

Module 2. Funding Sources

Introduction

Throughout the journey to launch a startup, more sooner than later, we will come across the need to invest money to pay the costs of the operation, even if they are minimal. In this module, we will see the different financial sources available to an entrepreneur, both to make the initial investment and to boost the startup. But first, let's review which are the initial costs that must be paid with own or external capital.

When we are testing our business model, there is a fixed investment associated with the costs of setting the startup in motion and of having basic equipment to work with. The working capital, i.e., what it costs to produce and manage the enterprise, is added to this fixed investment. The first losses that are produced until the business model are defined are also added.

In short, what do we need the money for?

- 1) to purchase inputs and maintain inventory;
- 2) to pay structure costs such as salaries and rent;
- 3) to develop the minimum viable product (MVP); and
- 4) to purchase equipment and accessories.

What must be defined, then, is whether we are going to generate debt or open the startup to incorporate external capital.

With debt, we get the duty of returning the money to whoever lends it to us, including the financial costs or interests. In general, these are granted by banks, finance companies or even credit cards, although they can also be facilitated by individuals. Besides, there are government institutions that grant loans specially designed for startups.

However, when we decide on opening the game to third party capital investments, an agreement that involves giving shares of the company will be made. In this case, the money is obtained both from individuals and from professional investors, investment funds and accelerators, among other entities, which we will see below.

In the case of professional investors, they provide money in order to make a profit (observable in a cash flow), achieve future growth that shows the startup and carry out a



significant investment for them, thought from the sale to a higher valuation once developed.

In this way, capital represents the investors' participation in the ownership of the company through the money provided. A common way is the sale of shares to a limited number of investors.

Both options (debt vs. capital) have their pros and cons.

Loan

The advantages of the loan are the following:

- 1) it is known in advance what the interests are, and, therefore, how much will be overpaid;
- 2) there is no division of the profits beyond the partners; and
- 3) the possibility of weakening the partnership is avoided.

On the other hand, the disadvantages are the following:

- 1) balance with debt;
- 2) payment delays with negative consequences; and
- 3) payment defaults and a decrease in profits that are used to pay interests.

External capital

Among the advantages, we can consider the following:

- 1) there is no repayment;
- 2) it allows an improvement in balance by optimizing the credit situation;
- 3) the possibility of personal conflicts affecting the relationship with the investors is reduced; and
- 4) the venture improves its valuation and legitimacy.

Nonetheless, among the disadvantages, we can mention the following:

- 1) more time must be spent on getting the startup working;
- 2) while some decisions must be shared, others must be given up; and
- 3) there is a return of the capital received plus the agreed interests.



What the entrepreneur has to understand when incorporating an investment partner are the particular interests of the latter. Besides, the entrepreneur has to work to align the partner interests with the ones of the venture or the founders. For example, an investor may expect to recover the investment with a surplus, and, in order to meet such return, it would be necessary for the entrepreneurship to grow at a certain rate, a situation that does not coincide with the interests of the entrepreneur.

Once the characteristics of each modality are defined, it remains to clarify that third-party capital investments (angel investors, venture capital, accelerators, company builders, investment funds and others, which we will see below) are usually known as smart money, as apart from money, they provide knowledge, experience, advice, bonding networks (suppliers, customers, new investors) and everything they can offer within their reach.

The challenge for these investors is to contribute to the growth of the startup and to get a sale of their shares to another fund or a strategic partner in the medium term.

