

Support the next entrepreneurial wave

Inputting into new ventures is a rewarding way of passing on your hard-earned experience – while giving you a view of potential future investments.

Last year, a fifth of working-age individuals were, or were planning to become, entrepreneurs. The annual Global Entrepreneurship Monitor (GEM) study found activity was being sustained above pre-recession levels.

And this new 'wave' of entrepreneurs is not all in the traditional mould of enterprising youth who have bypassed university. GEM reveals 6.5% of over-50s are entrepreneurs – well above the rate for those in their 20s.

This chimes with the mix of businesspeople seen by E2Exchange: Entrepreneur to Entrepreneur Exchange.

Where experience meets enthusiasm

"We see a lot more people who are setting up their own companies after spending time in the corporate world," says Shalini Khemka, the organisation's founder. "Some have made an active choice, but many are from City or professional firms who found themselves in difficult times after the downturn."

Whatever their age, every day brings fresh challenges for these fledgling entrepreneurs. Stoked with enthusiasm, but lacking knowledge and contacts, many progress by instinct and, if they're fortunate, with support from those who have been there before them.

E2Exchange's aim is to bring these people together. At the organisation's events, some of the UK's wealthiest businesspeople rub shoulders with struggling entrepreneurs. The aim is to act as an "institute of entrepreneurship", in a similar mould to the network offered by the Institute of Directors.

The appeals for help it receives are varied, Khemka says. "Can you find me people or money? Can you give us strategic advice – should we be raising money today, or in a year? Should we go down the debt or the equity route? Can you help us with our IT or our web marketing?"

Offer formal or informal help

Besides offering direct help to these businesses, E2Exchange plays matchmaker by putting them in touch with appropriate entrepreneurs who have exited their companies.

The support offered by business veterans ranges from ad hoc advice to non-executive directorships and angel investment and, for many, the forum acts as a useful way of dipping their toe into the waters of future ventures.

Businesses that have successfully found advisers and investors through E2Exchange include firms working in cancer therapy, education technology, travel and mobile apps.

Sometimes the match is based on sector experience. However, Khemka indicates that exiting entrepreneurs often offer transferable cross-industry leadership and management skills – from revenue generation and cost control to maintaining a happy workforce. "Making sure the chemistry is right is the most critical aspect," she adds.

Develop a new mindset

It's not just first-time entrepreneurs who benefit from advice and support. Post-exit entrepreneurs may also be unsure what to expect of their new roles as advisers or non-executives.

The transition can be difficult, according to entrepreneur turned adviser and angel investor, Hugh Chappell.

Hugh is a Board Director of E2Exchange and one of a series of high profile businesspeople interviewed as part of UBS's recent research into entrepreneurs' post exit experiences. As a mentor, he says, he has to resist the occasional urge to 'grab the controls'.

"Sometimes, with younger people, there's a big skills gap," he explains, "but you have to allow people to develop their own businesses. There are some critical points where you need to say 'I really wouldn't do this because...,' but otherwise you have to allow them to try things and make mistakes."

Those looking to invest often require particular support. Experience in the driving-seat of a business does not necessarily equip entrepreneurs with the technical skills of carrying out due diligence and determining company valuations.

But early stage businesses have become increasingly dependent on angel investors of this kind since bank support dipped during the recession. The OECD estimates that angel investment has outstripped seed and early-stage venture capital investment over a decade or more in both the UK and the US.

Spread your investment risk

Some new investors spread their risk by assembling a portfolio of investments, or investing through syndicates. Research by Deloitte found 73% of UK angel investors usually or always invest in a syndicate of around six angels, allowing them to pool their skills and contacts and reduce individual commitment.

Serial entrepreneur Neal Gandhi got over his early inexperience in this field by working with a venture partnership company. "I learned a lot from that process," he says, "and after a while I decided that I wanted to be much more involved in the companies I was investing in."

From April, aspiring angels will also be able to invest in E2Exchange's own capital equity fund. Khemka says the aim is to meet the urgent needs of high-growth, high-impact businesses.

"When entrepreneurs are looking for money, it really disrupts their business if it's taking a long time," she says. "We want to be able to help them quickly."