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OPENING SPEECH BY FRANCISCO BANHA

Today we celebrate the **14th year of VCIT**, and with it 15 years of cultivating a commitment culture with the Portuguese Entrepreneurial Community.

It has been at the cost of a compromising culture that Gesventure has gathered efforts and wills to reach the great objective of giving the deserved dimension to the national Entrepreneurial Ecosystem.

But this compromising culture implies being persistent, and, I would even say, obstinate.

The persistence and obstination of who has the hope of a new time, with more economic development and a better future for our companies.

At Gesventure, we were always aware that hope is built with very hard work. We knew, since the beginning, that without it, we would never get results.

We knew that it would be like a natural water course.

The water always finds its way. It searches for almost invisible cracks and then works patiently in solid stone until it can cross it.

Gesventure's last 15 years have been this the way, finding small cracks which allow to overcome growth barriers to the national Entrepreneurial Ecosystem, with the perfect notion that sometimes by overcoming a small rupture we can take down a huge dam.

That is why we think it's worth to keep gathering the several agents in the Entrepreneurial Ecosystem – each one with its own vocation – in a unique and crossed space to debate barriers to be eliminated and the so needed structural changes that our economy needs in order to grow.

According to recent studies, 99.5% of Portuguese businesses is made of micro, small and medium enterprises. Of 276.645 companies that, in 2014, filled in the Simplified Enterprise Information of 2013, 230.039 businesses exported “zero”.

However, it's known by all that the survival rate in our economy depends on the capacity to increase exports and decrease imports.

The great question here is: **How do we get there?**

Between 2007 and 2008, 64.471 new companies were created according to a study made by D&B and the Ministry of Justice. Of those, in 2009, still in activity with over 10 employees, there were only 2.735 companies and, in 2010, 1.898 companies.

Of the companies existent in the time frame between 2009 and 2012, 160 were **“Gazelle” Companies**, i.e., companies of high growth, companies presenting an organic yearly growth of employees over 20 per cent 3 years in a row.

The most interesting thing in all this data, from the Estudo Informa D&B - August 2014, is the extraordinary performance that these last companies registered. These “Gazelle” companies created 8.500 jobs, had a 153 per cent increase in their turnover and 178 per cent in the employee number.

Let’s also evidence that, 48 per cent of the exporting “Gazelle” companies exported, in 2012, 41 per cent of the turnover. Between 2009 and 2012 the exports increased 322 per cent.

In fact, the studies demonstrated that, in the USA, companies with less than 5 years have created 40 million jobs in the last 30 years. Whilst, companies with over five years have, jointly, the jobs lost in the last 30 years.

The answer to our question of how to increase the exports capacity and decrease imports seems to be, at least in part, to invest in “Gazelle” companies that, in Portugal, have showed a particularly remarkable performance.

It is in this context that the economic impact produced by the Business Angels and Venture Capital has a critical role in financing these companies’ development, allocating capital, supporting management, experience and contacts.

If we look to the average of the reached results, over 3 years, of the **investments made by Business Angels, in 3208 start-ups in 37 European countries**, between 2004 and 2013, the results are truly remarkable: jobs increased 3 fold from 5 to 15 workers (231 per cent), the income increased 150 per cent and the assets 159 per cent.

In the USA the results are even more impressing, in 2013, 298.000 Business Angels invested on 70.730 new projects, in a total of 25 million dollars, creating 290 thousand jobs.

These results clearly show that the financing via Venture Capital and Business Angels can *per se* be a magical formula to get out of the crisis, but certainly that it represents an invaluable contribution.

And we’re all aware of this reality!

Looking at the questionnaire made by EVCA to entrepreneurs with seed and start-up stage companies about what would their companies be if it wasn't for Business Angels/Venture Capital support. The answers were peremptory: 72,4 per cent said their company might not even exist and 24,3 per cent answered that the same company would have had a slower development.

And the answer to the same question put to businessmen with expansion companies: 64,7 per cent answered that the company might even not exist and 25,2 per cent answered that the company would have developed more slowly.

