

# Use of Performance Measurement in V2C Activity

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## ABSTRACT

The sizes, and thereby minimum investments, of VC funds grew phenomenally during 1995-2000. Simultaneously, business started to transform from capital to knowledge intensive and a new gap emerged between venture and capital. A diverse group of actors referred to herein as Venture-to-Capital or V2C players help entrepreneurs cross this gap. While incubators, business angels, and various other types of V2C players serve an important role in the emerging knowledge economy, research on their operation has been scarce.

The objective of this exploratory study is to define the usability of performance measurement (PM) in the V2C context. Also in the V2C context, PM should be carried out by using a balanced set of measures from several perspectives. Herein, V2C operating models are examined, and critical success-factors searched-for, from the perspectives of both the entrepreneur and the venture capitalist. We suggest nine success factors, several underlying measures, and directions for further research.

*Keywords:* entrepreneurship, performance measurement, strategic management, venture capital, venture-to-capital, V2C

## INTRODUCTION

At the rise of industrialism a distinction between ownership and management began to emerge. As companies grew, also the need for outside capital started to grow. Business owners (entrepreneurs) started to take *investors* (outside shareholders) to share the financial risk involved in their newly incorporated businesses and hired *professional managers* to perform some of their tasks. As the capital market developed, ownership participation became possible also for the public and the supply of equity capital by *professional investors* to public companies rapidly exploded. However, the scope of this supply did not cover private companies, let alone start-ups. A capital gap emerged. To bridge the gap and serve the demand for private equity, a new breed of *professional owners*, referred to as venture capitalists, came to the picture after World War II. After the institutionalisation of the venture capital industry and the transformation of the VC process into VC spiral – and thanks to the increased knowledge intensity vs. capital intensity of new ventures – yet a new breed of players, referred to as venture-to-capital or V2C players has emerged into the picture. (Bygrave and Timmons, 1992; Seppä, 2000; Seppä and Rasila, 2001)

To evaluate and manage these new operators, internally and externally, some actions need to be taken. One tool for these tasks is performance measurement. Performance measurement deals with the implementation of an organisation's strategy. Performance measurement, when based on the use of a balanced measurement system, can be used to identify and control for critical factors on the road to success. The basic mission of a V2C player is to help turn prospective ventures 'investable' in the eyes of the venture capitalists by providing added value for both ends. From the entrepreneur's point of view, a V2C player's critical success factors are at least his or her businessman wisdom, growth management skills, ability to provide managerial advice and entries to networks. From the venture capitalist's point of view the critical success factor for V2C player is the ability to develop the venture and prepare it for the growth anticipated after venture capital investment through means that include grooming corporate management, building scalable management systems etc. At least these two perspectives should be taken into account, when measuring the performance of a V2C player. This being an exploratory study, we will go

somewhat deeply only into these two perspectives, even though there are other important perspectives as well, such as the ones of financiers and government. Furthermore the suggested measures remain in very abstract level, because thorough discussion would require a stand-alone research paper for each of them. We also try to give as comprehensive review into this subject as possible, and not to neglect either entrepreneurs or venture capitalists, these being the key stakeholders of a V2C player. Furthermore both of these stakeholder groups should adapt a comprehensive view, and understand each other's initiatives.

## **FROM VENTURE CAPITAL TO VENTURE-TO-CAPITAL**

Because of the rapid growth of the venture capital (VC) industry over the past 50 years, the size of funds and, hence, the minimum investment amount have dramatically exploded. Paradoxically, the VC spiral has only widened the capital gap and venture capitalists are no longer able to make small enough investments in small prospective ventures. (Seppä, 2000; see also Bygrave and Timmons, 1992) Moreover, knowledge intensity versus capital intensity of early stage investing has skyrocketed over the past few years. In figure 1 are presented capital and knowledge gaps and financier's role in building the bridge for ventures to cross these gaps.

Take in figure 1

Traditionally incubators, business angels and various kinds of advisors – operating in so-called informal venture capital market – have played a key role in growth and development of fledgling companies. A key objective in their work is to provide ventures with financial and managerial support, thereby assisting them to cross the gap and eventually become 'investable' in the eyes of the formal venture capital players. Herein, we refer to the informal VC players as Venture-to-Capital (V2C) players. They, however, also have limitations in their work and cannot fully address the capital and knowledge gap problems (Seppä and Rasila, 2001). To bridge these gaps a new breed of professional V2C players is emerging.

