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Entrepreneurship

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TOPIC: FUND RAISING FOR START-UPS – CHALLENGES AND
OPPORTUNITIES

Introduction

Fund raising is an important part of managing a start-up business and entrepreneurship.

Different sources can be found for fund raising but positive and negative impact for them can be found easily.

Fund raising can help the start-up business as by providing capital support to run the business.

The discussion on challenges and opportunities for start-up businesses on fund raising has been discussed in the presentation.

Business start-up and entrepreneurship

Setting up a new business can be considered as a form of entrepreneurship.

Along with marketing management, operation strategies, et cetera the consideration of financial requirement of the business is also one of the most important part to continue the business (Saroy *et al.*, 2023).

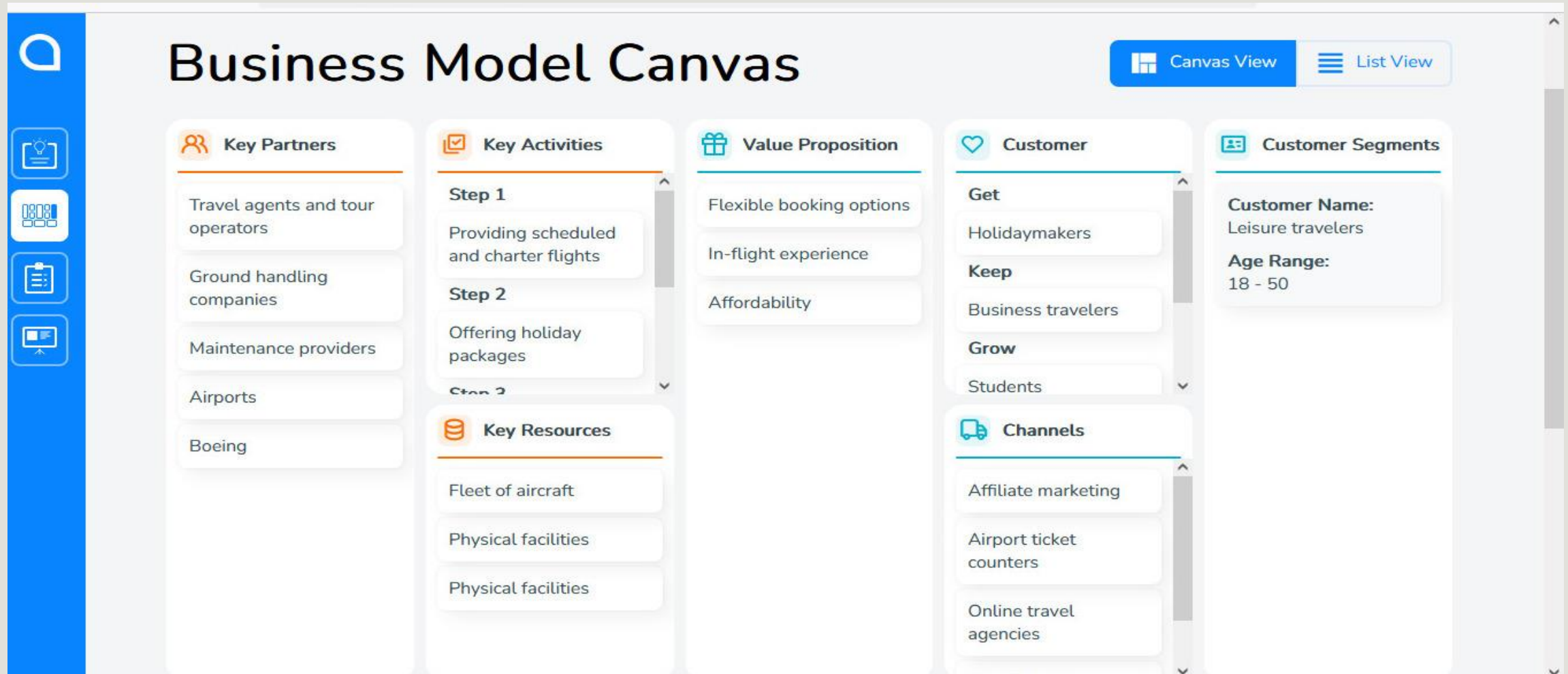
Raising the capital for new business can be challenging.

