WHAT DOES IT TAKE TO GET START-UP FUNDING AT AN ESTABLISHED FIRM? (INTERACTIVE PAPER)

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Principal Topic

Researchers have studied the decision criteria used by venture capitalists to determine which independent start-ups receive funding (e.g., MacMillan, Zemann, & Narasimha, 1987; Siegel, Siegel, & MacMillan, 1988; Tyebjee & Bruno, 1984). Similar work focused on understanding what the important criteria are for corporate entrepreneurs to receive funding for a new product or service is virtually absent in the literature, however, these criteria are likely to be different from what we know from the venture capitalist literature. In contrast to independent entrepreneurs, start-ups in corporations have access to the relative wealth of their corporation, but are constrained by organizational strategies and structures. Therefore, this research addresses the research question: How can corporate entrepreneurs increase the likelihood of receiving funding for new products or services?

Methods

The research consists of multi-company interventions over 12-weeks with employees constituting 83 teams. Teams from each of the companies attempted to obtain funding for their idea at the end of the intervention for a new product or service concept which was not already in the company's development pipeline. Start-up funding was obtained for 55 out of the 83 projects.

Implications

Independent t-tests were performed to investigate the differences between the funded and unfunded projects and between projects that received relatively large versus relatively small amounts of funding by evaluating 13 variables at the end of the intervention.

To obtain funding, the most important factors turned out to be Return on Investment (ROI) and the executive champion. The better the prospects for ROI and the more positive the champion was perceived by the team, the higher the chances to obtain funding. Hence, the backing of a good executive champion and the ability to show a high ROI are crucial. For those projects that obtained funding, the amount of funding depended on the attractiveness of the market of the new venture, the business acumen of the venture team, and the superiority of the product. The effect of ROI on the amount of funding obtained was marginally significant and the effect of the executive champion was insignificant.

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