We evidence here the **increasing dimension that the national business angels associations have been registering in the last 8 years**, becoming real economic development organizations, through the dynamics of a set of initiatives with potential to create new companies and making innovative projects come true in early stages (seed capital and early stages).

The movement of national Business Angels associations – represented today by 17 associations throughout the country – was born 14 years ago, of a small group of people with a common purpose of giving to the national Entrepreneurial Ecosystem a friendlier environment with an adequate incentive structure. It was a long way, but today we see it was worth it, once the tools were created and today Portugal has Co-Investment Business Angels Funds as it's the case of our Program FINOVA, managed by PME Investimentos, which is producing remarkable impact.

In 3 years, there were investments in 132 start-ups, with less than 3 years of activity, amounting 30 million euro which made possible the direct creation of over 160 jobs.

The success was so sounding that in February 2014 it was created a new financing line to Business Angels in the amount of 15 million euro to invest until the end of September 2015, being that it's totally allocated.

Thanks to this success, Portugal is the third European country in the investments rank, by GDP, from Business Angels, after Finland and Estonia.

At the level of **investments made via Venture Capital in Portugal**, the results are not so bright.

In 2013, these investments reached only 259 million euro, being that this total was allocated to companies in seed stage and only 17 million euro were invested in start-up stage.

These results when compared to other European countries allows us to be aware of the distance that separate us from other countries in this kind of investments.

In Spain, for example, the Venture Capital investments reached, in 2012, 2,5 thousand million euro and, in 2013, 2,6 thousand million euro. From these amounts, 209 million euro, in 2013, were invested in seed capital in 377 start-ups. In 2012, 220 million euro were invested in 408 start-ups.

However, it's essential to evidence that the lack of investments in Portugal is not due to the absence of Venture Capital Funds or capital to invest.

Let's note that, in the mentioned period, **18 Venture Capital Funds** were set up in the scope of Programa Compete with a global amount of over **185 million euro** from which only 20 per cent were allocated...

I wonder if we're not facing an opportunity yet to be explored?

I'm afraid so. But certainly it's not the only one.

I think we are, in an interested and constructive manner, contributing to reach new and better ways of acting.

And that is why I take this opportunity to insist, once again, in making joint actions that, from my point of view, it's urgent to put into practice:

Let's see:

- The need of introducing in the formula of Higher Education financing calculation not only objective criteria of quality and excellence, but also pattern values and performance indicators set up equally for all institutions – taking into account evaluation reports known for each course and institution – but also criteria that can conduct the universities themselves and the academics/researchers, to an active involvement in the “market game” at the level of structures, processes and results in producing science.

- Creation of the Program “Procurement Público” as fundamental driver of access to clients by start-ups, namely the ones that had access to BA and Venture Capital Funds, given that start-ups assume an extremely important role in creating jobs and wealth, being, at the same time, leaders in innovation and in the reinvention capacity of the western economies.

Let's see USA's example, through SBA (Small Business Administration) that has for over 30 years a support program to north American businesses namely to the companies in the first years of life, small businesses owned by women, companies created by underprivileged,... giving them a share of the public contracts launched and that in the last year reached 83 billion USD, which corresponds to near 23 per cent of all buying made by the involved public organisms.

- Also, as the recycling of matters is essential in the biological ecosystem at the level of our Entrepreneurial Ecosystem it's needed to develop initiatives which allow the creation of catalysts responsible for recycling assets in the mentioned later Ecosystem, making possible that the knowledge learned by potential entrepreneurs and the human, material and financial means, applied in their training or in the launch of their start-ups can be used and given back to the Entrepreneurial Ecosystem.

- I have been persistently disseminating the advantages of launching a Co-Investment Fund for the Portuguese Diaspora, having as main aim to leverage the funds that businessmen and managers of the Portuguese Diaspora invest in Portuguese start-ups – like start-ups that were supported by national Business Angels, in the scope of the Co-Investment Fund promoted by Programa Compete – contributing that way so the mentioned start-ups could benefit from its Smart Money to make their products and services entry in the attractive markets where they develop their business activity.