An essential common nominator in newly emerged V2C operating models is that the operative acquires equity in the target company. The purpose on the bottom of this is to create long-term commitment for making the co-operation successful. Naturally, sharing the potential success is sacrifice for the entrepreneur, but in many cases the benefits surpass the drawbacks. Examples of new V2C operating models are given in the next chapter.

## **DIFFERENT ARCHETYPES**

Of course not all the ventures, V2C players nor venture capitalists are similar. They all have their own ways of acting, individual goals and earning logic i.e. a different strategy logic. Anyhow, we believe that there are some similarities within all of these groups, and therefore some archetypes could be sketched or developed.

### **Archetypes of Venture Capitalist's Strategy Logic**

Seppä (2000) has found six different strategy logics for venture capitalists, which are listed in the following table I with their main features.

Take in table I

The interim-owner is considered to be the normative one and the starting point of this paper. He or she enters companies to build value where he or she envisions that such value can be realised on the market (Seppä, 2000). Obviously interim-owner also wants a stake of the company and his or her financial gain is realized on exit, hopefully in stock market, and hence consumers on stock market become key customers. Interim owner also pays on all stages of venture capital process i.e. fund-raising, entering, value-adding and exiting.

### **Existing and emerging V2C players**

As the normative strategy logic for venture capitalist is interim-owner, the normative strategy logic for V2C player should serve interim-owners. So ideal V2C player has to think, what it is that interim-owners want and need. The goal for V2C player is to find prospective companies and assist them in becoming 'investable'.

Anyhow the V2C field is highly diverse at the moment. It includes at least *business angels*, who are hobbyists in certain ways; *incubators*, who are mainly public sector based and therefore under the public eye with limited risk taking abilities and little space for making mistakes; *advisors*, who are mainly focused on their own short-term gains; and *corporate venture capitalists*, that aren't usually seeking direct financial gains rather than

indirect strategic gains such like technology development. Still another form of V2C is *corporate venturing*, which happens inside big corporations and is therefore not in the focus of this paper.

We work from the assumption that all of these V2C players mentioned above (excluding corporate venturing) concentrate on making prospective ventures 'investable' in the eyes of venture capitalists i.e. they help ventures to cross the capital gap. It also seems that their main customer is entrepreneur. Furthermore, those V2C players are not interested in what happens after the venture has got a venture capital financing: after that it's venture capitalist's task to push the venture 'listable'. This V2C process is illustrated in figure 2.

Take in figure 2

As mentioned before, none of the above seems to be established for serving venture capitalists (and even less interim owners) but entrepreneurs. So there is a need to sketch some kind of ideal V2C player and his or her strategy logic to serve the both ends of the value chain. And actually already there are several innovative approaches to V2C under way in the world. Next, we would like to present three such schemes as case stories.

*Case Trial Marriage:* Having noticed that not only the supply but also demand of Venture Capital was scarce in Scotland, local officials and LINC Scotland, one of the longest established business angel networks in the UK, created the LINC Trial Marriage scheme. In this programme, prospective companies were given grants that provided them with 75% funding for hiring consultants to assist them in developing the company. As the daily rate was seemingly too low for most consultants, it turned out that it was business angels who were prepared to work for these companies if they thought that the business had potential. Eventually, the grant was to be paid back if the company subsequently received funding from the investor. Nevertheless, this lent support for the business angels for inspecting more and smaller companies and gave them initiative to assist the prospective target ventures in becoming investment ready or 'investable'. The Trial Marriage scheme operated in 1998-99 as a part of an European Regional Development Fund (ERDF) initiative and is re-launched at the time of writing this article with small alterations. One of the changes is that instead of pay-back the grant may be converted to equity in company in order to give the program an upside potential, thus making it less dependent on public funding. (Mason and Harrison, 2002)

*Case Virtual CEO:* In his recent book Randy Komisar describes his work serving as "Virtual CEO" in number of mostly Silicon Valley companies. In short, this work consists of assisting in various demanding tasks, including management, recruiting and general planning, contributing significant amount of leadership and experience to the team building the venture in question. But even though he serves as a full member of the team he is not part of the operating crew. In return, he receives an equity stake, which gives him the initiative to invest his time and effort in benefit for the company. He clearly differentiates his role from the role of business angels, who "pay for the privilege of helping the company". (Komisar, 2000)

