

# AN EVOLUTIONARY CLASSIFICATION OF VENTURE-TO-CAPITAL BUSINESS MODELS

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## **Abstract**

This paper examines traditional and emerging business models among operatives in the Venture-to-Capital (V2C) area - the stage in the development of a new venture when it is aiming to become eligible for a venture capital investment, and is hence metaphorically between venture and capital. Many entities exist to assist companies in this process. The prevailing V2C operatives include Incubators, Advisors, Business Angels, Business Angel Networks and Classic/Seed VC. They all have different business models, including motive, contribution, incentive and revenue model.

However, there are a large number of new operatives who do not quite fit these old categories. In this study, a number of new operatives are examined and their business models outlined. When comparing the traditional and new business models, three observations are made as conclusions: New models are hybrids of traditional models with only some new features; Contributing intellectual capital in the sense of “sweat capital” or business knowledge is seen as a key requisite; Trend goes towards obtaining equity interest in the target company for upside potential in the compensation.

Furthermore, based on the analysis existing V2C operatives – both old and new - an evolutionary categorization of six classes of V2C operatives is presented. Principally, the new emerging models have evolved from the traditional ones, and the taxonomy is downwards compatible in a sense that the all traditional models fit the new taxonomy. This study reports work-in-progress, paving way to future research by creating new taxonomy for Venture-to-Capital operatives and possible suggestions to the practitioners in the field.

## **Keywords**

Venture Capital, Venture-to-Capital, V2C, Incubator, Business Angels, NTBF

## **INTRODUCTION**

### **Overview**

Years ago, labor-intensive industries such as textile mills and mines were hailed as the backbone of Western economies. In 20<sup>th</sup> century they made way to corporations, which dominated for decades, until they also started to stagnate and even diminish, being unable to grow at the preceding rate and provide jobs for a growing number of people. It was noted, that even though the big companies were visible, they only provided a small fraction of jobs and gross national production in most countries.

At the present moment, the eyes have opened and small and medium-sized companies (SME) are regarded as the most prominent source of economic growth and job creation. Companies need to be founded and grown in order to compensate for the losses of jobs in large companies operating in traditional industries. Therefore, it is a crucial interest of economies to facilitate both the initial birth and eventual growth of the fledgling companies.

This is neither easy nor straightforward task, but a lot is done all the time. Numerous government incentives exist in various countries, promoting emergence of entrepreneurs and their enterprises. Also, many kinds of private sector operatives have developed to aid the companies in Venture-to-Capital (V2C) area in financing and managing the company during the many challenges associated with growth. Some of them offer financing, as business angels and venture capitalists do, while other concentrate on consultation and other services, as done by advisors and incubators.

However, the world is changing and developing all the time. Right now, new growth ventures face global competition from the very start, and have to grow ever faster to gain a sustainable position on the market. Even if we forget the ridicule of the dot-com era, in order to succeed these emerging growth ventures should have an ample amount of resources at their disposal, including skillful and experienced personnel and solid financial backing.

This also poses new challenges to the aids of the growth ventures. The operating models of the ventures themselves are changing to meet the renewed challenges regarding growth. Similarly, either the operatives affiliated to them, the V2C operatives, have to adjust. There are two concurrent paths to this change, as the existing actors can adopt new practices, and actors with altogether new business models can emerge.

This paper will assess the development of V2C operatives by first looking at the business models found among the traditional actors, and then inspecting a number of new variants, which have emerged in the marketplace. Built on these data, a new classification is made to accommodate both the traditional types of V2C operatives, their newly evolved variations and completely new kinds of actors.

