

**12th Early Stage Investors Winter University and 4th
National Business Angels Association Congress 3rd
October 2013 in Moscow**

**The non-financial motivations to convert CEOs into Angel Impact
Investors**

Good afternoon,

As EBAN's board member it is my pleasure to contribute to the reflection on Impact Investment focusing on non-financial motivations to convert a CEO into a BA.

In times of economic and environmental crisis, CEOs must think ahead to solve the problems that their own companies face (random customer behaviour, reduced profit margins, increased taxes, etc...) but also the huge sustainability problems of the planet. Will we fit on the planet?

As a matter of fact, soon the world population will get to nine billion and if we don't invest in sustainable solutions, the forecast indicates the need for three planets. New opportunities arise from several business areas as for example: food security, biomedicines or energy technology.

Thirteen years ago, I created the first Portuguese BAN, and helped the establishment of another twelve, I personally became a BA with several investments, I assumed responsibility as EBAN and WBAA's board member and therefore I had the opportunity to share experiences with dozens of other BAs and be aware of the motivations to become a BA which go far beyond profit.

Actually, if as investors they look at some long term very high potential returns, in the moment of decision the real incentive is mostly philanthropic.

They are really willing to return to the community part of their wealth, contributing for a better world for the future generation.

The different between social and impact investment is that the first is mainly concerned with social issues while Impact Investors believe that social difference and financial returns are simultaneously possible. That is why it matches BAs profile.

At the potential BAs front we know that many CEOs are still looking inside their own companies for solutions to new problems - They need to find new ideas in order to come out of those old-fashioned management techniques.

Most companies, specially the small ones, will get out of the crisis and become competitive once again by using new technologies, new innovations, new ventures and, of course, capital they don't own themselves.

We need to grab the attention of those CEO's, and get them to invest in their own future, assuming the role of investors, BA investors. These people are ready to be BAs they need a small push, training push.

They need to open their eyes to impact investment and all the opportunities that BAs have with their privileged relations with all the players in the ecosystem, namely the connection to other ecosystem agents like incubators, accelerators, Technological parks, VC Funds, Business Angels Side Car vehicles, etc.

It's critical for CEOs to access this ecosystem once it keeps them in touch with a new generation of well-prepared entrepreneurs in the scientific and creative perspectives, but also with deep gaps in the creation of products and services capable of fulfilling the needs of a market with extra demands and competition.

To make sure that CEO's into BA they should have access to training programmes which would inform for the right attitude following entrepreneur, coaching and daily management of their own investment in a distant mode.

In fact, entrepreneurs love the early stages of a company. The small team, building a brand-new product, out-innovating complacent incumbents...but they often forget that the secret is implementation of a good idea- taking it to the market.

In my experience, entrepreneurs need to derive satisfaction from the nuts and bolts of building a company, not just in building a product and articulating the vision. They need to be passionate about leadership, management, organizational processes and as impact investors share a high value of respect for the planet and its resource limitations.

How we make the transition is a question and an opportunity

But if entrepreneurs access to CEO's smart money, in the early stage of their ventures, certainly some of them will be able to better sustain the grounds not only of their product, but also of the business, organization and culture of the company.

The whole point of attracting a BA to a new business is to bring in skills and experience that the entrepreneur usually doesn't have, which will help scale the young start-up.

In a time when the given opportunities by impact investing are increasingly appealing – based in the disruptive innovation as an answer to (i) problems not well understood (ii) new markets (iii) very fast innovation and game changing (iv) customer unable to update knowledge (v) market unpredictability and (vi) failure traditional business methods.

This scenario makes life very hard for companies to find quick solutions, opportunities, it's urgent to make them aware about the great opportunity in front of them by taking the BA role and that way re-live the enthusiasm and excitement associated to creating a new company, specially in the area of impact investing in which the return potential is moderated but that on the other hand as a Very High Potential Triple-Bottom Line Impact- money, society and environment.

A good example of impact investing “life straw” that was developed as a portable water filter, with the potential to save millions of life and cheap enough to be sold everywhere.

In Portugal there is also another good example linked to the production of cheese creating the concept of herding community as a way to overcome lack of sheeps.

To finish let me share with you a personal experience of my own involvement in a small project with a great philanthropic value, which I thought could transform into an Impact Investment.

I became BA in a start up whose main objective was to publish innovative materials targeted at the language learning process of very young children – Key4Kids.

This is obviously the type of project where the BA is primarily looking for a high social impact, though he still expects a great capital return (even if only in the long term), the motivation is to contribute to a change in the world, in this specific case give a contribution to better educated children.

Transforming the world into a better place is on our hands, and that doesn't mean smaller rewards but simply a different approach.

Francisco Banha

Board President of FNABA

Member of the Board of Directors of EBAN (www.eban.org)

Member of the Board of Directors of WBAA (www.wbaa.biz)

e-mail fbanha@gesbanha.com

tel. +351 93 251 27 37

