

Report Submitted to:

Lorraine Higgins

Tahar El-Korchi

Costa Rica, Project Center

By

Theophilos Giannakopoulos

Daniel Knox

Kenneth L. Osborne III

In Cooperation With

Diego May

Gioconda Lizano

Project Link Investments

**MAKING THE LINK
ENTREPRENEURSHIP IN COSTA RICA**

3 July 2007

This project report is submitted in partial fulfillment of the degree requirements of Worcester Polytechnic Institute. The views and opinions expressed herein are those of the authors and do not necessarily reflect the positions or opinions of Project Link Investments or Worcester Polytechnic Institute.

This report is the product of an education program, and is intended to serve as partial documentation for the evaluation of academic achievement. The report should not be construed as a working document by the reader.

Abstract

Entrepreneurship is important for the growth of a country's technology business sector. Project Link Investments' mission is to promote entrepreneurship by creating an angel investment network to fund startup companies. In order to develop a set of best practices for Link Investments, we researched case studies of angel investment models and assessed cultural constraints that influence those models by surveying entrepreneurs in Costa Rica. We also used archival data to analyze the possible economic impact of entrepreneurship. The implementation of our recommended practices will help promote the development of an environment of entrepreneurship in Costa Rica.

Authorship

Theophilos Giannakopoulos participated in the interviews with the angel groups and also in creating the questionnaires for entrepreneurs. He conducted part of the research of angel group practices and some of the research on economic impact of entrepreneurship. Theophilos wrote the revised and final drafts of the report, and the rough drafts of Abstract, the Introduction chapter, part of the Background and Results chapters, and much of the Conclusions chapter. He also created several of the tables in the appendices.

Daniel Knox participated in the interviews at universities, the interviews with the angel groups, and creating the questionnaires for entrepreneurs. He also conducted much of the research of angel group practices. Daniel wrote much of the rough draft of the Background chapter and assisted in writing the rough draft of the Methods and Abstract chapters. He also wrote the rough draft of the Executive Summary and assisted in writing the rough drafts of the universities sections and angel investment section of the Results chapter. He also created many of the tables in the appendices.

Kenneth Osborne participated in the interviews at universities, the interviews with angel groups and was the primary researcher of the information about the economic impact of entrepreneurship. He also wrote the rough draft of the economic impact sections and assisted in writing the rough draft of the universities sections and the Methods chapter.

Acknowledgements

We would like to thank:

- our sponsors, Gioconda Lizano and Diego May, and the rest of the staff of Link Investments,
- Maria de los Angeles Romo, Aldo Aspilcueta, Peter Parsons, Dan Rosen, and Luis Villalobos for taking time out of their busy schedules to speak with us,
- Paul Graham for taking time out of his busy schedules to email us,
- all of the entrepreneurs who have worked with Link Investments and who responded to our survey, and
- our advisors, Tahar El-Korchi and Lorraine Higgins, and Seth Tuler from Worcester Polytechnic Institute.

Table of Contents

Abstract	i
Acknowledgements	ii
Table of Contents	iv
List of Figures	vi
List of Tables	vii
Executive Summary	viii
Methods	viii
Recommended practices for Link Investments	ix
Application process	ix
Selection criteria	x
Services for entrepreneurs	x
Universities	x
Potential economic impact on Costa Rica	xi
1. Introduction	1
2. Background	4
2.1. Definitions	4
2.2. Starting a business	6
2.3. Environment of entrepreneurship and angel investing	8
2.4. Costa Rican context	9
2.4.1. Universities	9
2.4.2. Economy	10
2.4.3. Business Culture	11
2.5. Global Entrepreneurship Monitor	13
2.6. Angel investment groups	13
2.6.1. Rational for choosing the groups	14
2.7. Project Link	15
2.6.1. Link Investments	17
2.7. Significance of the literature	17
3. Methods	19
3.1. Current angel group practices	19
3.2. Entrepreneurs' opinions	22
3.3. Success of angel investment groups	24
3.4. Costa Rican Universities	25
3.5. Economic Impact	26
4. Results and Analysis	28
4.1. Angel group practices	28
4.1.1. Application process	28
4.1.2. Selection criteria	34
4.1.3. Services for entrepreneurs	35
4.1.4. Other features	36
4.1.5. Validity of choices for angel investment groups in case study	37
4.3. Universities	39
4.4. Economic impact	41
5. Conclusions and Recommendations	45

5.1. Recommended practices for Link Investments.....	45
5.1.1. Application process.....	45
5.1.2. Selection criteria	46
5.1.3. Services for entrepreneurs.....	46
5.2. Universities	47
5.3. Potential economic impact on Costa Rica	47
5.4. Projects for future groups.....	48
Appendix A. Entrepreneur Questionnaire.....	49
A.1. English	49
A.2. Spanish.....	51
Appendix B. Questionnaire Result Summaries	53
B.1. English.....	53
B.2. Spanish	56
B.3. Combined	61
Appendix C. University Interview Guide	63
Appendix D. Angel Group Application Processes	64
Appendix E. Angel Group Criteria	68
Appendix F. Angel Group Services for Entrepreneurs.....	69
Appendix G. Other Features of Angel Groups	70
Appendix H. Angel Investment Group Survey Responses.....	72
H.1. Y Combinator Email Response.....	72
H.2. Tech Coast Angels Interview Notes.....	75
H.3. Alliance of Angels Interview Notes.....	77
H.4. Southern Angels Interview Notes	79
H.5. Southern Angels Email Response	81
Appendix I. Octantis Incubator Interview Notes	83
References.....	85

List of Figures

Figure 1.1. Entrepreneurship Ecosystem	7
Figure 4.1. Early-stage Entrepreneurial Activity vs. GDP	42
Figure 4.2. Percent of Adult Population Involved in High-Expectation Entrepreneurial Activity vs. GDP PPP per Capita.....	44

List of Tables

Table 4.1. Common Process for Application and Screening	29
Table 4.2. Angel Investment Group Criteria Comparison	34
Table 4.3. Services for Entrepreneurs Comparison	35
Table 4.5. Angel Investment Group Success Rate	38
Table 4.6. Private Universities and Entrepreneurship in Costa Rica	39
Table 5.1. Recommended Application Process for Link Investments	45
Table 5.2. Recommended Services for Link Investments	46
Table 5.3. Recommendations to Co-sponsor Programs with Universities	47
Table D.1. Alliance of Angels Application Process	64
Table D.2. Tech Coast Angels Application Process	64
Table D.3. London Business Angels Application Process	65
Table D.4. Y Combinator Application Process	65
Table D.5. Southern Angels Application Process	65
Table D.6. Link Investments' Application Process	66
Table E.1. Angel Group Selection Criteria	68
Table F.1. Angel Investment Group Services for Entrepreneurs	69
Table G.1. Other Features of Angel Investment Groups	70
Table G.2. Angel Group Online Resource Libraries	71

Executive Summary

Entrepreneurship is a source of innovation and economic expansion. Costa Rica's progression to an economy based on technology has readied the country for a dramatic increase in entrepreneurship. The high level of education and quality of universities have created potential entrepreneurs. However, for entrepreneurship to prosper, both entrepreneurs and investors are required. Costa Rica does not have a mature environment of angel investing and the risk-averse nature of the people hinders the creation of that environment. Project Link Investments is attempting to fill the gap in investing by creating a network of angel investors and connecting entrepreneurs in Costa Rica with those entrepreneurs.

Link Investments, an organization whose mission is to promote entrepreneurship in Costa Rica, has created an angel investment network that has been operating for about a year. It has modeled its practices on the practices of other investment groups, but because it is the first angel network in Costa Rica and because the culture in Latin America is very different from other sites of entrepreneurship, it did not have a set of culturally specific best practices on which to base its operations.

Methods

The main goal of our project was to develop a set of best practices for Link Investments. In order to foster an environment of entrepreneurship in Costa Rica, we also found connections for Link Investments in some private universities that Link Investments did not previously have relationships with. Finally, we attempted to find a connection between entrepreneurship and economic growth.

To develop the set of best practices for Link Investments we performed archival research on the practices of five successful angel groups. To fill the gaps in the archival research, we

conducted phone interviews and sent questionnaires by email to representatives of the groups. With the aid of responses to a questionnaire that we distributed to applicants to Link Investments, we evaluated the practices that we found in the context of Costa Rican culture.

In order to find information about and to create connections with universities, we visited seven universities in the San José area to ask representatives about what entrepreneurship programs the universities had. We also examined how established angel groups work with universities in order to recommend programs that Link Investments and interested universities could co-sponsor.

To find information about the connection between entrepreneurship and economic growth we examined the research done for the *Global Entrepreneurship Monitor*. We looked for correlations between entrepreneurship and gross domestic product (GDP) and between high-expectation and high-growth entrepreneurship and GDP.

Recommended practices for Link Investments

The angel groups we studied had several common and unique practices that we evaluated and found to be applicable for use in Costa Rica. Our analyses were guided by the responses to the questionnaires that we distributed to the entrepreneurs, who have worked with Link Investments. In these questionnaires we asked the entrepreneurs to assess and comment on the services and application process of Link Investments.

Application process

We recommend that Link Investments formalize the application process that entrepreneurs undergo to present to the investment network. Our research indicates that while its current model is sufficient, as its applicant pool grows, Link Investments will need a more systematic and consistent protocol to handle the larger volume of applicants and to screen and

train the applicants more effectively. This report provides a detailed set of formalized procedures.

Selection criteria

We found that Link shared many similar criteria for selecting entrepreneurs to present to its network with other angel groups. Therefore, we recommend that Link Investments keep its selection criteria the same. However, we do recommend that Link Investments encourage its investors to be more willing to make investments in less mature companies. This means changing the emphasis of the current criteria to place more emphasis on the potential a company has, placing more focus on future markets and future growth rather than the current state of a company.

Services for entrepreneurs

We recommend that Link Investments continue to offer presentation coaching and business plan revising. We also recommend that Link Investments (1) allow applicants to sit-in on other entrepreneurs presentations, (2) create online entrepreneur and investor resource libraries, and (3) co-sponsor lectures about entrepreneurship at universities, as its resources allow.

Universities

Five universities reported interest in working with Link Investments: Universidad Interamericana, UIA, UACA, ULACIT, and Universidad Veritas. We recommend that Link Investments work with these universities to develop entrepreneurship programs, in order to promote an environment of entrepreneurship in Costa Rica. This report details some programs that other angel groups sponsor at universities that would benefit Link Investments, such as

holding screening sessions on campus, having students help with business plan revising and due diligence, and holding business plan competitions.

Potential economic impact on Costa Rica

We were unable to establish any causal relationship between level of entrepreneurship and GDP. However, the Global Entrepreneurship Monitor did report correlations between high levels of entrepreneurship and GDP. We found that while high levels of entrepreneurial activity are generally associated with low-GDP countries, there is an increase in entrepreneurial activity in the highest-GDP countries. We also found a weak linear increasing correlation between high-expectation and high-growth entrepreneurial activities and GDP.

Costa Rica's national economic growth may benefit from the effects of Link Investments' program. Link Investments encourages and aids high-expectation startups. The correlations we did find suggested that promoting entrepreneurship may increase the GDP. Even if there is not a causal relationship between entrepreneurship and GDP, by promoting entrepreneurship, Link Investments may be promoting beneficial cultural changes that are not accounted for by this measure. Creating the culture of innovation and confidence that is part of entrepreneurship may increase Costa Rica's opportunities for economic expansion and diversity.

Link Investments is at the forefront of entrepreneurship in Latin America. Implementing the recommended practices will prepare Link Investments for the increase in entrepreneurship in Costa Rica that they promote and will accelerate the growth of the environment of entrepreneurship in Costa Rica.

1. Introduction

As professionals in the field have observed, technology startup companies are a source of innovation and economic expansion. Without startups, the business technology presence of a region would be dominated by large corporations that do not produce new ideas with the same effectiveness or speed exhibited in the high-risk atmospheres of startup companies (Graham, 2005). For example, IBM's expansion of its product line is driven by its continuous acquisition of small companies ("Selected acquisitions," 2007). Successful startup companies also have the potential to make their founders and early employees wealthy, either by being acquired by a larger company or by going public (Graham, 2006b).

In their early stages, startups are funded by wealthy individuals called angel investors. Many angel investors are former entrepreneurs who were successful (Wong, 2002). Paul Graham is an archetype of this success: after his company Viaweb was bought out by Yahoo, Graham founded Y Combinator, a group that does early-stage funding for startups ("About us," 2007). The reinvestment of wealth made through entrepreneurship into other entrepreneurial ventures is a cycle that defines startup hubs (Graham, 2006b), locations that are centers for entrepreneurship. Because of the innovational and economic contributions of startups, they are necessary for a region to gain and maintain a presence in the global business technology sector (Wennekers & Thurik, 1999).

Costa Rica has the potential to establish a startup hub. As a result of Costa Rica's investment in its universities (Rodríguez-Clare, 2001), it has individuals with the skills to found technology startups. However, Costa Ricans who wish to create startups lack the support of investors and of programs for encouraging the creation of new companies. Project Link's angel investments component, Link Investments, is attempting to fill this gap by providing services for

entrepreneurs and by connecting them with angel investors. However, Link Investments, a one-year-old angel investment group, lacks a precedent in Costa Rica to guide its efforts. It also lacks an estimation of the overall impact that the success of their program would have on the economy and culture.

Link Investments would benefit from a set of best practices based on successful programs in other countries and tailored for the culture and economic status of Costa Rica. Developing these practices entails researching current practices for investing in startup companies by angel investment groups, such as Y Combinator (<http://ycombinator.com/>) or the London Business Angels (<http://www.lbangels.co.uk/>) in the United States and other technologically successful countries. It also involves investigating Costa Rican culture and current investment practices for the purpose of evaluating the feasibility and expected success of applying those models in Costa Rica.

In this project, we conducted five case studies of angel investment groups in the United States and elsewhere. We deconstructed the models used by those investing groups into individual practices: how to choose entrepreneurs from an applicant pool and which services to offer to entrepreneurs. We then surveyed Costa Rican entrepreneurs to determine their opinions on the services that Link Investments currently offers. We evaluated the practices based on the responses to the surveys and on the relative success of the organizations that currently implement them. The components of the models that appeared to be the most effective, most preferred and most feasible were compiled to create a set of best practices that we recommended to Link Investments. This set of best practices will help Link Investments in the creation of an environment of entrepreneurship that will benefit the Costa Rican economy.

To further foster the environment of entrepreneurship, we visited private universities in Costa Rica in order to establish contact for possible co-sponsored entrepreneurship programs, similar to those that the angel groups in our case studies have.

We also conducted archival research on the entrepreneurship on the wealth of countries to look for a correlation between the level of entrepreneurship and wealth. Link Investments can use information about this correlation to encourage their member investors to be more enthusiastic about making investments.

2. Background

Any best practices should be developed from a thorough understanding both of angel investing and entrepreneurship and of the cultural and economic context in which the practices will be applied. In this chapter we first define terms related to entrepreneurship and angel investing. Following the definitions, we detail the stages of a startup and explain stage at which Link Investments operates. We examine the conditions under which entrepreneurship and angel investing thrive in the United States. There is then an explanation of the Global Entrepreneurship Monitor Consortium, whose reports we used to research relationships between entrepreneurship and economic prosperity. We then examine the cultural and economic context that Costa Rica presents in respect to entrepreneurial activities and describe Project Link, especially the angel investments component, Link Investments. Finally, we discuss our choices of angel investment groups for our case studies.

2.1. Definitions

The term entrepreneurship has many definitions both colloquial and technical (Wennekers & Thurik, 1999). Other terms related to entrepreneurship are similarly ambiguous. In our paper, we are using the following definitions:

- An *entrepreneur* (1) owns a company, which produces goods or services not previously available in target markets, and (2) has founded that company recently (generally within the past three and one half years; in Costa Rica, within the past five).
- A *startup company* is a technology company, founded by an entrepreneur, that has been in existence for less than forty-two (42) months (Harding & Bosma, 2007).
- An *angel investor* is a wealthy individual who invests in startup companies in exchange for private equity or some equivalent. To be accredited according to the Securities and

Exchange Commission (SEC) in the United States, the individual must have a net worth of \$1 million or annual income of \$200,000 (“Accredited investors,” 2000). Not all of the investors working with Link Investments are SEC accredited. The average angel in the United States investor has \$335,000 invested in four companies (Linde & Prasad, 1999 in Wong, 2002). According to Haines, Madill and Riding (2002), angels also usually provide non-financial contributions to the startups they invest in, such as business experience, managerial services and business connections.