*Case eAccelerator:* eAccelerator is a sub program of the eTampere knowledge society development program and an acknowledged pilot of eEurope, a vision of the future of the EU. eAccelerator is one sort of a virtual incubator. The task of eAccelerator is to operate in venture projects as a medium between early-stage companies and venture capitalists and/or to incubate new companies. Its products are knowledge on financial, general and technological management and contacts for companies admitted to the program. The payment of these services is made in cash and lately in shares of prospective ventures – so the trend is towards taking ownership on start-up companies. eAccelerator has 15 core experts and an advisory board of 54 persons; 22 corporate finance experts, 16 experts in the management of company growth and 17 experts in technology. As a mediator between ventures and capital, eAccelerator plays the role of catalyst. Its most important task is to generate venture capital funding for customer companies or generating fundable ventures for venture capitalists. Its secondary task is to give advice about economical, managerial and technological issues. The core of the organisation plays an active role in solving problems. The advisory board is designated to help the core personnel in customer service and, at present, they are the primary source of knowledge on legal, managerial and technological matters. The advisory board plays a central role in evaluating new customer ventures and in making contacts with investors. The members of the advisory board do not necessarily collaborate closely with the core personnel, but they are available if their special knowledge is needed. The use of the advisory board encourages organizational learning, as the core personnel can be "mentored" by the network of experts. By arranging the eAccelerator organisation in a virtual form, large economies of scope in comparative advantage are gained. The comparative advantage is based on absolute and relative competence of the personnel throughout the organisation. Firstly, absolute competence is seen externally and brought out by the fact

that eAccelerator has more knowledge and information than its customers; customership is thus based on asymmetrical knowledge. As the customers are not able to cope with their growth on their own, there is a market for eAccelerator competencies. Secondly, relative competence is internal and perceived in the positions of the personnel. Every member of the network has a substantial amount of knowledge in his or her field of expertise, but there is always a person who is more competent in other fields. By summing up all personal competencies, synergy advantages can be achieved. This gives the organisation its form as affluent source of knowledge. (Okkonen, 2002)

It can be concluded that all of these three actors provide knowledge rather than financial aid to young ventures that are not yet ready for venture capital investments. Furthermore they help ventures to become 'investable' and may even help them to get venture capital financing, by working closely together with venture capitalists. As a payment for their services these V2C actors prefer shares or equivalent.

### **Defining the strategy logic of ideal V2C player**

Operational logic of a V2C player should be approached from two perspectives. Firstly, what is the value to entrepreneur i.e. what are the "actions" perceived by the ventures? Secondly, how does a V2C player provide better and more 'investable' ventures to capitalists? V2C player adds value to venture by knowledge on certain operational or strategic issues, which usually are not the core competence of entrepreneur. Also by acting as an advisor V2C player gains insight of a venture, thus accumulates information and knowledge for the capitalists. As V2C player operates as a medium between two different actors, the match making is critical process. By exposing ventures to capital new businesses can be created.

Ventures, which want to get financed and guided by venture capitalists or V2C players, have to accept the rules set by venture capitalists, which originally derive those rules from stock market (See Tyebjee and Bruno, 1981; 1984). The normative venture capitalist, interim-owner, requires ownership in the company and a board seat, so that its financial gains and control are secured. The ultimate goal of interim-owner is successful exit. The task of V2C player is to select and guide ventures that are willing to accept these conditions. In this process, summarised in figure 3, ventures are seen as raw material and venture capitalists as customers. The process described above is considered to be an ideal V2C process.

Take in figure 3

However V2C player's role is more than just translating the conditions and rules set by venture capitalists. They have to prepare those prospective ventures to survive in dynamic business environments by providing at least businessman wisdom, growth management skills, managerial advices and entries to networks.

A typical attribute of an ideal V2C player is that it receives a small minority in a prospective company for the time, money and services it contributes. Its financial gains are established mostly when a venture capitalist enters the 'investable' venture, but also later when the venture capitalist completes a successful exit (Rasila et al., 2002). In the following figure 4 is illustrated, how the ownership and market valuation of the venture develops through venture's life.

