

## Gate2Growth



### **an on-line incubator for small businesses**

#### ***Background***

A challenge for all entrepreneurs, especially first-timers and those in remote or rural areas, is obtaining the funding needed to transform their ideas into robust business concepts, and support the business through its start-up and growth phases. A variety of public and private sources of funding exist in most countries but it is not easy for the would-be entrepreneur to understand which are the most appropriate at the various stages of developing an idea into a profitable business. Nor may they appreciate the motivations of the different types of investors and the balance of risk and reward that such investors expect.

Over the last five to ten years organisations called ‘business incubators’ have emerged, which offer to guide entrepreneurs through the process of establishing their businesses. This includes helping them to develop their business plans, advising them on appropriate sources of funding, introducing them to potential investors and coaching them in how to present their ideas to these investors. Individual incubators tend to specialise in particular types of business and a suitable one may not exist in the area where the entrepreneur wants to operate.

In order to make incubator services more widely available throughout the European Union and the Newly Associated States, the European Commission’s General Directorate responsible for Enterprise sponsored the setting up of the Gate2Growth initiative as part of its Innovation/SMEs programme.

The prime objective of Gate2Growth is to support entrepreneurs in Europe by providing them with on-line access to organisations and resources that can help them develop their businesses. These include business incubators, technology transfer offices of universities and research centres, venture capital investors, and leading experts on entrepreneurship, finance, research and teaching.

Gate2Growth offers most of its services on a commercial basis, but its website also provides a substantial package of free resources that can be used by anybody to develop a business idea into a form suitable for presentation to early-stage investors.

#### ***The structure of the initiative***

[Gate2Growth.com](http://Gate2Growth.com) is a web-portal operated by Brabo Ventures cvba, in co-operation with the University of Antwerp Management School (UAMS). As well as providing entrepreneurs with access to expert advice and introductions to potential investors throughout Europe, the portal offers a range of services to the various groups of players who offer professional support to, or invest in, start up businesses. The aim is to widen the opportunities available to such players and exchange experiences of good

practice in order to improve the quality of the services that they offer to entrepreneurs.

Investors are offered access to a database of investment opportunities that can be searched by industry sector, financing needs, investment round, country, etc. These opportunities have been pre-screened by industry experts to ensure that they contain all of the information needed to decide whether to open negotiations with the proposers. Investors can also be notified about specific opportunities that match their investment profile. Other services offered by to investors include a personalised news and events service, facilities for establishing investment syndicates, and a tool for managing a 'virtual' portfolio of potential opportunities. Gate2Growth also provides access to market research and expert opinions on individual proposals, as well as seminars and workshops on issues of interest to investors.

The portal is the home for several pan-European networks of financiers, experts and Service Providers and Innovation Professionals. These include:

- I-TecNet - a meeting place for early stage technology venture capital investors.
- ProTon Europe - a network of Technology Offices associated with Universities and other research organisations
- The Gate2Growth Incubator Forum - a network of technology incubators and incubators linked to research institutes and universities.
- Gate2Growth Finance Academia - a network of academics and researchers involved in innovation, finance and entrepreneurship.

The aim of these networks is to allow players with similar interests to share experiences of good practice and work together to provide entrepreneurs with more co-ordinated and higher quality services.

Organisations or individuals providing professional services to entrepreneurs or investors can choose to be listed in an on-line directory, which can be searched by potential clients looking for a particular set of skills. Players listed in the directory also have access to a package of services similar to those offered to investors – personalised newsclips, workshops on important issues, alerts on requests for services etc.

The Gate2Growth services are co-ordinated by around 20 partners, who include well-known organisations in the fields of technology incubators, business schools, management consultants and venture capital providers.

### ***What Gate2Growth offers to small businesses***

For the small business or would-be entrepreneur, the most important feature of Gate2Growth is the mix of free and commercial services which it offers. These are designed to reduce time-to-investment and offer immediate visibility of a proposal throughout Europe.

The most important free service is 'My Dataroom' This is a business development tool for entrepreneurs. It consists of a password protected area of the website in which they can develop company profiles, detailed business plans, spreadsheets, prototypes, analysis reports etc. Detailed profiling of the

Dataroom contents by Gate2Growth will help entrepreneurs to identify the type of support needed at each stage of the process. It will also suggest generic solutions or commercial sources of more specific advice. A further free service is My TesT, where entrepreneurs can test a proposal confidentially and find out how many of the more than 1000 investors in the Gate2Growth database might be interested in it. This allows entrepreneurs to test the interest of investors from day one and adapt their approach to concentrate on the most likely matches..