- An *angel investment group* is a collection of angel investors who either (1) act as a group in finding and screening startups and invest individually in those companies or (2) work together to find worthwhile startups to invest in, and invest collectively in those companies. Link Investments is the first type of angel investment group.
- *Success* for a startup company means that the company was either acquired by a larger company or had an initial public offering (IPO) on the stock market. Success can also mean that the startup had a significant beneficial impact on the society or the individuals involved in the startup. Examples of significant beneficial impacts include: the creation of wealth, either monetary or material; the promotion of the culture of entrepreneurship and innovation, such as encouraging others to start companies; a beneficial effect on the environment; and providing technical and business experience to the entrepreneurs.
- *Entrepreneurial activity* is measured by the percentage of individuals in a country that are either in the process of starting a startup or are owners of startups (Harding & Bosma, 2007).
- A company’s *valuation* is an estimation of the amount a company is worth. When an individual invests in a company for private equity, the amount of equity the individual

gets is based on the valuation of the company. For example, if an individual invests \$50,000 USD in a company and receives 5% of the company in equity, the company's valuation is \$1,000,000 USD.

2.2. Starting a business

There are multiple steps an entrepreneur takes in nurturing a company from inception to success. As explained in a meeting with Link Investments representatives, most follow a similar pattern (May & Lizano, personal communication, 30 May 2007):

1. Inception: One or more entrepreneurs have an idea and decide to start a company.
2. Seed funding: Entrepreneurs obtain money from family and friends to get their business started.
3. Incorporation: A company typically needs to be made official prior to investments from people other than family and friends. Generally, incorporation also entails the creation of a business plan and making logistic decisions, such as how much of the company each person owns. Occasionally, the first angel investors assist in this step.
4. Angel investing: Startups may go through several rounds of angel investing. Angel investment capital is usually used to bring the product to the point where it is sellable and to pay for any expenses necessary to begin selling the product. The capital is also used to pay salaries, living expenses, and other work expenses.
5. Expansion: A company sells their product and increases the size of their company.

6. Venture capital: A company goes through rounds of venture capital for large amounts of funding. Venture capitalists generally take more control over a company than angel investors do.
7. Exit: The two most common exit strategies for startups are to be acquired by a larger company or to have an initial public offering on the stock market.

Not all companies go through all of these steps. Many fail before securing investments from angels, and many others fail while attempting to secure venture capital or while seeking to be acquired.

Link Investments has developed a process with components that correspond to the steps that entrepreneurs go through, as shown in Figure 1.1.

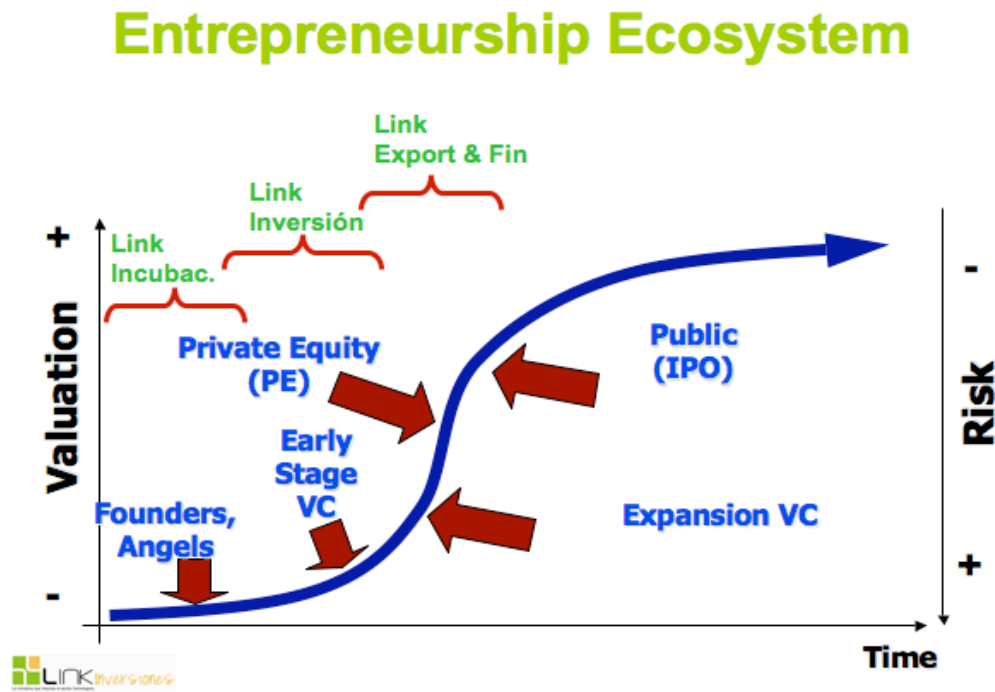


Figure 1.1. Entrepreneurship Ecosystem
 (“Link Investments: WPI Presentation”, 2007)

The investment component of Project Link corresponds to the stage when a startup needs funding from angel investors. In Figure 1.1. the label “Link Inversión” above the “Angels” and “Early Stage VC” stages depicts this correspondence.

Figure 1.1. also indicates the change in a company’s valuation and the amount of monetary risk of being involved in a company over time. As the company grows, its valuation increases and the risk of losing one’s money invested in the company decreases. At the point where a company is acquired by a public company or goes on the stock market itself, the risk is comparable to the risk of buying stock in a large firm.

The process of starting a company, securing funding, expanding the company and being acquired or having an IPO is an integral part of the working of startup hubs. These practices, especially angel investing, are common in environments of entrepreneurship.

2.3. Environment of entrepreneurship and angel investing

Angel investing is a commonplace practice in startup hubs, where there are people attempting to create startups and people with the money to invest in them. Famous startup hubs in the United States include: Silicon Valley, California; Boston, Massachusetts; Seattle, Washington; and Austin, Texas. These locations have two qualities that are common to startup hubs: universities and wealthy individuals. Silicon Valley has Berkeley and Stanford University in close proximity; Boston has Harvard and Massachusetts Institute of Technology; Seattle has University of Washington; Austin has University of Texas. As noted by Paul Graham, all of these universities have created high-tech communities in the areas surrounding them. The cities also have a concentration of reasonably rich people who are willing to make the high-risk investments of angel investors (2006a). Also mentioned by Graham, and confirmed by Wong (2002), the wealthy people also have certain characteristics:

They tend to have a lot of experience themselves in the technology business. This (a) helps them pick the right startups, and (b) means they can supply advice and connections as well as money. (Graham, 2006a)

Once the hub is established, those whose startups succeed take the roles of the rich individuals with the technology background and continue to fund new startups in a wealth-creating cycle (Graham, 2004).

To create a startup hub, one must create an environment to which entrepreneurs and investors are attracted. The presence of these factors is critical to Link Investments' success.

2.4. Costa Rican context

Project Link aims to fill a gap in the creation of an environment of entrepreneurship in Costa Rica. The country has a very educated populace, due to emphasis placed on education by the government (Rodríguez-Clare, 2001). The high education level and the presence of strong universities in and close to San José, such as the Universidad de Costa Rica (UCR) and the Instituto Centroamericano de Administracion de Empresas (INCAE), provide for some of the encouraging factors for entrepreneurial practices. However, the state of the economy and the state of business culture are not as encouraging.

2.4.1. Universities

Several universities have are contributing or have the potential to contribute to the environment of entrepreneurship in Costa Rica. INCAE is a business school with a campus located in Alajuela, near San José. It is closely affiliated with Harvard University and is a sponsor of Link Investments. INCAE has a Center of Entrepreneurship whose goal is to take advantage of the changes introduced by the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) by encouraging the growth of new companies and industries within

Costa Rica that can take advantage of the free trade opportunities (“Arnoldo Solórzano Thompson Center for Entrepreneurship,” 2007). INCAE is one of the universities that is integral to the creation of a center of entrepreneurial activity centered in San José.

The Instituto Tecnológico de Costa Rica, which has a campus in San José as well as in other cities, is another university whose presence is beneficial to the development of an environment of entrepreneurship in Costa Rica. The university has a number of engineering schools as well as programs for mathematics and pure sciences (“Escuelas,” 2007). The students and graduates from the Instituto Tecnológico de Costa Rica are the individuals with the knowledge to have ideas for startups and to implement them.

In addition, UCR, located in the San Pedro district of San José, is the largest of Costa Rica’s public universities, with nearly 40,000 students (“Costa Rica: Universities,” 2007). The university has programs in engineering and the sciences (“Facultades y Escuelas de la UCR”). It can produce individuals to fill similar roles to those from the Instituto Tecnológico de Costa Rica. UCR also has a number of social science programs, which can provide individuals to fill the gaps in the skill sets of graduates from the other universities.

The presence and cooperation of these and other universities are a key factor in creation of an environment of entrepreneurship in Costa Rica.

2.4.2. Economy

Costa Rica’s economy is currently very strong in comparison to many other countries in Central and South America (“Rank Order: GDP,” 2007). According to the CIA’s *World Factbook* statistics, Costa Rica’s estimated gross domestic product (GDP), a measure of the size of the economy, was \$48.77 billion USD, and its per capita income was \$12,500 USD (“Costa Rica,” 2007). The *World Factbook* also states that the top 10% of the population of Costa Rica

accounts for 36.8% of the GDP. This means that the average of the incomes of the 10% of the population with the highest annual income is only approximately \$43,000 USD. This number falls far short of income detailed in the definition used to describe an accredited investor in the United States.

There is disparity in the incomes of those in the highest 10% however, indicating that there are some individuals with the money to invest in startup companies. However, this number is likely to be relatively small in comparison to the United States, where the average GDP per capita for the entire population is \$43,500 USD (“United States,” 2007). The small number of individuals with the money to invest in high-risk ventures such as startup companies is the gap that Link Investments needs to fill.

The presence of large technology firms such as Intel means that there are companies that can acquire startups, providing the means for one common exit strategy of startup companies. There is also a national stock market, the Bolsa Nacional de Valores (BNV), meaning that companies can exercise the other common exit strategy and go public (*Bolsa Nacional de Valores*, 2007). However, the cost of being listed on the national stock market is prohibitively high for most startups (May & Lizano, personal communication, 30 May 2007). For this reason, Project Link has another component, Link Financing, that focuses on connecting startups with existing institutions that can provide investments on and higher than the venture capital level (“Link Financing”). The remaining gap is in angel investments, which Link Investments intends to fill.

2.4.3. *Business Culture*

Costa Rica’s economy is currently based on agriculture, tourism, and electronics exports (“Costa Rica,” 2007). Costa Rica’s roots in the agriculture and tourism, and its recent

developments in the industry of large scale electronics manufacture, indicate the maturity of industries that might be preferred by Costa Ricans. All these mature industries are much lower-risk sources of national income than small-firm software development, biotechnology and other high tech business. Our sponsor has observed a manifestation of preferring low-risk industries: the investors that are members of Link Investments have indicated concerned about being viewed as incompetent by their peers if they make a risky investment that fails to pay off (May & Lizano, personal communication, 15 May 2007). While part of this phenomenon probably has to do with the real personal risk involved in losing significant amounts of money, much of it undoubtedly is because of the business culture of Costa Rica.

The establishment of plants for large-scale technology firms such as Intel (Rodríguez-Clare, 2001) has done little to prepare the wealthy individuals in Costa Rica for the high-risk atmosphere associated with centers of entrepreneurial activity. While there is exposure to technology, there is little exposure to the sort of culture present in the United States, where failed startup ventures are viewed as valuable because of the experience it imparts to those involved, both entrepreneurs and investors.

The risk-averse culture affects the potential founders of startups as well as the potential investors. In Costa Rica's current environment, university graduates are deterred from founding startups because the option of working for Intel or another large firm is more appealing, due to the attractiveness of receiving a stable income in such a career. In addition, many university graduates with the skills to found startups decide to work in other countries, such as the United States, where salaries are higher ("Salary survey report," 2007; "Salary," 2006). As previously noted, there is an effort by INCAE to expose people to the possibility of starting companies instead of taking positions in existing large firms.

Despite the education levels in Costa Rica, entrepreneurial activity remains low, because of the attraction to low-risk jobs in large firms and because of the attraction of higher paying jobs in other countries for educated technical workers. Also, the history of an economy based on stable and low risk ventures, such as agriculture and tourism, and the low income levels have created an aversion to the high-risk nature of investing money in startup companies. While the basic structure for the creation of a startup hub in San José exists, there is a gap in startup funding that must be filled and there are cultural barriers that must be overcome by Project Link.

2.5. Global Entrepreneurship Monitor

The Global Entrepreneurship Monitor (GEM) Consortium monitors entrepreneurial activities worldwide. The GEM Consortium works through universities to produce reports about entrepreneurship in countries where entrepreneurial activities are prevalent. The reports include information about entrepreneurial activity in several categories, including high-growth and high-expectation startups, as well as analyses of the impacts of different factors on entrepreneurship and of entrepreneurship on countries' economies. We used the data and analyses that are in the GEM reports to investigate possible correlations between entrepreneurship and economic prosperity.

2.6. Angel investment groups

In the Results and Analysis chapter, we analyze the practices of angel investment groups and programs. The groups whose practices we will examine are:

- the Alliance of Angels (AoA), located in Seattle, Washington, a non-profit organization that grew out of the Greater Seattle Chamber of Commerce's Technology Alliance ("Introduction", 2007),

- Y Combinator, with offices in Cambridge, Massachusetts and in Silicon Valley, California, a group of investors involved in seed funding for startups (“About us,” 2007).
- London Business Angels, one of Europe’s largest angel investment networks, founded in 1982 by GLE Ltd. (“About us,” 2006),
- Tech Coast Angels, an angel investment group in Southern California (“Tech Coast Angels,” 2007), and
- Southern Angels, the first angel investment group in Chile (“Quienes somos,” 2007).

2.6.1. Rational for choosing the groups

Link Investments already has contacts with Alliance of Angels and Tech Coast Angels. Because of these existing contacts, it was easier to arrange interviews with representatives of the two groups. The two groups also have a strong presence on the internet, and have relatively full descriptions of their organizations and practices on their websites.

London Business Angels was selected because it has the strongest web presence and most complete website of any of the angel groups we discovered in the United Kingdom. This was important in our decision because of the difficulty in arranging a telephone interview with a representative from an organization with which Link Investments did not already have contact.

Y Combinator was chosen because of its unique standing among angel investment groups. It provides capital at an earlier stage than other angel investment groups, and has a distinct application process and offers many more services to entrepreneurs, as outlined in the Results and Analysis chapter.

Southern Angels was selected because Link Investments has a close relationship with them. It was selected also because their situation in Chile is similar to Project Link’s in Costa Rica. Southern Angels is filling a gap in funding for startups and creating an environment of

entrepreneurship. Southern Angels has already been successful at creating the beginnings of an environment of entrepreneurship, but unlike Project Link, it has some government funding aiding it (May & Lizano, personal communication, 30 May 2007).

The processes we used to conduct case studies of the groups are outlined in the Methods chapter. Much of the raw information about the groups is included in the appendices, with summaries and analysis in the Results and Analysis chapter.

2.7. Project Link

Project Link is a non-profit group whose mission is to promote economic development in Costa Rica by encouraging the growth of technology companies (*Link Project*). With the support of a number of companies and organizations, especially the INCAE Business School (<http://www.incae.ac.cr/EN/>), it is committed to the creation of an entrepreneurship-friendly environment in which technology startup companies can succeed.

Project Link's program has four components:

1. Link Incubation,
2. Link Investments,
3. Link Financing and
4. Link Exportation.

Link Incubation is sponsored by ParqueTec (<http://www.parquetec.org/>), a non-profit organization. The mission of the incubation component is to

Provide a “save haven” [*sic*] environment and a full range of business support sources and services to entrepreneurs in order to create an entrepreneurship culture and foster an economic, social and sustainable development model. (“Link Incubation”)

It is executing this mission by providing both office space and a variety of services for the use of startup companies. These services include “legal, technical, marketing and accounting support team; *[sic]* and permanent business coaching” (“Link Incubation”). Involvement with the incubation also acts as a springboard for access to Project Link’s other components.

Link Investments aims to connect startup business with investors. The executors of this component of Project Link are the INCAE Business School and Mesoamerica, which is a consulting and investment group (“About Mesoamerica”). The mission of this component is to “[d]evelop an angel investors network *[sic]* that will actively participate in maximizing the region's technology entrepreneurial initiatives and assuring economic development, growth and innovation” (“Link Investments”). This is the component of Project Link with which our project is concerned.