Take in figure 4

Shortly we will look at what are the success factors and possible performance measures for this kind of ideal V2C player. But before that we will have a quick glance on performance measurement.

### **PERFORMANCE MEASUREMENT CONTEXT**

Performance measurement deals with the implementation of a strategy. When based on the use of a balanced measurement system, it can produce tools that identify and control critical factors on the road to success. The main rationale for measuring performance is to be able to manage it. Performance measurement is translating a strategy into concrete objectives; communicating the objectives to employees; guiding and focusing employees' efforts towards achieving these objectives; controlling whether or not the strategic objectives are reached; using double-loop learning to challenge the validity of the strategy itself, and visualising how individual employee's efforts contribute to the overall business objectives (see e.g. Lönnqvist, 2002; Neely, 1998; Simons, 2000; Kaplan and Norton, 1996). This process is illustrated in figure 5.

Take in figure 5

Performance measurement is usually carried out using a performance measurement system, which consists of several individual measures. There are many frameworks for constructing such a system. The measures for the performance measurement system are chosen based on a vision and strategy (see e.g. Kaplan and Norton, 1996). The aim is to measure success factors from different perspectives, like customers, employees, business processes and financial success, as well as from the perspective of past, current and future performance. This way, different aspects of performance can be measured and managed. (Okkonen et al., 2002)

In Okkonen et al. (2002) a definition for performance measurement is formed as follows: *Performance measurement is a continuous and dynamic process in which measures are first constructed, based on strategically important success factors, then the measures are used to help implement planned strategies, and finally the analysis of measurement results provides feedback for new strategy formulations.* The definition emphasises the importance of performance measurement in a strategy process. However there are also several operative uses that can be seen as part of strategy execution.

There are differences in the use of performance measurement depending on the time frame monitored. In short-term or operative level performance measurement is used for guidance, control, managing quality etc. In long-term strategic issues are in the focus, and performance measurement has a dual role in implementing and updating strategy. (Okkonen et al., 2002) In operative level the benefit-burden ratio of a measure is critical, but also on the strategic level measures should have high practicality (Lönnqvist and Mettänen, 2002).

### **DELINEATING CRITICAL SUCCESS FACTORS FOR V2C PLAYERS**

In V2C operations the success factors should be derived from two perspectives: Firstly, the perspective of capital, i.e. venture capitalists, and secondly, the perspective of entrepreneurs or raw material, i.e. ventures. The performance measurement from the V2C operator's internal perspectives, e.g. financial, employee and learning, is pretty similar to any other organisation, thus it is not concerned here (Okkonen, 2002). More interesting are the issues of the strategy logic of main stakeholders, i.e. capitalists and ventures, when reflected through the V2C operator. So, when defining the success factors for V2C players we first need to find out, what it is that venture capitalists and entrepreneurs want and need.

The performance of eAccelerator as an incubator could be viewed from two perspectives. Firstly, as a project it has explicit goals to achieve. Secondly, performance is the key factor to reach those goals and therefore drivers for strategic goals should be defined. In very knowledge-intensive and customer-orientated cases, the role of personnel is emphasised. As eAccelerator is very dependent on its current stakeholders, performance should be measured by a performance measurement framework, which emphasises the perspective of the stakeholders. (Okkonen, 2002).

#### **Performance measurement from venture capitalist's perspective**

It is of general knowledge that the three most important investment criteria for venture capitalists are readiness and uniqueness of the product, market size and potential, and general ability of management. In short, these can be listed as Product, Market and Team. On the other hand, when measuring their own performance, the some of the most commonly monitored figures are Return on Investment (ROI) and growth of turnover and employee number in target companies. What we should look for is, how we can project these characteristics from venture to its V2C operator to create parameters for presenting its performance in quantified manner.

Product evaluations as well as market studies are already widely available, but their result at any given moment does not necessarily tell much about the success of the V2C actions. Therefore, we should also look at the change between entry and exit moments of the V2C in product readiness and market potential. If product portfolio of a given company has been poorly focused or products unfinished guiding the company towards strong product strategy represents good V2C performance. It applies to market strategy as well; migrating from scattered market strategy to focused one or finding new high potential markets may reflect beneficial influence of V2C operative. V2C player can either through training or recruiting develop the third criteria, general ability of management. Especially the recruiting might be all too late at the stage where venture capitalist enters the venture. The key competences needed from the management team are business management, business planning and system development skills.