## **RE-ASSESSING THE PREVALENT V2C BUSINESS MODELS**

### **Overview on Traditional V2C Operatives**

Many entities exist to assist companies in the V2C operating space. In this paper, the taxonomies of three (Seppä & Rasila 2001) and four (Rasila & Okkonen 2002) classes of V2C operatives have been refined into a classification of five distinct types of traditional V2C operatives. The three types identified first were business angels, incubators and advisors, and the ones added later are venture capitalists (VC) making seed stage investments and business angel networks (BAN) matching investors and ventures seeking capital. All of these operatives work with early stage growth companies, yet they all have different business models - including motive, contribution, incentive and revenue model – on which we will have a glimpse later in this chapter.

Table 1. Classification of Traditional V2C Operatives

<i>Traditional V2C Operatives</i>
Business Angel
Business Angel Network
Incubator
Advisor
Seed Venture Capital

During the past decades, classifications have been created for sub-classes within each V2C operative group as presented above: Venture Capital Companies (Bygrave & Timmons 1992, Seppä. 2000), Business Angels and Informal Investors (Gaston 1989, Freear et al 1994, Stevenson & Coveney 1994, Sörheim & Landström 2001), Incubators (Aernoudt 2002), Matching Portals (Sohl et al. 2000) and Corporate Venturing (Chesbrough 2002) have all been studied and taxonomies made. But until the introduction of the Venture-to-Capital (V2C) concept these were not tied together or compared, as there was no common theoretical framework for them.

From financing point-of-view, there are two opposing pairs within these five classes: business angel and seed VC, who bring money in, and incubator and advisor, who are paid for their services. These pairs also differ in availability: incubators and advisors are more generally available, where as business angels tend to keep out of sight, and both business angels and seed venture capitalists are a scarce resource to begin with. Business Angel Network differs from the other classes in a sense that its activity with a venture is usually only one unique transaction, where the venture is introduced to a number of potential investors. The BAN acts as a catalyst, receiving compensation for its efforts from the parties involved and in the usual case has no further interest in the company.

In order to analyse these five groups of operatives and develop the context further, let us have a brief look at the operating principles of each one of them.

### *Business Angel*

Originally, 'angel' was a Broadway term for those well-heeled individuals who made risky investments to Broadway shows (Amis & Stevenson 2001). Today, business angels are considered to be the group of wealthy individuals putting some of their hard-earned capital, business experience and contact networks back to the entrepreneurial process. They finance technology-based inventors, provide start-up and early stage financing for emerging firms and equity financing for small established firms growing faster than retained earnings can support. (Wetzel 1983)

Despite their common denominators, business angels are a very heterogeneous group. Some of them work fairly professionally while others invest small amounts of money more as a hobby. Some invest in syndicates while some lead the syndicates. Furthermore, both the real and perceived added value from the non-monetary contribution of the angel varies greatly; some angels are more willing than other to invest their time along with money, and some of them have more to contribute on that side as well.

Nevertheless, a business angel invests his or her own capital to promising ventures on equity basis. In return, he expects good returns from the sale of the shares in an exit situation, or at least fair profits through dividends and an eventual sell-back to company or its management.

### *Business Angel Network*

Being wealthy individuals ‘giving out money’ business angels tend to value their privacy. On the other hand, nascent ventures are hard to find as well. This brings forward the problem of matchmaking; how do these two groups meet each other in order to form an efficient market for capital and new ideas?

Business angel networks try to solve this problem by acting as a portal for both business angels seeking for ventures and ventures seeking capital. Some work in a fairly open manner while other form a ‘Chinese wall’ between the parties in order to separate them and retain the members’ anonymity. Matchmaking based on databases may be done either automatically or by hand, and methods may include member luncheons or dinners as well as larger seminars and venture fairs. Even though matching is presented as their primary function, many also serve other purposes e.g. by educating both investors and potential target entrepreneurs about private investments, and lowering the barrier for new entrants to start investing and at the same time enabling co-investments, i.e. syndication.