Other funding and services for the startups comes through Link Financing, which is sponsored by Financiera Desyfin (<http://www.desyfin.fi.cr/>). The company provides banking services for small and medium companies, which have different requirements than either larger companies or individuals, who are served by other banks or financing companies (“Link: Financing”).

The final component, Link Exportation, is concerned with later stages of the life of a new technology company. Project Link’s exportation component is open both to startups and to small and medium sized technology companies. Its goal is to support the expansion of technology companies to international markets, by providing training and consulting services in commercialization, internationalization and marketing as well as other services (“Link: Exportation”).

2.6.1. Link Investments

In our interview with Link Investments, they detailed the status of their component of Project Link. Link Investments has made much progress in connecting entrepreneurs with investors. They are currently working with thirty investors, fifteen to twenty of which are active. In addition, more than one hundred entrepreneur applications have been reviewed. Sixteen companies have presented to the member investors, with two of these currently in the due diligence phase. Two companies have received investments. Their goal is to establish a network of sixty investors and to make four investments each year.

Link Investments' application process is detailed in Table D.6. in Appendix D. The information in the table is not the same as Link Investments' published application process. Because of Link Investments' immaturity and because the process has not been fully developed, the published process is not yet followed.

Link Investments' general application criteria are applied at each step of the process, either to filter the applicants or as guides to show where the applicants need to improve. The main criteria are the quality of the business plan, the quality of the management team, the scalability of the market, and the status of the protection of intellectual property. Individual investors have their own individual criteria and interests that affect whether they invest in companies that present.

2.7. Significance of the literature

We have discussed in our literature review:

- the process of starting a business,
- the basic prerequisites for the existence of entrepreneurship and angel investing,
- the GEM Consortium and its reports,

- the context in which Project Link exists in Costa Rica,
- five angel investment groups of which to conduct case studies to determine common angel investment group practices, and
- the structure of Project Link and the current practices of the investments component.

This information in conjunction with results of the research described in the Methods chapter allowed us to predict possible effects of an increase in entrepreneurial activity on Costa Rica's economy and to determine what to recommend to Link Investments as best practices. The predicted effects and best practices are detailed in the Conclusions chapter.

3. Methods

The goal of our project is to design a set of best practices for an angel investment group in Costa Rica. Our background demonstrates that in order to design the practices we need to address a number of questions about entrepreneurship and angel investing and their possible impact on the Costa Rican economy. The questions are:

1. What processes do entrepreneurs go through to apply for funding through angel investment groups?
2. What criteria do angel investment groups examine when selecting startups to present to their networks?
3. What services do angel investment groups provide to entrepreneurs?
4. What other features do angel investment groups have?
5. How do entrepreneurs working with Link Investments feel about the application process?
6. Which services are useful for entrepreneurs working with Link Investments?
7. How successful are the angel investment groups in our case studies?
8. What universities in and near San José, Costa Rica have entrepreneurship programs?
9. What relationships exist between entrepreneurship and economic prosperity?

The methods we designed to answer these questions are described in detail in this chapter.

3.1. Current angel group practices

To answer the research questions 1, 2, 3 and 4 we conducted case studies of the angel investment groups described in the Background chapter. The case studies were conducted in two distinct steps. (1) We first examined the websites of the angel investment groups we were studying and tabulated the data that we wanted to obtain. (2) The gaps in the information from

the website were filled in by conducting phone interviews with or by sending questionnaires by email to representatives the angel groups.

- ❖ *What processes do entrepreneurs go through to apply for funding through angel investment groups?*

Our group chose to examine the entrepreneur application process of other angel investment groups because we wanted to develop a well-structured selection process that would be best suited for Link Investments. To answer this research question we looked for descriptions of the entrepreneur application processes. We organized these into individual tables with a title and description for each step. We then studied the processes for commonalities across the case study groups, and combined the common practices into a single table. We compared the table of common practices to a table containing the steps of Link Investments' application process to identify steps that (1) are common to other groups that are missing from Link Investments and steps that (2) Link Investments has that other groups do not. The steps that Link Investments used and that were common to the groups were individually evaluated in the context of their current or possible use by Link Investments. This evaluation was aided by the results of the surveys of the entrepreneurs that are explained later in this chapter.

- ❖ *What criteria do angel investment groups examine when selecting startups to present to their networks?*

We obtained information about the criteria that angel investment groups through the case study methods described above. The information was analyzed in the same way that the processes were analyzed: we created tables containing all of the information, compared and contrasted the tables, and individually evaluated each criterion.

❖ *What services do angel investment groups provide to entrepreneurs?*

This information was also obtained through the procedures we outlined for case studies.

In specific, we searched for information about:

- legal or logistic services,
- presentation training or coaching,
- assistance in business plan revisions,
- assistance in term sheet negotiations,

as well as any other training or services offered to entrepreneurs. This information was analyzed in the same way that the application processes and criteria were analyzed.

❖ *What other features do angel investment groups have?*

There are other miscellaneous practices in which angel groups engage. Data about angel groups was gathered in the same way as the other information we obtained from the case studies.

Our sponsor requested that we also note the following miscellaneous practices that were not included in the other tables. The practices and data included:

- the industry of the companies in which the groups invest,
- the maturity of the companies in which the groups invest,
- the relationship the groups maintain with other investment groups,
- the relationship the groups maintain with universities,
- entrepreneurial programs in which the groups sponsor or participate, and
- the relationship the groups maintain with the media.

Because this information varied so widely from group to group, we did not conduct a compare and contrast analysis. Instead, we highlighted practices that appeared to be well suited to the context of Link Investments.

3.2. Entrepreneurs' opinions

Research questions 5 and 6 were answered by conducting surveys of the entrepreneurs working with Link Investments. The opinions of entrepreneurs about the current practices of Link Investments were obtained through a questionnaire that we designed and distributed using SurveyMonkey (surveymonkey.com). The survey was distributed to forty-seven entrepreneurs who had gone through at least part of Link Investments' application process. The questions are included in both English and Spanish in Appendix A. The responses were tabulated and are included in Appendix B.

Additional questions that did not directly pertain to one of the research questions were included for the benefit of Link Investments or for us to identify the reason for responses that are drastically different from others. The questions that were for the benefit of Link Investments are:

- How did you hear about Project Link?
- Did Project Link fulfill your expectations?
- If you were starting another company, would you work with Project Link again?
- Would you recommend another person to work with Project Link?

The questions that were for identifying potential reasons for responses were:

- Where is each of the founders of your company from?
- What previous entrepreneurial experience does each of the founders of your company have?
- What product or service does your company offer?
- What is the current state of your company?

There are also two questions that asked for background information about the entrepreneurs and startup itself.

❖ *How do entrepreneurs working with Link Investments feel about the application process?*

The questions that asked the entrepreneur respondents to evaluate different parts of Link Investments' application process are:

- How did you feel about your first contact with Project Link?
- How comfortable were you with Project Link by the time you gave your first presentation?
- How accurately did the first presentation allow Project Link to judge where you needed coaching?
- How accurately did the one-pager allow you to represent your company?
- How accurately did the presentations to the network allow you to represent your company?

The evaluations were used in conjunction with the results of our case studies of angel investment group practices to determine best practices in the context of Costa Rica.

❖ *Which services are useful for Costa Rican entrepreneurs?*

The questions that asked the entrepreneur respondents to evaluate the current services that Link Investments offers entrepreneurs are:

- Did you read any of the information on Project Link's website before contacting them?
Which information have you used?
- How valuable to you was the information package that Project Link provided after you contacted them?
- How many meetings did you have with Project Link before your first presentation?
- How valuable to you were the meetings with Project Link before your first presentation?

- Did you find the coaching worthwhile?
- How valuable to you was Project Link's assistance in creating the one-pager?
- How valuable to you was your whole experience with Project Link?

These responses were used in the same way as the responses concerning the application process.

3.3. Success of angel investment groups

❖ How successful are the angel investment groups in our case studies?

The information we needed to determine the success of the angel investment groups was gathered as part of our case studies. The information we looked at was necessary to verify that the cases we looked at were good to use as models. To judge the success of each group, we examined:

- the number of investments made,
- the number of companies that received an investment that went public,
- the number of companies that received an investment that was acquired, and
- the number of companies that received an investment that secured further funding.

The standard typically used to measure the success of an angel investment group is the ratio of the number of its companies that went public or were acquired to the total number of companies that received investments. We also recognize an alternative, more flexible measure of success: The ratio of the number of companies that had secured any further funding to total number of companies that received investments. This second measure is more appropriate for angel investment groups that have made fewer investments or that have invested in companies that are not mature enough to go public or to be acquired.

3.4. Costa Rican Universities

❖ *Which private universities in and near San José, Costa Rica have entrepreneurship programs?*

There are private universities in and near San José, but Link Investments does not currently have any relationship with those universities. Cooperation between the universities and Link Investments would help to foster the environment of entrepreneurship. Part of our work with Link Investments was to contact the universities and to determine what efforts toward promoting entrepreneurship they are currently engaged in and to inform the universities about Link Investments and present them with the opportunity to work with Link Investments in the future. The universities that we visited were:

- Universidad Americana (UAM), a business administration and education school
- Universidad Autónoma de Centro América (UACA)
- Universidad Hispanoamerica
- Universidad Interamericana
- Universidad Internacional de las Américas
- Universidad Latinoamerica de Ciencia y Tecnología (ULACIT), a science and technology school
- Universidad Veritas, an art, design and architecture school

In order to determine which private universities have entrepreneurship programs, we visited universities and spoke with representatives. Link Investments chose the universities that we visited. Our primary objective in our meetings with the representatives of each university was to establish a contact for Link Investments. This involved the determining the willingness of

the university to work with Link Investments to promote entrepreneurship. We also obtained information relevant to our project in terms of the environment of entrepreneurship.

At the universities, we had meetings with secretaries and department heads. We asked about the entrepreneurship classes each university offers and about entrepreneurship programs or events at each university. This information guided our recommendations to Link Investments about which universities are potential assets in encouraging the environment of entrepreneurship in Costa Rica.

3.5. Economic Impact

❖ *What economic impact has an increase in entrepreneurship had on other countries?*

In order to encourage the practice of investing in entrepreneurial ventures in Costa Rica, we wanted to demonstrate a relationship between entrepreneurship and economic prosperity. We attempted to examine three possible relationships between the level of entrepreneurial activity in a country and that country's gross domestic product (GDP), the total monetary value of a country's products and services over one year. In order to accurately compare the GDPs of countries of different sizes and different costs of living, we use the GDP purchasing power parity (PPP) per capita in our analysis. The GDP PPP is the GDP with the exchange rate adjusted to account for the different costs of goods in different countries. Taking this value per capita, per person, allows for comparisons between countries with different sized populations.

The first relationship we wanted to establish was that high levels of entrepreneurship cause an increase in GDP. We examined information in the Global Entrepreneurship Monitor (GEM) reports to see if it could be used to determine a causal relationship.

The second relationship we investigated was whether the level of entrepreneurial activity has a correlation with GDP. In order to determine the existence of this relationship, we

examined the data in reports by the GEM for a correlation between the levels of entrepreneurship in the countries that they monitor and the GDPs of those countries. If we found a linear increasing trend, we would attempt to establish the strength of that trend using linear regression. If that trend was not found, we looked for trends that were contrary to the relationship we were trying to establish, to see if there were any claims that could be made from the data.

The third relationship we investigated was whether the level of high-growth and high-expectation entrepreneurial activity has a correlation with GDP. High-growth and high-expectation entrepreneurial activity is entrepreneurial activity involving startup companies that employ or plan to employ 20 or more people within five years (Autio, 2007). In order to establish the existence of this relationship we examined the results and conclusions of the GEM report on high-growth entrepreneurship in 2007.

4. Results and Analysis

This chapter reports on our findings, analyzes Link Investments' current practices, and considers angel investing practices suggested by the case studies, both in the context of Costa Rica's business culture and from the perspectives of Links entrepreneurs.

4.1. Angel group practices

Common practices among the angel investment groups that we studied are a good basis for designing best practices for Link Investments. Common practices are those used across successful groups working in a variety of cultures; therefore they seem to be generally applicable to any angel group. We found that Link Investments' current practices are already very similar to the common practices of the case study groups.

Still, to account as much as possible for Costa Rica's unique environment, we did analyze each practice individually and within the context of entrepreneurs' perspectives on Link based on their prior experiences (Appendix H). We begin with the application process.

4.1.1. Application process

- ❖ *What processes do entrepreneurs go through to apply for funding through angel investment groups?*
- ❖ *How do entrepreneurs working with Link Investments feel about the application process?*

The steps that are common to the application processes across the case study groups are detailed in Table 4.1. The processes of each individual group are provided in Appendix D.

Table 4.1. Common Process for Application and Screening

#	Step	Description
1.	Standard web or email application	A standard application that asks for information necessary to do a basic screening of applicants based on the criteria of the angel group.
2.	Practice presentation	The applicant gives a practice presentation to the managers of the angel group.
3.	Coaching and training	The managers of the angel group decide what coaching and training the applicant needs and provide that training. The coaching for most groups only involves how to deliver presentations, but some also help with revising business plans.
4.	Presentation to members	The applicant presents to the network. Presentations are done in an environment that encourages the entrepreneurs and investors to socialize, such as at a dinner meeting.

Link Investments' application process conforms to the common practices 2 and 3, practice presentation and the presentation to the members. However, the first and fourth steps of Link Investments' process are somewhat different from others'.

Link Investments does not use a standard application. Instead, it relies on entrepreneurs meeting the managers through personal introductions or through a phone call. Other groups' need for formal applications seems to arise from their large applicant pools and the fact that the managers of the groups are also investors who have less time to work with applicants than managers dedicated only to the group would.

At the moment, Link Investments' small applicant pool (approximately sixty applicants in approximately one year of operation) allows it to operate more informally than other groups. However, using a standard application would help to streamline the screening process, allowing Link Investments to handle the applicants better as their number increases.

A standard application can also be easily distributed to potential applicants who can use the questions on the application to gauge whether they think they could meet the criteria of Link Investments. Since questions on an application are more concrete than a description of criteria,

being able to see the application might be more encouraging to potential entrepreneurs than the current literature that is available to them from Link Investments.

Having an electronically submitted application also allows for easy archival and perusal by the member investors. Alliance of Angels keeps submitted applications in an online repository accessible by their members for 120 days after it is submitted. This lets members act independently in investigating a company's potential even if the company is not selected to present to the network.

Though using a formal web application would reduce some of the personal contact with Link Investments that one of the survey responses indicated was valuable, the meetings before the first presentation would allow Link Investments to keep the majority of that contact. The increase in efficiency will become more valuable to Link Investments than maintaining the personal contact as the size of the applicant pool increases.

Link Investments includes two steps that are not part of the common practices. The first is sending an information package to the entrepreneurs. The other groups do not do this. Instead, most of the information that the other angel groups provide, which is similar to what is contained in Link Investments' information package, is available on their websites. Link Investments' main goal is to foster the environment of entrepreneurship, and having all of their resources available online would be of great value to that goal. The resource libraries offered by Y Combinator (<http://ycombinator.com/lib.html>) and Tech Coast Angels (<http://techcoastangels.com/Public/Content.aspx?ID=EA6BF3C9-964F-11D4-AD7900A0C95C1653&Redir=False>) are examples of how Link Investments could implement this idea.

Having all of the resources online may also benefit Link Investments' other three components, incubation, financing and exportation, since they all have the same overarching goal. By centralizing all of its resources, it would be offering more information to all of the entrepreneurs that work with any one of the components.

The other step that Link Investments has that is not common is a set of initial meetings to prepare entrepreneurs for their first presentation, to acclimate them to the environment of Link Investments, and to set their expectations for Link Investments. The need for these meetings is a result of the small applicant pool and the applicant pool's general inexperience with entrepreneurship. If the applicant pool were larger, they could filter out the least experienced entrepreneurs, and if the applicant pool were more experienced, then they would not have to filter them or have meetings to set their expectations.

Link Investments currently judges the need for these meetings on a case-by-case basis. Because their applicant pool does consist of some entrepreneurs who are experienced and do not need the meetings and of others whom the meetings would benefit, their current practice should be maintained as long as resources allow. Asking applicants to read through materials available an online resource library could lessen the time spent in this step. Some of the materials could be about setting the expectations of the entrepreneurs by describing in detail the process that they will go through with Link Investments, and other materials could be about how to pitch a business plan. Reducing the amount of time in this step will reduce the amount of hands-on work that needs to be done by Link Investments' program managers, allowing them to either process more applicants or to spend more time working with companies in the coaching and training step of the process. The entrepreneurs surveyed seemed to value the hands-on experience of this first step highly (seven of the eight who responded to the question said it was

very valuable, see the survey results in Appendix B), so it would not be beneficial to the entrepreneurs to remove this step entirely, at least until the environment of entrepreneurship in Costa Rica becomes more mature.