So from the venture capitalists' point of view, good product readiness, high market potential and general ability of the management team are per se proof of good V2C operative performance, as they result on the action of V2C either by initially picking the ventures where these factors are in good shape, or seeing that they are improved to this level during the V2C period. On the other hand, it will provide us with even better performance measure if

these factors are measured over time so that the influence of V2C can be judged better. These parameters are qualitative in their nature, but measurements can be carried out e.g. using multiple-choice questionnaires even retroactively, several years after the event.

Venture capitalists monitor the ROI of their investments, and comparing the results of targets of different V2C players would give relevant data about their performance. Collecting this data, however, is very slow as it is based on VC exits, i.e. actual sales or IPO's of target ventures. What is more, VC companies do not necessarily want to publish this data, or it is only available if V2C player is still shareholder in the venture at the time of venture capitalist exit.

Other characteristic of V2C operative, which venture capitalist may find relevant have to do with is the size of business they represent to the venture capitalist. This could be expressed by combination of number of portfolio companies, deal flow in and out, and average deal size in venture capitalist entry stage. In this context, deal flow inwards means the number of ventures scanned for V2C entry each year, and outward deal flow represents the number of exits a given V2C made during the year.

### **Performance measurement from entrepreneur's perspective**

From entrepreneurs point of view V2C player needs to know the conditions set by venture capitalists and to manage the processes needed to achieve these conditions. Main investment criteria – product, market and team – were already discussed in the previous chapter and performance parameters form them were set there. Thus, these performance measurements serve both sides.

Assessing the 'readiness' of V2C player's portfolio ventures at the end of V2C period; i.e. the stage of its infrastructure, skills of its team et cetera; would be a highly useful performance measurement figure, as the company can be considered to be the car which the team drives to get the cargo – product – to its destination, being the market. This measure is multi-dimensional and highly qualitative and has therefore to be created with care.

When assessing the performance of a given V2C player the entrepreneur also wants to see how companies and their valuation have grown during V2C period. For growth assessment, average compounded annual growth percentage of turnover and number of personnel can be used. These figures also serve as performance figures of the venture when the venture capitalist is evaluating them before investment decision.

For valuation development, the entrepreneur wants to know the typical or average valuation, which has been used in preceding cases for VC entry, either as is or compared to earlier valuation, though in many cases the only valid valuation may be the face value of the stock. Furthermore, the average time to investment and failure rate – percentage of portfolio companies who failed to get VC funding – help the entrepreneur to estimate the ability of the V2C player to guide companies towards VC investment. And again, the average deal size listed in previous chapter serves the entrepreneur as well as venture capitalist.

Also the different contacts that V2C player can offer to the entrepreneur can have a significant value. These contacts include at least venture capitalists and professionals. The most likely fields of these professionals are management, product technology and marketing amongst others.

### **TOWARDS A PERFORMANCE MEASUREMENT FRAMEWORK FOR V2C ACTIVITY**

Table II summarises the critical success factors for V2C player delineated in the previous chapter, as well as provides suggestions for some actual measures. One must bear in mind that these are only suggestions, and in very rare cases they can be implemented as such, because success factors and performance measures are typically company sensitive. In eAccelerator performance is measured from three perspectives: firstly from venture perspective, secondly from capitalist perspective, and thirdly from the perspective of its own operations. The critical success factors in venture perspective are venture turnover growth and commitment to goals. Interpretation of turnover growth is obvious, but commitment to goals needs to be explained. Commitment was considered as venture's willingness to operate as advised by eAccelerator and was considered crucial in order to cope. Measurement of commitment is done by subjective analysis of customership. In capital perspective the size of portfolio was seen critical, as eAccelerator has to meet the goals set by the program. In the operative perspective eAccelerator's success factors are sufficient venture acquisition (number of business plans screened), venture acquisition quality (number of ventures meeting the set requirements), quickness of venture process (time to venture capital investment) and active stakeholder communications. To excel in all four is important, as large number of 'investable' ventures is desirable situation. (Okkonen, 2002) Clearly some of the measures in eAccelerator's operative perspective fit nicely in suggested perspectives of venture capitalists and entrepreneurs. This only proves that each organization needs to build its own measurement system, and this kind of frameworks can only give some guidance.