By and large, a BAN is an organization whose aim is to facilitate the matching of entrepreneurs with business angels. They tend to remain neutral and generally refrain from formally evaluating business plans or angels, merely making a market place for matching services. (Saublens 2000)

### *Incubators*

The first identified incubator was started in Batavia, NY in 1959 in an old Massey-Ferguson plant, with one of the first tenants being a chicken farm – hence the name ‘incubator’. From this start, incubators have come a long way. Indeed, initially the incubators were merely a way to re-use massive building otherwise left empty, and to attract new small- and medium-sized businesses to areas where business was declining. This type of incubators is today referred to as Brick-and-Mortar (BAM) incubator and many of them still exist, providing enterprises with office space with some basic business services, if any.

On the other hand, majority of incubators today are concentrated on a certain line of business instead of being mixed incubators. These technology incubators offer their tenants with a variety of business development services, in many cases through an affiliate network. Also, they provide matching services to investors so that the ventures could get the financing which is not generally available from the incubators themselves.

According to a definition laid out by National Business Incubation Association ([www.nbia.org](http://www.nbia.org)), business incubation catalyses the process of starting and growing companies, with main goal being to produce successful firms that leave the program financially viable and freestanding. In general, incubators are paid for their services - although sometimes the prices are subsidized – and do not take taking equity interest in their client companies.

### *Advisors*

Business development advisors working with start-up companies may be either individuals or consulting offices, private or public. It is their job to assist companies for monetary compensation. Compared with business angels and incubators, advisors are focused on their own short-term gains and profitability and typically involved with a given venture for a shorter time. Advisors are usually skilled and motivated professionals who have seen many cases and can derive advice from experience. These skills work well in a problem-solving situation or in carrying out a given project, such as finalizing the business plan, setting up an office abroad or assisting in fund-raising effort.

Besides the short term of their interest, the caveat with advisors is that companies with less than five workers need explicit advice instead of large analyses, and that putting the advice in effect should often be responsibility of the consultant as the entrepreneur seldom has time to do the necessary work as he is – and has to be – concentrated in doing his business (Routamo and Hotanen 2000). This may be changing over time as some advisors and consultant offices are becoming committed to their client companies by accepting equity compensation, as we will see later.

### *Seed Stage Venture Capitalists*

The practise of financing risky ventures in hope of great returns goes back to the days of Columbus and beyond. Still, the venture capitalism as we know it today only goes back to year 1946 when the first VC companies - American Research and Development and J.C. Whitney & Co. – were founded.

Reflecting the discussion in the opening chapter of this particle, the policy makers consider venture capital as an important means of facilitating entrepreneurship, innovation, employment and economic growth (Harding 2002). Therefore it is understandable that in many economies the first VC operatives have been public. At the moment, though, the *de facto* operating model in the industry is the limited partnership model, where institutional investors pool their money in a fund for a set time period of ten years or so. This fund is managed by a partnership, which receives an annual fee proportional to the size of the fund plus a success fee depending on the actual outcome when the fund has matured.

Recent development has pushed the VC industry towards larger investment due to growth of funds dedicated in their hands, but many operatives still make early-stage investments or even concentrate in them to differentiate themselves. Early-stage investing or classic venture capital as it may also be referred to (Bygrave & Timmons 1992) is the riskiest of them all and requires greatest amount of time and hand-holding, yet the upside potential is also higher than in investments to more mature companies.

To summarize, seed VC companies invest other people's money into potential growth ventures, receiving equity stake in return. Their goal is to get profits to this investment in case of an exit through IPO or a trade sale, and to facilitate this they are willing to contribute some amount of time and energy to the benefit of the company.

## Field Study on New Kinds of V2C Operatives

When looking at the current V2C operatives, one notes that many of them do not quite fit the prevailing categories presented in the previous chapter. This suggests that a new taxonomy may be needed to accommodate the new working models as well. After all, as can be seen from the preceding descriptions of the five prevailing V2C business models, they are not dictated by the laws of nature but quite the contrary; born for a need and formulated over time by people. Therefore, further evolution of the theory is acceptable.