Link Investments' practice presentation is one that is commonly used by the angel investing groups that we examined. This step is necessary to identify the areas where coaching is needed.

Link Investments' coaching is much more intensive than the coaching the other groups offer. The details of the coaching and training step have to do with the services that the angel investment groups offer, so they are discussed in that section.

Link Investments includes an intermediate step before the presentation to the networks; it asks the applicants create executive summaries that are distributed to the network before the presentation. This step may be supplanted by the use of a formal application form that the investors could view and by having the entrepreneurs submit copies of their presentation to the network before giving it. For entrepreneurs that believe they could better represent their company with the executive summary, the option could still be made available.

Link Investments is currently working toward using software that would include a standard web application and having a members-only section of their website to which entrepreneurs could upload information about their companies. Allowing the companies to update an online portfolio as they go through Link Investments' process should accommodate any entrepreneur's preferred means of representing his company to the investors.

The format for the presentation that Link Investments uses is almost exactly the same as the common format. The only things that other groups do that might benefit Link Investments are to allow time before and after the presentations for the entrepreneurs and investors to become

better acquainted and to keep the number of companies that present at each event to as small a number as possible.

The involvement of the angel investment groups typically ends at this point, but Link Investments continues to be involved in way similar to how Tech Coast Angels does. Tech Coast Angels assists with due diligence and with term sheet negotiations. Link Investments could make the term-sheet negotiations easier if they provided a standard term-sheet for their members. The use of a standard term-sheet may help boost the confidence of both parties in the investment. Including the term-sheet with the resources offered online would also allow entrepreneurs to know what to expect from investors and it would allow entrepreneurs who do not receive investments through Link Investments to use the sheet when dealing with other investors.

Two respondents to our questionnaire commented that the application process with Link Investments took too long and that there was too much bureaucracy before things could be accomplished. A discussion with our sponsors revealed that these comments might have been from some of the entrepreneurs who believed that they were ready to present to the investors but were not. Link Investments' experience is that allowing entrepreneurs to present before they are ready causes the investors to become upset because they feel as if their time is being wasted. During this discussion, a member of Link Investments' team suggested that more clearly dividing the steps of the application process and implementing milestones may help give the appearance that the process is progressing faster to the entrepreneurs by making them feel as if they are accomplishing more (May & Lizano, personal communication, 19 June 2007).

Implementing milestones could alleviate the complaints about the application process moving too slowly. This could be done with the online software that to handle applications and

applicant information by having a progress meter somewhere in the applicants' profiles that indicates where they are in the process, or simply by defining the divisions between the steps of the application process more clearly.

4.1.2. Selection criteria

❖ *What criteria do angel investment groups examine when selecting startups to present to their networks?*

Applications are typically evaluated based on criteria that vary only slightly between angel groups, as is shown in Table 4.2. The full set of criteria employed by each group can be found in Appendix E. The only major difference between any of the criteria is that some groups place emphasis on companies having large potential markets, while others place emphasis on companies having high growth potential, meaning that the company is likely to employ a large number of people and have a large amount of profit.

Table 4.2. Angel Investment Group Criteria Comparison

Angel Group	Business Plan	Team	Market	IP	Location	Growth
AoA	✓	✗	✗	✗	✓	✓
TCA	✓	✓	✓	✓	✓	✓
LBA	✓	✓	✓	✓	✓	✓
YC	✗	✓	✓	✓	✓	✓
Southern Angels	✓	✓	✗	✓	✓	✗
Link Investments	✓	✓	✓	✓	✓	✗

(Appendix E)

The other typical criteria are:

- a strong business plan,
- a strong team of founders or management team,
- high barriers for other companies to enter the market, and

- the location of the company (the company must be located in the area of the group’s center of operations).

Link Investments examines companies for all of these criteria, but places a greater emphasis on the size of the potential market rather than on potential for growth. Though the two are related, companies with more potential for growth would be more likely to directly contribute to the Costa Rican economy than companies that have a large potential market but smaller potential for growth. Companies that have a larger market may be more likely to succeed, however, so the balance between these criteria must be weighted with care, and probably on a per-case basis.

One entrepreneur in our survey expressed concern with Link Investments’ tendency to select lower-risk ventures to present to the network, stating that it is the less mature, higher risk companies that benefit most from angel investments and that have the highest potential return on the investments.

4.1.3. *Services for entrepreneurs*

- ❖ *What services do angel investment groups provide to entrepreneurs?*
- ❖ *Which services are useful for Costa Rican entrepreneurs?*

The services that each group offered entrepreneurs are listed in Appendix H. Services from all of the groups are compared to the services offered by Link Investments in Table 4.3.

Table 4.3. Services for Entrepreneurs Comparison

All Groups	Link Investments
Online resource library	Information package
Presentation coaching	Presentation coaching
Sit-ins on other applicants’ presentations	
Paperwork	
Lectures	
Assistance in finding further funding	

All Groups	Link Investments
	Business plan revising
	Executive Summary Revising

Since the more knowledge the entrepreneurs have the more successful they will be, Link Investments should continue to offer presentation coaching and business plan revising as long as they have the resources to do so. The only group that we studied that offers as much advice and coaching as Link Investments was Y Combinator. The two other training options they offer are lectures by experts in business and in technical subjects relating to the entrepreneurs' products and the ability to ask advice from the founders of successful companies.

The extra coaching and training that Y Combinator offers is what differentiates it from the other groups and contributes to its high success rate, which is discussed later. Expanding on this step would be valuable, given that many of the Link Investments' applicants do not as have much entrepreneurial experience as applicants to groups in countries with a more developed environment of entrepreneurship.

The surveys of Link Investments' entrepreneurs indicated that the coaching was highly valued and that improving it would also improve the overall experience that entrepreneurs have with Link Investments. Eight out of the ten respondents indicated that the coaching was worthwhile, and one respondents, who indicated that it was not, commented that if the coaching was more involved it would have been more valuable.

4.1.4. *Other features*

❖ *What other features do angel investment groups have?*

The information we collected based on this research question is included in Appendix H. The information indicates the critical masses of the angel groups, as well as some other

miscellaneous data. The most significant information that we obtained is that those groups that have strong relationships with universities value those relationships highly. An analysis of the practices that angel groups have involving universities is discussed in the section on the private universities in Costa Rica.

The other information that would benefit Link Investments to take into account is the maturity of the companies in which the angel investment groups we studied invest. All of the groups tend more toward investing in companies in the seed stage rather than in companies that are already generating revenue. This contrasts with the claim in some of our questionnaire responses that Link Investments' members tends to prefer investing in companies that already have established revenue streams.

The other useful information was in response to our question "Were there any difficulties in starting [angel investing group] that you had to overcome that would benefit Project Link to know about?" Y Combinator's response was that learning to pick good startups was the biggest lesson their investors learned. Alliance of Angels warned that it could take a long time to reach a critical mass of entrepreneurs and investors. Tech Coast Angels advised that Link Investments charge their members dues to pay for events, rather than having the members pay for the events as they happened, to make the events run more smoothly and so that the members would have an extra incentive to attend because they would have already paid for them.

4.1.5. Validity of choices for angel investment groups in case study

Four of the five angel investment groups in our case study have reached their critical masses; they have a sustainable number of investors and make a similar number of investments each year. Southern Angles does not have a critical mass, but exists in an environment that is similar to Link Investments' environment in Costa Rica. Alliance of Angels, Tech Coast Angels,

London Business Angels and Y Combinator are all well-established angel investment groups, whose practices provided a good basis for the development of best practices. Southern Angeles’ similar environment and situation to Link Investments are why our sponsors recommended we study its practices and are what made examining the practices worthwhile.

❖ *How successful are the angel investment groups in our case studies?*

The information that we were able to obtain about the successes of angel investment groups is listed in Table 4.5. We were not able to find all of the information because the angel investment groups do not keep track of the progress of companies that their members invest in; the members keep track of the companies they invested in independently of the network. Also, London Business Angels did not respond to our questionnaire.

Table 4.5. Angel Investment Group Success Rate

Angel Group	Number of Investments	Number IPO	Number Acquired	Number with any further funding
Alliance of Angels	31 (in 2006)	3		39 from 2003-2005
Tech Coast Angels	128	3	~15	~100
London Business Angels	115 (since 2000)			
Y Combinator	58	0	2	“most”
Southern Angels	9	0	0	0

While the number of companies that went public is small for each group, most of the representatives we interviewed claimed that the most companies that received an investment from their groups later received funding from other sources. Tech Coast Angels provided us with the figure that for every dollar they invest, the investors make about ten from their investments.

The angel investment groups in our case studies were generally successful, and certainly suitable examples to use as a basis for best practices for Project Link.

4.3. Universities

Through our informal interviews with private universities, we were successful in making first contact at five out of seven universities that we visited. It was found that the universities eager to work with Link Investment either had courses in or related to entrepreneurship. The private universities that were interested with working with Link Investments to develop entrepreneurship courses or programs were: UACA, Universidad Interamericana, ULACIT, and Universidad Veritas. A list of these interested universities along with their contact information can be found in Table 4.6.

Table 4.6. Private Universities and Entrepreneurship in Costa Rica

Name of School	Courses	Related Courses	Work with Link	Contact Information
Universidad Americana (UAM)	Creation and Evaluation of Investment Projects	Business Strategy	No Interest	
Universidad Autónoma de Centro América (UACA)	Creation and Evaluation of Products	Business Development	Very interested.	Mauricio Brenes (Oidor General) tel. 829-9441, 272-9100 mauricio_brenes@racsa.co.cr
Universidad Hispanoamerica	None	None that we found	No Interest	
Universidad Interamericana	None	Business Development, Seminar on Business Strategy, Creation and Evaluation of Products	Interested	Alexandra Hidalgo Gallegos (Asistente de Preseidencia) Directo: (506)-277-8011 Central: (506)-261-4242 Fax: (506)-261-3212 ahidalg1@uinteramericana.edu
Universidad Internacional de las Américas (UIA)	New Businesses	Business Strategy	No interest	

Name of School	Courses	Related Courses	Work with Link	Contact Information
Universidad Latinoamerica de Ciencia y Tecnología (ULACIT)	Designing a new course around entrepreneurship	None that we found	Very interested	Isabel Cristina Contreras R. Direcotra de Desarrollo PYMES tel. (506) 523-4000, ext. 117 icontreras@ulacit.ac.cr
Universidad Veritas	None	Product Design Major	Interested	Sabrina Vargas N. (Commercial Sub Director Image and Communication) svargas@uveritas.ac.cr

In our case studies of angel investment groups, we found that angel groups co-sponsor programs with universities that greatly benefit entrepreneurs. Link Investments already has students from INCAE assist in coaching their applicants. Tech Coast Angels has a few programs with universities that would benefit Link Investments to adopt:

- it allow students to help with coaching and with performing due diligence,
- it holds screening sessions on campus to bring the investment network to the entrepreneurs, and
- it sponsors a business plan competition at the University of California and allows the winners to present their plan to the network.

Once Link Investments has strengthened its relationship with the public and private universities in Costa Rica, some of these programs would encourage the environment of entrepreneurship. Offering university students the experience of performing due diligence with Link Investments' investors or sponsoring a business plan competition, may also help strengthen the relationship between Link Investments and Costa Rican universities.

Y Combinator and Southern Angels invite experts in various business and technical fields to give lectures to its entrepreneurs. Y Combinator does not collaborate with universities for

their lectures, but Southern Angels does. Link Investments ask universities to co-sponsor lectures, so that the lectures could reach a broader audience, including the university students, and to reduce the cost of hosting the lectures.

The key to making these programs successful is to design them in such a way that both Link Investments and the universities benefit from them. Though the programs depend on Link Investment having the resources for them, if they can be implemented they would encourage the growth of Costa Rica's entrepreneurial ecosystem.

4.4. Economic impact

We were unable to conduct any research concerning the first relationship that we hoped to establish. We could not design a method to test a causal relationship between the level of entrepreneurial activity and GDP or GDP growth, and the data from the GEM reports were not sufficient to investigate a possible causal relationship.

The GEM reports that we used in our study examined the level of entrepreneurship in a country as a function of that country's GDP. Because we were only looking for a correlation and not a causal relationship, we were still able to use their data for our claims.

The data from the "2006 Global Summary Results" GEM report indicate that a relationship does exist between the level of entrepreneurial activity in a country and that country's GDP, however, the relationship is not linear increasing (Harding & Bosma, 2007). Figure 4.1. is taken directly from that report and depicts the correlation between entrepreneurial activity and GDP.

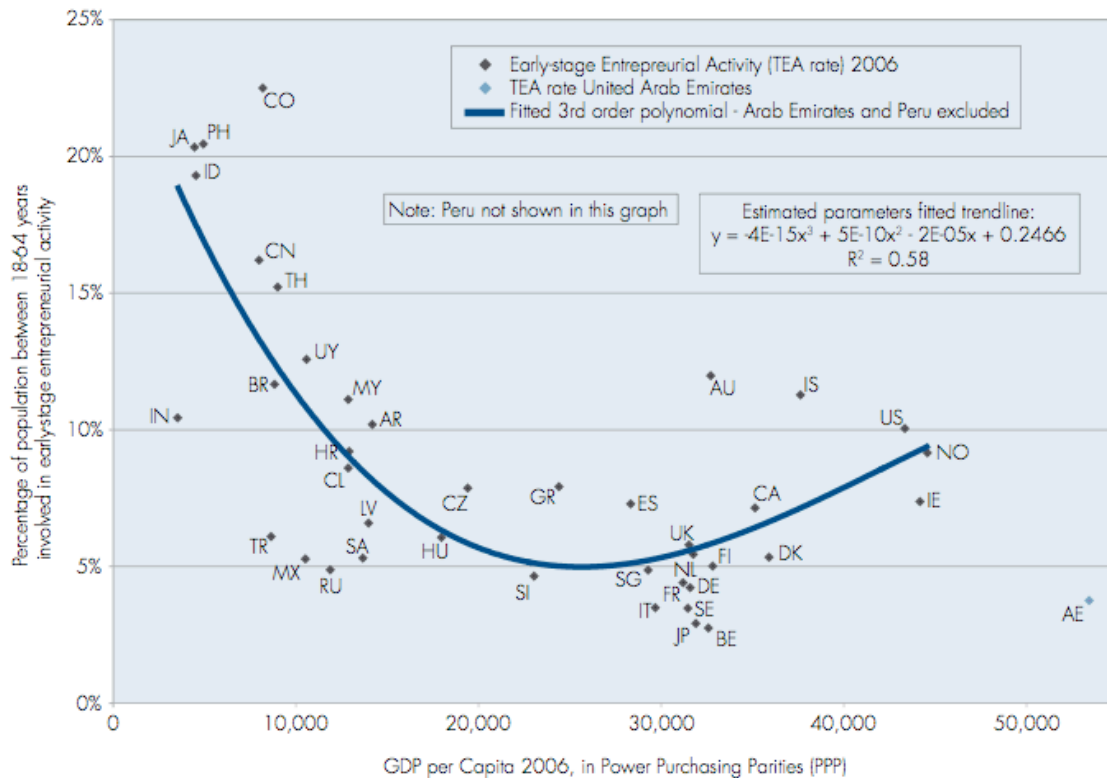


Figure 4.1. Early-stage Entrepreneurial Activity vs. GDP
(Harding & Bosma, 2007, p. 11)

Figure 4.1. indicates that a high level of entrepreneurial activity is common for both high- and low-GDP countries. The report made several conclusions, including that,

- “Early-stage entrepreneurial activity is generally higher in those countries with lower levels of GDP.”
- “Early-stage entrepreneurial activity is relatively low in high income countries, especially for the core countries of the European Union and Japan.”
- “Countries with the highest levels of GDP show increasing early-stage entrepreneurial activity suggesting a new increase in opportunity related entrepreneurship.” (Harding & Bosma, 2007, p. 10)

While very high levels of entrepreneurial activity are associated with lower-GDP countries, the local trend for high-GDP countries is that higher levels of entrepreneurship are associated with higher GDPs. The bimodal distribution displayed in the graph may indicate that there are two distinct types of entrepreneurship that high- and low-GDP countries engage in. Harding and Bosma suggested that the local trend might be the result of an increase in opportunity-based entrepreneurship in the higher-GDP countries (2007). They do not indicate what type of entrepreneurship the low-GDP countries engage in.

