



Presenter passion and presentation design on reviewer assessment and subsequent success: An empirical study of high technology proposal and business plan presentations



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ABSTRACT

We investigate two fundamental research questions related to the funding of early-stage technology enterprises. First, does presentation design, and the presenting entrepreneur's passion and preparedness, influence experts' assessment of the merit and commercialization potential of an emerging firm's technology? Second, are the entrepreneur's passion and preparedness during a formal presentation associated with future technology success? We analyze twenty-two video-taped presentations to a U.S. Department of Defense technology transfer and granting consortium, and track subsequent technology success. From the data it appears that both entrepreneurial passion and presentation design does influence expert assessment of a technology, and future commercialization success can be predicted to some extent by the level of entrepreneurial passion exhibited during the presentation.

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1. Introduction

Early-stage technology firms simply need a lot of capital, oftentimes very quickly. Capital requirements for early stage firms are astoundingly varied and demanding. R&D expenses, patent filings, equipment purchases, laboratory space rentals, staffing costs, prototyping and beta-testing, commercialization support, clinical trials, and government regulatory approvals all deepen an emerging firm's financial "burn rate." And, of course, there are the inevitable expenses of attorneys at almost every step in the process. Entrepreneurs in high technology consistently cite initial financing and subsequent capital support as a major area of focus and anxiety (Bruno & Tybee, 1985; Gundry & Welsch, 2001; Roberts, 1991; Sapienza & de Clercq, 2000).

Not surprisingly, over the past three decades the funding sources for early-stage technology-based firms have become both more institutionalized and more segmented. Most obvious are the various private equity sources including individual angel investors, formal angel investor groups, venture capital funds, and corporate sponsored venture partnerships. For early-stage technology-based enterprises, a number of "non-dilutive" funding sources also exist. Within the U.S., the Small Business Innovation Research (SBIR) program is the largest Federal program targeted toward assisting the entrepreneur in commercializing technology and stimulating overall technology innovation within the country. Since its inception, awards of

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over \$30 billion dollars have been distributed through the Federal agencies associated with the SBIR program, with about \$2 billion awarded each year under the SBIR Phase I and Phase II programs.³

Other “non-dilutive” sources for entrepreneurs include health grants from the National Institute of Health (NIH), scientific research grants from the National Science Foundation (NSF) and various specialized grant programs run by the Department of Defense (DoD) and other U.S. government agencies. For example, the Center for Commercialization of Advanced Technology (CCAT), a DoD funded technology transfer and grant consortium headquartered in San Diego has provided over \$25 million dollars of technology development grants to regional early-stage enterprises since 2001. In addition, governmental funding also supports valuable assistance programs to small technology-oriented enterprises in addition to direct grants. Montana State University’s “TechLink” program, for example, facilitates the private sector commercialization of technologies developed in Federal R&D laboratories through licensing, technology evaluation, contract assistance, and even small technology development grants to entrepreneurs. Although difficult to estimate accurately, the combined annual Federal grant and assistance funding of early-stage technology-based enterprises may be similar to the amount provided by the combined formal angel investment groups within the U.S.⁴ Private and regional granting agencies can also be important sources of “non-dilutive” funding.

Similar technology oriented granting frameworks, such as Germany’s Federal Ministry of Economics and Technology’s ZIM program for SMEs, exist in almost all developed economies throughout the world. Some large developing nations, such as India, have also recently implemented similar initiatives. Regardless of the funding source, the ability of the entrepreneur to effectively communicate the status of the technology’s development, its advantages against competitive technological solutions, and what the best path is to the marketplace becomes central to ultimately obtaining the necessary capital.

There are always two sides to the funding table, entrepreneurs seeking capital on one side and decision makers with capital on the other. Selecting which commercial proposal to support is one of the most fundamental challenges confronting those involved in making funding and other resource support decisions. This is particularly vexing since only a small percentage of technology proposals and emerging enterprises actually ever get funded, and among those that do obtain funding only a select few are truly successful. All funding institutions, whether private or public, are acutely interested in identifying and supporting future “success stories.” In the private equity arena, a poor track record inevitably affects the ability of an angel network or VC fund to attract new members or raise additional capital. Similarly, with increased reporting and accountability requirements in the public sector, granting agencies are particularly focused on tracking successful technology commercialization efforts that are directly tied to their funding mandates and agency mission. With the current tight economic conditions, under-performing agencies may receive less funding during the next legislative budget cycle.

2. The funding review process

2.1. Funding stages

Early-stage funding inevitably involves both review and decisions. Both public and private funding organizations partake in this exercise, typically using a formal review as part of the investment decision-making process—private equity investors often use formal screening protocols when evaluating technology-based business plans (e.g., Galbraith, DeNoble, & Ehrlich, 2010), the technology transfer offices of research universities and governmental laboratories may employ formal reviews when deciding whether to invest in patent and commercialization activities (e.g., Heslop, McGregor, & Griffith, 2001), many corporate R&D departments include formal review as part of their stage-gate product development procedures (e.g., Sethi & Iqbal, 2008) and granting agencies carefully score and rank R&D proposals prior to awarding grants (e.g., Ajamian & Koen, 2002; Linton, Walsh, & Morabito, 2002; Ozer, 1999).

The process of selecting appropriate investment opportunities typically involves several distinct stages, each in sequence. Oftentimes the first decision stage involves reviewing a number of written business plans, project summaries, applications or detailed executive summaries that have been submitted to a screening committee. A number of studies have examined this initial screening process from a variety of perspectives (e.g., Galbraith, DeNoble, Ehrlich, & Kline, 2007; Shepard, Zacharakis, & Baron, 2003). Although this first stage filtering process may be highly formalized (Galbraith et al., 2010; Payne & Macarty, 2002), there is also a general recognition that additional information and discussion may be needed prior to an actual investment decision. Hence, a second stage screening process is oftentimes added where applicants are allowed to present to a panel of decision makers in order to provide more detail about their business plan and technology. Typically, following the proposal presentation, the panel will discuss and ultimately “vote” upon the proposal (e.g., Payne & Macarty, 2002; Sudek, 2007). In the case of angel investors, this presentation might be during the network’s monthly meeting where several applicants would present their business model sequentially, each seeking investment commitments. In the case of grant applications, the applicants also are often asked to present before a panel of domain experts, with a number of applicants presenting their proposals during the same day.

³ This figure does not include the cost of SBIR Phase III programs, which can include selling technologies developed under a Phase II grant, arranging non-government funding to continue technology development and non-SBIR government funding from a government sponsor.

⁴ The Angel Capital Association (2011) reports approximately 300 formal Angel groups, with an average annual investment of approximately \$1.94 million, for a total annual investment of approximately \$6 billion.

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