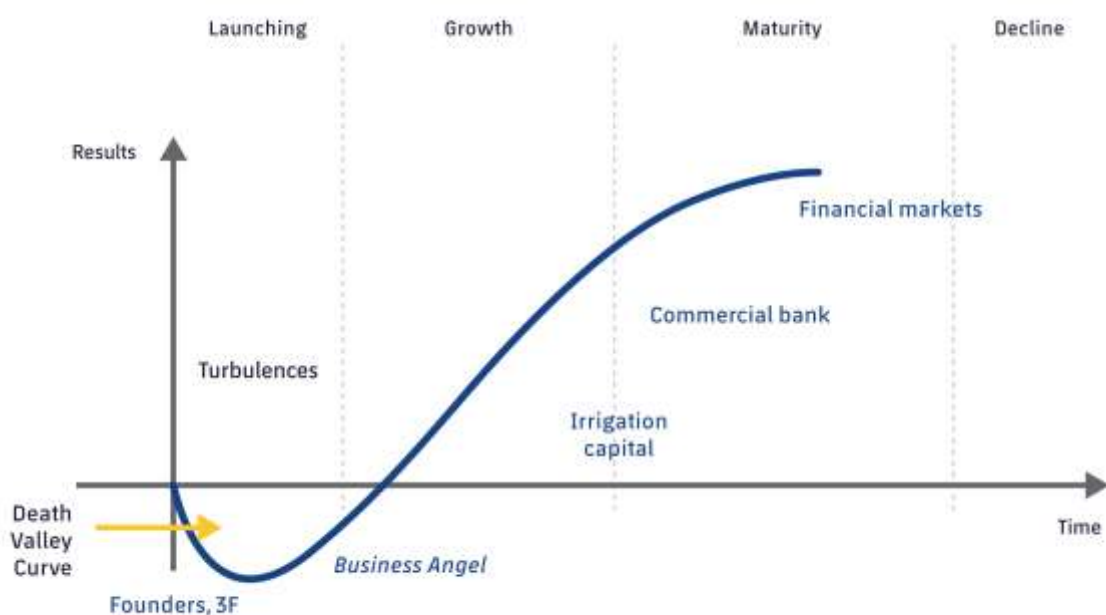
The type of financing needed will also depend on the type of venture. Some of them are dynamic and require initial capital to validate their ideas and business models (they have higher risks); other ventures need working capital to buy materials to produce, and the product is more traditional. The financing applied to each one of them is different because the business model is also unlike.



Unit 2.1 Traditional Sources

Among the options that we are analyzing, we realize that there exist many types of financing, which, although they have certain features that identify them, may not perform the same. It will depend on the kind of startup, and, of course, on the agreement established.

Figure 1: **Types of investments according to the venture's stage**



Source: own adaptation based on Megías, 2013.

Let's learn, then, what options of investors or types of financing we will find in the market and what are the features of each one.

Seed Capital

The seed capital is the instrument for financing ventures which are about to start or that are going through the initial stages. Therefore, this capital is necessary for the validation of the business model.

The entities in charge of providing this financing are the following:



- 1) incubators or accelerators;
- 2) government public funds; and
- 3) loans for entrepreneurs offered by banks.

The Four *f* or FFFF

Known as "*the four f*", referring to "*founder*", "*friends*", "*family*" and "*fools*", these are not investors per se, but they play a key role in the first stage of the venture. They trust in the entrepreneur and therefore, risk their capital.

This group is usually made up of the people from the founder's entourage who invest a small amount of money to set up the business since this is another stage of learning about profitability and scalability.

When we talk about the founder, we are referring to the entrepreneur or to the entrepreneurial team that bets everything on this challenge, far beyond their time (they often invest their savings to begin the startup). This risk they take is the one that will give security to investors in later stages, as it proves the commitment with which they assumed their project.

Friends and family are fundamental support, but it is always necessary to make clear what their participation in the venture will be. In these cases, it can be very helpful to settle an arrangement or an agreement, where the participation, duties and rights of each party in order to solve potential conflicts are defined. Otherwise, friends and family may become partners in the project with undesirable attributions if their roles are not clear.

As regards the "*fools*", they are said to be those who are not acquainted with the business. They bet on the entrepreneur and his vision and consider it worthwhile to risk their money in the venture, confident of future profits. In this case, it is also important to establish an arrangement with conditions that make explicit the way to solve conflicts in case of both losses and profits, as, in the medium term, the big picture is not yet clear.

Government Funding

Many countries in the world receive state support for the development of the venture capital industry in their land. Each case is different and adopts a particular model. Something common among the majority is the operation of a public fund from which



different programs are developed, managed and supported for different types and stages of the startups.

Sometimes, these funds are used for seed capital, with initial contributions (in some cases, they are repaid as a loan, with or without interests; and in others, they are not repaid, considered contributions to better fortune) or in co-investments with private entities, such as investment funds and accelerators, where governments match the invested capital without taking any shares in return.

Business Angels

The so-called “angels” are people who decide to invest their capital in companies which going through the initial stages and that have a certain degree of innovation.

Their purpose, generally, is not purely speculative, nor do they intend to make only financial investments and contribute their money to earn more. Rather, they seek to be part of new businesses or “get involved in an exciting project in which they can contribute” (Megías, 2013, <http://bit.ly/3rqtnNv>).