Costa Rica would fall near Chile (CL) in Figure 4.1. in terms of GDP. However, Project Link promotes opportunity-based entrepreneurship, which may mean that its efforts support a trend more like that of the highest-GDP countries, with increasing levels of entrepreneurship and of GDP.

In the “GEM 2006 Global Report on High-Growth Entrepreneurship” the data indicated a weak correlation between the level of high-growth entrepreneurship and GDP. Figure 4.2. is taken directly from the report, with the y-axis label added, and depicts the correlation.

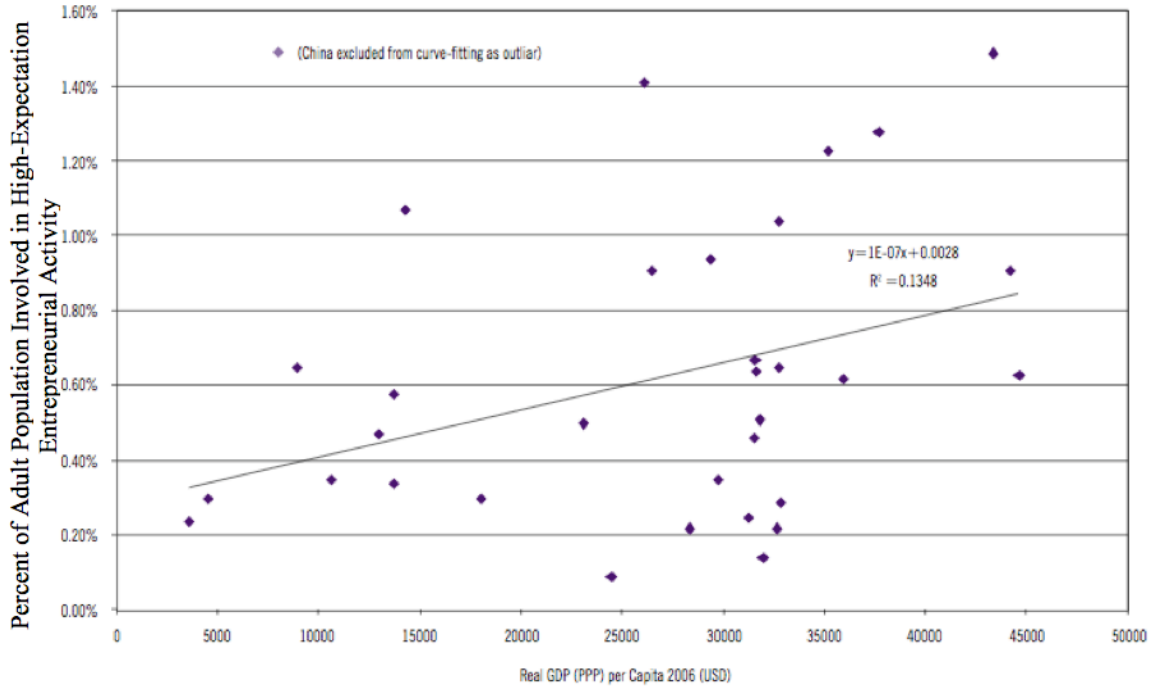


Figure 4.2. Percent of Adult Population Involved in High-Expectation Entrepreneurial Activity vs. GDP PPP per Capita
(Autio, 2007, p. 26)

The report indicated that the R^2 value, the value that indicates how linear the relationship is, is only 0.1348, which is very small (Autio, 2007). An R^2 value of 1 would indicate a perfect correlation and an R^2 value of 0 would indicate no correlation. Even a small R^2 value can be statistically significant, however. Autio, the author of the report, claims that the R^2 value for this relationship is statistically significant, and is small because of the number of other factors that affect GDP and the level of entrepreneurship in a country (2007). Because of the small R^2 value and the uncontrolled factors that affect GDP, the findings should be interpreted with caution.

Link Investments promotes high-growth and high-expectation entrepreneurship as well as entrepreneurship that is not high-growth or high-expectation. Our findings indicate that the funding of high-growth and high-expectation startups may impact the Costa Rican economy more directly than the funding of startups that are less likely to employ large numbers of people.

5. Conclusions and Recommendations

5.1. Recommended practices for Link Investments

Our research leads to several recommendations for changes in Link Investments’ practices. The rationale for these practices was discussed in the Results and Analysis chapter. The recommended changes themselves are summarized here.

5.1.1. Application process

We recommend that Link Investments formalize its application process. Our research indicates that while its current model is sufficient, as its applicant pool grows, the process detailed in Table 5.1. will allow Link Investments to handle the larger volume of applicants and to screen and train the applicants more effectively.

Table 5.1. Recommended Application Process for Link Investments

Step	Description
Web application	Online application on Link Investments’ website that asks for information concerning all of the criteria that the program managers need to do an initial screening. The submitted applications could be archived in an online location accessible to member investors. Applicant information could be updatable, replacing the distribution of executive summaries before the presentation to the network.
Initial meetings	Initial meetings for investors who do not have the experience with entrepreneurship to know what to expect from Link Investments. Skip for applicants with entrepreneurial experience, in order to speed their progress through the application process.
Practice presentation	Determine where applicants need coaching and training. Coaches and program managers attend to decide what assistance the applicants need.
Coaching and training	Offer whatever coaching and training they have the resources for. At a minimum, offer presentation coaching, in order to be on par with other angel investment groups. Other coaching and training options are discussed in our recommendations for the services Link Investments might provide entrepreneurs.
Presentation to network	Hold regularly or schedule far enough in advance that investors can attend all presentations. Only a few applicants should present at each event, to allow entrepreneurs to pay more attention to those applicants. Hold in a place that encourages entrepreneurs and investors to become better acquainted, and time should be set aside before or after the presentations for that purpose.

Step	Description
Monitoring and feedback	Continue the practice of monitoring investor interest and helping with due diligence and term sheet negotiations. As the environment of entrepreneurship in Costa Rica matures, it will become less necessary to monitor as closely. Provide the member investors with a standard term-sheet to facilitate the term-sheet negotiations. Give feedback to applicants who do not generate enough interest to secure an investment. The feedback can consist of identifying areas in which applicants need improvement or of identifying problems that the applicant should fix before reapplying.

5.1.2. Selection criteria

We found that Link shared many similar selection criteria with other angel groups. Therefore, we recommend that Link Investments keep its selection criteria the same. However, we do recommend that Link Investments encourage its investors to be more willing to make investments in less mature companies. This means changing the emphasis of the current criteria to place more emphasis on the potential a company has, placing more focus on future markets and future growth rather than the current state of a company.

5.1.3. Services for entrepreneurs

We recommend that Link Investments offer the services described in Table 5.2., or as much as its resources allow.

Table 5.2. Recommended Services for Link Investments

Services	Descriptions
Presentation Coaching	Continue as currently offered. Coaching should (1) help entrepreneurs include all necessary information about their company in their presentation and (2) prepare entrepreneurs to answer any questions that investors are expected to have.
Business plan revising	Advise entrepreneurs in areas where their business plans need improvement and how to improve them.
Sit-ins	Allow entrepreneurs to view other entrepreneurs’ network presentations while they are still early in the application process.
Online Resource Library	Provide investors and entrepreneurs with any materials that might be useful to them—essays, news articles, and presentation advice.

Services	Descriptions
Lectures	Invite guest speakers who are experts in business or technical fields. These lectures would provide advice for entrepreneurs while they are going through the application process. Co-sponsor with local universities to allow the lectures to reach a broader audience and reduce cost

5.2. Universities

Five universities reported interest in working with Link Investments: Universidad Interamericana, UACA, ULACIT, and Universidad Veritas. We recommend that Link Investments work with these universities to develop entrepreneurship programs, in order to promote an environment of entrepreneurship in Costa Rica. Some programs that would benefit Link Investments and the universities currently working with Link Investments are described in Table 5.3.

Table 5.3. Recommendations to Co-sponsor Programs with Universities

Co-sponsored Programs	Descriptions
Coaching by students	Allow entrepreneurs to receive business advice from local university students, especially INCAE, to provide entrepreneurs with training for very little cost.
Due diligence help	Allow business students to aid the investors in performing due diligence, to provide the students with the experience of performing due diligence and the investors with a low-cost service.
Screening sessions on campus	Provide entrepreneurs studying at universities with easy access to screening sessions and the resources offered by Link Investments.
Competitions	Hold business plan competitions to boost the confidence of entrepreneurs and allow for stronger startups to form within universities. Publicize competitions and prizewinners to promote Link Investments.
Lectures	Co-sponsor lectures with universities to disseminate information about entrepreneurship and related topics and to provide applicants with access to information and advice from experts in different fields.

5.3. Potential economic impact on Costa Rica

We were unable to establish any causal relationship between entrepreneurship and GDP based on the data in the GEM reports. However, we were able to find some correlations between

high levels of entrepreneurship and GDP. We found that while high levels of entrepreneurial activity are generally associated with low-GDP countries, there is an increase in entrepreneurial activity in high-GDP countries. We also found a weak linear increasing correlation between high-expectation and high-growth entrepreneurial activities and GDP across different countries.

Costa Rica's national economic growth may benefit from the effects of Link Investments' program. Link Investments encourages and aids high-expectation startups. If there is any positive causal relationship between entrepreneurial activity and GDP, then Link Investments will increase the GDP of Costa Rica. Even if there is not a causal relationship between entrepreneurship and GDP, by promoting entrepreneurship, Link Investments may be promoting beneficial cultural changes that are not accounted for by this measure.

5.4. Projects for future groups

We propose the following project topics for future research groups:

1. Develop programs for Project Link and Costa Rican universities to co-sponsor,
2. Develop an online resource library for Project Link,
3. Research and recommend best practices for Link Investments to manage investors,
4. Study the economic impact of entrepreneurship on individual regions, such as Silicon Valley, Route 128 and the San José area,
5. Develop an information awareness campaign to promote Project Link,
6. Develop a program for an inter-Latin American investor event.

Link Investments is at the forefront of entrepreneurship in Latin America. Implementing the recommended practices will prepare Link Investments for the increase in entrepreneurship in Costa Rica that they promote and will accelerate the growth of the environment of entrepreneurship in Costa Rica.

Appendix A. Entrepreneur Questionnaire

A.1. English

In order to improve Project Link’s practices and services, we need feedback from entrepreneurs who have worked with Project Link. We are working as consultants for Project Link and will not give personally identifiable information to Project Link with your responses. Questions that ask for personally identifiable information are for the benefit of our analysis of your responses only.

This survey will take about 5 to 10 minutes.

1. What is the name of your company?
2. Who are the founders of your company?
3. Where is each of the founders of your company from?
4. What previous entrepreneurial experience does each of the founders of your company have?
5. What product or service does your company offer?
6. What is the current state of your company (looking for more funding, developing a prototype, no longer exists, etc.)?
7. How did you hear about Project Link?
8. Did you read any of the information on Project Link’s website before contacting them? Which information have you used?
9. How did you feel about your first contact with Project Link?
10. How valuable to you was the information package Project Link provided after you contacted them?

Not Valuable	Somewhat Valuable	Moderately Valuable	Very Valuable	Don’t know (N/A)
--------------	-------------------	---------------------	---------------	------------------

Other comments:

11. How many meetings did you have with Project Link before your first presentation?
12. How valuable to you were the meetings with Project Link before your first presentation?

Not Valuable	Somewhat Valuable	Moderately Valuable	Very Valuable	Don’t know (N/A)
--------------	-------------------	---------------------	---------------	------------------

Other comments:

13. How comfortable were you with Project Link by the time you gave your first presentation?

Not Comfortable	Somewhat Comfortable	Moderately Comfortable	Very Comfortable	Don’t know (N/A)
-----------------	----------------------	------------------------	------------------	------------------

Other comments:

14. How accurately did the first presentation allow Project Link to judge where you needed coaching?

Not Accurately	Somewhat Accurately	Moderately Accurately	Very Accurately	Don’t know (N/A)
----------------	---------------------	-----------------------	-----------------	------------------

Other comments:

15. Did you find the coaching worthwhile?

Yes	No	Don’t know (N/A)
-----	----	------------------

Other comments:

16. How accurately did the one-pager allow you to represent your company?

Not Accurately	Somewhat Accurately	Moderately Accurately	Very Accurately	Don't know (N/A)
----------------	------------------------	--------------------------	-----------------	---------------------

Other comments:

17. How valuable to you was Project Link's assistance in creating the one-pager?

Not Valuable	Somewhat Valuable	Moderately Valuable	Very Valuable	Don't know (N/A)
--------------	----------------------	------------------------	---------------	---------------------

Other comments:

18. How accurately did the presentations to the network allow you to represent your company?

Not Accurately	Somewhat Accurately	Moderately Accurately	Very Accurately	Don't know (N/A)
----------------	------------------------	--------------------------	-----------------	---------------------

Other comments:

19. How valuable to you was your whole experience with Project Link?

Not Valuable	Somewhat Valuable	Moderately Valuable	Very Valuable	Don't know (N/A)
--------------	----------------------	------------------------	---------------	---------------------

Other comments:

20. Did Project Link fulfill your expectations?

Yes	No
-----	----

Other comments:

21. If you were starting another company, would you work with Project Link again?

Yes	No
-----	----

Other comments:

22. Would you recommend another person to work with Project Link?

Yes	No
-----	----

Other comments:

23. Would you be willing to meet briefly to discuss your responses? If so, how should we contact you?

24. Do you have any additional comments for Project Link?

A.2. Spanish

Para mejorar las prácticas y servicios de Proyecto Link, necesitamos saber lo que piensan los empresarios sobre Proyecto Link. Somos consultores quien estamos trabajando con Proyecto Link, y no daremos información de sus identidades a Proyecto Link con sus respuestas. Las preguntas que preguntan para información sobre sus identidades están solamente para nosotros. Este cuestionario necesita solamente 5 a 10 minutos.

1. ¿Cómo se llama su empresa?
2. ¿Quién empezaron su empresa?
3. ¿De donde es cada empresario?
4. ¿Qué experiencia con emperialismo tiene cada empresa?
5. ¿Qué productos o servicios ofrece su empresa?
6. ¿Qué hace su empresa ahora?
7. ¿Cómo aprendieron ustedes sobre Proyecto Link?
8. ¿Leyeron ustedes la información en el Web site de Proyecto Link? ¿Cuál usaron ustedes?
9. ¿Cómo sienten ustedes sobre la primera conversación o email con Proyecto Link?
10. ¿Cuánto valor tenía la paqueta de información que Proyecto Link dio a ustedes después de la primera conversación o email?

Ningún valor Un poco valor Mediano valor Mucho valor No sé

Otros comentarios:

11. ¿Cuánto reuniones había antes de la primera presentación?
12. ¿Cuánto valor tenían las reuniones antes de la primera presentación?

Ningún valor Un poco valor Mediano valor Mucho valor No sé

Otros comentarios:

13. ¿Cuánto comodidad tenían ustedes antes de la primera presentación?

Sin comodidad Un poco comodidad Mediano comodidad Mucho comodidad No sé

Otros comentarios:

14. ¿Cuánto certeza permitió la primera presentación Proyecto Link a encontrar dónde necesita ayuda?

Sin certeza Un poco certeza Mediano certeza Mucho certeza No sé

Otros comentarios:

15. ¿Tenía el entrenar mérito?

Sí No No sé

Otros comentarios:

16. ¿Cuánto certeza permitió el 1-pager a representar su empresario?

Sin certeza Un poco certeza Mediano certeza Mucho certeza No sé

Otros comentarios:

17. ¿Cuánto valor tenía la ayuda de Proyecto Link para hacer el resumen ejecutivo?

Ningún valor Un poco valor Mediano valor Mucho valor No sé

Otros comentarios:

18. ¿Cuánto certeza permitió la presentación a la red a representar su empresario?

Sin certeza Un poco certeza Mediano certeza Mucho certeza No sé

Otros comentarios:

19. ¿Cuánto valor tenía su experiencia con Proyecto Link?

