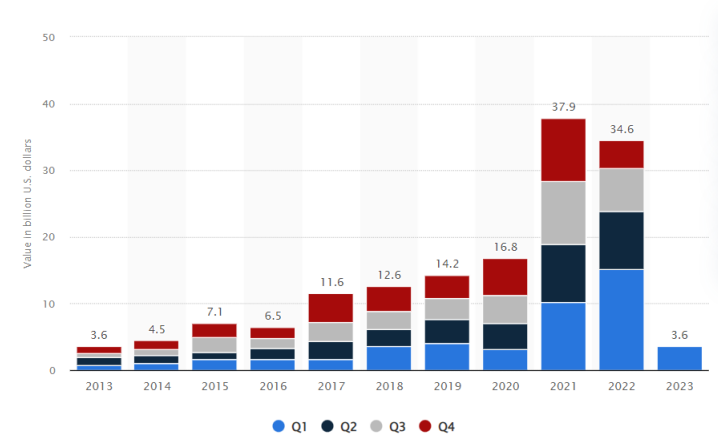
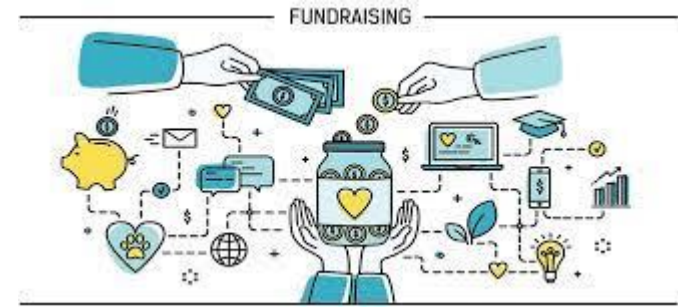
Introduction

- Start-ups are creative businesses with significant development potential.
- For start-ups like technology startups to get funding for expansion, fundraising is a crucial procedure (Park and Kim, 2023).
- They are essential for promoting innovation, producing jobs, and fostering economic expansion (Choi, Sung and Park, 2020).
- To create goods, grow operations, and penetrate markets, start-ups frequently need outside investment.
- The difficulties and possibilities of acquiring money for these innovative businesses are discussed in this presentation.



Types of Funding Sources

- **Equity financing:** In return for their money, investors acquire ownership shares in the startup (Deias and Magrini, 2023).
- **Debt Financing:** Businesses that use this method borrow money and agree to repay it with interest over time (Gopalakrishnan, Jacob and Mohapatra, 2022).
- **Venture capital:** Money invested by specialised companies in high-potential start-ups in return for stock (Cumming et al. 2023). The value of venture capital decreased in 2023 to 3.6 billion \$ in the UK (Statista, 2023).
- **Angel investors:** are those who make investments using their own money in exchange for stock or convertible debt (Capizzi et al. 2022).
- **Crowdfunding:** is the process of collecting money from a lot of people over the internet (Moysidou and Hausberg, 2020).
- **Bootstrapping:** Using one's own funds or start-up profits to finance oneself (Block, Fisch and Hirschmann, 2021).



Challenges in Fundraising

- **Lack of Track Record:** Investor trust and credibility are hampered by a lack of an established track record (Sulillari, 2023).
- **Market Uncertainty:** Because markets and businesses are so uncertain, investors are reluctant to invest (Sánchez-Robles, Saura and Ribeiro-Soriano, 2023).
- **Issues with valuation:** Deciding on a fair value can be challenging since it affects funding conditions and equity distribution (Sulillari, 2023). Revolut was considered to be the most valuable start-up in the UK with a valuation of £24bn (Timmins, 2021).
- **Competition:** Start-ups face fierce competition for investors' time and money, which might result in missed chances (Kuckertz et al. 2020).



Opportunities and Trends

- **Early-Stage Incubators and Accelerators:** These initiatives support the expansion and development of start-ups by providing cash, resources, and mentorship (Wirawan, Muchtar and Nalurita, 2023).
- **Impact of Technology:** Through online platforms and digital communication, technology streamlines fundraising and increases investor accessibility (Mamonov, 2020).
- **ESG Investments:** Growing interest in ESG aspects encourages financial decisions that are in line with environmental, social, and governance principles (Aldowaish et al. 2022).
- **Global Reach:** Through the use of digital channels, start-ups may communicate with investors from across the world regardless of location (Akeel and Gubhaju, 2020).



