Going beyond Financial Data - The application of SNA to investments in the listed and startup company universe

Murat Ünal
Going beyond financial data, applying SNA to the investment process

unlisted company universe
listed company universe
Our data research and entry process differentiates itself clearly
German and European startups mainly

Analyzing investor-startup networks and respective transactions

- > 600 relevant investors
- > 2000 relevant startups across all stages, sectors, and countries

Asset Owners and Asset Managers alike across all stages (seed, early, growth, and later stages)

how do prior social ties affect investments and what risks and opportunities arise because of that?

multiple tie approach (going beyond educational and professional ties to include links to government, military, foundations, associations, and all other potential links)

what is the role of social capital when VC funds and other investors invest in startups?

at the dyad level

How do prior social ties affect sourcing of investments and due diligence?

Does centrality of specific startups (in terms of investor ties) affect other investors' interest in them?

at the node level

how do co-investment clusters actually affect investment decisions and what are network specific measures we should monitor?

at the network level

Sourcing of new startups

Screening among a relevant universe due diligence by focusing on complementary network analytic measures portfolio construction exiting existing investments

for covering all relevant investors and startups, including the people that run the organizations

dynamic portfolio monitoring

based on a multiple source approach screening publications and social media, trade registries, and any other relevant electronic sources on a daily basis using automated but also optimized approaches

clients are either informed immediately about very crucial developments or on a weekly basis with detailed comments in a structured way, allowing them to spot opportunities and threats and relying on our ear to the ground

Going beyond financial data, applying SNA to the investment process

unlisted company universe
to provide unique, and dynamic social network related insights into the investment process

listed company universe

Our data research and entry process differentiates itself clearly

Connecting The Nodes
Going beyond financial data, we see the role of SWA to the investment process.

Our data research and entry process differentiates itself clearly.

To develop measures for investment decisions, we provide unique insights into the universe of listed companies and their investment process.

An important step in any analysis is to look at the global level and identify benchmarks in terms of their SWA measures.

The importance of boards and their role in corporate governance is highlighted.

At the network level, how central are certain people or entities affecting decision making?

Do specific ties (such as to governments, etc.) turn out to be an advantage in times of crisis?

How do prior ties to executive and non-executive directors potentially affect decision making?

Overall, there are 112 independent directors in those 31 large companies, of which 40 have priorities with the board members.

E.g., Barclays with the highest priorities, followed by IAG and HSBC, among others.

The largest European Companies running the largest listed companies in Europe have their social capital and their connections with key individuals.

Unlisted companies are not subject to the same scrutiny.

Running the largest listed companies in Europe, 10,000 organizations, etc. and their linked social capital and their connections with key individuals.
unlisted company universe
listed company universe

Going beyond financial data, applying SNA to the investment process

Our data research and entry process differentiates itself clearly

developing a proprietary database and not using existing ones. This allows us not only to control the content but above all go beyond existing databases and the available data

by employing people who have relevant and extensive experience from the investment industry

seniors between 15-20 years on average

we go beyond corporate and educational ties by

including people’s links to any relevant organisation or entity which we can identify (foundations, associations, governments, military, NGOs etc.)

by having created multiple checks and balances to avoid data related errors and only include verified data

hereby we triangulate extensively using all kinds of sources from publications, social media, to trade registries

by regularly optimizing data sources based on prior research

building on 13 years of relevant experience at our sister entity Funds@Work

WHY??? Quality of data is crucial and we don’t want to end up with garbage in and garbage out
### A conventional investment process in the startup universe

**1. Sourcing**
- **Active investment sourcing via:**
  - Investor and co-investor networks
  - Websites (Uploads of business plans)
  - Events (e.g. pitches and presentations)
  - Platforms
  - Conferences
  - Other sources

**2. Screening**
- **Shortening the potential target list by using:**
  - Certain criteria-based pre-selection (stages, sectors, size of investment, financial metrics, and others)

**3. Due Diligence Process**
- **Basis for investment decision making:**
  - Validity of business model
  - Valuation
  - Field checks
  - Organisation & governance structure
  - **Legal & tax**
  - ESG-related factors

**4. Portfolio Construction**
- **Active diversification and risk management through:**
  - Top-down, bottom-up allocation
  - Sector and industry diversification
  - Risk diversification through strategic and tactical cycle allocation
  - Investment policy and restrictions

**5. Portfolio Monitoring**
- **Spotting risks and opportunities by:**
  - Input from investor and co-investor network
  - Regular reports coming from startups
  - Publications, social media and others

**6. Exit Process**
- **Exit monitoring and execution through:**
  - IPO
  - Tradesale
  - Secondary Transaction

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**Exit monitoring and execution through:**

- IPO
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- Secondary Transaction
Converting two mode networks into one mode and creating heatmaps based on correlations
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Co-Investment clusters revisited
A single VC funds investor network based on mutual startups
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The ties that bin – the role of social capital in portfolio companies
Spotting risks and opportunities on a daily basis

Those journalists and authors who actively write about the startup scene and its companies via websites, Twitter, platforms and publications, are identified and actively followed.