- | Ningún valor | Un poco valor | Mediano valor | Mucho valor | No sé |
|---|---------------|---------------|-------------|-------|
| Otros comentarios: | | | | |
| 20. ¿Completó Proyecto Link su esperanza? | | | | |
| | Sí | | No | |
| Otros comentarios: | | | | |
| 21. ¿Sí fue a empezar otro empresario, podría trabajar con Proyecto Link? | | | | |
| | Sí | | No | |
| Otros comentarios: | | | | |
| 22. ¿Recomendarían ustedes a otra persona para trabajar con Proyecto Link? | | | | |
| | Sí | | No | |
| Otros comentarios: | | | | |
| 23. ¿Podría acordar a encontrar brevemente para discutir sus respuestas? ¿Si usted es de acuerdo, cómo le podemos contactar nosotros? | | | | |
| 24. ¿Querrían hacer otras comentarios sobre Proyecto Link? | | | | |

Appendix B. Questionnaire Result Summaries

These are summaries of the responses from the questionnaires. Only responses that do not contain personally identifiable information are included here. The surveys were distributed to 47 entrepreneurs. There were 13 respondents, 10 of which completed the survey. We could not establish any systematic difference between those who responded to the survey and those who did not.

The responses to the English version of the survey are first, followed by the responses to the Spanish version. A combined summary of the two is included last.

B.1. English

7. How did you hear about Project Link?

Friend
Profesor Luis Sanz y experiences in INCAE

8. Did you read any of the information on Project Link’s website before contacting them? Which information have you used?

Yes	1
No	1

Otros comentarios
Just their website and a business plan template for the presentation.

9. How did you feel about your first contact with Project Link?

Very positive. They are very hands on from day one, more so than other investment firms we have dealt with.
Excellent.

10. How valuable to you was the information package Project Link provided after you contacted them?

Not Valuable	0
Somewhat Valuable	1
Moderately Valuable	0
Very Valuable	1
Don't know (N/A)	0

11. How many meetings did you have with Project Link before your first presentation?

3
6

12. How valuable to you were the meetings with Project Link before your first presentation?

Not Valuable	0
Somewhat Valuable	0
Moderately Valuable	0
Very Valuable	2
Don't know (N/A)	0

13. How comfortable were you with Project Link by the time you gave your first presentation?

Not Comfortable	0
Somewhat Comfortable	0
Moderately Comfortable	1
Very Comfortable	1
Don't know (N/A)	0

14. How accurately did the first presentation allow Project Link to judge where you needed coaching?

Not Accurately	0
Somewhat Accurately	0
Moderately Accurately	0
Very Accurately	2
Don't know (N/A)	0

15. Did you find the coaching worthwhile?

Yes	2
No	0
Don't know (N/A)	0

16. How accurately did the one-pager allow you to represent your company?

Not Accurately	0
Somewhat Accurately	0
Moderately Accurately	1
Very Accurately	1
Don't know (N/A)	0

17. How valuable to you was Project Link's assistance in creating the one-pager?

Not Valuable	0
Somewhat Valuable	1
Moderately Valuable	1
Very Valuable	0
Don't know (N/A)	0

18. How accurately did the presentations to the network allow you to represent your company?

Not Accurately	0
Somewhat Accurately	0
Moderately Accurately	0
Very Accurately	2
Don't know (N/A)	0

19. How valuable to you was your whole experience with Project Link?

Not Valuable	0
Somewhat Valuable	0
Moderately Valuable	0
Very Valuable	2
Don't know (N/A)	0

20. Did Project Link fulfill your expectations?

Yes	2
No	0

21. If you were starting another company, would you work with Project Link again?

Yes	2
No	0

22. Would you recommend another person to work with Project Link?

Yes	2
No	0

24. Do you have any additional comments for Project Link?

Keep up the good work and hope we can reach an investment agreement.
--

B.2. Spanish

7. ¿Cómo se enterará sobre Link Inversiones?

CAMTIC
Desde que se fundó la cámara de productores de software de Costa Rica hemos sido miembros activos y hemos seguido paso a paso el proyecto LINK.
Por contactos con gente del medio de Private Equity
Por medio de CAMTIC
Mesoamerica
CAMTIC
Correo electronica por invitacion a una charla.
Por anuncios en medios nacionales de television

8. ¿Usted ha accedido la página de Link Inversiones? ¿De ser así que informaron ha utilizado?

Sí	3
No	5
Otros comentarios	
SI, lectura general del sitio	
Si varias veces, informacion generica de poco importancia.	
la de cuentanos tu proyecto, tambien asisti a la ronda de financiamiento del CR Insight en el 2006	

9. ¿Que le pareció su primer contacto con Link Inversiones?

Bien
Hemos tenido contacto por medio de Diego May y su atención y apoyo nos ha parecido excelente.
Bueno pero muy irregular las invitaciones
Bueno
Muy bien
Poco seguimiento
Muchas palabras y poca accion
No tuvo utilidad para mi ya que los inversionistas si estuvieron interesados en mi proyecto pero me dijeron que me podían ayudar cuando ya tuviera el negocio en pie lo cual me pareció muy irónico ya que yo buscaba ayuda y capital para precisamente ponerlo en pie.

10. Que tan util fue el paquete de información que le brindo Link Inversiones?

Sin utilidad	1
Un poco de utilidad	0
Mediana utilidad	2
Mucha utilidad	5
No sé	0
Otros comentarios	
De suma utilidad ha sido emprender el proceso de conseguir inversión de la mano de Don	

Carlos de la Orden y Don Diego May, nos ha ayudado a madurar como empresa y comprender el camino que se debe seguir.
De suma utilidad ha sido emprender el proceso de conseguir inversión de la mano de Don Carlos de la Orden y Don Diego May, nos ha ayudado a madurar como empresa y comprender el camino que se debe seguir.
Nuestra empresa preparo la exposicion y les parecio insuficiente, no contamos con suficiente cantidad de personal para hacerse cargo de una exposicion mas detallada, la ayuda que ustedes ofrecen es muy lenta y sujeta a horarios muy extensos.
Link inversiones solo le interesa el tener participacion en las acciones de la empresa luego de establecerla. Cuando me entere de esto me di cuenta que era solo un negocio para ellos y esa era su finalidad.

11. ¿Cuántas reuniones tuvo con Link Inversiones antes de antes la primera presentación de su plan de negocios?

yo no presente oportunidades mas bien busque oportunidades de inversion
2
3
4
1
2

12. ¿Cuanto valor tuvieron para usted estas primeras reuniones?

Sin valor	0
Un poco de valor	1
Mediana valor	1
Mucha valor	5
No sé	0

Otros comentarios

Luego de las reuniones no hubo seguimiento de parte de ellos. Mi experiencia fue bastante negativa ya que no me ayudo en nada. La experiencia me sirvió para hechar a andar el negocio sin la ayuda de nadie . Esto a largo plazo me salvo de tener que darle participación de acciones de mi empresa a entidades externas como LINK
--

13. ¿En su primera presentacion, piensa usted que Link Inversiones determino bien las areas en las cuales usted necesitaba entrenamiento? ¿Cuánta certeza permitió la primera presentación Proyecto Link que encontraron con que necesita ayuda?

Sin certeza	0
Un poco de certeza	1
Mediana certeza	3
Mucha certeza	3
No sé	0

Otros comentarios

Se necesitaba afinar mas la exposicion para hacerla atractiva a los invercionistas, pero los plazos que ustedes dieron fueron muy largos y engorrosos.
lo malo fue que quisieron modificar mi plan ya que ellos dijeron que ya habia una empresa en parquetc que hacia lo mismo.

14. Encontro las sesiones de entrenamiento provechosas?

Sí	6
No	2
No sé	0

Otros comentarios

no me parece que pidan participacion en las acciones de la empresa. esto es solo un negocio para ellos.

15. Su resumen ejecutivo, piensa usted que represta bien a su empresa o idea de negocios?

Sin certeza	0
Un poco de certeza	0
Mediana certeza	2
Mucha certeza	4
No sé	0

Otros comentarios

A veces es dificil plasmar en unos cuantos slides de PowerPoint lo que una empresa es, hace y tiene. Ese es nuestro caso

No aplica porque el Proyecto que presentamos, lo hemos archivado

16. ¿Cuánto valor tuvo la asistencia de Link Inversiones para hacer el resumen ejecutivo?

Sin valor	1
Un poco de valor	0
Mediana valor	2
Mucha valor	4
No sé	0

Otros comentarios

yo me la arregle para presentar todo

17. ¿Si llego a presentar a la red de angeles, cree usted qe su presentacion represento bien a su empresa o idea de negocios?

Sin certeza	0
Un poco de certeza	1
Mediana certeza	4
Mucha certeza	1
No sé	1

Otros comentarios

En esa oportunidad teniamos conceptos "equivocados" de lo que realmente eramos y queriamos. El proceso de prepararnos para presentar y la presentacion en si nos hizo madurar y nos obligo a analizarnos como empresa. No conseguimos inversionistas pero nos ayuda a entender quienes somos y lo que queremos.

En esa oportunidad teniamos conceptos "equivocados" de lo que realmente eramos y queriamos. El proceso de prepararnos para presentar y la presentacion en si nos hizo madurar y nos obligo a analizarnos como empresa. No conseguimos inversionistas pero nos ayuda a entender quienes somos y lo que queremos.

el tema de lo que yo hable no era d dominio de ellos por lo cual no entendieron mi idea principal. ademas si alguien esta participando ahi es para que le ayuden a hechar a

andar sus proyectos de cero y no para que le digan que debe regresar cuando ya los tenga en pie.

18. ¿Cuánto valor tuvo su experiencia total con Link Inversiones?

Sin valor	2
Un poco de valor	0
Mediana valor	2
Mucha valor	4
No sé	0

19. ¿Link Inversiones le cumplio sus expectativas?

Sí	2
No	6

Otros comentarios

Si y no. No porque esperamos inversionistas extranjeros y no nacionales. Si porque nos ayudo hacia para futuras oportunidades.

Mucha burocracia para tomar decisiones...

Desde el momento en que estabamos listos para presentar hasta que se pudo presentar pasaron 6 meses por mala organización y es un periodo demasiado alto

20. ¿Si empezara otra compania, trabajaría nuevamente con Link Inversiones?

Sí	4
No	2

Otros comentarios

No sé

El equipo de trabajo conformado por Gioconda y Diego May lo considero invaluable. Su dedicacion y pasion por su trabajo es dificil de encontrar.

Siempre es bueno buscar financiamiento para nuevas ideas pero deben cambiar algunas cosas

21. ¿Usted le recomendaria Link Inversiones a otro emprendedor?

Sí	5
No	2

Otros comentarios

Pero a sabiendas que será un proceso muy largo y duro

Definitivamente

23. ¿Tiene algun otro comentario para Link Inversiones?

Sigan adelante. Busquen opciones para los que no estamos tan maduros y cuyo riesgo aparente a los inversionistas es alto. Falta más visión país para valorar el esfuerzo de muchos que empezando de cero tienen algo muy representativo hoy día. Nuestro caso. Falta una opción para los que estamos: . con experiencia de empresa . con productos específicos terminados, funcionando y con clientes. . pero que no tenemos el perfil que busca el inversionista de Link Si Link no puede ofrecer este apoyo por su línea de trabajo, podría bien comunicar a instancias superiores del gobierno sobre necesidades en esa otra franja.

Continúen adelante.

Tienen que abrirse mas buscar mas oportunidades en el mercado, yo diria terminar de crearlas. las oportunidades de inversion se consiguen en el campo escuelas universidades, empresas, asociaciones de profesionales no en las oficinas.

B.3. Combined

8. Did you read any of the information on Project Link’s website before contacting them? Which information have you used?

Yes	4
No	6

10. How valuable to you was the information package Project Link provided after you contacted them?

Not Valuable	1
Somewhat Valuable	1
Moderately Valuable	2
Very Valuable	6
Don’t know (N/A)	0

12. How valuable to you were the meetings with Project Link before your first presentation?

Not Valuable	0
Somewhat Valuable	1
Moderately Valuable	1
Very Valuable	7
Don’t know (N/A)	0

13. How accurately did the first presentation allow Project Link to judge where you needed coaching?

Not Accurately	0
Somewhat Accurately	1
Moderately Accurately	3
Very Accurately	5
Don’t know (N/A)	0

14. Did you find the coaching worthwhile?

Yes	8
No	2
Don’t know (N/A)	0

15. How accurately did the one-pager allow you to represent your company?

Not Accurately	0
Somewhat Accurately	0
Moderately Accurately	3
Very Accurately	5
Don’t know (N/A)	0

16. How valuable to you was Project Link's assistance in creating the one-pager?

Not Valuable	1
Somewhat Valuable	1
Moderately Valuable	3
Very Valuable	4
Don't know (N/A)	0

17. How accurately did the presentations to the network allow you to represent your company?

Not Accurately	0
Somewhat Accurately	1
Moderately Accurately	4
Very Accurately	2
Don't know (N/A)	1

18. How valuable to you was your whole experience with Project Link?

Not Valuable	2
Somewhat Valuable	0
Moderately Valuable	2
Very Valuable	6
Don't know (N/A)	0

19. Did Project Link fulfill your expectations?

Yes	4
No	6

20. If you were starting another company, would you work with Project Link again?

Yes	6
No	2

21. Would you recommend another person to work with Project Link?

Yes	7
No	2

Appendix C. University Interview Guide

What to do:

Give them Project Link info cards.

Ask about courses on entrepreneurship.

Ask for a course catalog; ask them to mark the relevant courses.

Ask if you could have enrollment statistics; if no, ask if Project Link could if they contacted them.

Ask about other programs, events, etc.

Ask if Project Link could participate in an event, participate in a class, etc.

Ask about students starting companies.

Ask about graduates starting companies.

Questions in English and Spanish:

Does the university have any classes about entrepreneurship?

¿Tiene la universidad unas clases sobre empresarialismo?

Is there a catalog that we can have?

¿Hay un catálogo que podemos tener?

Could you mark the classes that are about entrepreneurship in the catalog?

¿Puede usted marcar los clases que son sobre empresarialismo en el catálogo?

Are there other programs or presentations about entrepreneurship?

¿Hay otras programas o presentaciones sobre empresarialismo?

Would you permit that Project Link work with the university for a program or presentation?

¿Permitiria que Proyecto Link trabaja con la universidad para un programa o presentación?

Are there some students that have created companies?

¿Hay unos estudiantes que hubieran creado unas empresas?

Are there some alumni that have created companies?

¿Hay unos alumnos que hubieran creado unas empresas?

Appendix D. Angel Group Application Processes

Table D.1. Alliance of Angels Application Process

Step	Description
Web application	Companies create a standardized executive summary using an online form. The summaries are available online for 120 days to AoA member investors. There is a US\$45 fee to apply.
Review with program managers	Companies selected based on the application from the first step give a 10-minute presentation to and answer the questions of AoA program managers. This first meeting takes about 90 minutes.
Review with screening committee	Companies that are selected by the program managers give a 10-minute presentation to the AoA Screening Committee that is composed of experienced investors. The Screening Committee decides which companies will present at the next AoA member meeting. Program managers contact the companies with decision and feedback.
Member meetings	AoA holds monthly member meetings where three or four companies selected by the Screening Committee present to AoA members. Each company has a 10-minute presentation followed by a 5-minute question and answer session. At the beginning and end of the meeting, there is time for AoA members and companies to interact. AoA members may contact companies directly or have an AoA program manager set up a follow-up meeting.

(“Review Process,” 2007)

Table D.2. Tech Coast Angels Application Process

Step	Description
Web application	Companies apply online, submitting an executive summary and a PowerPoint presentation.
Screening observation	Companies are selected based on their web application by the TCA staff to attend screening sessions to meet some of the members and to observe other companies’ presentations.
Pre-screening presentation	Companies give a presentation to a small group of members who provide coaching before the actual screening presentation.
Screening presentation	About four companies present at a bi-weekly screening session. The meeting consists of a 15-minute presentation and 15-minute questions and answers session. After the presentations, members decide if there is enough interest in any of the companies to warrant due diligence. Companies present at all four sub-networks over the course of a month.
Due diligence	Interested members form a due diligence team to verify representations by the company. The results are posted on the members-only portion of the TCA website.
Member meetings	If the due diligence results are positive, companies present to members at dinner meetings. This allows members who did not attend the screenings to learn about the company, so that the company can gain enough interest to get an investment.

Step	Description
Term sheet signing	TCA members invest individually, but all use the same standard term sheet.