Many of them are entrepreneurs that invest in other entrepreneurs, with moderate amounts of money, and who want to contribute with other types of value to the venture, like advising, resources, experience and contacts. Purely financial arguments are not what drives them.

Likewise, the business angels may invest in groups, which implies multiple people, although the contribution is always personal. For this reason, we may find business angels clubs with different profiles: entrepreneurs that sold their companies and want to invest in emerging companies, managing directors who want to contribute with knowledge, people who do investments, etc.

Those people who invest in startups may have several reasons. Some of them do it because they are interested in supporting new entrepreneurs who are creating technologies that modify their status quo; others do it because they want to invest in products used by them every day, and others because they want to diversify their investment portfolios by adding a new type of assets. Whatever reason, it should not be to obtain a significant amount of money: investing in startups is too risky, and the whole investment will probably be lost.

Accelerators



Most accelerators invest in early-stage ventures through seed capital in exchange for participation (low, no more than 10% of the capital) in the business. Nevertheless, their support goes beyond the financial contribution, as they also offer other contributions like physical space, advising, training and connections, among others.

Some accelerators invest in specific verticals such as sports and different stages.

Company Builder

The goal of these companies is to launch and collaborate with the development of innovative companies.

They share some features with accelerators. The members of the company builder play an active role in defining and setting the business in motion, with personal involvement and a higher shareholding, since, in most of the cases, they hold between 25% and 45% of the venture's shares.

One of the main concerns identified in the regional ecosystems is that, with an underdeveloped private capital investment ecosystem, there exist unmet gaps in the financial stages of ventures. Thus, the main challenge for entrepreneurs is to survive despite the lack of continuity in financing rounds.

To face this challenge, the company builders not only have a model which allows them to give support to the entrepreneurs over a longer period of time but also try to avoid the crisis of lack of funds.

At the same time, this model helps mitigate the risk of investment by searching for those ventures that can be profitable in the fastest way and grow more organically.

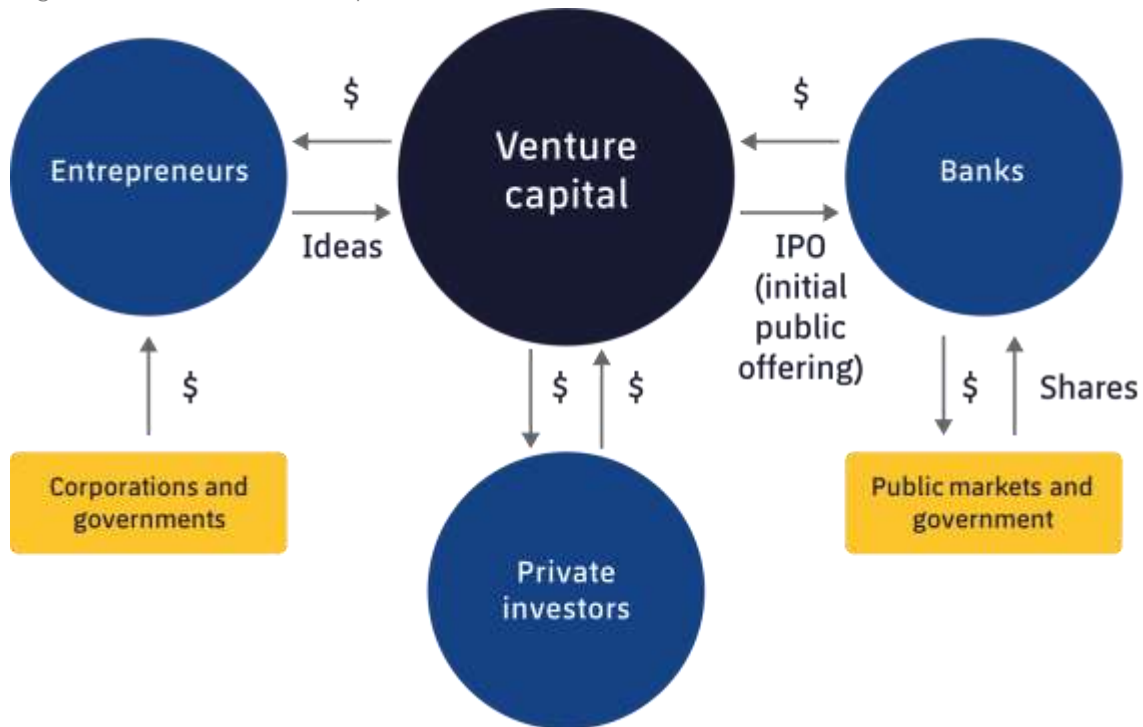
Like accelerators, the model has a network of advisors and investors, who represent an added value to entrepreneurs or it has strategic connections with universities, governments and other organizations that provide additional financing and access to innovation.