To facilitate the birth of a new taxonomy we observe number of recent V2C business models, each one having something new when comparing to the features of the traditional V2C business models. Some of them have already established their position in the market and hence proved their worthiness while others can still be considered as more experimental. Also, some of them are very close to existing ones while some can be considered quite innovative.

The following examples have been selected so that each case would be at least in some way different from the earlier V2C business models, hence adding to the new V2C business models' feature pool. After analyzing these fourteen cases, finding examples with substantial novelty is hard, which suggests towards saturation in the research material as the marginal contribution of each additional case approaches nil (Glaser & Strauss 1967). More comprehensive case presentations of these operatives are given in the forthcoming dissertation by the author.

### *“Trial Marriage of LINC Scotland” – Catalysing Due Diligence*

Cost of due diligence process is a major factor repelling venture capitalists from making small-scale investments in early-stage companies, and also affects the business angels. To overcome this obstacle, the partially EU-funded Trial Marriage program of the LINC Scotland business angel network pays a fair fee for business angels willing to work on eligible companies for a number of days. After this, if an investment is made, the fee is refunded to the program. If not, the target company has enjoyed of free consultation, possibly guiding it towards being ready for an investment in the next time. (Mason and Harrison 2002)

### *“Virtual CEO” – a Business Angel less Money*

The term Virtual CEO is coined by Randy Komisar in his semi-fictional autobiography, when he explains the way he works with start-up companies as a part-time retiree. To put it simply, Virtual CEO is a business angel without money. He possesses such skills and networks, that the entrepreneur or founders of a new venture are willing to give him an equity stake, knowing that he in turn will contribute his time and knowledge for developing the company. As a Virtual CEO, Komisar works with five to six companies at a time, and is “paid largely with equity”. Upside potential resulting from equity stake gives incentive to the Virtual CEO, and it is easy to imagine that this is a win-win game. (Komisar 2001).

### *“Source Code Finland” – Sweat Capital Investor*

Founded in 2002 by three seed-stage VC companies, Source Code Finland ([www.sourcecodefinland.com/](http://www.sourcecodefinland.com/)) invests ‘sweat capital’ to existing companies. Unlike the Virtual CEO, it is a professional organization and has a fairly fixed time span, preferring equity to monetary payment as compensation for the services. One of the defined functions of

this V2C player is to guide the target venture to venture capital round one, and presumably exit at round two or later, adding value to the company at each phase.

*“eAccelerator” – Business Accelerator*

Like the previous example, eAccelerator ([www.hermia.fi/eAccelerator](http://www.hermia.fi/eAccelerator)) is a professional organization mainly contributing its time to the development of the venture. However, its compensation is preferably money, although success fee or equity may be used as well. Payback is not immediate, but triggered by set milestones, such as VC funding or major sales deals. Payback may also be conditional, which brings more risk and incentive to the scheme, as is the case with equity compensation.

*“UK Venture Capital Trust” – Channelling Stock Market Funds to Small Companies*

Making minor informal investments in small companies is risky and time-consuming for an individual investor. To spread the risk and make investing easier, Venture Capital Trust gathers the money from many investors and invests mainly in new shares and securities of unquoted companies. Being a financial institution engineered by UK government, these trusts are listed on London Stock Exchange and have a number of built-in tax incentives. (Cartwright 1995, Bushrod 2002)

*“University Challenge Fund” – Enhancing University Spin-Offs*

Another innovative British model is the University Challenge Fund scheme, into which the Government and two charitable foundations contributed a total of £45 million in 1998. These funds were eventually divided among 15 seed funds representing 27 universities, which were required to add up another 25%, so that the available funds were £60 million. The individual University Challenge Seed Funds are managed by universities or parties close to them. Their investments range from laboratory-level projects to spin-out companies, being £10 to £250 thousand in monetary terms. (Office of Science and Technology 2002, Isis Innovation 2002)