(“Screening Process,” 2007)

Table D.3. London Business Angels Application Process

Step	Description
Email application	Companies submit their executive summary or business plan via email to LBA.
Initial meeting	Companies that meet criteria are invited to a two to three hour meeting at the LBA offices to review the business plan and all other aspects of the company.
Offer letter	Companies that are accepted after the initial meeting are invited to register with LBA and to present at one of LBA’s events. LBA holds presentations every seven weeks, with six companies presenting at each. At this point, LBA charges £1,250 (US\$2,500) to cover training and presentation costs.
Training	Companies must attend two half-day training sessions. Training includes presentation coaching, executive summary writing, and information on how to raise business angel funding.
Presentation	Presentations are 15 minutes long. Events include time for companies to interact with investors. If an investment is made LBA takes a 5% success fee.

(“Companies,” 2007)

Table D.4. Y Combinator Application Process

Step	Description
Web application	YC accepts applications twice a year. Because YC does seed funding, their application asks for information about the founders and their idea, not for a business plan or executive summary.
Initial meeting	YC invites promising applicants to a weekend conference in Mountain View, CA. YC reimburses travel expenses. They decide who to fund at the conference and inform them by phone at the end of the weekend.
Money and paperwork	YC writes a check for initial expenses, and the companies are obliged to move to Silicon Valley, CA or to Cambridge, MA. YC does the paperwork to incorporate the company and any other paperwork necessary and then writes a check to the company for the rest of the money promised for the investment.
Training and services	YC offers a number of services to their entrepreneurs. See the services for entrepreneurs section for details.
Investor days	YC sets up days so that companies that need more funding can present to other investors.

(“Summer 2007 Funding,” 2007)

Table D.5. Southern Angels Application Process

Step	Description
Web application	Applicants fill out a web application. The application asks for an executive summary and some business plan information. A screening committee reviews the applications and chooses companies to present to the committee of investors.

Step	Description
Initial meetings	Southern Angels program managers meet with applicants who pass screening to set their expectations and prepare them for the process of applying for funding from Southern Angels.
Information package	Southern Angels sends information packet to companies with presentation template and if the company needs it, information on writing a business plan.
Practice presentations and screenings	The applicant presents to a committee of investors who decide whether the applicant will continue in the process and what training the applicant needs.
Coaching and training	Training consists of presentation coaching, business plan revising, lectures, and company profile revising. Training alternates with practice presentations and screenings.
Presentation to network	The company presents to the network. Southern Angels monitors the relationship between investors and companies for six months after the presentation to the network. Southern Angels provides entrepreneurs with information about term-sheet negotiations. Due diligence and investments are up to the network members themselves.

(Romo, personal communication, 25 June 2007)

Table D.6. Link Investments' Application Process

Step	Description
Initial contact	Initial contact is made informally, either through a personal introduction or through an email or phone call. An appointment for a face-to-face meeting is made.
Information package	Project Link sends the applicant an information package that contains the information on their website as well as more information about the about the network, about what the investors will be looking for in their presentation, and other things.
Initial meetings	Applicants have a number of face-to-face meetings with Project Link, to acclimate them to the environment of the program and make them feel comfortable with Project Link. The meetings also are to help prepare the applicants for their first presentation. If an applicant does not need the preparation, the initial meetings are sometimes skipped. These meetings may take up to a month.
Practice presentation	The first presentation is to one or more representatives of Project Link, some people from INCAE or from Project Link's communications department, who may act as coaches for the applicant, and a few members of the network who can give feedback on the presentation. The purpose of the presentation is to identify areas where the applicant needs improvement.
Coaching	The applicant receives coaching in any areas that need improvement. Students from INCAE assist in revising business plans, financial statements and other managerial and business areas. People from Project Link's communications department assist in revising the presentation and in improving the delivery. This can take from one week to six months.

Step	Description
Executive summary	The applicant creates an executive summary, using examples provided by Project Link as a guide, and with the help of Project Link's communications department. The executive summary is distributed to the members of the network prior to the presentations.
Presentations to network	Applicants present to the network. Depending on interest, applicants may have to give multiple presentations. The presentations follow the same format as the practice presentation, 15 minutes of uninterrupted presentation and 15 minutes of questions and answers.
Monitoring & Feedback	Project Link monitors the interest and comments of the members of the network and provides feedback to the applicant. If there is not enough interest, Project Link informs the applicant and also informs them of the reasons the members of the network gave for not having interest. If there is significant interest, Project Link provides the applicant with information about term sheet negotiations.
Mediation	Once one or more investors decide to invest, Project Link acts as a mediator between the applicant and the investors. A representative of Project Link is present for term sheet negotiations to help close the deal. Once the investment is made, Project Link aids the investors in keeping track of the progress of the companies they invest in.

(May & Lizano, personal communication, 30 May 2007).

Appendix E. Angel Group Criteria

Table E.1. Angel Group Selection Criteria

Angel Group	Summary of Relevant Criteria
Alliance of Angels (“Investment Criteria,” 2007) (“Review Process,” 2007)	Growth potential
	Business plan
	Location
Tech Coast Angels (“Evaluation Criteria,” 2007)	Market opportunity
	Business plan
	Protected IP (high barriers to entry)
	Exit strategy for investors
	Management team
	Potential return on investment
	Desire for coaching
	Location
London Business Angels (“Companies,” 2007)	Management team
	Market opportunity
	Growth potential
	Business plan
	Protected IP (high barriers to entry)
	Location
Y Combinator (“Summer 2007 Funding,” 2007)	Management team
	Market opportunity
	Location
	Protected IP (<i>not necessarily high barriers to entry</i>)
	Growth potential
Southern Angels (“Perfil de Proyectos,” 2007)	Management team
	Business plan
	Protected IP
	Return on investment
	Location
Link Investments (May & Lizano, personal communication, 15 May 2007)	Business plan
	Management team
	Protected IP
	Market potential

Appendix F. Angel Group Services for Entrepreneurs

Table F.1. Angel Investment Group Services for Entrepreneurs

Angel Group	Services
Alliance of Angels ("Startup Resources," 2007) ("Review Process," 2007)	Presentation pointers document
	Presentation coaching
Tech Coast Angels ("Screening Process," 2007) ("Links & Resources," 2007)	Sit-ins on presentations by other companies
	Presentation coaching
	Online papers on startup-related subjects
	Online resources page
London Business Angels ("Companies," 2007)	Two half-day presentation coaching sessions
Y Combinator ("Summer 2007 Funding," 2007)	Paperwork (incorporation)
	Access to members for advice (business and technical)
	Access to other startups funded by Y Combinator for advice (business and technical)
	Presentations & lectures by experts
	Assistance in securing further funding
Southern Angels	Business advice from members (mentoring program)
	Information package
	Host company profile after investment as long as company is running
	Presentation coaching
	Business plan revision
Link Investments ("Link Investments: WPI Meeting 2," 2007)	Presentation coaching
	Business plan revising
	Executive summary revising

Appendix G. Other Features of Angel Groups

Table G.1. Other Features of Angel Investment Groups

	AoA	TCA	LBA	YC	SA
Source	(Parsons & Rosen, personal communication, 19 June 2007)	(Villalobos, personal communication, 15 June 2007)		(Graham, personal communication, 15 June 2007)	(Romo, personal communication, 25 June 2007)
Number of investments (annual)	30	20	15 (2006-2007)	40	9 (want 14-15)
Number of applicants (annual)	200	360		850	200
Number of members	110 (fluctuates)	270	178	4	
Industry of investments	Any high-growth	Any high-growth	Any high-growth, mainly software and biotech	Mainly software	Any high-growth
Maturity	Seed and early stage	Seed and pre-revenue		Seed stage	Revenue
Relationship with other groups	informal	Angel capital association, band of angels, James Geshwhiler collaboration		No formal	Octantis
University relations	University of Washington: entrepreneurship club; business plan competition; internships; host pitch clinic	Screening sessions, mentoring program, fast-pitch competition		No formal	Octantis functions out of universities
Programs	A fellowship that invites MBA students to participate as program managers	Paul Merage Business Plan Competition		Startup school ("Startup School," 2007)	Lectures to MBA students by experts from U.S., Europe, etc.

	AoA	TCA	LBA	YC	SA
Number of entrepreneur applicants	~200	350-370		850	200
Media relations	Allow reporters to attend some events, but none with actual angels and company specific info	Orange County Register annual fast pitch competition		No formal	Publicize lectures that they host at universities

Table G.2. Angel Group Online Resource Libraries

Group	Contents
Alliance of Angels http://www.allianceofangels.com/startups/startup_resources.html http://www.allianceofangels.com/startups/presentation_guidelines.html	Presentation guidelines
	Presentation pointers
	Links to other angel groups
	Links to venture capital groups
	Links to news related to entrepreneurship
Tech Coast Angels http://techcoastangels.com/Public/Content.aspx?ID=EA6BF3C9-964F-11D4-AD7900A0C95C1653&Redir=False	Links to news articles
	Resource directory, including information about entrepreneurship programs, other angel investment groups, professional services, finance and investment information
	Whitepapers on managing and financing a business
London Business Angels http://lbangels.co.uk/companies.php	Documents on getting angel investments
	Documents on other sources of funding
Y Combinator http://ycombinator.com/lib.html	Essays on entrepreneurship
	Links to books on entrepreneurship
	Links to websites with articles on entrepreneurship
	Links to news about entrepreneurship
Southern Angels and Octantis	None

Appendix H. Angel Investment Group Survey Responses

This appendix contains our notes from the three phone interviews and the two email responses that we received from angel groups answering our questions for them.

H.1. Y Combinator Email Response

Paul Graham responded to a questionnaire we emailed to Y Combinator with information about the investment group (personal communication, 15 June 2007).

From: Paul Graham [xxxxxxx]
Sent: Fri 6/15/2007 10:35 AM
To: Knox, Daniel
Cc: xxxxxxxx
Subject: Re: Fwd: Project Link Investments in Costa Rica

----- Forwarded message -----

> From: Knox, Daniel <dknox@wpi.edu>
> Date: Jun 13, 2007 3:13 PM
> Subject: Project Link Investments in Costa Rica
> To: info@ycombinator.com
>
> Dear Y Combinator Partners:
> We are a group of consultants working with Project Link Investments
> here in Costa Rica. Our names are Daniel Knox, Theo Giannakopoulos, and
> Kenneth Osborne. Project Link's goal is to connect entrepreneurs and angel
> investors in Costa Rica in order to promote an environment of
> entrepreneurship. The goal for our group is to develop a set of best
> practices for Project Link by analyzing the practices of angel investment
> networks in the U.S. and other countries. For our project, we referred to Y
> Combinator as one of our case study groups in establishing a set of best
> practices. From your website we gathered a wide variety of information such
> as your selection criteria and services for entrepreneurs, but there is
> more
> information we would like to know. We would appreciate it if you could
> answer
> some of our questions. If it is easier to setup a conference call to answer
> these questions, when would you be available and how would we contact you?
>
>
> First we would like to know about the success of your group. How many
> companies have you invested in?

58

- > How many have acquired further funding?

don't know number, but most

- > How many have gone public?

none

- > How many have been acquired?

2

- > We also would like to know a little bit more about your current practices.
- > How many applicants do you get annually?

850

- > How many investments do you make annually?

40

- > What relationship do you maintain with other angel investment groups?

no formal

- > What relationships do you maintain with universities?

no formal

- > Are there any entrepreneurship programs that you sponsor or participate in?

startup school

- > What relationship do you maintain with the media?

no formal (who does?)

- > How do you handle rejecting applicants?

gently

- > Were there any difficulties in starting Y Combinator that you had to
- > overcome
- > that would benefit Project Link to know about?

learning to pick good startups

- > Thank you very much for
- > taking
- > the time to share your experience and knowledge.
- >
- > Sincerely,
- >
- > Daniel Knox
- > Theo Giannakopoulos
- > Kenneth Osborne
- > Project Link
- > Worcester Polytechnic Institute

H.2. Tech Coast Angels Interview Notes

To find information about Tech Coast Angels we had a telephone interview with Luis Villalobos (personal communication, 15 June 2007).

How many companies has Tech Coast Angels invested in?

As of end of last quarter 132—companies funded. Another 101 rounds w/ those companies

How many have acquired further funding?

80%

For every dollar invested, every 10 come in.... 83.7 mil as of last quarter. Outside of TCA 9 members, 810 million

How many have gone public?

3

How many have been acquired?

Well over half of companies are still active; of those that aren't there have been 15 or so acquired

How many applicants do you get annually?

350-370

How many investments do you make annually?

~20

30 apply on web (have to), some out immediately – 12 a month into screening – 4-5 a month in due diligence (about 2-4 months from application on web to funding... longer sometimes, if waiting on something).

4 pitches based on region. Scheduled dates for pitches, so members can see 3-5 months out when/where screening will be...

have staff for coaching.... sample PowerPoint presentations... questions go to screening directors.

How mature are the companies you usually invest in, as in stage of development?

“Early stage” ...most are pre-revenue, a few with some revenue.... some are proof of concept

What relationship do you maintain with other angel investment groups?

Luis is one of founder of Angel Capital Association... band of angels, individuals work with other groups

Some of east coast groups (James Deshwiler—Common Angels in Boston) do more collaboration

Will refer companies that look good to other groups if they are not from area... or point them to ACA website

What relationships do you maintain with universities?

Very close with a bunch of them... USC, Anderson UCLA business, Caltech... hold screening sessions on campus at universities...

UCI “took 5 years to get in there”

Invite MBA students to sit in on screening sessions

Get free talent from them... (help with due dili)...

“Ability to attend screening sessions is better than any classes”

Are there any entrepreneurship programs that you sponsor or participate in?

Sponsor business plan competition... provide judges, and the winners get into screening session

National business plan competitions.... university students will provide coaching for comp

What relationship do you maintain with the media?

Do annual “fast pitch event”, feature story on competition, above the fold business section, and even have story before the event.

How do you handle rejecting applicants?

Give them very clear feedback so that even if they don’t get funded they get value out of the process. Have had a few that fix things and come back and get funded.

Were there any difficulties in starting Tech Coast Angels that you had to overcome that would benefit Project Link to know about?

Build costs into dues to make things go more smoothly...

Change in psychology, people will go to events.

Having a website. Both private and public side... the private side, calendar, contact info are most useful. Application for membership has info that is online and searchable

Put all deals online so that when deal is active, can go to website and see everything about the deals...

Diego: How about rejecting investors?

Screening process for members: online app, interview with 2 current members, ask about experience, industry expertise, and how much time can devote.... most rejected members can’t give enough time. Membership is by renewal. One requirement is that they invest \$50,000 in deals....

For first year and half only non-angel involved was accounting person.... by angels, for angels. 1,500 dollars a year membership fee

H.3. Alliance of Angels Interview Notes

To find information about Alliance of Angels we had a telephone interview with member investor Peter Parsons and chairperson Dan Rosen (personal communication, 19 June 2007).

How many companies has Alliance of Angels invested in?

Last year 31 investments, 20 new, 11 follow-ups

How many have acquired further funding?

39 from 2003 – 2005, 2/3 from venture capitalists

How many have gone public?

~10 years old, 3 total going public

How many have been acquired?

Don't know

How many applicants do you get annually?

~200 / year

How many investments do you make annually?

30

How mature are the companies you usually invest in, as in stage of

Seed and early stage (vast majority)

What relationship do you maintain with other angel investment groups?

Informal

For every dollar invested directly (on the term-sheet), there is a dollar twenty-five cents invested indirectly (training, etc.)

What relationships do you maintain with universities?

Work with University of Washington

Are there any entrepreneurship programs that you sponsor or participate in?

Sponsor a fellowship at University of Washington

MBA participate as program manager

What relationship do you maintain with the media?

Allow reporters to attend some events, but none with actual angels and company specific info

How do you handle rejecting applicants?

Specific of feedback as possible: why they didn't make it

Actionable feedback. Do ABC and you can come back to reapply

How about investor applications, rejections?

110 members (fluctuates from 80 to 140).

Were there any difficulties in starting Alliance of Angels that you had to overcome that would benefit Project Link to know about?

Took a while to get to critical mass. Finding a leader angel to get people to follow and go in on a deal.

Investors do 2 deals a year on average, 35 deals a year

H.4. Southern Angels Interview Notes

To find information about Southern Angels we had a Skype interview with Maira de los Angeles Romo, a Southern Angels program manager (personal communication, 25 June 2007).

History of Southern Angels

Southern Angels has been working with Octantis for 2 years. S.A. began working independently with their own staff and management board.

What is the application process for entrepreneurs?

Web application: receive applicants via online as well as from Octantis

Initial Conversation: Meet with companies after web acceptance. Based on knowledge of startup, an information package is sent with templates for startup group profile, power point presentation, and any business related reference material a startup might need.