Venture capital

Venture capital (VC) is a type of financing directed to companies and startups in the initial stages, with real expectations or proofs of growth. The funds of VC invest in these companies in exchange for an equity stake.



Figure 2: How venture capital works



Source: own elaboration.

In general, these funds are made up of companies that put the capital of private investors (people and banks), public investors and other entities—which may be international—in startups with clear growth potential, high profitability and innovative business ideas. They target certain industries, geographic markets and companies of different sizes, over other options.

This is the long-term financing of high potential companies in the form of capital investments, which is accompanied by active advisory, corporate governance and strategy (venture capital). Usually, investment funds are in charge of managing this type of capital, through the operational and financial expertise of their specialists, who are trained for such purpose. These funds are a great incentive to achieve the growth of new companies.

The efficiency of this instrument is also evidenced in the strong social impact resulting from accelerating companies with high economic impact.

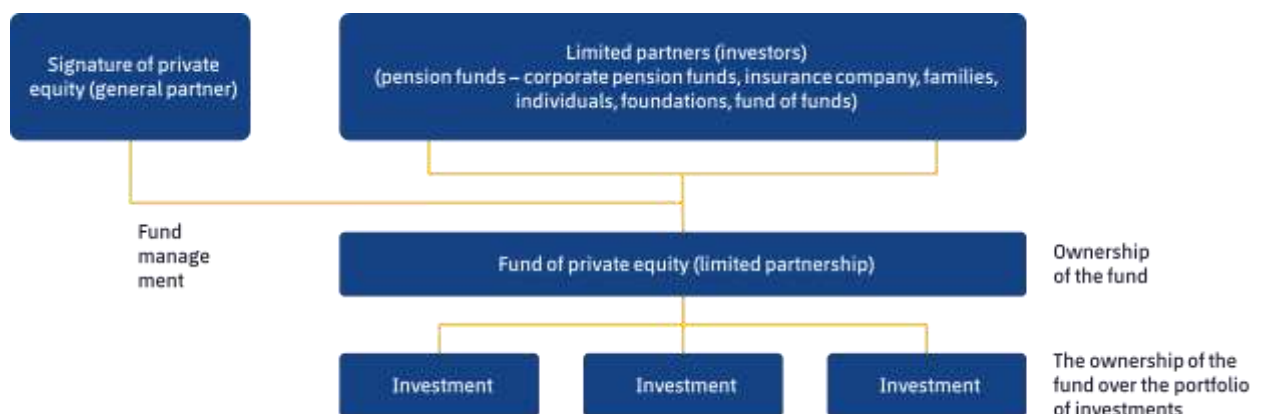
Private Capital (Private Equity) and Investment Funds



We talk about private capital, capital of investment or private equity when an entity engaged in capital investment acquires the majority of the shares (majority package) of a company.

The goal of private equity is to invest in companies that, without being ready to quote, are already consolidated. Generally, the capital is used to carry out important transactions, such as buying another company (Megías, 2013).

Figure 3: How Private Capital or Private Equity Works



Source: own elaboration based on Zider, 1998, <http://bit.ly/3rvjChd>

The goal is to gather funds from different investors to invest them in different financial instruments. This partnership can be disintegrated once all units are sold, at any time, except in the case of funds whose liquidity is subject to predetermined terms.

What these investors seek to in startups is the following:

- 1) that they are made up of a competent, professional, passionate and global vision team;
- 2) that they aim at market segments with growth potential;
- 3) that they have identified their competitive advantages;
- 4) that they are willing to incorporate the value offered by the investment fund, beyond capital;
- 5) that they show prospects of profitability, proportionate to the existing risk; and
- 6) that they have clear prospects and a potential exit plan for when necessary (Banco Bilbao Vizcaya Argentaria [BBVA], 2002).



An exit strategy is a plan for the future for when the startup must stop relying on the investor's financing to continue on its way. Those who have provided the money want to recover it, if possible, with profits, and the founders are faced with the need to monetize their resources in one way or another.

