

Evaluation of the funding of „Business Angels Netzwerk Deutschland e.V. (BAND)“

Executive summary of the final report of the study
commissioned by the German Federal Ministry for
Economic Affairs and Climate Action

14.07.2023



Introduction & Purpose of the evaluation

„Business Angels (Netzwerk) Deutschland e.V. (BAND)“ was founded in 1998 as a registered association and is the recognized umbrella organization (“Dachverband”) of the German business angels and their networks.

BAND supports the development of the German business angels’ culture, which is still seen as less developed in international comparison. The German Federal Ministry of Economics and Climate Protection („BMWK“) supports these efforts with an annual financial contribution of 160.000 €.

The evaluation was conducted between November 2022 and March 2023. The aim was to evaluate the financial support of the BMWK for BAND between 2012 and 2021. This included the assessments of achieved goals related to the financial support, the impact of the program as well as a cost-benefit analysis. Findings from the assessments were used to formulate recommendations for action for future funding of BAND by the BMWK.

Methodology

A combination of quantitative and qualitative methods was applied in the evaluation. In essence, the following work was carried out:

- Project kick-off meeting and first interviews
- Development of an impact model and analysis grid
- Desk research and analysis of available data and documents
- Development, execution of an online survey of BAND members, analysis of subsequent results
- Preparation, execution, and analysis of interviews with BAND members, non-members, experts, and researchers from the broader ecosystem
- Analysis of the funding landscape
- International comparison
- Cost-benefit-analysis
- Recommendations

The final report shows the results and recommendations of the evaluation.

Key findings of the evaluation

The aim of the evaluation was to address the research questions listed below. The following list contains a summary of the key findings and a reference to the corresponding chapters within the full version of the final report, where more detailed results can be found.

- **BAND’s membership structure and service offer:**
 - a. How many business angels and business angels’ networks are members of BAND?
 - Finding: Besides business angels and their networks, BAND also comprises other members of the business angels’ ecosystem. As of 2021, BAND had a total of 448 members.
 - Detailed results can be found in chapters 3.1, 4.1 and 4.2
 - b. Which business angels and business angels’ networks are not members of BAND? What are their reasons against a membership?

- Finding: The interviewed non-members were aware of BAND and its services but stated that the added value was deemed insufficient for a membership. However, it is not possible to draw a general conclusion from these answers.
 - Detailed results can be found in chapter 4.3
- c. In which regions, industries and technologies are BAND members found in particularly high numbers?
- Finding: According to feedback from BAND members in the surveys conducted, BAND members are found in almost all German states (only three states were not represented), with a concentration in Bavaria, Berlin, and North Rhine-Westphalia. However, the largest proportion of respondents reported to be active nationwide. Almost all industries were represented in survey; the most frequently cited industry focus among both individual business angels and business angel networks was information and communications technology.
 - Detailed results can be found in chapter 4.2
- d. What is the percentage of woman among BAND members?
- Finding: Based on its BAND Insights survey of members, BAND most recently assumes a share of women among its members of 11% (2021). The proportion of women among BAND members participating in the evaluation's online survey was however 8.1%. The share of female INVEST-funded investors was 15%, which indicates that female business angels were slightly underrepresented at BAND or in the context of the present survey.
 - Detailed results can be found in chapter 4.2
- e. How do members and non-members rate BAND's work? Do the services offered by BAND meet the requirements of the target group?
- Finding: The assessments of BAND's services by the members surveyed are largely positive, with the very well rated GESSI standard contracts and the awards being particularly noteworthy. The exceptionally high recommendation rate for BAND membership further attests to the positive assessment by members. The non-members interviewed also rated BAND services they had already used as mostly positive, explicitly highlighting the standard contracts and the "German business angels day".
 - Detailed results can be found in chapter 4.3
- f. Is there potential for optimization of BAND's services in terms of scope, content & design?
- Finding: The online survey identified areas for optimization. The service rated worst in the evaluation was the consultation of BAN by BAND. In the qualitative interviews, it was specified in this regard that there is a need for more support for the establishment and further development of BAN in regions where business angel structures are underdeveloped. Furthermore, it was often mentioned that the BAND website needs modernization.
 - Detailed results can be found in chapter 4.3
- g. Should business angels be more involved by BAND (in committees, etc.)?
- Finding: The online survey does not indicate any further need for more intense involvement of business angels within BAND committees. Most individual

business angels surveyed indicated that they are already sufficiently involved within BAND (e.g., on committees).

➤ Detailed results can be found in chapter 4.3

• **Strengthening of the business angels' market by BAND**

a. Has BAND succeeded in mobilizing business angels to support young companies looking for equity capital in Germany? Was it successful to establish a business angels' culture in Germany?

