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Expert interview

Money isn't all that is needed – knowledge and networking can also help start-ups move forward

Dr. Rolf Neuhaus is one of the driving forces behind PALATINA Business Angels Rhein-Neckar e.V., a business angels association in the Rhine-Neckar metropolitan region. In an interview with BIOPRO, Neuhaus describes the association's activities and explains where there is still catching up to be done in terms of start-up support in Baden-Württemberg.

You are a co-founder of PALATINA Business Angels Rhein-Neckar e.V. Why was it important to establish the association and what was your personal motivation for doing so?

My personal motivation for founding the association was that shortly before I retired I met a gentleman who wanted to contact start-up supporters in the Mannheim area. I did some research and found out there was not a single business angels association in the regions that cover Frankfurt, Karlsruhe, Heilbronn and Saarbrücken. I met and talked with many people which led to me joining forces with six of them that I got to know during the process. Together we decided to establish PALATINA Business Angels. So I am basically the initiator and a co-founder of the association.

What is special about the association?

The fact that it actually exists! We are not the first to try and set up a business angels association in the northern Baden-Württemberg, Rhineland-Palatinate and southern Hesse region. Business Angels Deutschland e.V., the German association of business angels and their networks, told us there had been attempts to set up a business angels initiative in the region before, but very few had lasted beyond nine months. Representatives of the association also advised us to find supporters, preferably from the federal state where the business angels association is to be set up. And a lot of patience is of course needed. We now occupy a unique position in the region. There are larger business angels associations in Stuttgart and Karlsruhe as well as a few small business angels associations, but the latter are rarely very active.

The German Business Angel Report 2023[1)] identifies the healthcare sector as one of the two most popular sectors in which business angels invest. What proportion of investments do PALATINA business angels make in the healthcare sector?

Since our association was set up two and a half years ago, we have organised 22 events for potential company founders where we meet start-ups from a broad variety of business areas. This is particularly characteristic of Baden-Württemberg which is home to just a handful of other business angels associations. We have not yet fully decided which main business areas we want to focus on. We will probably define a few focal points, but there won't be more than five. But we still have to decide on the exact number. We are located in the northern part of Baden-Württemberg and believe that, as a hotspot for medicine and the medical technology sector, this area will be highly interesting for us. I am convinced that many young people will be able to gain a foothold in this area, especially given that the Mannheim and Heidelberg university hospitals have merged, thus laying strong foundations for establishing more companies. A key issue for us is that potential company founders who come to us for advice already have something concrete they can build on with our help.

We help start-ups at the outset - with money, but above all with knowledge, information and networks. Business starters that have made it through this first phase are more mature, and the Baden-Württemberg government with the L-Bank and the large industrial companies are then more prepared to talk to them. The government and industry make it rather easy for themselves because they rarely invest in such early-stage ventures. They usually leave the really risky work to business angels.

If the Baden-Württemberg government supported and promoted business angels to a greater extent than it currently does, it would be easier for start-ups to acquire external financing. We are willing to enter the 'dark unknown', but can only do so within a limited financial framework. If the Baden-Württemberg government were to shine some light into the darkness, so to speak, business angels would be more motivated to assess young, unknown people and their ideas. What I'm trying to say is



The PLATINA business angels with the finalists of the Mannheim Business Start-up Award (MEXI) after the PALATINA pitch on 1 March 2023 (6th from the left: Thomas Kowalski, Chairman of Sparkasse Rhein-Neckar-Nord, 7th from the left: Dr. Rolf Neuhaus, 1st from the right: Christian Specht, First Mayor of the city of Mannheim)
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that I would like the Baden-Württemberg government to support people who are interested in sitting down with potential company founders and finding solutions for their ventures.

How important is it to bring professional expertise to an investment?

First of all, know-how is the be-all and end-all. When we talk about business angels, we often think of money, but that doesn't have to be the case. Many start-ups are happy and grateful when they are given access to know-how. When working with potential company founders, we often come across situations they had not previously considered. Business connections also play a key role for providing valuable networking opportunities and making things much easier. Our association is therefore happy to have members who are willing to establish business connections or have in-depth conversations with the founders. Something good usually comes out of this.

How important is it for company founders to support the start-up ecosystem with their experience?

I think it's very good when people who have built up a business within the last ten years pass on their knowledge about establishing companies. For people like me, who set up companies much longer ago, our knowledge is usually no longer valid for the current climate. Industry experience is nevertheless very important. Investing in an industry without having experience in it yourself is highly risky and I don't understand why people try to do this.

An increasingly important topic for both men and women who set up companies is achieving gender parity. However, there is also room for improvement on the side of business angels: only one in seven business angels in Germany is a woman. How is PALATINA positioned as regards female business angels?

We are a relatively new association and now have 35 members, plus about 80 people who are interested in what we are doing. We have one female business angel. Our colleagues would all be very happy if we had more female investors. However, I don't know how we could attract a greater number of women. We really want to change the situation, but unfortunately we have not yet managed to do so.

Due to the current challenges, the business climate for start-ups has cooled considerably across Germany as a whole compared to previous years. Is this also noticeable in the activities of PALATINA Business Angels and, if so, how could this be changed?

Things appear to be changing, but we do too little to be able to derive a reliable number or trend from our observations. We have hosted 22 events in which we presented around 130 start-ups, and attracted about 800 spectators. This is not a good basis for statistics. In Germany as a whole, business angels invest in around 3 percent of all start-ups. Our association makes investments in slightly over 6 percent. However, it is much more interesting to note that 70 percent of start-ups rate the support they receive from business angels as highly positive. And even if the participants in these events did not get what they were initially hoping for, i.e. money, we were still able to help them on their way to company foundation, including providing information on how to improve their business approach economically and technically. We have also put company founders in contact with industry representatives or future customers. In addition to money, gaining knowledge and being involved in networking activities are really high on the agenda.

What do you think still needs to be urgently improved?

I personally believe that the Baden-Württemberg municipalities and government should provide greater support. But unfortunately, it seems to me that they are not particularly concerned about whether Baden-Württemberg still has business angels. Although they have a very positive view of the work we do, they are not putting any 'real' money or similar support on the table. They do enough to fill large lecture halls but I'd rather see more stable, long-term support for groups dedicated to company founders.

Sources:

1) Business Angel Report 2023. https://www.addedval.io/business-angel-report-2023/

2) Deutscher Startup Monitor 2022: Regionalauskopplung Baden-Württemberg. https://www.pwc.de/de/branchen-und-markte/startups/deutscher-startup-monitor/regionalauskopplung-baden-wuerttemberg.html



Dr. Rolf Neuhaus is the initiator of the association.
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