There are many exit strategies for a company. The sale or fusion of the startup is always a possibility. In Silicon Valley, there is continuous marketing in this regard. Going public, once a certain size has been achieved, is also one of the possibilities, as buying back stakes from investment partners is. The closure is the other exit, the undesired one (Bejerano, 2014, <http://bit.ly/20C36NP>).

Some of the benefits provided by the funds are the following:

- 1) the planning and execution of the long-term strategy, through its participation in the general management and its involvement in the control of finances;
- 2) the formalization of processes and procedures linked to management control and decision making;
- 3) the economic-financial stability and the possibility of climbing in the business;
- 4) the Access to alternative sources of financing, as well as the connection with strategic partners for the company; and
- 5) the preparation and training for going public, which gives greater credibility with other entities (BBVA, 2002).

Banks

Financial institutions have a package of loans to finance entrepreneurs' projects along their different stages of development, but they usually have very high-interest rates, so they are not always the most recommended options. It is important to be aware of the fact that loans necessarily imply the repayment of the beneficiary.

Public funds

Although in most countries the State has various incentives to promote economic activity, the possibilities vary depending on the country and the form of government.



Mostly, the State does not take equity in exchange, but it does include a repayment from the startup unless it is a particular program (like seed capital). Apart from this particularity, public funds are still one of the cheapest options for financing.

Equity is the shares into which the ownership of a startup is divided. Therefore, when we talk about the equity distribution of a startup, we are referring to how the ownership of the startup is divided among its partners.

Before going on, let's take a brief look at the five stages a startup goes through during its development and the type of financing that occurs in each of them:



Figure 4: The five stages of a startup



Source: Abanca Innova, 2018, <https://bit.ly/3qudgNH>



The English translation of this image is below.

LAS 5 FASES De una startup	THE 5 STAGES Of a startup
<p>SEED</p> <p>La fase semilla es la primera fase de una startup. El objetivo es desarrollar la idea inicial hasta conseguir M.V.P. que testar en el mercado.</p> <p>La financiación normalmente viene de Friends & Family & Fools.</p>	<p>SEED</p> <p>The seed stage is the first stage of a startup. The goal is to develop the Initial idea until we get M.V.P. to test in the market.</p> <p>Financing usually comes from Friends & Family & Fools.</p>
<p>EARLY</p> <p>La fase temprana, implica tener un producto en el mercado y las primeras métricas, con el fin de mejorar el producto y encontrar el canal de captación. La financiación suele ser de manera externa a través de Venture Capital</p>	<p>EARLY</p> <p>The early stage involves having the first metrics and a product in the market, in order to improve the latter and find the channel for capturing clients.</p> <p>Financing is usually provided through Venture Capital.</p>
<p>GROWTH</p> <p>La fase de crecimiento de la startup se debe centrar en conseguir escalar de manera sostenible.</p> <p>Si bien la financiación externa es interesante, es importante desarrollar un flujo de caja estable</p>	<p>GROWTH</p> <p>The growth stage of the startup must focus on achieving sustainable scale.</p> <p>Although external financing seems enticing, it is important to develop a stable cash flow.</p>
<p>EXPANSION</p> <p>La fase en la que se debe plantear la expansión a nuevos mercados. La elección del lugar concreto es el apartado crítico.</p> <p>Suele ser imprescindible alcanzar acuerdos con grandes empresas para conseguir la financiación.</p>	<p>EXPANSION</p> <p>In this stage, expansion into new markets must be considered. The choice of the specific location is the critical section.</p> <p>It is often essential to make agreements with large companies to obtain financing.</p>
<p>EXIT</p> <p>La fase de vender la startup, ya sea a través de una adquisición por otra compañía o una OPV.</p>	<p>EXIT</p> <p>The momento of selling the startup, either through an acquisition by another company or through an IPO.</p>



Table 1: Features of each stage that startups go through

STAGE	FEATURE
<i>SEED</i>	<ul style="list-style-type: none"> • Idea developed with MVP. • Small investment by FFF, <i>business angels</i>, specialized funds. • Validation search.
<i>EARLY STAGE</i>	<ul style="list-style-type: none"> • Developed product. • Search for <i>partners</i> and collaboration. • Search for growth. • Investment of relevant funds.
<i>GROWTH STAGE</i>	<ul style="list-style-type: none"> • Validated product. • Quick growth stage. • Hiring of additional staff. • Relevant investment, but there must be positive cash flow.
EXPANSION	<ul style="list-style-type: none"> • Validated product. • International expansion. • Needed Funding in general terms. • Agreements with large companies.
<i>EXIT</i>	<ul style="list-style-type: none"> • Sale of the <i>startup</i> through the selling of the founders' shares to another company, through integration within a larger company or through an IPO (initial public offering), which would mean going public. • This stage is optional.