Academic Theory and Frameworks in Start-up Fundraising

- **Pecking Order Theory:**

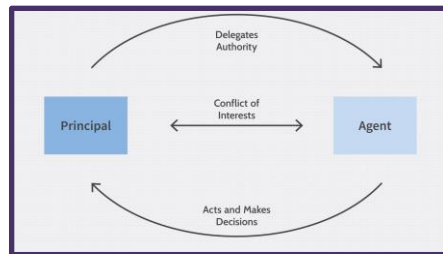
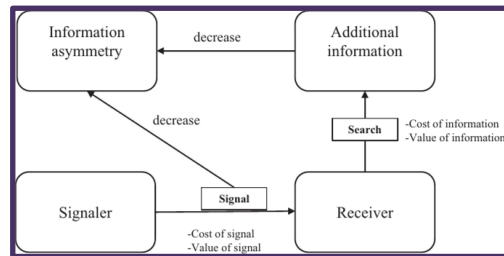
The UK-based FinTech Startup Revolut gave its internal funding sources the highest priority at first before looking for money from other sources (Wewege *et al.* 2020).

- **Signalling Theory:**

During the course of its successful crowdfunding campaigns, BrewDog, a craft beer Startup in the United Kingdom, made extensive use of Signalling Theory (Mac *et al.* 2019).

- **Agency Theory**

Neobank Monzo, which is situated in the United Kingdom, used the ideas of Agency Theory to align the interests of its founders and investors (Bradford, 2020). The "Golden Ticket" referral programme that Monzo offered created a shared interest in the expansion of the bank by rewarding early investors and clients with special perks (Monzo, 2018).



Support Systems for Business Start-ups and Growth:

- **Business Incubators and Accelerators**

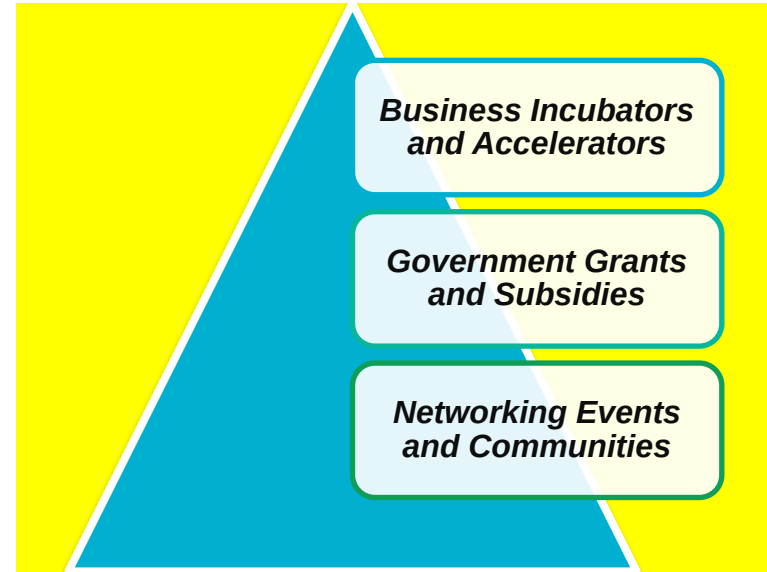
Monese, a Startup that focuses on digital banking, used Seedcamp to hone its business strategy and cultivate critical relationships, both of which contributed to the company's eventual success (Seedcamp, 2015).

- **Government Grants and Subsidies**

Graphcore, an AI chip innovator, obtained money from the government, which allowed them to speed up the development of their technology and attract more private investments (Jacobides *et al.* 2021).

- **Networking Events and Communities**

London Tech Week helps start-ups like What3words interact with investors and industry professionals, which in turn increases their visibility (London Tech-week, 2023).



Entrepreneurial Skills, Traits, and Characteristics Impacting Fundraising:

- **Resilience in the Face of Setbacks: Instilling Investor Confidence**

Deliveroo, a UK food delivery platform, showed resiliency in its early years when it was confronted with regulatory constraints and competition (Türkeş *et al.* 2021).

- **Adaptability to Changing Dynamics: Navigating Dynamic Fundraising Landscapes**

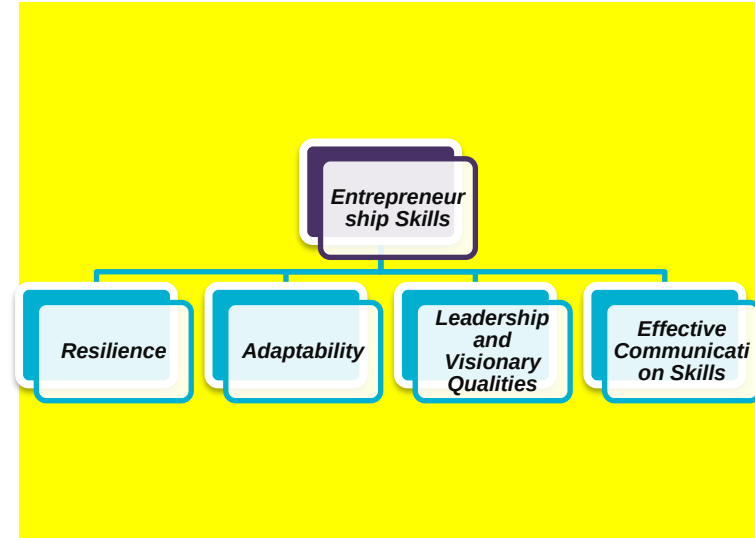
TransferWise, formerly known as Wise, is a FinTech unicorn based in the United Kingdom that repositioned itself as a borderless account platform to show its adaptability (Girling, 2021).