➤ Finding: The online survey concluded that BAND makes a positive contribution to activating business angels and establishing a business angels' culture in Germany. Over 90% of respondents agreed that BAND had made a positive contribution to establishing a business angels' culture in Germany, increasing awareness of the INVEST funding program, standardizing business angels' activities, increasing awareness of business angels, promoting the qualification of business angels, and generally activating business angels in Germany. In addition, just under 40% of individual business angels surveyed stated that their BAND membership had had a positive impact on their investments. With the support of BAND approximately one investment per business angel was achieved on average.

➤ Detailed results can be found in chapter 6.1

b. What measures were taken to achieve this and did they prove effective (e.g., press outreach, events, award ceremonies, etc.)

➤ Findings: It can be assumed that BAND's public relations work and events have contributed to the above-mentioned positive contribution of activating business angels as well as contribution to the establishment of a business angels' culture in Germany.

The conducted online survey reflects that a majority profited from the events and the BAND website. Furthermore, the awards „Business Angel des Jahres“ and „Goldene Aurora“ also received a very good rating.

➤ Detailed results can be found in chapter 4.3

c. Have business angels benefited directly or indirectly from BAND?

➤ Findings: The online survey reflects that most members have profited from BAND services. The most frequently cited benefits were the standard contracts (GESSI), the BAND events and the BAND website.

➤ Detailed results can be found in chapter 4.3

d. Has qualification of business angels taken place through BAND?

➤ Findings: The online survey indicates that qualification of business angels through BAND has taken place. Over 90% of respondents indicated that BAND has helped to promote the qualification of business angels, e.g., through investment readiness, and to standardize business angel activities, e.g., through standard contracts.

Especially the provision of the standard contracts (GESSI) is rated as very positive by most of the interviewed members as well as the interviewed experts and non-members of BAND. Therefore, it can be concluded, that the services provided by

- BAND contributed to the promotion of the general qualification of business angels and thus to the professionalization of the entire market.
- Detailed results can be found in chapter 6.1
- e. Has BAND increased transparency in the informal investment market?
- Findings: More than 80% of interviewed BAND members indicated that BAND contributed to an increased level of transparency about the informal investment market. Non-members interviewed also partially agreed with this statement.
 - Detailed results can be found in chapter 6.1
- f. Has BAND contributed to the establishment and market penetration of the INVEST program? Is BAND's continued support necessary for the further establishment of INVEST?
- Finding: The online survey showed that the vast majority (98.1%) of BAND members are aware of the INVEST program. 66.3% said they had received information about the INVEST program through BAND. This suggests that the promotion of the INVEST program was successful and that BAND contributed (significantly) to the dissemination of information to the relevant target group. However, this also means that the level of awareness, at least among the current members, is already very high and thus probably cannot be increased significantly. The promotion of the INVEST program by BAND should therefore be reduced in the future to the target group of first-time angels and the dissemination of information on general changes.
 - Detailed results can be found in chapters 6.1 and 10
- g. How coherent is BAND with other publicly funded initiatives for business angels (especially INVEST)?
- Findings: The analysis of coherence showed that there are many organizations in Germany that receive public funding and have similar objectives, target groups and services as BAND. However, synergies between BAND and above-mentioned organizations in the ecosystem are already being leveraged partially. No overlaps, but synergies between BAND and the INVEST program could be identified (see also previous question f.).
 - Detailed results can be found in chapter 3.3 and chapter 6.1
- h. Which other organizations exist in the business angels' landscape that carry out similar activities to BAND? Could they potentially implement BAND's goals and carry out BAND's activities?
- Findings: Despite partial overlaps with offerings of other organizations, BAND nevertheless remains unique on a nationwide level in terms of its service offering and its role as a central point of contact for business angels and BAN and has substantial unique selling points compared to other organizations – both on national as well as international level.
 - Detailed results can be found in chapter 3.3
- i. Which unique selling points does BAND offer in comparison to other organizations?
- Finding: The following unique selling points were identified as part of the coherence analysis and the international comparison:

BAND acts as the only umbrella organization of BAN in Germany that can mediate and network between networks, as well as act as a nationwide “voice” of the interests of business angels. BAND also acts as a central player for the overarching professionalization of the business angel landscape as well as for nation-wide matching services and networking. Finally, BAND has an important function as a central point of contact for business angels who do not (or cannot) belong to any other network and are active throughout Germany. Neither regional networks in Germany nor associations such as EBAN or BAE on European level, address both individual business angels and BAN and at the same time operate throughout Germany and could take over the tasks and activities of BAND to the same extent within the framework of BMWK funding. For the aforementioned organizations objectives and focus do differ from those of BAND.

➤ Detailed results can be found in chapter 3.3

- **Financing concept of BAND**

a. Is the current financing concept of BAND appropriate?

➤ Finding: A well-founded assessment of BAND's funding concept was not possible, as there is no conclusive transparency for the evaluators as to which services and concrete measures of BAND are funded partially or completely through BMWK project funding. It is therefore not possible to conclusively assess whether the amount of BMWK funding for individual services is appropriate, whether it should be reduced or even increased. Therefore, it is recommended that future project funding from the BMWK should be focused on clearly defined measures and projects and transparency should be increased regarding the allocation of funds.