*“Venture Stables” – a University Pre-Incubator*

Another, less demanding way to promote entrepreneurship and commercialisation of new technologies in universities are the pre-incubators, of which the venture Stables of Tampere University of Technology ([www.yritystallit.tut.fi/yritystallit](http://www.yritystallit.tut.fi/yritystallit)) are a good example. Funded by the university, the program gives facilities to groups of students and employees who have a pre-seed stage business idea. Also a minor amount of money is allocated for expenses of the project or company in question. Due to legal restrictions there can not be equity compensation in the transaction and even in the best case the university can only expect to get the expenses back. Hence, the Venture Stables can be regarded more as a strategic initiative.

*“Liksa” – Pre-Seed Development Funding*

Pre-seed funding for development of nascent ventures are also done on national level in Finland by Liksa program ([www.sitra.fi/liksa](http://www.sitra.fi/liksa)), funded by two public entities; Commemorative Fund of Finnish Independence Sitra and National Technology Agency Tekes. Together with *Intro* and *Diili*, which are described below, it forms the Sitra PreSeed service concept. Companies and individuals get in touch with local operators, and if accepted receive funding of up to €40 thousand, to be used according to a pre-set plan mainly to buy services from experts of market research, business development and such. In most cases, a central part of the outcome is an up-to-date business plan to be presented to investors, making the company more prepared and attractive to investments.

*“Intro” – Matching Service both Live and On-Line*

The second step after Liksa in the PreSeed concept mentioned above is the Intro matching service ([www.sitra.fi/intro](http://www.sitra.fi/intro)), presenting capital-seeking ventures to investors by an on-line portal and investor meetings. Investors can be either institutional or informal, and the service offers them a centralized channel of pre-screened investment proposals. Ventures get welcome exposure to investors and the portal has also proven to be able to leverage the effect of private financing in raising additional funding from public sources.

*“Diili” – Experts for Start-Ups*

In addition to matching investors and ventures, Intro is also looking for seasoned executives through the Diili service ([www.sitra.fi/diili](http://www.sitra.fi/diili)). The reasoning for this service is based on the experience that the most important factor hindering private investments is the perceived lack of business skills and – more precisely - credible sales and marketing force. Thus professionals in these areas can list themselves as applicants in the Intro database, and gain access to the same data which the investors get to see. Some of these individuals join the entrepreneurial teams as full-time executives at least partially on ‘sweat capital’ basis, so that part of their compensation is given in equity.

*“Odyssey” – Mentors for Young Entrepreneurs*

Experienced people can also contribute as mentors or board members, and entities finding these for ventures exist. As for mentoring, Canadian Youth Business Foundation ([www.cybf.ca](http://www.cybf.ca)) has a face-to-face mentoring program Entre Nous, which is limited to and mandatory for all their loan clients. They also have an on-line mentoring network called Odyssey, which is available also to ventures not seeking for loan. The mentor and protégé may never meet in person, yet mentoring is considered a valuable resource as it can not be bought like consulting.

*“EquityEngine” – an Automated Virtual Incubator*

Another operation exploiting the possibilities of Internet was the now-defunct EquityEngine, also from Canada. Its principle was to join together inventors, human resources and investors in a large on-line community. As a person would expose an idea to the network, those interested in investing either their work or money could jointly form a company, leaving 10% stake to the originator of the idea and 25-40% to EquityEngine for matching. The service was launched in April 2000 and operation got some thousands of members and hundreds of ideas, but probably due to e.g. bad timing and adverse selection of business ideas, the owners discontinued EquityEngine and converted the business to offer the virtual workspace they had created for it. (Marron 2000, Bray 2001)

*“Privanet Capital” – Investment Banking and Brokerage for SME’s*

Founded in the heat of dot-com boom was also Privanet ([www.privanet.fi](http://www.privanet.fi)), which launched a range of services targeted for SME companies in spring 2000. One of its divisions organizes releases of shares, taking care of formalities and marketing the issue to potential investors, being kind of an investment bank, business angel network and underwriter at the same time. Privanet also has an on-line marketplace for unlisted securities, which would certainly have been busy in the late nineties. Recently, it merged with a small private investment company Finance Group International Finland, which by becoming Privanet Investments added the seed venture capital dimension to the offerings together with a portfolio of ten companies.

