TOWARDS THE DEVELOPMENT OF AN ENTREPRENEURIAL SCORECARD: WHICH FACTORS INFLUENCE PUBLIC FUNDING DECISIONS ON NEW VENTURE BUSINESS PLANS? (SUMMARY)

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Principal Topic

This paper examines how different factors may influence decisions by public funders to support entrepreneurial ambitions, based on submitted business plans. The research seeks to generate new insights on methods of assessing entrepreneurial business plans and towards the design of an entrepreneurial scorecard that can assist funding decision makers.

Method

The study deployed statistical methods to examine 1,728 business plans submitted to a nationwide public seed funding programme in Colombia during the period 2012-13. In order to identify external factors that might impact the fund granting decision, a bivariate analysis was conducted according to two related approaches: 1) contingency table analysis to test the independence between each external factor and the funds granting decision (i.e. accepted, rejected); and 2) calculating the information value (F) of each external factor.

Results and Implications

Using six primary variables that represent factors thought to influence the level of acceptance or rejection of business plans, we find strong predictive power of location by department (versus weak predictive power of location by city or region and moderate predictive power of industry). Variables such as application timing within the call cycle, amount requested and available budget also had little association with the outcome of application. This suggests that external factors - related to the funding process itself - have little negative effect on entrepreneurs’ access to public seed funding; suggesting that decisions are mostly based on variables directly related with the business plan itself (i.e. internal factors).

However, we identify that the model will display predictive validity - through association of factors regarding seed funding decisions with the actual decisions – when the departments (supporting funding applications) engage in encouragement of entrepreneurship selectively, i.e. when they are selective on location/industry/applicant source. Thus, rather than a criteria scorecard for funding success, findings also suggest that for efficacious development of entrepreneurial effort, the public seed funding system could attempt to dilute locational and industry variation in its focus.

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