It can also provide more opportunities for the business to improve their potential capability and continue the growth and development (Saroy *et al.*, 2023).

Examples of UK organisations who have failed due to fund-raising issue

- ❖ **Patisserie Valerie**- A chain of cafes and bakeries (Ealey, 2018)
- ❖ **Carillion**- A construction and facilities management company
- ❖ **Monarch Airlines**- A UK-based airline company
- ❖ **Conviviality**- A drinks wholesaler and retailer
- ❖ **Kids Company**- A charity for vulnerable children and youths (Meierhans, 2022)
- ❖ **Dementia UK**- A charity for supporting dementia patients

Business Model Canvas On Monarch Airlines



Importance of fund raising for business start-ups

To fund the requirement of asset and working capital of the new company.

To fulfil the requirement of initial cash flow in the business (Dhochak and Doliya, 2020).

To support the growth and development of the business.

To support the need of working capital in the business (Dhochak and Doliya, 2020).



Opportunities that can come forth for business start-ups through fund raising

It will help the business as to provide the basic financial requirement which can help in improving the planning for the company.

The business will not suffer from the lack of finance the productivity of the business organisation with the better planning and financial support (Al Sahaf and Al Tahoo, 2021).

It will help in increasing the competitiveness of the business in the competitive market.

The scope of the business will increase (Al Sahaf and Al Tahoo, 2021).

It will attract more investment in the business.



Challenges of fund raising for business start-ups

Hastily made business plan can reduce the opportunity for the business in fund raising (Thanapongporn *et al.*, 2021).

Lack of clear and practical vision.

The inability of matching the criteria of the fund lenders.

Lack of progressive planning for the future of the business .

Factors influence fund raising process for business start-ups

Business model.

Start-up team and management.

Vision, mission and objectives of the company (Gastaud *et al.*, 2019).

The market opportunity and industry.

Competitive environment of the company.

The stage of development of the business (Gastaud *et al.*, 2019).



Different sources available for fund raising to business start-ups

Financing of any start up organisation by the personal finances of the founder (Pal *et al.*, 2020)

Requirement of business advice and lack of investment support are the other challenges of it (Lohachab, 2022)

A high level of credibility is one of the main opportunities that the start-up companies can derive in fundraising from angel investors (Chit, 2023)

Lack of control of the owners is a challenge faced by start-up companies in fundraising from angel investors

Different sources available for fund raising

Lower interest rate is one of the opportunities of fundraising from government loans

Personal assets of owners can be at risk by fundraising from government loans (Nedayvoda *et al.*, 2021)

Crowdfunding can be considered as one of the low risk methods for start-up companies (Wang *et al.*, 2020)

Promotion of campaigns needs time which can be problematic for the start-up companies in crowdfunding

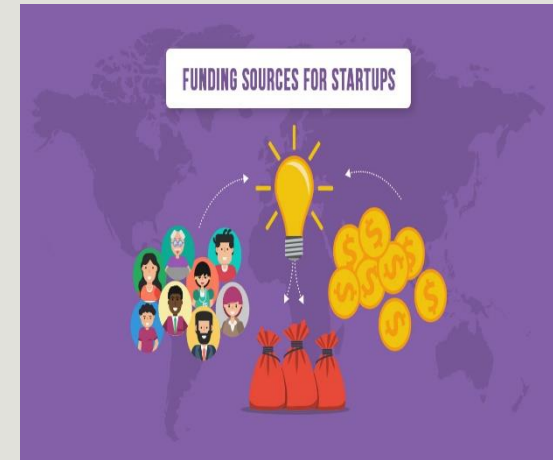
Different sources available for fund raising to business start-ups (continued)

Incubators

- Incubators are a key source for start-ups to get both funding and guidance help during initial stages.
- Opportunities- Funding for resources, Tackle business- setup challenges, become efficient leaders.
- Challenges- Incubators are selective, challenge of paying off the huge investment (Deyanova *et al.*, 2022).