Privanet has a banking charter within the EU and is looking forward to extending its operations to the new member states, such as the Baltic countries.

#### *“Idealab” – a VC Bootcamp*

Many kinds of new incubators were started during the overheated market of late nineties. An example of them is Idealab, which provided its tenants not only premises and basic business services but also executives and financing. Curiously most of the incubates were based on the ideas of the founder, in which respect Idealab is different from other incubators and resembles any other start-up company. After receiving large private placements based on initial success with several IPO's, Idealab had to scale down its operations as the market slowed down. Nevertheless, it is still operating, unlike many other for-profit incubators. (Nocera 2001, Gunther 2002)

### **An Evolutionary Classification of V2C Operatives**

The fourteen case descriptions presented in the previous chapter yield a total of 22 operatives, as some case examples can either take different roles (e.g. different Privanet subsidiaries) or include actors on two levels (e.g. Intro portal and investors; or EquityEngine portal, resources and investors). Together with the five traditional classes of V2C operatives presented earlier, the 26 operatives can be divided in six categories as follows.

#### *Individual Investor*

Individuals with high net worth or even reasonable income may wish to make equity investments in small ventures either directly or indirectly, as is the case with the VC trust. For direct investments, pre-screening and matching services such as Intro, Privanet and the late EquityEngine may be used to lower the investment barriers and facilitate co-investments. In some cases the Individual Investor takes an active role in the target company as a board member or such, but in many cases the limitations in skills and available time of the investor do not permit this. However, with a little bit of facilitation by other V2C players these limitations are not prohibitive and even small investments can be done efficiently.

#### *Matching Service*

Acting as a catalyst, a matching service does not seek any long-term income but merely endeavours to fund the companies seeking capital by exposing them to suitable investors. The operation may be run by investors themselves, as is the case with most business angel networks, or it may be a public entity as such as Intro. Matching may also be done on purely commercial basis, as exemplified by Privanet and EquityEngine.

#### *Facilities and Services*

In addition to the offering of incubators and advisors, emerging ventures need other kinds of services as well. These include for instance assistance in practical arrangements and legal issues raising capital as provided by Privanet, maintaining a secondary market for company stock – another Privanet offering - or matching with mentors and board members as done by Odyssey. As with any commercial operation, the services are provided at a price to cover the expenses of the provider, but there is no long-term interest outside the period of customer relationship.

### *Committed Consultant*

A new breed of advisors is ready to share the risk of their clients by taking some or all of their compensation in shares of the client company. This makes them committed to the client, as their income is tied to the long-term success of the company in question. This operative may be either a seasoned individual capable of substantial contribution to the company - as is the case with Virtual CEO or the Diili recruits - or a legal entity such as eAccelerator or Source Code Finland. It may be noted that the latter entities are partially funded by public sources and therefore subsidized, as is typically the case with experimental models. The EquityEngine resources might have been either individuals or entities, but almost surely were not subsidized, which may have contributed to its demise.

### *Pre-Seed Funding*

Certain V2C operatives are created for channelling public funds to nascent and new ventures, which would benefit from smallish injection of money for development purposes. The goal is usually to pave way towards an equity investment done by seed investment companies or individual investors. Examples of these entities include eAccelerator, Venture Stables, Liksa and Trial Marriage. Many of these models are not even intended to be commercially viable, as they are public initiatives serving strategic interests.

### *Seed Investment Company*

Some investment companies are designed and determined to overcome to obstacles hindering the large venture capital funds from investing in small companies. They channel capital invested in their funds by individuals and institutions to early-stage companies in small doses and are prepared to the high risk and long investment span involved in these investments. This model is followed by e.g. regional seed VC operatives, Privanet Investments, Idealab and University Challenge Funds and VC Trusts in the UK.