Screenings: 3-4 screenings prior to network with feedback on where training is needed.

Training & coaching: presentation prep, information need to provide to network, business plan help, legal info needed from startups to provide to investors, seminars by guest speakers (U.S., Europe)

Network presentation

Who does the training?

3 program managers and lawyers

Does Southern Angels assist with due diligence or term-sheet negotiations?

Do not take part in this. Between investors and entrepreneurs. However, give information necessary for making negotiations.

Is there any literature that Southern Angels gives to applicants?

Profile (executive summary) template, and PowerPoint presentation template as well as info on developing a business plan are given to applicants.

What services does Southern Angels provide for applicants?

Review business plan, help with entrepreneur profile, presentation coaching, maintain information about companies online (if they are still operating after investment), and negotiation tips with investors.

How many companies has Southern Angels invested in?

Since last year, 47 presentations, 9 investments. 2 million dollars, \$50,000-\$400,000 per company

How many have acquired further funding?

0 (Southern Angels has only been operating for one year)

How many have gone public?

0

How many have been acquired?

0

How many applicants do you get annually?

200

How many investments do you make annually?

9 so far hope to see 12-15 per year with at least 5 invested in each cycle of investment.
Process is a cycle with a life of 45-46 days

How mature are the companies you usually invest in, as in stage of development?

Early stage, but not very early most are companies already running with sales (revenue). No pre-revenue because of level of risk.

What relationship do you maintain with other angel investment groups?

Just Southern Angels in Chile, working to develop a close relationship with venture capital funds, public funds, very close relationship with private venture firms

What relationships do you maintain with universities?

Work with some universities, because most incubators are inside universities (i.e. Octantis), courses for entrepreneurs

Are there any entrepreneurship programs that you sponsor or participate in?

Give lectures to entrepreneurs MBA students about Southern Angels

What relationship do you maintain with the media?

Publicize lectures

How do you handle rejecting applicants?

Feedback and ideas for improvement, so maybe they can come back and try again next time.
Feedback sent by letter

Were there any difficulties in starting Southern Angels that you had to overcome that would benefit Project Link to know about?

Worked with Gabriel Hidalgo. World Bank wanted to know if there were angel investors in Chile. Companies were looking for market information. Being too close to incubator scared companies away. Close relationship was not good. Resources about investment are very useful and necessary and to have close relationship with incubator, and venture capital to develop an environment of entrepreneurship

H.5. Southern Angels Email Response

We also sent an email to Southern Angels to ask some questions we ran out of time for during the interview and to get clarification on a few questions that we had already asked (personal communication, 26 June 2007).

From: María de los Angeles Romo [xxxxxxx]
Sent: Tue 6/26/2007 9:06 AM
To: Knox, Daniel
Subject: RE: Follow up Questions to Skype Interview

Helo Daniel:

Below you can find the information you asked for.

Please feel free to contact me if you additional information.

All the best

maria

-----Mensaje original-----

De: Knox, Daniel [<mailto:dknox@WPI.EDU>]
Enviado el: Lunes, 25 de Junio de 2007 12:21
Para: xxxxxxxx
Asunto: Follow up Questions to Skype Interview

Hello Maria;

Thank you very much for being able to speak with us this morning. The topics we discussed were very helpful towards our project. There are a few more questions that we would like to ask and should only take a few minutes to answer.

Do receive any government assistance financial or otherwise?

Yes, for financing operational issues.

The financing is for about three years, and we have to show results at the end of the period.

How many members does Southern Angels have?

70 are formal members, which is the have signed all the formal papers and their information have been reviewed for the board.

What industry do you typically invest in?

We do not have any specific industry, we are open to consider company from any industry. It is mainly because in Chile we do not have a mature environment, so we do not have the size to be restrictive to only one or two industries. In that case, we did not have enough opportunities to investor. Also, investors are not very specific; they not really sure about what are they looking for.

How do you handle investor membership?

They have to be submit through a member of the circle.

If that occurred, they have to filling up some membership papers.

Member profile; Compromise letter, Ethic Code, Angel Investor Decalogue, Confidence letter.

The board must review all those papers and accept or reject the new member. Through a formal letter we inform the board decision.

Do investors have to apply to Southern Angels?

Yes

How do you reject them?

Through a formal letter.

Are there any requirements for becoming or remaining a member?

Yes, to be an active member, it is to participate in training sessions and venture forums a minimum number a year. They have to arrange meeting with entrepreneurs in a year, and ideally to invest. We have the right to reject a member if we want.

Does Southern Angels keep track of entrepreneurs after they have presented to the network? Yes, and also with investors (when investment have occurred), but only in order to follow up the relationship and to have information from both of them to get feedback.

We understand that Southern Angels does not take part in due diligence or term-sheet negotiations, but do you keep track of companies after they present to the network? If the Co did not raise money, we take contact with them only to understand what happened with them without an angel investor. Only for statistic information.

Once again thank you very much for your time. Link will be sending a copy of our project to you when we are finished.

My pleasure... I hill be waiting for this..

Appendix I. Octantis Incubator Interview Notes

We conducted an open interview with Aldo Aspilcueta from Octantis, a startup incubator in Chile (personal communication, 19 June 2007). The results were not used in our report, but the notes are included here for the use of Project Link.

What types of startups do you typically incubate?

High growth seeds

Any field

Can you describe your overall incubation process?

The process is meant to be scalable, so that it can be used outside of Chile.

- Business deciding (develop business plan)
 - Assign a mentor
 - Networking meetings
 - Investors with entrepreneur
 - Entrepreneurs with other entrepreneurs, for co-founding startups
 - Entrepreneurs with providers of raw materials for companies
 - Entrepreneurs with potential customers
 - Share ideas in a safe environment
 - Creating company's business plan
 - Mentors and directors of other startups help critique businesses
 - Management advice
 - Provides contacts, references
- Practice presentations for investments
 - Present to angel investors
 - Present to people with sales experience
 - Present to other entrepreneurs
 - 5 min company pitch, then feedback
- Assist with finding co-founders
 - Work with preexisting companies to fill in gaps
 - If they need help with sales or managing
 - Do not share a common background
 - Find co-founders by trial and error process
 - Octantis acts as a intermediary for trust

Annually, how many startups working with Octantis proceed to work with Southern Angels?

3-4 entrepreneurs every 3-4 months

This number is so small because seed companies want to further develop there

Do startups work with any angel groups other than Southern Angels?

Only Southern Angels in Chile, also a few international.

What stage of development are these companies when they leave your program?

Early revenue—can't get investing otherwise

Very few with just working prototype, most are actually selling product

Is there a contact you could recommend for further information regarding Southern Angels?

Maria de los Angeles Romo

Work with universities:

Losibales University

CEO

IET

Other notes:

Octantis is a government run incubator

Octantis participates in a seed capital program

- Two levels of funding
 - Level 1
 - 6,000 dollars
 - 10,000 to develop business
 - Level 2
 - 80,000
- To qualify for seed capital program, need to be incubated
- Has raised 1.2 million dollars

References

- “About Mesoamerica.” (2006). *Mesoamerica*. Retrieved 13 April 2007 from http://www.mesoamerica.com/ing_acerca_mesoamerica.shtml
- “About us.” (2006). *British Business Angels Association*. Retrieved 23 April 2007 from http://www.bbaa.org.uk/portal/index.php?option=com_contact&task=view&contact_id=17&Itemid=57
- “About us.” (2007). *Y Combinator*. Retrieved 23 April 2007 from <http://ycombinator.com/about.html>
- “Accredited investors.” (2000). *U.S. Securities and Exchange Commission*. Retrieved 28 April 2007 from <http://sec.gov/answers/accred.htm>
- “Arnoldo Solórzano Thompson Center for Entrepreneurship.” (2007). *INCAE*. Retrieved 23 May 2007 from <http://www.incae.ac.cr/EN/centro-empresarialismo/>
- Aspilcueta, A. (19 June 2007). *Octantis*. Personal communication with Aldo Aspilcueta, Octantis program manager.
- Autio, E. (1 May 2007). “2006 Global Report on High-Growth Entrepreneurship.” *Global Entrepreneurship Monitor*. Retrieved 25 June 2007 from <http://www.gemconsortium.org/document.asp?id=586>
- Bolsa Nacional de Valores*. (2007). Retrieved 24 May 2007 from <http://www.bolsacr.com/>
- Bullvaag, E., Acs, Z., Allen, E., Bygrave, W. & Spinelli, S. (2005). “National Entrepreneurship Assessment United States of America 2004-2005 Executive Report.” *Global Entrepreneurship Monitor*. Retrieved 31 May 2007 from <http://www.gemconsortium.org/document.asp?id=512>

- “Companies.” (2007). *London Business Angels*. Retrieved 7 June 2007 from
<http://www.lbangels.co.uk/companies.php>
- Converse, J. & Presser, S. (1986). “Survey questions: Handcrafting the standardized questionnaire.” *Sage University Paper series on Quantitative Applications in the Social Sciences*, 63. Beverly Hills, CA: Sage Publications.
- “Costa Rica.” (March 2007). *The World Factbook*. Retrieved on April 6, 2007 from
<https://www.cia.gov/library/publications/the-world-factbook/geos/cs.html>
- “Costa Rica: Universities.” (2007). *InfoCostaRica*. Retrieved 23 May 2007 from
<http://www.infocostarica.com/education/universities.html>
- “Escuelas.” (2007). *Instituto Tecnológico de Costa Rica*. Retrieved 23 May 2007 from
<http://www.itcr.ac.cr/escuelas/index.aspx>
- “Evaluation Criteria.” (2007). *Tech Coast Angels*. Retrieved 7 June 2007 from
<http://www.techcoastangels.com/public/content.aspx?id=EA6BF3BE-964F-11D4-AD7900A0C95C1653&page=investments>
- “Facultades y Escuelas de la UCR”. (n.d.). *Universidad de Costa Rica*. Retrieved 23 May 2007
from http://www.ucr.ac.cr/areas_ucr.php
- Fitzsimons, P. & O’Gorman, C. (2005). “Entrepreneurship in Ireland in 2005.” *Global Entrepreneurship Monitor*. Retrieved 31 May 2007 from
<http://www.gemconsortium.org/download.asp?fid=493>
- Graham, P. (15 June 2007). *Y Combinator*. Personal communication with Paul Graham, Y
Combinator founder.
- Graham, P. (2005, May). “Hiring is obsolete.” Retrieved 12 April 2007 from
<http://paulgraham.com/hiring.html>

- Graham, P. (2006a, May). "How to be Silicon Valley." Retrieved 12 April 2007 from <http://paulgraham.com/siliconvalley.html>
- Graham, P. (2004, May). "How to make wealth." Retrieved 12 April 2007 from <http://paulgraham.com/wealth.html>
- Graham, P. (2006b, May). "Why startups condense in America." Retrieved 12 April 2007 from <http://paulgraham.com/america.html>
- Haines, G., Madill, J. & Riding, A. (2002). "Value added by informal investors: Findings from a preliminary study." *International Council for Small Business*. Retrieved 28 April 2007 from http://www.sbaer.uca.edu/research/icsb/2002/auth_letter/pdf/026.pdf
- Harding, R. & Bosma, N. (17 January 2007). "2006 Global Summary Results." *Global Entrepreneurship Monitor*. Retrieved 25 June 2007 from <http://www.gemconsortium.org/document.asp?id=532>
- "Introduction." (2007). *Alliance of Angels*. Retrieved 30 April 2007 from <http://www.allianceofangels.com/about/about.html>
- "Investment Criteria." (2007). *Alliance of Angels*. Retrieved 7 June 2007 from http://www.allianceofangels.com/startups/investment_criteria.html
- Link Project*. (n.d.). Retrieved 13 April 2007 from <http://www.teclink.org/EN/>
- "Link Exportation." (n.d.). *Link Project*. Retrieved 13 April 2007 from <http://www.teclink.org/EN/exportacion/>
- "Link Financing." (n.d.). *Link Project*. Retrieved 13 April 2007 from <http://www.teclink.org/EN/financiamiento/>
- "Link Incubation." (n.d.). *Link Project*. Retrieved 13 April 2007 from <http://www.teclink.org/EN/incubacion/>

“Link Investments.” (n.d.). *Link Project*. Retrieved 13 April 2007 from
<http://www.teclink.org/EN/inversiones/>

May, D. & Lizano, G. (15 May 2007). *Link Investments*. Personal communication with Diego May and Gioconda Lizano, Link Investments program managers.

May, D. & Lizano, G. (30 May 2007). *Link Investments*. Personal communication with Diego May and Gioconda Lizano, Link Investments program managers.

May, D. & Lizano, G. (19 June 2007). *Link Investments*. Personal communication with Diego May and Gioconda Lizano, Link Investments program managers.

“Links & Resources.” (2007). *Tech Coast Angels*. Retrieved 11 June 2007 from
<http://techcoastangels.com/Public/Content.aspx?ID=EA6BF3C9-964F-11D4-AD7900A0C95C1653&Redir=False>

Parsons, P & Rosen, D. (19 June 2007). *Alliance of Angels*. Personal communication with Peter Parsons, Alliance of Angels member investor, and Dan Rosen, Alliance of Angels program manager.

“Perfil de Proyectos.” (2007). *Southern Angels*. Retrieved 7 June 2007 from
http://www.southernangels.cl/UserFiles/File/presentaciones/Perfil%20de%20proyectos_Red%20de%20Inversionistas%20Angeles.doc

“Procesos de Inversión.” (2007). *Southern Angels*. Retrieved 7 June 2007 from
<http://www.southernangels.cl/node/4>

“Rank Order: GDP per capita.” (2007). *Central Intelligence Agency: The World Factbook*. Retrieved 23 May 2007 from <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>

“Review Process.” (2007). *Alliance of Angels*. Retrieved 7 June 2007 from

http://www.allianceofangels.com/startups/review_process.html

Rodríguez-Clare, A. (2001, February). Costa Rica’s development strategy based on human capital and technology: How it got there, the impact of Intel, and lessons for other

countries. *Journal of Human Development*, 2, 2. Retrieved 13 April 2007 from

<http://www.econ.psu.edu/~aur10/research.htm>

Romo, M. A. (25 June 2007). *Southern Angels*. Personal communication with Maria de los Angeles Romo, Southern Angels program manager.

“Salary”. (2006). *Costa Rica*. Retrieved 24 April 2007 from

http://www.costarica.com/Home/Business/Costa_Rica_in_Facts,_Numbers,_%7Damp;_Statistics/Business_Expenses/Salary

“Salary Survey Report for Job: Software Engineer / Developer / Programmer”. (2007). *PayScale*.

Retrieved 24 April 2007 from

http://www.payscale.com/research/US/Job=Software_Engineer_%2f_Developer_%2f_Programmer/Salary

“Screening Process.” (2007). *Tech Coast Angels*. Retrieved 7 June 2007 from

<http://www.techcoastangels.com/Public/Content.aspx?ID=6C88135C-D147-11D4-AD8300A0C95C1653>

“Selected acquisitions.” (2007). *IBM*. Retrieved 23 April 2007 from

<http://www.ibm.com/investor/company/acquisitions.phtml>

Singleton, R. & Straits, B. (1999). *Approaches to Social Science Research*. New York, NY:

Oxford University Press.

- “Startup Resources.” (2007). *Alliance of Angels*. Retrieved 11 June 2007 from
http://www.allianceofangels.com/startups/startup_resources.html
- “Summer 2007 Funding.” (2007). *Y Combinator*. Retrieved 7 June 2007 from
<http://ycombinator.com/s2007.html>
- “Tech Coast Angels.” (2007). *Tech Coast Angels*. Retrieved 30 April 2007 from
<http://www.techcoastangels.com/Public/content.aspx?ID=EA6BF3BF-964F-11D4-AD7900A0C95C1653>
- Villalobos, L. (15 June 2007). *Tech Coast Angels*. Personal communication with Luis Villalobos, Tech Coast Angels program manager.
- Wennekers, S. & Thurik, R. (1999, August). “Linking entrepreneurship and economic growth.” *Small Business Economics*, 13, 1. Retrieved 12 April 2007 from
<http://www.springerlink.com/content/m63p6311184114q5/>
- Wong, A. Y. (2002, January). “Angel finance: The other venture capital.” Retrieved 28 April 2007 from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=94122
- Wong, P., Lee, L., Ho, Y. & Wong, F. (2005). “2005 Singapore Report.” *Global Entrepreneurship Monitor*. Retrieved 31 May 2007 from
<http://www.gemconsortium.org/download.asp?fid=557>