Venture Capital funds (VCs)

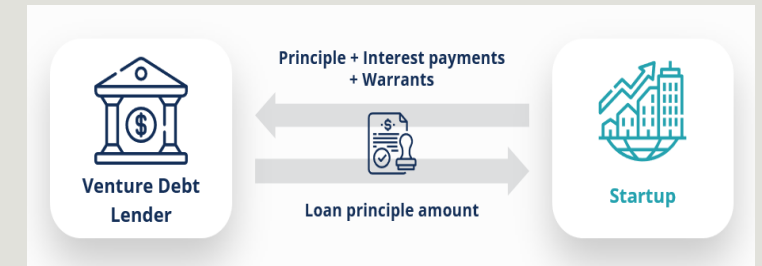
- Venture capital funds or VCs are private equity for getting funding help for long term growth.
- Opportunities- Mentorship for enhanced growth, favourable financial options.
- Challenges- Loss of ownership stake, funding is scarce (Cavallo *et al.*, 2019).



Different sources available for fund raising to business start-ups (continued)

Venture debt funds

- Venture debt funds are complementary methods to equity financing.
- Opportunities- Complement to equity financing.
- Challenges- Challenges of managing debt, managing high risk of default for further repayment (Krause *et al.*, 2021).



IPO or Initial Public Offerings

- IPO or Initial Public Offerings refers to selling of shares to the public.
- Opportunities- Increased exposure, diversify holdings and raise public profile (Jones, 2018).
- Challenges- Regulatory challenges, Challenge of managing high transaction costs (Megginson *et al.*, 2019).



Conclusion

Fund raising for the small scale business organisations can be challenging.

Different opportunities can be found from different sources of funding.

Without the use of fund raising the business organisation will not be able to support the need of capital to run the business.

Considering both of the positive and negative factor involved in the process of fund raising sources is important before decision making.

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THANK YOU

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Introduction

In case of entrepreneurship or any start-up business as it is extremely important to arrange the capital needed for conducting the daily operations as well as arranging the required fund to support the innovation in the business. Fund raising is one of the most important responsibility of the management of a business organisation to run a business successfully by supporting the need of the capital. But, for the small scale business it can be difficult to find different sources from which the financial support for fund raising can be available. In this presentation the discussion on different opportunities and challenges for start-up businesses on fund raising has been discussed.

Business start-up and entrepreneurship

Starting a new business through process of entrepreneurship can be demanding of different factors and requirements which involve the financial risk, hope and profit. For the purpose of setting up a new business not only the consideration of marketing operations and customer services are important but also financial support is the key factor which is needed to be taken into consideration by the business along with other functional units and areas (Saroy *et al.*, 2023). Raising the capital for running the business and to support the growth development of the new business is not only a challenge but also an opportunity for the companies to increase their horizon and improve the potential capability of the business (Saroy *et al.*, 2023).

Examples of UK organisations who have failed due to fund-raising issue

- ❖ Patisserie Valerie- A chain of cafes and bakeries (Ealey, 2018)
- ❖ Carillion- A construction and facilities management company
- ❖ Monarch Airlines- A UK-based airline company
- ❖ Conviviality- A drinks wholesaler and retailer
- ❖ Kids Company- A charity for vulnerable children and youths (Meierhans, 2022)
- ❖ Dementia UK- A charity for supporting dementia patients

What happened to Patisserie Valerie?

On October 11, the company announced that there was a material shortfall between the reported financial status and the actual financial status of the business. Without an immediate injection of capital, the directors were of the opinion it wouldn't be possible for the

company to continue

What caused Carillion collapse?

Carillion were facing payment delays in the Middle East that hit its accounts hard, causing them to issue three profit warnings in five months and wrote down more than £1bn from the value of contracts.

Why did conviviality fail?

Though its problems were growing more severe by the minute, Conviviality underestimated the severity of the lack of confidence in its leadership, which would ultimately deter any buyers from considering a purchase for the company in its current form.

Why did Monarch Airlines Failed ?