To open a Dataroom, an entrepreneur needs to register with Gate2Growth<sup>1</sup> and provide a company profile. He or she can then add an existing business plan or one developed using the free on-line toolbox. This toolbox contains:

- Business plan development guides and budgeting spreadsheets
- 'How-to' guides on innovation finance and where to find it
- Directory of public support schemes for financing innovation in the EU Member States
- Examples of recently funded technology companies
- Glossary of financial terminology
- Useful links for entrepreneurs, investors, and service providers

At any point in the development of the business plan, an entrepreneur can, for a fee, request an expert opinion on the state-of-readiness of the project. This is a comprehensive report on its strengths and weaknesses, along with detailed advice on how to address the weaknesses.

The entrepreneur can also decide if and when to use the commercial Gate2Growth brokerage services that will introduce him or her to sources of professional advice or potential investors. An important principle of Gate2Growth is that the entrepreneur has control of what information may be provided to such players. Their terms of registration with Gate2Growth require them to treat any information as commercially confidential, but entrepreneurs can demand more specific guarantees for access to some types of information, such as patent applications.

The Dataroom will keep the entrepreneurs informed of investor interest at all times. From the moment they open a Dataroom, the Company Profile is automatically matched with the Gate2Growth investor database and more importantly, with the detailed investment profiles of the registered investors. However the brokerage process only begins when the entrepreneurs decide to release specific information about their proposals. Gate2Growth offers two levels of brokerage. The basic level involves publishing the proposal in a database that can be searched by all registered investors. A more expensive<sup>2</sup>, personalised matching service is available to entrepreneurs with high-quality business plans. Here the Gate2Growth team actively identifies suitable investors and draws their attention to the proposal.

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<sup>1</sup> Although the basic service is free, registration involves accepting a set of 'Terms of Use' and these should be read carefully.

<sup>2</sup> Terms for this service are terms negotiated on a case by case basis.

The Gate2Growth service centre offers entrepreneurs a wide range of additional resources, including:

- A Directory of Service Providers and Innovation Professionals – this can be searched to identify sources of expert advice on any aspect of developing a business.
- Team builder – this allows entrepreneurs to advertise vacancies (or look for synergies) throughout Europe.
- Expert discussion forums – these offer opportunities to ask selected experts specific questions about a project and browse an archive to find answers to related questions
- Specialised workshops and seminars – these are organised on a regular basis throughout Europe and address issues such as business planning, technology foresight, team building, international project management, and investor presentation and negotiation.
- Entrepreneur Bootcamps - selected entrepreneurial teams are invited to intensive five-day residential seminars which will foster team cohesion, refine business models, and prepare the teams for rapidly building and growing their businesses.
- A personalised news service and events calendar – this allows users to keep track of important developments in their industry and region. It also allows them to contribute information that they think may interest to other Gate2Growth users.

It costs nothing to register with Gate2Growth or to use the extensive package of resources, which it provides to help develop an investment proposal. However, registration involves agreeing to a set of terms and conditions. The most important of these<sup>3</sup> is that, if Gate2Growth is used to publish the completed proposal, a success fee of 2.5% is payable on any capital raised as a result of introductions to investors provided by Gate2Growth.

### ***The achievements to date***

TO BE ADDED.

### ***Conclusions***

Gate2Growth is an interesting example of a public-private initiative to help entrepreneurs find funding for their business ideas. The public element, supported by the European Commission, is a website with a set of free resources to help entrepreneurs develop a robust business plan and identify the types of investor that might be interested in it. The private element is a commercial brokerage service to put entrepreneurs in touch with experts, who can offer professional advice on their proposed business, and investors, who might offer the capital needed to get the business off the ground.

Entrepreneurs who live in remote or rural regions, where only general advice on business development is available, and entrepreneurs with pan-European ambitions could find the Gate2Growth services very useful. In particular, the

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<sup>3</sup> The full set of terms and conditions is presented during the registration process and should be read carefully. As the organisation providing the Gate2Growth services is based in Belgium, users should be aware that the registration agreement is covered by Belgian law and any disputes may ultimately be referred to a Belgian court.

free services will provide them with an important ‘sanity check’ on their ideas and help them decide what kind of professional support is needed to transform their vision into a profitable business.