Source: own elaboration based on Abanca Innova, 2018, <https://bit.ly/3qudgNH>

In the following chart, you can observe some of the financing alternatives depending on the focus of the *startup* at each stage, what is necessary to advance to the next stage, the type of investor and the optimal working place for each stage. It is important to pay special attention to the last row of the table, where it is possible to find, as a reference, what is the customer acquisition cost (CAC) to the lifetime value (LTV).



Table 2: Comparison of financing alternatives

	Idea or concept	Seed	Series A
Difficulty level	Fun	Hard	Hard
Focus	Validate idea	Product – market – fit / early adopters	Scale
What is necessary to proceed to the next stage	Idea + track record	The team + progress + KPI + growth numbers	User growth + level of growth
Type of investor	FFF family	Angels + accelerators + micro VC	VC
Workplace	Own house	Coworking	Own office
Market situation	CPA>LTV	CPA=<LTV	CPA<LTV

Source: own elaboration.



Unit 2.2 Other Ways to Finance Projects

There exist some new trends to finance projects which enable access to any person, in any part of the world. Hereafter, we will see which ones are we referring to and their particular features.

Crowdfunding

Crowdfunding, also known as “micro-patronage”, is a way of financing projects by raising small amounts of money from a large number of people, usually through the Internet.

This method arose in the very beginnings of open source projects, in which developers began to ask for donations to pay for the work they were doing in a disinterested manner, and thus, they achieved broad participation of users who decided to finance their work to enjoy the profits it generated for them.

Nowadays, this model is highly used by startups to finance the development of their minimum viable products or their prototypes, with donations from potential clients, negotiating in various ways the realization of contributions in exchange for shares, carrying out the presale of products at a differential price, among other options. It is also widely used by the artist and audiovisual creators to finance their productions.

The most relevant examples of this platform are Kickstarter, Idea.me, Indiegogo and Crowdability.

Initial Coin Offering

Initial Coin Offering (ICO) is a way of financing projects through the use of cryptocurrency, which can be equated with a company that goes public and offers shares to investors in exchange for money, although this is named initial public offering (IPO) (Preukschat, 2017).

Like in the case of crowdfunding, the mechanism of the ICO consists of offering the sale of a multiplicity of crypto assets on the Internet in order to finance a project, that is to say,

In an ICO, when searching for financing, the project issues a certain amount of tokens based on blockchain technology and delivers them to the investors in exchange for other cryptocurrencies that already have market capitalization such as Bitcoin or Ethereum, or fiat money such as the dollar



or the euro. The whole operation is carried out using smart contracts which are in charge of automating the token distribution process according to the requirements set by the ICO owner. Thus, when the payment condition is met, the contract allocates and sends to the investor's wallet the corresponding amount of tokens automatically. (Criptonoticias, s. f., <http://bit.ly/3bshbX2>)

This is how the project receives the funds while the investor gets tokens that are similar to the shares in a traditional IPO. These tokens can be used as exchange value in case the ICO is successful.

For some time now, the form of execution of ICOs has evolved from one to two stages and has caught, in the first stage, a private placement, called "pre-ICO" or "presale". In this stage, the aim is to raise as much money as possible from private investors, through incentives such as discounts and bonuses for taking the risk of investing in an early-stage project.

Some of the most relevant features of ICOs as a source of financing are the following four:

- 1) Global nature: the democratization brought about by the Internet promotes the massive sale of any merchandise. Therefore, any interested party can invest with this source of financing, from any part of the world.
- 2) Ease: there is no need for intermediaries—such as stockbrokers—to carry out the operation, as investors can carry out the transaction on their own, from the platform and whenever they want.
- 3) Unlimited investment: only the owners of ICOs can set purchase conditions, so interested parties can buy as many or as few tokens as they want.
- 4) Little regulation: since ICOs are not yet highly regulated in the world, there is no reliable protection system for investors, which increases the investment risk. At present, only in the United States, they are regulated as securities, while specialized companies keep working to improve practices to ensure security (Criptonoticias, s. f.).

