
V2C activity on a local level: qualitative cases – Tampere and Silicon Valley

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Keywords

Venture capital, Entrepreneurs, Finland, United States of America

Abstract

The increased capital intensity of venture capital supply and the increased knowledge intensity of new venture supply have created a knowledge gap and recreated a capital gap between new venture activity and venture capital industry. This development has given rise to an all-new breed of players. In this descriptive, qualitative study, V2C activity is explored in a local context through comparison of cases Tampere (Finland) and Silicon Valley (USA). In Silicon Valley, the dominant group of V2C players is business angels, whereas in Tampere, publicly funded incubators play the most visible role in new venture development. Nevertheless, in both areas, five different categories of V2C players are represented, and, in both, bridge the gaps to a significant extent.

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Introduction

Since 1995, supply of venture capital financing, the sizes of venture capital funds and, hence, also the minimum investment amounts of a given venture capitalist, have grown substantially, transforming the venture capital process into the venture capital spiral (Seppä, 2000).

Consequently, after the boom and bust of the Internet hype, since 2000, the interest of venture capital firms has shifted from seed and start-up situations to more mature investment stages, because such investments are considered safer, easier to manage, and markedly more capital than knowledge (hands-on) intensive. At the same time, new ventures have become more knowledge than capital intensive – requiring even more hands-on involvement (Mason and Harrison, 2000; for observations of an earlier such shift refer Bygrave and Timmons, 1992).

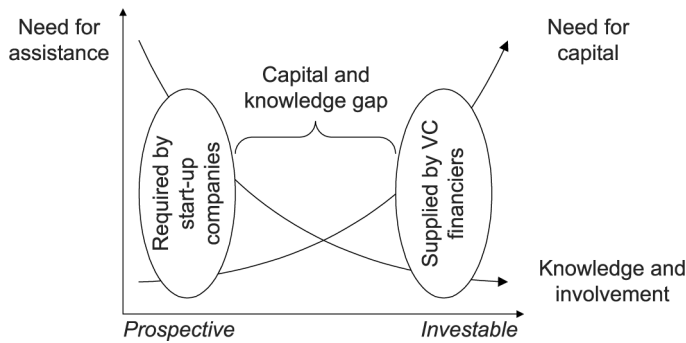
Thanks to the two phenomena, a knowledge gap has emerged and a capital gap has re-emerged between new venture activity and the venture capital industry. Figure 1 shows an illustration of the dual gap (Rasila *et al.*, 2002, p. 6).

To bridge the gaps between venture and capital, an all-new breed of venture to capital or V2C players has emerged based on a number of distinct operating models. The mission of these players is to push “prospective” ventures towards the radar scan of the venture capital industry by turning (refining) them “investable” in the eyes of the venture capitalist, i.e. by building business from venture to capital (Seppä and Näsi, 2001). V2C activity, aimed at overcoming the capital gap and the knowledge gap, is a concern on the both the local, national, as well as the international level. The benefits of successful V2C activity have been acknowledged, for example, on the European Union level (Aernoudt, 2002). The benefits include an increase in the number of “investable” ventures and jobs, as well as new export income. The services provided by different types of V2C players differ by nature and content. However, in general, V2C players provide, besides financing and other capital contribution, significant managerial support and/or guidance. Such support may or may not include businessman wisdom, growth management insight, technical management skills and/or introductions to contact networks (Rasila *et al.*, 2002).

The emerging V2C industry appears to have assumed a part of the classic role of the venture capital industry. Lending the classic discussion on the role of the venture capital financier from Brophy (1986), the role of V2C – for a country or area today – can be put in perspective.

To put the role of [V2C] in context, it is useful to think of it as a key part of the economic growth



Figure 1 The capital and knowledge gaps

process now facing the United States and other countries as well. The [V2C] process is important in marshalling resources for the attainment of benefits for government, business, and the public at large... It is... to the point to think of the [V2C] financier as the overseer of the market exchange system, in a sense deciding through financing decisions, on behalf of society at large, which new projects should go forward and which should not. This is an important function in the economic transition now facing many economies. It is unlikely that a country or area can be competitive in commercial exploitation of innovative process, products, and services without a strong local [V2C] community.

Economically, V2C activity clearly plays a significant role in the value chain of the venture capital industry as a pre-screener of new ventures and as provider of knowledge and capital for the most “prospective” ones – the ones with most potential as future investment targets of the venture capital industry. Furthermore, this activity will speed up the growth of new companies and therefore, increase the pace of job creation. Today, in the words lent from Brophy (1986), the V2C players decide, “as the overseers of the market exchange system, on behalf of society at large, which new projects (businesses) should go forward and which should not”.

