

SELECTED READINGS

Barr, Kate. (January 2, 2009). Guidance for Building a Social Enterprise. *Fedgazette*, vol. 21, no. 1, p. 6.

Published by the Federal Reserve Bank of Minnesota, the Fedgazette includes educational commentary for the general public about the economy and investing. This article, positioned in the Community Dividend section, defines social enterprise as a fundraising strategy put in place by nonprofit organizations (e.g., Girl Scouts of America cookie sales). Kate Barr, who heads Minnesota's Nonprofits Assistance Fund, suggests helpful hints for nonprofit organizations seeking commercial funding for their benevolent works. Advice such as "achieving a double bottom line" and properly assessing the organization's readiness are invaluable tips for the nonprofit entrepreneur.

Cruickshank, Nancy. (January 1, 2009). Instil [sic] Confidence in Your Brand If You Want to Secure Venture Capital Funds. *Revolution*, p. 24.

The dot.com boom of the 1990s has convinced young entrepreneurs that whatever the gadget, discovery, innovation, or gizmo, some soul exists who will front the money. From venture capitalists to angel investors to strategic business competitors, someone out there has a nickel for you. However, with economic crunches on the horizon, the land of plenty is no longer a promised land. This article, published in a British periodical, confirms that in times of duress, if any funding is circulating, the venture capitalists are the ones who'll set the stage. The author of this opinion piece cites the coveted criteria.

Dahl, Darren. (February 2006). Facing the Capital Gap. *Inc.*, vol. 28, no. 2, pp. 25–27.

This article highlights the ever-changing climate of venture capital funding: who's en vogue, who's déclassé, and which start-up firms do venture capital firms love to hate. While recognizing the volatility in investor temperaments, the author of this article chronicles the prevalent trends in venture capital deals at the start of the new millennium, and why raising \$200,000 can be more difficult than raising \$5 million.

Farrell, Christopher. (April 28, 2008). How Angel Investors Get Their Wings. *BusinessWeek*, no. 112.

Angel investors invest in promising start-ups too young and raw to attract the attention and money of professional venture capitalists. The credit crunch and economic downturn have some angels feeling skittish. But others see opportunity. Studies show that the best time to start a business is when the economy is down. That's because entrepreneurs with good ideas will find cheaper land, labor, supplier contracts, and other ingredients that go into starting a business. Angels who back such ventures can earn impressive long-term returns—one study cites a rate of return of about 27 percent, on average, or 2.6 times the investment in 3.5 years. The risks, of course, are steep. Still, 258,200 angels pumped \$26 billion into 57,120 ventures last year, according to the University of New Hampshire's Center for Venture Research. While many angels are current or former entrepreneurs, and that background can prove invaluable, they also need to develop investing skills.

Gimmon, Eli. (2008). Entrepreneurial Team-starts and Teamwork: Taking the Investors' Perspective. *Team Performance Management*, vol. 14, no. 7/8, pp. 327–39.

This article includes the results of a research project, which evaluates the importance of entrepreneurial teamwork in venture capitalists' decisions to fund a venture. The entrepreneurial teams examined in this research are exclusively involved in high-technology pursuits, such as information technology and electronics. The author of this research is an Israeli business professor who bases his hypothesis on

previous evidence that teamwork has a favorable effect on the success of entrepreneurial undertakings. The author's conclusions examine the habits of venture capitalists and angel investors from different geographical regions: U.S. investors, for example, do not value entrepreneurial teamwork as much as do British and Israeli investors.

Kushnirovich, Nonna; Heilbrunn, Sibylle. (June 2008). Financial Funding of Immigrant Businesses. *Journal of Developmental Entrepreneurship*, vol. 13, no. 2, pp. 167–84.

This 2008 article includes the results of a study conducted among Israeli businesses between the years 2000 and 2005. One-hundred fifty-three of the responding businesses were owned by immigrants from the former Soviet Union, while 214 were owned by native Israelis. The authors of this study, faculty of Israel's Ruppin Academic Center, compare the borrowing tendencies between these two groups: immigrant- and non-immigrant-owned businesses. According to the results of the study, Israel's non-immigrant-owned businesses had more access to capital from the Israeli government, banks, and other financial institutions. Yet, the immigrant businesses tended to assume less debt and had unique sources of capital at their disposal.

Pineda, Yovanna. (June 2006). Sources of Finance and Reputation: Merchant Finance Groups in Argentine Industrialization, 1890–1930. *Latin American Research Review*, vol. 41, no. 2, pp. 3–30.

The author of this article is a Latin American history and economics professor at St. Michael's College in Vermont. Her research paper describes the importance of personal relationships and social status in securing business funding in turn-of-the-century Argentina. While the capitalist economies of Europe and North America were swelling with the boom of industry, Latin America, namely Argentina, was devoid of even an established banking system. The author's thesis explores how five small-business lenders managed to fund Argentina's industrial revolution, in the absence of equity and credit markets.

Rayasam, Renuka. (August 1, 2008). Who Needs Silicon Valley? Thanks to New State Programs, Companies Are Finding Funds Outside of Traditional VC Hubs. *Inc.*, vol. 30, no. 8, pp. 10, 43–44.

California's Silicon Valley is considered the mecca of venture capital firms: progressive, forward-thinking individuals who recognize the importance of providing seed funds. Obviously, in times of economic downturn, these once well-recognized fonts of wealth dehydrate and inventors are left with nowhere to turn. According to this article, U.S. state governments are creating training programs that coach wealthy individuals on the benefits of assisting start-ups. The Wisconsin Angel Network, for example, has secured tax incentives for the state's wealthy individuals who choose to invest in fledgling enterprises.

Westerman, James W.; Geiger, Scott W.; Cyr, Linda A. (December 2008). Employee Equity Incentives and Venture Capitalist Involvement: Examining the Effects on IPO Performance. *Journal of Developmental Entrepreneurship*, vol. 13, no. 4, pp. 409–23.

Many times entrepreneurs are hesitant to operate within the confines of other people's money. While the additional influx of cash is often welcome, seasoned entrepreneurs realize these handouts come at a price: independence. This article, for such naysayers, offers proof that accepting venture capital funding can ensure the success of a business, should it choose to go public. Also, the employees of these potential initial public offering firms are in better stead if their company has received venture capital funding.