- **Leadership and Visionary Qualities: Inspiring Investor Confidence**

Nikolay Storonsky, the founder of Revolut, showed visionary leadership by seeing deficiencies in the services offered by conventional banks (20VC, 2023).

- **Effective Communication Skills: Building Investor Confidence**

Ali Parsa, the founder of Babylon Health, has strong communication abilities in expressing the company's potential to revolutionise the delivery of medical care (Babylon Health, 2021).



Cross-Border Fundraising and International Investment

- **Navigating Regulatory Diversity**

The challenges of regulatory diversity were made clear by Revolut's entrance into the United States (Huibers, 2021).

- **Cultural Nuances and Market Dynamics**

Deliveroo's expansion into a variety of new areas brought into further focus the necessity of being aware of cultural variations (Lord *et al.* 2023).

- **Technological Advancements and Digital Platforms**

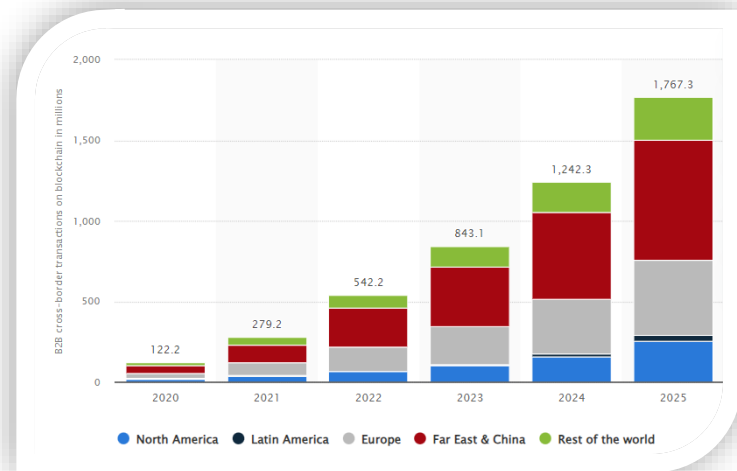
Through the use of communication technologies, virtual roadshows, and online networking, geographical distances have been efficiently addressed, making it possible for start-ups to easily interact with investors all over the world (Stein *et al.* 2020) (Okundaye *et al.* 2019).

- **Enhancing Access to Global Capital**

TransferWise (Wise) is a company that demonstrates the possibilities of international fundraising (Berg *et al.* 2020). The financial technology company was able to get access to a wide variety of sources of finance and expertise when it secured funding from outside.

- **Mitigating Risks and Maximizing Opportunities**

In order to navigate international fundraising with ease and success, strategic preparation and cultural sensitivity are both required. The worldwide collaborations that Babylon Health has are excellent examples of this strategy (Babylon Health, 2021).



Cross-border transactions in various regions of the world

(Source: Statista, 2023)

Ethical and Sustainability Considerations in Fundraising

- **Rising Importance of ESG Principles:**

In the context of fundraising, the ESG principles are prioritised by Bulb, a green energy supplier located in the UK (Geneco, 2023). This demonstrates how environmental, social, and governance (ESG) factors have an impact on fundraising tactics by demonstrating how the company's commitment to renewable energy corresponds with investor aspirations for sustainable practices.

- **Leveraging ESG-Focused Investors:**

In the case of Allbirds, a sustainable footwear start-up in the United Kingdom, the company's dedication to producing eco-friendly goods helped it attract investors interested in ESG (Allbirds, 2023).

- **Showcasing Responsible Business Practices:**

As an illustration of ethical business behaviour, consider the food-sharing app OLIO from the United Kingdom. OLIO demonstrated its ethical behaviour to prospective investors by way of public reporting and community involvement programmes (Harvey *et al.* 2020).

- **Long-Term Impact and Business Sustainability:**

An example of an ethical smartphone maker that places an emphasis on responsible procurement is Fairphone, which is situated in the UK (Bocken *et al.* 2022). Incorporating ethical and sustainability concerns into fundraising not only helps to get financial support but also contributes to the long-term viability of the organisation.



Conclusion

- **Recap Challenges and Opportunities:** Trends like technology integration and ESG investments balance obstacles like track record gaps and market uncertainty in start-up fundraising.
- **The importance of preparation:** A strong business strategy, an appealing value proposition, and excellent communication are essential for success.
- **Adaptability to Trends:** Startups need to be quick to adopt changing trends in funding and make use of resources like digital platforms.
- **Resource Utilisation:** To promote growth and successfully manage obstacles, take advantage of early-stage incubators, accelerators, and accessible resources.



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THANK YOU!