Prizes or grants

They are set as contests in which companies (often associated with other organizations) seek to stimulate innovation and integration of technologies in order to find solutions to consumer problems.



The companies propose the terms and conditions of the contest and make the call for startups to participate in challenges, with really encouraging economic and symbolic prizes, which serve to finance the projects they promote.

Corporate Investment or Open Innovation

This way of financing projects became popular thanks to the contributions of corporations that seek to incorporate innovations in their business through the entrepreneur ecosystem.

Since always, companies invested in their I+D areas (investigation and development) which allowed them to manage their knowledge and technology inwards, to launch innovations to their traditional market. However, in 2003, the concept of open innovation arose from Henry Chesbrough, a professor at the Hass School of Business at the University of California, Berkeley (United States). This concept revolutionized the innovation areas of companies and their way of thinking about investments since this dynamic implies less money, time and risk.

Therefore, this concept suggests opening the knowledge of the company to other entities, such as universities, research institutions or startups, in order to enrich ideas in a collaborative and peer-to-peer manner. In other words, open innovation adds

collective intelligence and, in this way, allows the creation of innovative ecosystems that energize the implementation of new products, processes and technological applications. Besides, it puts an end to the “monopolies of knowledge” which until the last decades, set the rhythm of innovation. (Bernal, s. f., <http://bit.ly/3qplu9K>)



Figure 6: Open Innovation Model



Source: Bernal, s. f., <http://bit.ly/3qplu9K>

The English translation of this image is below.

UNIVERSIDADES	UNIVERSITIES
EMPRESA	COMPANY
STARTUP	STARTUP
CENTROS DE INVESTIGACIÓN	RESEARCH CENTERS

Many companies are convinced that there is no point in treasuring ideas and talents in static areas of research and development; rather, ideas and talents must be shared and worked on with the various knowledge communities of the ecosystem, to enhance them.

From the point of view of startup financing, this model can be approached from two different perspectives, both with the same goal: large companies that turn to startups and other organizations searching for new ideas or vice versa: ventures that turn to corporations in search of old problems to solve.

The latter happens because many startups fail—because they cannot find the problem-solution fit or the product-market fit correctly, as we saw in previous modules—and

resort to large companies that already have that connection with their market, but are not capable of innovating or their solutions are obsolete compared to the technological advance (Martín, 2018).

Although this methodology is habitual in technological companies, we can also identify other companies that aim at other areas to achieve innovative solutions that solve problems associated with medicine, nutrition or entertainment.

This goal of harnessing the competitive advantage of exchanging and sharing growing knowledge has led to the creation of corporate venture accelerators in various areas:

Corporate startup accelerators are business groups that can catch, analyze, filter, accelerate and invest in startups to bring about new business opportunities, as they are very effective tools for the investee companies to project themselves to the market quickly, with the support of the corporation. (Bernal, s. f., <http://bit.ly/3qplu9K>)

In 2015, FC Barcelona decided to invest in innovation and transform it into a key goal for the club. In this way, FC Barcelona is the leader in innovation, and as it considers the latter a cornerstone, the club allows Barça Innovation Hub to strengthen its position in the industry and to facilitate collaboration with research centres, and access to the best talents.

An important issue for the Barça Innovation Hub was to define the model of the collaboration agreements under which this department works: an ecosystem of open innovation through which the club may innovate, catch, manage and share knowledge, both own and external.

The activities focus on developing a corporate innovation strategy through the co-development of products and services, continuing to drive cutting-edge applied research projects in the field of sports science, and creating a global knowledge platform that will fully change the accessibility of valuable sports knowledge.

Since the season 2018/19, the Barça Innovation Hub has developed an approach that combines two cornerstones: the academic and the corporate. With education as a key source of revenue for the department, Barça Universitat, the program for sharing knowledge within the sports industry, has developed in situ programs in collaboration with different academic institutions (such as ISDE and INEFC) and e-learning programs in association with benchmark companies in the development of this format (Capabilia). Companies, on the other hand, represent another group of fundamental partners of the



Barça Innovation Hub, where the department's services can be included as assets as part of the collaboration agreements. These corporate partnerships respond to international expansion and FC Barcelona's goal to remain at the forefront of innovation.

Loans for entrepreneurs at preferential rates

What is new about this modality is the adaptation of the loan's interest rates to the idiosyncrasy of the entrepreneur and their project, intending to boost its development, trusting in its future potential. In this way, the sustainability of productive activity is guaranteed.