Take in table II

If the V2C player concentrates on these success factors, it can be assumed that it is seeking to execute the strategy logic of an ideal V2C player delineated earlier in this paper. Measurement of these success factors, as noted before, can be used in several ways in company's strategy process: communicating and clarifying the objectives, guiding and educating the employees, monitoring the achieved results and as means of double-loop learning.

## DISCUSSION AND CRITIQUE

The suggested success factors and measures may be logically derived but all still require further research and development: No exact formulas, sources of information or guides for using these measures could yet be reported. To achieve such, it appears, nine more research papers – one for each of the suggested success factors – is needed. Furthermore, there is obviously room for some new innovative measures that could not be developed in this early exploratory study. Nevertheless, it can be concluded that, at the end of the day, each company has to choose the balance of measures on individual basis: In other words, which of the measures are the most critical in a given situation.

Another question is whether the two perspectives underlined in this study sufficiently cover the V2C context. It is clear that the entrepreneur, or founding team, and the venture capitalist are key stakeholders of the V2C process. The goals and motivations of members of the entrepreneurial team may differ, however, not just from those of the venture capitalist, but also from each other. Also, the V2C players themselves have emerged as an important stakeholder of the V2C or growth company process. Yet another stakeholder, the fourth key stakeholder of the V2C process is government and the society at large. Most political governments, international (such as the EU), national, as well as local ones, have policies of intervention and/or active involvement in the V2C process groups – policies that make a difference in the functioning of the V2C mechanism, not least the prevailing values. The fact that these key stakeholder groups of the V2C or the growth company process and their goals do change as the business develops from venture to capital makes performance measurement even more difficult – and even more important.

Further research should pay attention on validation of the perspectives and measures presented above and move towards empirical evidence. Criteria for sound use of such measures must be defined in order to understand V2C businesses' success factors and measurement in the growth company and VC industry context.

Although interim-owner is seen as the normative archetype of venture capitalist strategy logic, only few VC players predominantly represent this type. The same holds to V2C players themselves as well as entrepreneurs. They too fall into different archetypes of their strategy logic. This could mean that before suggesting any versions of generic performance measures, we should delineate the predominant archetypes of entrepreneurial as well as V2C strategy logic, and try to match these archetypes with those of the venture capitalists. Only after such an effort we could propose a best set of performance measures for each combination of entrepreneur, V2C, and VC player; in a given society setting. All in order to more often succeed in pushing venture to capital.

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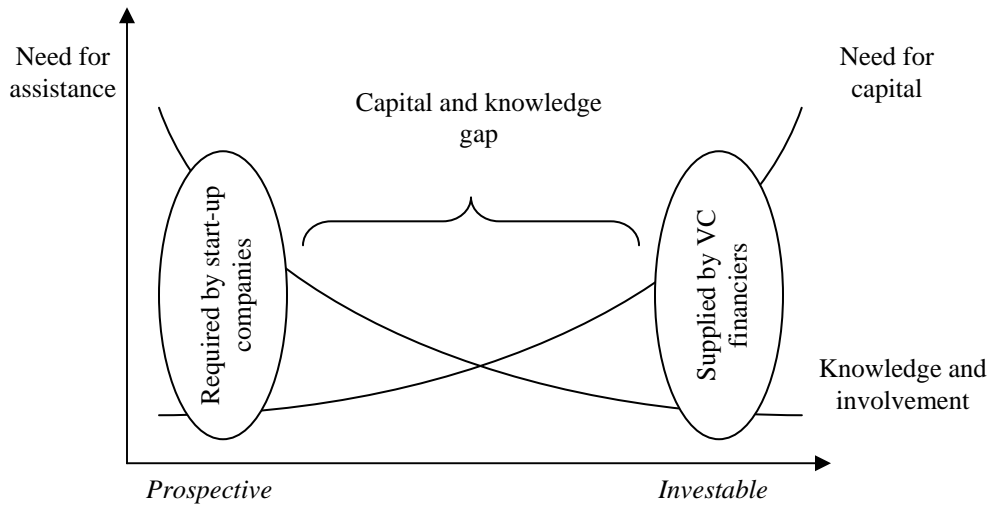


