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Venture Capital >

An International Journal of Entrepreneurial Finance Volume 6, 2004 - <u>Issue 2-3</u>

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Selection and support strategies in venture capital financing: high-tech or low-tech, hands-off or hands-on?

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Pages 105-123 | Accepted 16 Mar 2004, Published online: 23 Feb 2007

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support strategies. These results invite further research on differences in venture capitalists' strategies as they relate to differences in knowledge.

Keywords:

| venture capital financing | knowledge | specialist | generalist | portfolio selection | hands-off-support |
|---------------------------|-----------|------------|------------|---------------------|-------------------|
| hands-on-support | | | | | |
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Acknowledgements

The authors gratefully acknowledge financial support from the Richard Büchner-Foundation, Zurich. They are very indebted to Bruno S. Frey, Eric Lehmann, Colin Mason, Urs Meister, William McKinley and two anonymous reviewers for their helpful comments. They are also grateful for research assistance provided by Jeanine Hotz and Dominique Leu.

Notes



The venture capitalist Dotzler (2002: 7) describes that type of knowledge as follows: 'An ideal background which would enable one to evaluate products and technologies would be technical training and work experience in an operating company in engineering, science, or clinical affairs. Someone who has worked in business development might also have the facility for evaluating companies in this technical dimension. Education in engineering, science, or medicine is helpful'.

Jensen and Meckling (<u>1995</u>: 7) only refer to prices and quantities as examples of general knowledge. This classification seems too narrow. Most types of knowledge would be specific. However, we think that within a group (in our case the group of venture capitalists) a certain basic knowledge exists that is shared by all group members.

For a detailed description of a hands-off support, see the case study of Sweeting and Wong (1997: 134–146).

Sweeting and Wong (1997: 125) worked out this coherence very thoroughly: 'Our research supports the view, that over time, and by a process of feedback learning from post-investment performance monitoring, investees are selected that are compatible with this particular [hands-off, added by the authors] approach'.

See Manigart et al. (2002), Lockett et al. (2002) and Murray and Marriott (1998). It has to be no tments (= but did not high tec categori straight e to raise an require external venture sities where Often narket. rese essional It is a co See Neher manage (1999) a

survey (sending the survey via e-mail and getting it back again by e-mail). All

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companies did have e-mail access. Two weeks after sending out the questionnaire, we reminded them by phone and e-mail to encourage venture capitalists who had not answered yet to do so. We offered them to send the questionnaire again by e-mail, by mail or by fax to increase the response rate. Only 10% of all responses did not return by e-mail. Offering the other two possibilities to send back the questionnaire, we could ensure that there was no response bias concerning the online survey technique (for more information on this kind of survey technique, see Isfan and Moog 2003).

We did this, too, to check for a potential non-response bias (Abraham et al. 2002). We can say that the structural and demographic data of our respondents do not differ with regard to the research population data, so there is no non-response bias concerning a special kind of group of venture capitalist, refusing to participate or refusing to fill in the survey.

We aggregated industries in seven fields, usually named by venture capitalist as typical investment fields, namely bio-technology, computer software, medicine, electrical engineering, computer hardware, communication technology and internet/e-commerce.

We are looking for this correlation because it seems idle to explain the relation of the degree of specialization with the amount of specific knowledge and vice versa.

The question remains why specialists can allocate more time on selecting given that

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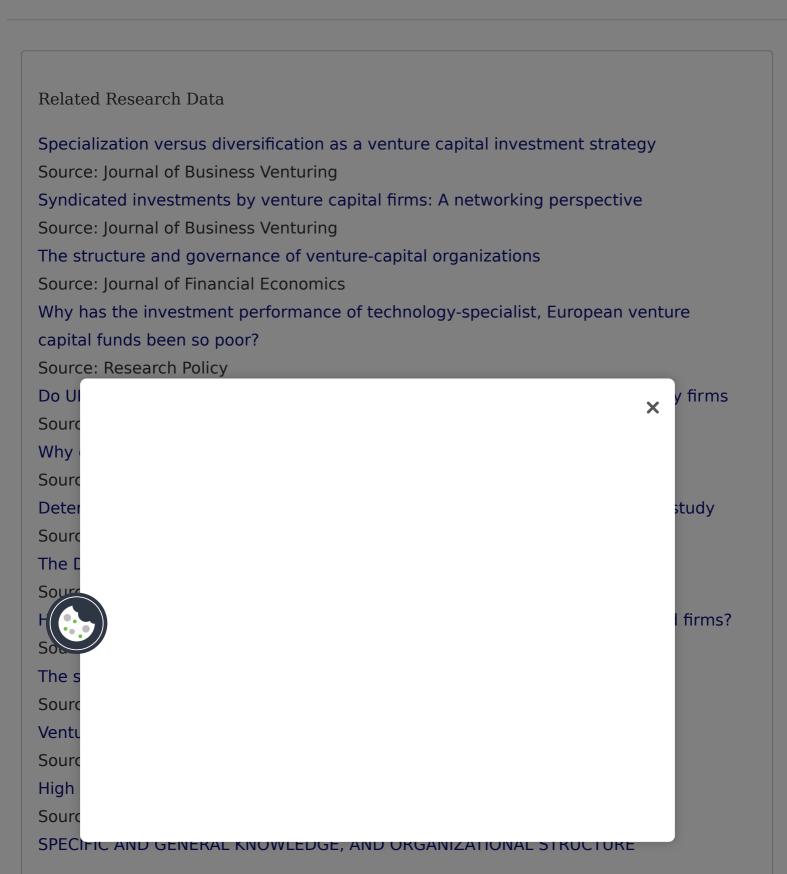
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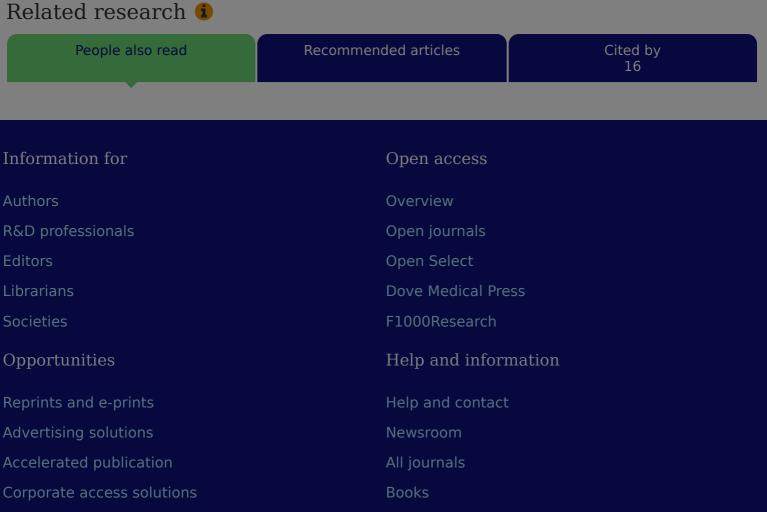
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