



Stakeholder Consultation Workshop Report

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Annex 1 to D 2.3 (Venture capital in Europe):
Report on the consultation workshop for
stakeholders on topics outlined in tasks 2.2-2.4

Version

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WorkPackage

2

Lead Beneficiary

POLIMI



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Place, Date and Time

Main meeting: Rome, October 6th 2015, 11.30-13:30 Ministry for Economic Development (MISE), Via Molise 2, Floor 5, Sala Commissioni (see **Exhibit 1**).

Secondary meeting: Rome, October 6th 2015, 15.00-16:30 Cassa Depositi e Prestiti (Ministry of Treasury), Via Castelfidardo 1, Floor 1, Conference Room (see **Exhibit 2**).

Stakeholders

The main meeting was attended by the following stakeholders: Domenico Mauriello (Italian Union of Chambers of Commerce), Antonio Benfatto (Italian Union of Chambers of Commerce), Fabio Bacchini (National Institute of Statistics), Alessandro Faramondi (National Institute of Statistics), Caterina Viviano (National Institute of Statistics), Mattia Corbetta (Ministry for Economic Development), Enrico Martini (Ministry for Economic Development), Paola Carnazza (Ministry for Economic Development), Marielda Caiazzo (Ministry for Economic Development), Carla Altobelli (Ministry for Economic Development), Silvia Carbone (CONSOB, Public authority responsible for regulating the Italian financial markets).

The secondary meeting was attended by Maria Elena Perretti (Senior Research Analyst, Cassa Depositi e Prestiti) and Davide Ciferri (Senior Research Analyst, Cassa Depositi e Prestiti). Cassa Depositi e Prestiti is limited partner in the “Fondo Italiano d’Investimento” which is going to play a major role in the Italian VC market.

Format

Main Meeting: roundtable and open discussion about the main issues at stake. Secondary meeting: Q&A session.

Main Question(s) put to the Stakeholder(s)

The main questions addressed in both meetings can be summarized as follows.

- **How can external financing and public policy help entrepreneurship and SMEs?**
- **Why do VC activity is so thin? Are crowdfunding or “work for equity” mechanisms the new answer?**
- **What scientific research can do for better understanding the financing of young innovative start-ups? What are the area of investigation of greatest interest that could really help policymakers and stakeholders?**
- **Which policy and regulation interventions are most needed for sustaining the entrepreneurial segment?**

Executive summary

It emerged from the discussion the need for more research effort aimed at enlightening the reasons behind the absence of a florid VC industry in the old continent. The argument was that Europe, being prevalently bank-based, could be simply unfit to VC. Which “financial model” to pursue and a better understanding of the mutual interrelationships between different sources were deemed by stakeholders an important issue also for better understanding what policy makers should push and sustain for maximizing social welfare. The panelists agree that the inherent reasons for the historical thinness of the VC industry are probably more structural and culturally-rooted than one may suspect and could also be related to demand-side issues (e.g. low propensity of entrepreneurs to search for VC). Accordingly possible remedies for the financing constraints of innovative entrepreneurial projects cannot be simplistic but should embrace different layers of intervention. In this respect, it was stressed the need for adopting a more adaptive attitude than the past. Just replicating and pushing the American closed end-fund structure of VC can be ineffective, while research could help in understanding the peculiar features of the European context so to enable Europe to find its own way to

provide enough financial resources to risky innovative projects. Along the same lines, equity crowdfunding (where Italy acted as one of the first movers in terms of regulation) could have a disruptive role in the long-run but it is unlikely, at least in the short-run, to perform any major role in the financing of young innovative companies. The main problem here raised by the stakeholders is felt to be the excess of regulation and bureaucracy that has surrounded the use of the instrument by young innovative companies. The argument was primarily placed in Italy, even if some panelists also referred to other international experiences, with the exception of the UK that for many was a best practice in that respect. As a matter of fact, many agreed that this excess of regulation has strongly discouraged the entrepreneurs to use crowdfunding as a dominant source of financing. Interestingly enough, the problem for the scarce appeal of crowdfunding was not perceived by stakeholders in the absence of liquid secondary markets. Innovative means for entrepreneurial finance such as “work for equity” also appears as a very interesting new phenomenon in the long-run, even from a financial perspective, while its importance in the short-run appears somehow limited. Finally, it was said that public policy for young innovative companies should not be restricted to sustain their creation but it should also aim at strengthening their capacity to stay efficiently in markets. In order to accomplish this goal, it has probably to be selective, be substantial in size (provide sufficiently large resources to selected prospects), and there’s the need of coordination among different playing level fields (regional, governmental) in order to synchronize interventions. If this was done only partly in the past, it has been done inorganically and sporadically. Now, it has to be pursued more intensively and in a more systematic way.

Follow Up

Both stakeholders’ meetings were useful for highlighting how the analysis on the drivers and barriers for the development of the VC industry should go beyond the search for the usual suspects typically found in the empirical literature: IP protection level, capital gains tax exemptions, the presence of liquid exit markets and flexible labor markets, etc. Indeed, most of the extant analyses on the topic are not in fact theoretically driven and/or are not rooted in the institutional stream of research. Allegedly, important formal and informal institutions might not have been adequately investigated yet. Grounding on this and on the meetings’ results we have set two main research objectives. First, we will perform an in-depth review with the aim of understanding what the extant scientific literature in economics, business, management and finance has produced on the topic of the institutional determinants of VC. Second, we will conduct a theoretical and empirical analysis on which institutions may really make a difference (and which not) in fostering the development of the VC industry in Europe, by also paying attention to which institutions play a fundamental triggering role and which others only a moderating and a mediation one. By doing so, we will also focus on possible mutual interrelations between institutions, i.e. can the presence of one insitutional factor substitute for the lack of one other and under which conditions? Which policies are most likely to play a favorable role in this domain? These questions are now fully explored in the deliverable “Venture capital in Europe”. Selected panelists were also helpful in offering us comments and suggestions on earlier versions of the manuscript throughout the writing phase.



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