Figure 1. The capital and knowledge gaps (Rasila et al., 2002)

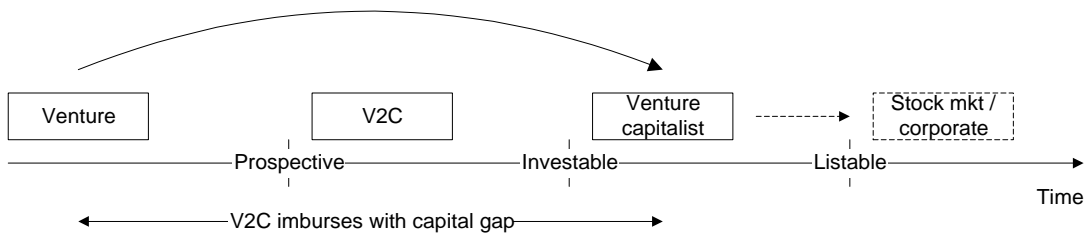


Figure 2. Existing V2C process

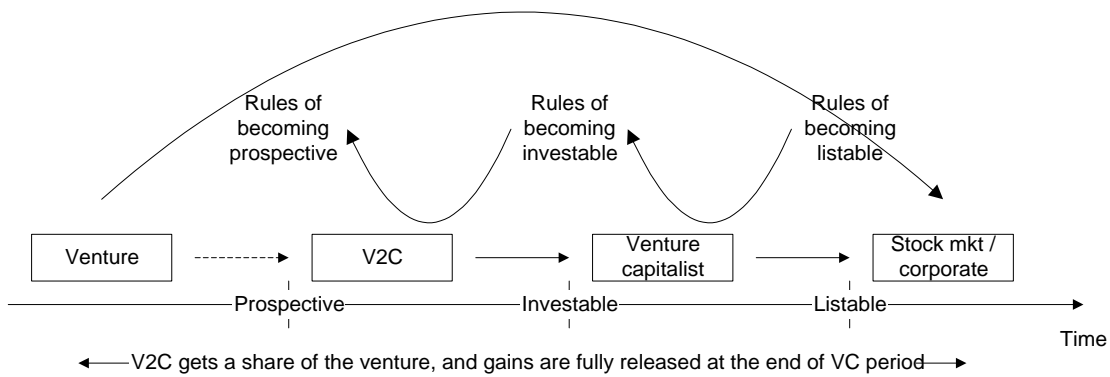


Figure 3. Ideal V2C process

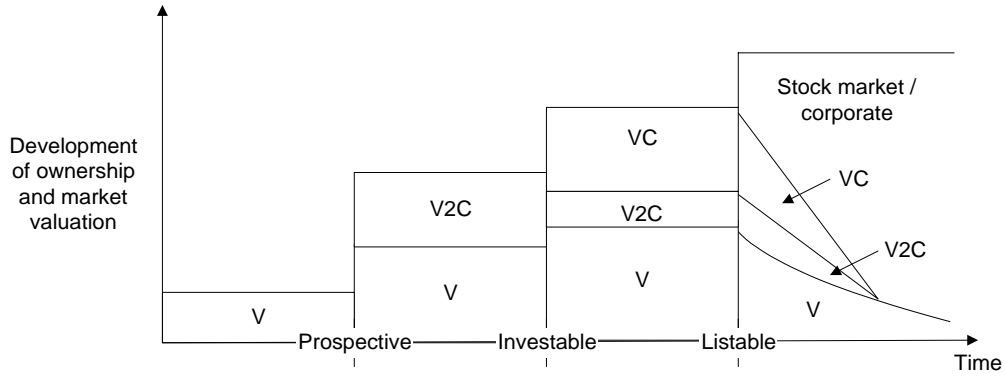


Figure 4. Development of ownership and market valuation trough venture's life

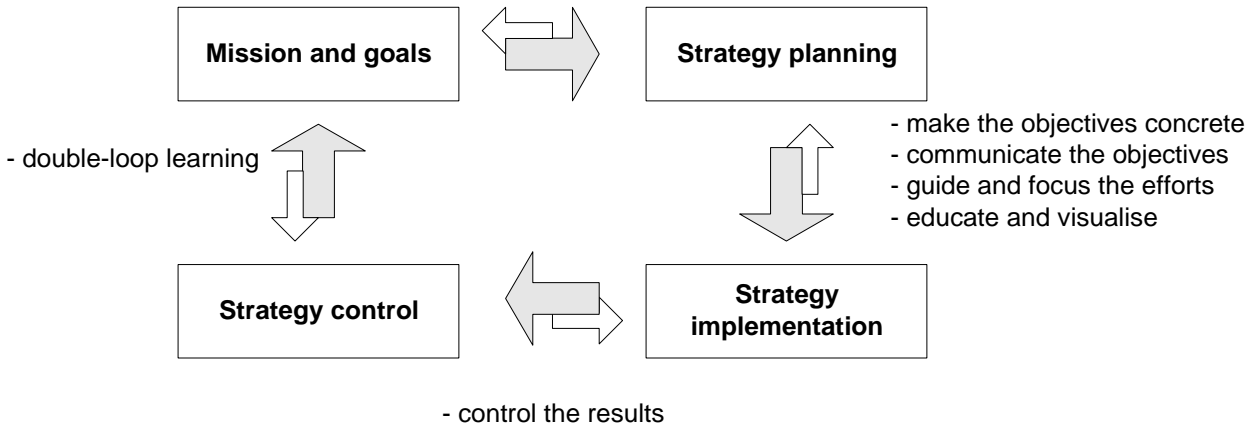


Figure 5. Use of performance measurement at the different stages of company's strategy process (adapted from Lönnqvist, 2002)

Table I Summary features of the archetypes of strategy logic (Seppä, 2000)

<b>Archetypes</b>	<b>Asset-manager</b>	<b>Venture-banker</b>	<b>Empire-builder</b>	<b>Bounty-hunter</b>	<b>Care-taker</b>	<b>Interim-owner</b>
Mission	Financial gains	Financial gains	Financial gains	Strategic gains	Strategic gains	Financial gains
Governance	Uniform or owner managed	Uniform or owner managed	Dispersed	Uniform	Uniform or dispersed	Owner managed
Key product	Fund as a financial instrument	Fund as a financial instrument	Fund as means of attraction	Fund as means of attraction	Fund as vehicle to subsidise	Divestee company
Key market segment	Funders	Suppliers	Suppliers	Suppliers	Suppliers	Consumers
Key stages of the venture capital spiral	Fund-raising	Entering	Fund-raising, entering, value-adding	Entering, value-adding	Value-adding	Fund-raising, entering, value-adding, exiting

Table II Summary of the critical success factors of a V2C player

<b>Perspective</b>	<b>Success factor</b>	<b>Suggested measures</b>