The credit issuers are the banking entities that, as mentioned previously, have different criteria and modalities, according to the country in which they are located.

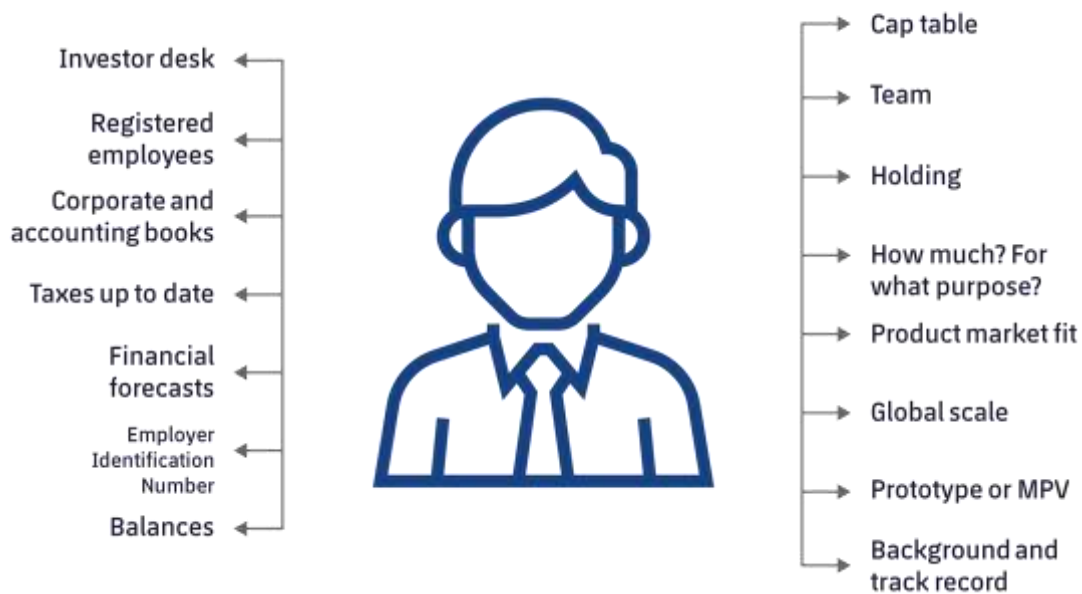
When is the moment to look for financing?

Investment readiness is a concept that encompasses the whole development of the venture, from the accounting of the innovation—which are the books of validation of the problem-solution fit and the product-market fit—to the toughest and technical aspects of compliance with financial, corporate and legal issues that every company must comply with.

Figure 7: Investment Readiness



Investment readiness



Source: own elaboration.

This concept helps us be ready and able to be in a position to receive investments, as we have a desirable, organized, potential and low-risk business in our hands.

One of the prerequisites to catch the investment is due diligence analysis. A detailed investigation of different areas of the business to be acquired to grasp a deeper understanding of what is being sought. For most buyers or investors, this is the first opportunity to get to know the business in detail. This due diligence process allows reducing the asymmetry of information between the investor and the invested project. It implies giving access to all the organization that is seeking to be sold or that is seeking to increase its capital through the incorporation of a new equity partner and often includes the signing of a confidentiality agreement before the start of the process.

The due diligence begins after a period of negotiation and approximation between the sellers and the investors or buyers and once the investors show a real interest, usually demonstrated in a letter of intent in which the intention to acquire all or part of the company under certain conditions is expressed.

The due diligence process is not always the same for all companies, since it adapts itself to the type of transaction, nature of the investor and the complexity of the business. Nevertheless, this process usually covers the following areas and functions of a company:



- 1) financial and accounting aspects;
- 2) market position and commercial aspects;
- 3) quality and effectiveness of management;
- 4) technological aspects;
- 5) tax, labour and legal issues;
- 6) environmental issues;
- 7) (others) (Alpa, s. f.).

If these areas and aspects are covered, then it is easier to protect the valuation of our company, since not only all the risks are mitigated and being managed through alternative contingency plans but also the legal and tax requirements are in order and good standing, whether in respect of agreements, taxes or creditors.

Investment readiness paves the way in the due diligence process and ensures that the course of the investment proceeds smoothly and without further complications. Besides, it favours the transmission of security and professionalism to third parties interested in investing to finance the growth of the venture.



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