The airline's failure was primarily due to a combination of factors, including increased competition from low-cost carriers, higher fuel prices, and the impact of terrorism on the travel industry.

One of the biggest challenges for Monarch Airlines was the rise of low-cost carriers such as Ryanair and EasyJet, which offered lower fares and a broader range of destinations. Monarch Airlines struggled to compete with these carriers on price, and its market share began to decline.

In addition, the airline faced higher fuel prices, which increased its operating costs. This, combined with a decline in demand for travel to certain destinations due to security concerns following terrorist attacks in Europe, put significant pressure on the company's finances.

Ultimately, Monarch Airlines was unable to secure additional funding to continue operating, and the airline was placed into administration in October 2017. The collapse of Monarch Airlines resulted in the loss of around 2,500 jobs and left many passengers stranded.

Importance of fund raising for business start-ups

For the purpose of starting a new business it is important to fulfil the need and requirement of supporting the necessary assets and working capital of the business organisation for

which funding is needed (Dhochak and Doliya, 2020). The cash flow of the business organisation which will help the business in continuing the daily operation and production is needed to be funded for which capital requirement is needed to be fulfilled (Dhochak and Doliya, 2020). For the purpose of supporting the growth and development of the business through the expansion of the launching of new product line or through the broadening of horizon of conducting business, financial support is extremely important.

Opportunities that can come forth for business start-ups through fund raising

Starting the business with the ability of fund raising can be helpful as it will cover the basic need and necessity of the business to finance (Al Sahaf and Al Tahoo, 2021). It will directly exact more investment by gaining more attention from different other investors in the market. The scope of the business will increase providing more opportunity for increasing the productivity and profitability of the business (Al Sahaf and Al Tahoo, 2021). The comparative advantage of the company increase in the market as well.

Challenges of fund raising for business start-ups

In order to arrange the capital for the new start-up business it is important for the manager and the owners of the company to provide an appropriate planning with the clear vision and purpose of the business. The lack of such can create significant issue for increasing the interest and attractiveness about the business (Thanapongporn *et al.*, 2021). Also hastily made business plan and lack of progressive planning for the future of the business can be a significant challenge for any company to arrange the capital needed by the business (Thanapongporn *et al.*, 2021).

Factors influence fund raising process for business start-ups

There are different factors which can influence the process of fundraising for the start-up companies. For example, the vision, mission and objectives of the company can directly influence the decision regarding the investing in the company (Gastaud *et al.*, 2019). The business model of the company and the market opportunity and industry growth can also be another factor which can influence the decision on the growth and development of the business as well as fund raising opportunity (Gastaud *et al.*, 2019). The competitive

advantage of the business organisation and the competitive environment is another factor which is taken into consideration for fund raising and investment. The stages of development in which the company is operating is another important factor to influence the fundraising opportunity of the business (Gastaud *et al.*, 2019).

Different sources available for fund raising to business start-ups

Bootstrapping

Financing of any start up organisation by the personal finances of the founder can be defined as bootstrapping (Pal *et al.*, 2020). Solo entrepreneurship is one of the main characteristics of such business processes of start-up organisations. Bootstrapping can enable the start-up organisations to carry out business operations without the responsibilities of satisfying the investors and this can be considered as one of the main opportunities that the companies can derive from this model. Following this process, start-up organisations are able to focus more on consumers and product quality, which is the other advantage of it. A higher execution time has been identified as one of the main challenges of this method for the start-up companies. Requirement of business advice and lack of investment support are the other challenges of Bootstrapping for the start-up firms (Lohachab, 2022).

Angel investors

Angel investors can be marked as the individuals with a high level of net-worth who are engaged in the funding procedure of start-up organisations. A high level of credibility is one of the main opportunities that the start-up companies can derive in fundraising from angel investors (Chit, 2023). Fundraising from angel investors can allow the start-up companies to utilise the potential employees, consumers of the investors in execution. Investment bankers can be connected in an easier manner by the start-up organisations by fundraising from angel investors (Zanabazar and Jigjiddorj, 2023). Lack of control of the owners can be marked as one of the main challenges faced by start-up companies in fundraising from angel investors. Anticipation of a high return rate on the investments can be the other challenge for the start-up companies in following this fundraising method.