Venture Capitalist	<ol style="list-style-type: none"> <li>1. Return on investment</li> <li>2. Quality of deal flow                             <ul style="list-style-type: none"> <li>– Product strategy</li> <li>– Market potential</li> <li>– Management</li> </ul> </li> <li>3. Volume of deal flow represented to the venture capitalist</li> <li>4. Growth of portfolio ventures during the V2C period</li> </ol>	<p>ROI</p> <p>Track record, management synergy index, from idea to market time, market growth</p> <p>Number of V2C player's portfolio companies, deal flow to venture capitalists, deal flow to V2C player, average deal size in VC entry</p> <p>Revenue growth, personnel growth</p>
Entrepreneur	<ol style="list-style-type: none"> <li>5. Valuation development of portfolio ventures</li> <li>6. Time to VC funding</li> <li>7. Success rate</li> <li>8. Deal size</li> <li>9. Growth of portfolio ventures during the V2C period</li> <li>10. Quality of deal flow                             <ul style="list-style-type: none"> <li>– Product strategy</li> <li>– Market potential</li> <li>– Management</li> </ul> </li> <li>11. Networks</li> </ol>	<p>Development of portfolio ventures' market value</p> <p>Average time to VC funding from V2C entry</p> <p>Proportion of V2C portfolio that received VC funding</p> <p>Average deal size in VC entry, average deal size in V2C entry</p> <p>Revenue growth, personnel growth</p> <p>Track record, management synergy index, from idea to market time, market growth</p> <p>V2C player's contacts with venture capitalists, V2C players contacts with professionals</p>