- Also important is to strongly support the professionalization of Business Angels Networks, and also the individual capacity of these investors, having in mind the significant increase registered in the last three years of the activity developed by the Portuguese Business Angels Community.

- At the level of investments made, it would be very important to divulge which amounts have been invested by funds and financing lines available to support entrepreneurship projects, and how these amounts were divided in its several development stages, including pre-seed and early stages.

- At the level of public policies to support entrepreneurship and innovation it would be equally important to know which decisions were taken specifically for these areas and priority sectors. About the Business Angels Community and respective networks it would be important that the public policies would recognize a role suited to the importance that it already has in the national Entrepreneurial Ecosystem, like the visibility that the Business Angels movement has in the rest of the world.

- At the level of institutional communication of the results produced by the entrepreneurship support programs and initiatives it would be very important to follow a strategy of massive communication near the social society and, in particular, near young entrepreneurs, making them know all the scopes developed throughout the country and within their reach.

- Also on behalf of the support players of business creation it would be important to divulge the projects developed in the universities' research centres, in incubators' centres, in company nests and in the tech parks throughout the country.

Last, I would like to take this chance to underline a theme that is a worry, and which justifies, in my opinion, the search of new and better ways to act which allow to **capitalize the areas that our Entrepreneurial Ecosystem already has today.**

Today we have an Entrepreneurial Ecosystem that represents all agents and infrastructures to support innovation and entrepreneurship, like other world Ecosystems directed to create companies based in innovation and creativity.

It has excellent academic and scientific institutions, host technological structures (like the case of the Sanjotec incubator which, only in 2012, incubated 40 companies with a turnover in exports of 4,3 million euro to several international markets), agencies and structures of dynamization, independent and institutional operators, family offices, great companies and corporate ventures.

But **each one of these agents in the entrepreneurial ecosystem has a very own vocation**, works in an isolated manner and almost without any connection with other actors.

So it is essential the existence of a **connection between these several agents**, at the level of **planning actions, investments and activities.**

This connection does not suppose a loss of individual perspective of each one of the agents, but simply a more effective global coordination. It's here that the Government function cannot limit itself to regulations of the several Programs that each agent will then have to execute, it will have to be involved in the planning and development processes of the Entrepreneurial Ecosystem, namely in identifying the objectives that should be reached by the mentioned Programs.

Also before I end, I would like to leave a last word about **Entrepreneurship Education**, at the several Learning levels, and the importance that it assumes in the Portuguese society. That is why we have here today a panel dedicated specially to this theme, representative of what is being done in the field, in the sense of capacitating our young entrepreneurs' wannabes.

So I believe that these questions, and so many others, not raised, are a more than valid reason to continue making the Venture Capital IT, at least, as I said right at the beginning, while through it we can find ways of, patiently, make the water pass through the almost invisible cracks in the solid stone which is needed to the ongoing process of modernization and change in the Entrepreneurial Ecosystem and all agents it comprises.

I hope to take until the end of this Congress the clear conviction that it's up to us the capacity of improving, innovating, creating and overcome difficulties.

But all this can't be done, and I've said it a lot, without the initiatives launched, here and there, a bit all over. Once as was referred recently by the chronic writer **José Paulo do Carmo**: "...the

problem is the following day, always the following day. When you need to feed what you started, when you need to be at the level of what you wanted to transmit."

The inconsistency in the actions is one of the main factors of disbelief and so it's time to instil a culture of greater responsibility and realism, once the circumstances we go through isn't eased with utopic solutions.

However, although the difficulties are undeniable, there are proven motives to have hope in the future. The entrepreneurs' enthusiasm present here today, representative of a new culture of incentive to quality, knowledge, competence and qualification, are good reasons to have hope that, through them, we can reverse the current state of enfeeblement that our country is in, building new ways of renovation and development.

I wish you all the best success.

To you all thank you for attending.

Francisco Banha
GESVENTURE's president

fbanha@gesbanha.com

www.franciscobanha.com

www.gesventure.pt