Table 2. Brief Summary of New and Emerging V2C Operatives

<i>Evolutionary V2C Models</i>	<i>Characteristics</i>	<i>Examples</i>	<i>Old Classes</i>
Individual Investor	<ul style="list-style-type: none"> <li>• Invests personal money</li> <li>• May contribute own time</li> </ul>	<ul style="list-style-type: none"> <li>• Privanet investor</li> <li>• VC Trust investor</li> <li>• EquityEngine investor</li> <li>• Intro investor</li> </ul>	Business Angel
Matching Service	<ul style="list-style-type: none"> <li>• Acts as catalyst</li> <li>• Various compensation methods</li> </ul>	<ul style="list-style-type: none"> <li>• Intro</li> <li>• Privanet</li> <li>• EquityEngine</li> </ul>	BAN
Facilities and Services	<ul style="list-style-type: none"> <li>• Sells services</li> <li>• Wide service spectrum</li> </ul>	<ul style="list-style-type: none"> <li>• Privanet</li> <li>• Odyssey</li> </ul>	Incubator Advisor
Committed Consultant	<ul style="list-style-type: none"> <li>• Invests sweat capital for equity</li> <li>• Has long-time interest</li> </ul>	<ul style="list-style-type: none"> <li>• EquityEngine resource</li> <li>• Source Code Finland</li> <li>• eAccelerator</li> <li>• Virtual CEO</li> <li>• Diili recruit</li> </ul>	
Pre-Seed Funding	<ul style="list-style-type: none"> <li>• Invests public money</li> <li>• Strategic interest</li> <li>• Money for development</li> </ul>	<ul style="list-style-type: none"> <li>• eAccelerator</li> <li>• Venture Stables</li> <li>• LINC Trial Marriage</li> <li>• Liksa</li> </ul>	
Seed Investment Company	<ul style="list-style-type: none"> <li>• Invests other people's money</li> <li>• Resembles classic VC model</li> </ul>	<ul style="list-style-type: none"> <li>• University Chall. Fund</li> <li>• Privanet Investments</li> <li>• Venture Capital Trust</li> <li>• Idealab</li> </ul>	Seed VC

When comparing all presented models together, we can observe three trends. First of all, the most new operatives are hybrids combining elements of several traditional models with only some new features. Secondly, intellectual capital in form of 'sweat capital' is becoming an instrument for bartering. Finally, trend goes towards obtaining equity interest in the target company, sharing the risk with the entrepreneurs for upside potential in the compensation.

## CONCLUSIONS

The purpose of this study is not to proclaim that the era of business angels and incubators is over, and that from now on it is the operatives with new, refreshed business models that will rule the Venture-to-Capital area and assist the growth companies towards success. First of all, making this kind of claim would be all too close to the doctrine of the dot-com boom, claiming the death of old heritage and emergence of the omnipotent new economy. After all, we have to learn something from the history.

Secondly, the new classification as presented in the previous chapter includes all traditional V2C operating models, merely making way to new variations of the old themes as well as brand new kinds of operatives. Only time will tell which ones of these new themes will survive, which is just as it should be in free competition. After all, not all of the dot-com

companies referred to above died, some of them were indeed better than their pre-dot-com ancestors and actually proved to be sustainable. This development is called evolution.

At this point of the study the classification is of tentative nature and therefore may change over time before the study is completed, or even after that. Nevertheless, it gives a good starting point as a fresh perspective for analyzing the operating environment of growth companies and the Venture-to-Capital operatives affiliated to them. This study will be continued in a dissertation in which the classification will be developed further as well as used as a framework for evaluating a hypothetical 'best practice' operating model for V2C operatives. The dissertation in question also includes a more thorough presentation of the case examples used in this study.

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