➤ Detailed results can be found in chapters 8 and 10

b. Are there alternatives to the current financing concept in the medium term (e.g., by generating higher revenues or by attracting additional sponsors and supporters)?

➤ Finding: As a conclusive assessment of the financing concept is currently not possible due to the data provided, only potential levers for adjusting the financing concept can be identified at this point.

These levers include increase of the sponsorship income using a professional fundraising team, slight increase of membership fees, additional members, or cost reduction, e.g., for events.

➤ Detailed results can be found in chapter 8

c. Should BAND's membership base increase even further? Are membership fees appropriate?

➤ Finding: By expanding the member-base, BAND was able to increase income and simultaneously expand the reach of its network.

The member-base expansion could be one potential lever to adjust BAND's financing concept. However, a constraint would be that an increased member base would always entail a respective increase in support efforts and service requirements. Therefore, a systematic assessment of the growth that has already taken place (and that will take place in the future) seems necessary, which has however not yet taken place sufficiently. BAND's membership fees are considered appropriate by a majority (73.8%) of respondents.

➤ Detailed results can be found in chapters 8 and 10

- d. Which financing concepts have proven viable for foreign business angels' networks?
- Findings: Most business angels' networks and associations in Europe is financed similarly to BAND through membership fees, sponsoring, entrance fees for the organization of events and or awards as well as public funding.
 - Detailed results can be found in chapters 9.1, 9.2, 9.3, 9.4
- **International comparison**
- a. How do the German business angels' scene and the business angels' networks and associations compare internationally?
- Finding: According to a venture capital study conducted by KfW in 2020, business angels' markets such as the United Kingdom and France have developed significantly better than Germany in terms of economic strength. In a European comparison, Germany lags behind the development of the entire EU-28. However, EBAN's 2021 statistical compendium, which ranks total business angel investment in Europe, ranked Germany second behind the UK. Given the fragmentation of data on business angels, which is a challenge for the entire European continent, an international comparison and ranking between European countries in terms of business angel engagement is difficult. A conclusion of the international comparison conducted was that business angels' associations play a key role in increasing the transparency of the visible business angels' market by publishing data, statistics and studies about business angels and their behavior (e.g., investments).
 - Detailed results can be found in chapters 3.2 and 9.4
- b. Which structural changes have occurred in recent years?
- Finding: EBAN has identified the following trends on the European continent in recent years:
 - Access to data is improving and there is more available information about the visible business angels' market.
 - Emergence of so-called "super business angels" who invest in deals above 1 million €. There are more syndications with venture capital funds and public investors.
 - Increased in the number of financing platforms for business angels.
 Overall, it can be summarized that the available data overarchingly points to a positive trend in the development of the business angels' market in Europe over the last decades.
 - Detailed results can be found in chapter 3.2
- c. What is the significance of the European Business Angels Network (EBAN)?
- Insight: European Business Angels Networks (EBAN) is one of two business angels' associations at the European level, alongside BAE (Business Angels Europe). EBAN sees itself as the pan-European representative for the early-stage investor community and represents ten different member categories, including BAN, corporates, early-stage and investment funds, online platforms, business accelerators, public organizations, incubators, and chambers of commerce. One of EBAN's most important achievements is its research on the European business angels' market to identify trends and investments; EBAN's best-known report in

this regard is the Statistics Compendium, which is referenced in many European studies and press articles.

- Detailed results can be found in chapter 9.1
- d. Which services of foreign umbrella organizations could be transferred to BAND?
- Finding: Several recommendations for action transferable to BAND were derived from the international comparison. These include: the fundamental modernization of the BAND website, measures to increase market transparency about the business angels' market via the BAND website, better tailoring of offers to first-time angels, increasing the presence and visibility of BAND through nationwide physical as well as digital event offerings, and more systematic review and planning of staffing.
 - Detailed results can be found in chapter 9.4
- e. To what extent is this transferability limited by different framework conditions for business angels?
- Finding: The research and discussions on the international comparison resulted in implications for Germany and reflections on transferability to BAND and the German context, even though the conditions between Germany and the countries studied are of course not identical. The recommendations derived from the research and interviews were therefore checked by the evaluators for feasibility in the BAND context.
 - Detailed results can be found in chapter 9.4

Recommendations

Based on the evaluation results, the following recommendations for action emerge:

- Continue project funding of BAND.
- Initiate process to define BAND's strategic direction and role definition.
- Ensure BAND is future-proof.
- Focus BMWK project funding on clearly defined measures and projects and increase transparency regarding the allocation of funds.
- Establish transparency in BAND's financing concept.
- Optimize structure and content of funding application and subsequent program reports.
- Establish a monitoring system.

A detailed overview of the recommendations can be found in chapter 10.