

Afterword

The chapters in this book clearly demonstrate that business angel investing, once thought of as a phenomenon restricted to the advanced industrial economies of North America and parts of Western Europe, occurs much more widely. Drawing on new data from a wide range of Asian and Pacific Rim economies, the book also demonstrates, first, the great diversity of the business angel investment phenomenon in response to variations in economic, political, social and institutional circumstances, and second, the importance national and regional/local governments attach to stimulating and supporting angel investment through regulatory change, tax incentives, and support for angel networks. This attention reflects one crucial fact: an effective and impactful economic development process requires the development of a well-configured and functioning entrepreneurial and innovation ecosystem, within which the new firms that will transform industries and markets, drive the emergence and exploitation of new technologies and create new employment and wealth can emerge and grow.

These new and growing firms on which the economic development process depends do not emerge in a vacuum. Neither are they just the creation of the talented, visionary and heroic entrepreneurs that establish and develop them. Rather, they are the outcome of a systematic and systemic process of development set in a context — the entrepreneurial ecosystem — that encourages the start-up process, supports business venture growth and nurtures entrepreneurs in realising and implementing their visions. Ecosystems are the economic and social environment surrounding

and supporting the entrepreneurship process. Ecosystems are held to support a particular kind of high-quality, growth-oriented entrepreneurship as opposed to raising the overall rate of venture formation. That is, the characteristics of an ecosystem do more than just encourage people to start new firms; they create the environment in which entrepreneurs can discover untapped market niches and draw on the resources, support and financing they require to grow the firm into a globally competitive player. In this sense, ecosystems are the 'actors and factors' that enable high quality, innovation-based entrepreneurship.

Research on entrepreneurial ecosystems has identified a wide range of factors and elements that need to be in place to support the entrepreneurial process. These can be grouped into six interconnected domains; three of these are the micro-conditions for a successful entrepreneurial ecosystem and three are the macro-level conditions for success. The micro-conditions are: access to finance; availability of human capital; and access to markets. First, and most important in the context of this book, there needs to be access to available sources of entrepreneurial finance from business angels and venture capitalists. Second, there must be relevant human capital availability and investment, such as skilled labour, serial entrepreneurs and entrepreneurial training programmes. Third, there is a need for markets for products that are venture friendly, with early adopters and reference customers. The macro-conditions are: facilitating policies; institutional supports; and a supportive culture. First, there must be a range of facilitating policies in place, including an appropriate regulatory environment and incentives regime. Second, institutional and infrastructural supports are essential, ranging from a skilled and knowledgeable professional advisor community to entrepreneurship support organisations. Third, there needs to be a supportive culture, reflected in a positive image of entrepreneurship, a positive social status of entrepreneurs and a willingness to tolerate risk and mistakes.

Entrepreneurial ecosystems represent an insightful framework to understand the relationships between the entrepreneurship process and its local environment, and provide a powerful policy tool to help regions catalyse sustainable, entrepreneurship-led

economic development. Entrepreneurial ecosystems emphasize the importance of entrepreneurial resources, such as knowledge of how to start and grow a business, early stage investment capital, entrepreneurial mentors, and employees used to start-up environments. This is a relational approach emphasizing that entrepreneurial ecosystems are more than regions with high start-up rates but instead driven by interlocking attributes that help to sustain each other over time.

Business angels play an important role in such ecosystems. Directly, they provide the finance to support venture formation and growth, and make a value-added contribution to the strategic development of the business and the entrepreneur. As the formal VC industry moves away from small scale and early stage investment, business angel investment becomes ever more important in underpinning entrepreneurship-led economic growth and development. Indirectly, business angels also contribute to and enhance other elements of the entrepreneurial ecosystem: they support and educate entrepreneurs through their value-added contribution; they recycle the benefits of their own entrepreneurial successes as investment in the next generation of entrepreneurs; they and the entrepreneurs they support provide highly effective role models and help build an entrepreneurship-friendly culture; and through their activities they can encourage government and its agencies to implement regulatory and legislative changes that support rather than constrain entrepreneurship. This book demonstrates that angel investing is indeed a global phenomenon. It also demonstrates that each country discussed is different: while the investment process is in many ways generic, the nature of the entrepreneurial ecosystems and the relative strengths of their elements vary considerably. What is clear is that a strong and active business angel investment community can be the anchor point around which entrepreneurial ecosystems can develop and economic development can take place.

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