Different sources available for fund raising

Government loans

A relatively lower rate of interest is one of the main opportunities that the start-up companies can derive by fundraising from government loans. Low rate of monthly payments can be

seen as the other benefit of fundraising by government loans (Pallathadka *et al.*, 2021). Along with these, longer terms for repayment are the other opportunity that the start-up companies can derive by fundraising from government loans. A high level of flexibility in eligibility requirements can be marked as the opportunity that the start-up companies can attain by following this method of fundraising. Time-consuming process of fundraising can be considered a challenge for start-up firms in this case. Personal assets of owners can be at risk by fundraising from government loans (Nedayvoda *et al.*, 2021).

Crowdfunding

Fund collection of business procedures from a huge number of individuals can be considered as crowdfunding and collection of funds is done mostly by online mode in this process. In capital raising, crowdfunding can be considered as one of the low risk methods for start-up companies (Wang *et al.*, 2020). Market testing of the products is one of the main opportunities for start-up companies in fundraising by crowdfunding. Generation of publicity of the produced goods and services can be done in an effective manner by start-ups by fundraising from crowdfunding (Pallathadka *et al.*, 2021). Funding goals may not be reached by companies by following this method and this can be marked as one of the main challenges of crowdfunding for start-up companies. Along with this, promotion of campaigns needs time, which can be problematic for the start-up companies in crowdfunding.

Different sources available for fund raising

Incubators

Incubators are institutions that provide support to entrepreneurs for developing their businesses, primarily during initial stages. Through this, start-ups get an opportunity of acquiring key resources for establishing the company such as office spaces, community network events and many more. Funding from incubators helps to tackle business set up challenges as well as take business to the next level for further growth or success. Get proper knowledge and guidance from incubators, hence an opportunity to learn and become an efficient leader in managing the entire workforce. The Challenge of getting funding from incubators is that they are quite selective so business ideas need to be impactful as well as interesting for them. Secondly, great financial benefits are provided by incubators so it becomes important to ensure that it pays off as they require commitment (Deyanova *et al.*, 2022).

Venture Capital funds (VCs)

Venture capital funds are defined as pooled investment funds or private equity that provides finances to start-ups firms to provide long-term growth potential. In terms of opportunities, VCs do take startup equity but engage in mentorship of startups. VCs provide favourable financial options without need for regular payments so less capital related stress. The Challenge is that there is reduction in ownership stake which lowers control. Another challenge is that funding in this source is quite scarce and even challenging to obtain due to high cost (Cavallo *et al.*, 2019).

Different sources available for fund raising

Venture debt funds

Venture debt is another source of acquiring funding for startups and is used as a complementary form to equity financing. Is provided by both non-bank lenders and banks. Challenges- venture debt has a high interest rate as well as high risk of default for repayment can become challenging. Managing debt becomes challenging as it grows with time and during exiting, venture lenders take money and exit prospects become complex. Opportunity is that it can be used for supplementing equity financing, thus additional capital help for growth (Krause *et al.*, 2021).

IPO or Initial Public Offerings

IPO is defined as a public offering where company's shares are sold out to investors or shares of stock are sold to the public. Opportunity to diversify holdings or even create liquidity for growth initiatives, raise public profile. IPO provides increased exposure to get into public spotlight, thus increased credibility (Jones, 2018). Challenges in regard to managing regulatory requirements- SEC or Securities and Exchange Commission are costly and burdensome. IPOs are expensive which puts enough burden on the company (Megginson *et al.*, 2019).

Conclusion

In conclusion fund raising for the business organisation is one of the most important job to secure the capital needed for operation of the business organisation. But at the same time it is also important note that fund raising includes different challenges which are needed to be mentioned in the process of managing the same. Especially for the start-up business

organisations it is difficult to find the current sources for contracting the fun racing while also balancing the high rate of interest and matching the criteria is needed by the lenders. Therefore, many options available for the start-up business it is important to consider both of the positive and negative factors involved in the process of the same before making the decision on using the source.

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