The present study focuses on V2C activity on a local level. More specifically, the study explores V2C activity in Tampere, Finland, and Silicon Valley, USA. First of all, the study aims to identify the key players in two regions and the key differences between them. Second, the study attempts to build early propositions on how to develop V2C activity with a focus on Tampere case. The primary data of the study comprised of public information on the V2C market and interviews of selected individuals, both in Tampere and Silicon Valley. The interviews conducted in Tampere comprised CEOs of all major V2C institutions and were semi-structured by nature. The Tampere study is reported in more detail in Jungman and Seppä (2002). The present study

also derives on unstructured interviews conducted in Silicon Valley (Appendix 1). The interviews were conducted on convenience basis and focused on the nature of the capital and the knowledge gaps, as well as the status of the venture capital industry, in Silicon Valley. A similar study is underway to understand the nature of V2C activity and the status of the venture capital industry in St Petersburg, Russia. However, the present study is limited to cases Tampere and Silicon Valley only.

Categorisation of V2C players

By definition, V2C players operate to push ventures to capital, help to cross the dual gap. Many V2C players conceptualise entrepreneurs as their main clients. Furthermore, it appears that V2C players are seldom financially interested in what happens to the ventures after they have received venture capital financing, i.e. once transferred from the V2C portfolio to the venture capital industry portfolio. After such transfer it is considered to be the venture capitalist’s task to push the venture from “investable” to “listable”.

V2C players can be divided into four categories:

- (1) business angels;
- (2) incubators;
- (3) advisors; and
- (4) corporate ventures.

In addition to these basic categories, venture capitalists themselves may seek to be active in the V2C space, by setting up funds specialised in early stage financing. However, almost without exception, further funds of such players tend to eventually slide towards later stage focus if not premature dissolutions, due to inability to make small enough investments (Seppä and Näsi, 2001). As in any other new industry, new and emerging operating models have been developed continuously to overcome the shortcomings of the existing ones contributing to a fifth category;

- (5) Emerging V2C models (Rasila and Okkonen, 2003).

In the following sections, a basic overview of each of the five categories of V2C players is provided.

Business angels

Business angels are, by definition, wealthy individuals putting some of their hard-earned capital, business-experience, and contact-networks back to the entrepreneurial process. Business angels are profit-driven, market-educated players vested with an extensive value-adding potential. However, they are, by definition, also hobbyists. This is neither their profession nor full

time job. Even if this is their main job, post-retirement, it does not necessarily fill the hours of their days. Importantly, they are not dependent on any market forces to maintain a long-term in what they are doing; they do not need to serve any particular stakeholder group such as outside investors or even the entrepreneurs. They do not seek organised growth of their business, as do, for example, the players of the formal venture capital industry. In other words, their business reality lacks certain dynamism, for example, the absence of classic stakeholder pressures from financiers and customers.

Common to most business angels is that they like to remain anonymous; hence, it may be difficult for entrepreneurs to find such players – let alone the Right One. Anyhow, the number of business angels has grown in the recent years due to the increased number of millionaires produced by the entrepreneurial revolution of the 1990s. On relative terms, business angels serve more as a solution for the V2C space in the USA than in Europe. In the USA, it is estimated that business angels invest about twice as much as the formal venture capital industry in monetary terms (Mason and Harrison, 2000).

Incubators

Also business incubators often lack certain dynamism, but from a different angle than business angels. Most incubators are based on a formal process and professional management; this is someone's main job – not a mere hobby. However, whereas business angels personally participate as owners in underlying ventures, incubator staff seldom has such personal incentive. Many incubators are public sector financed or semi-public players under the public eye with little or no space for making mistakes. In other words, their activity lacks different aspects of dynamism than business angels. According to Aernoudt (2002) a business incubator's task is to "nurture young firms, help them survive and grow during the start-up period when they are most vulnerable." In addition to premises, business incubators may also provide services such as hands-on management, access to finance, legal advice, operational know-how and access to new markets. Furthermore, according to Aernoudt (2002), "a business incubator's main goal is to produce successful firms that will leave the incubator financially viable and free-standing within reasonable delay."

Advisors

Compared with business angels and incubators, business advisors are typically the most focused on their own short-term gains and profitability.

By definition, they are also involved for the shortest time with a given venture. On the negative side, a standard image of an advisor relates to quick-and-dirty, get-the-money-and-run type of operation. Advisors are sometimes faced with accusations according to which they do not care what happens in the client firms once they have finished. On the more positive tone, advisors are highly skilled and motivated professionals, who have seen many cases and can derive, advise from experience. Most advisors also work under full market pressure, the requirement of sustainable direct financial profitability. This is neither a hobby for them nor are they around to fulfil (soft) economic-policy-related missions.

Corporate venturing

Corporate venturing brings about new business by building on internal entrepreneurship, sometimes referred to as intrapreneurship. In environments and societies that lack entrepreneurial incentive, large corporations are natural platforms for new venture activity. Conversely, in environments boasting with entrepreneurial incentive, corporations have tougher time in keeping new venture activity indoors. Compared with the USA, Europe relies much more on corporate venturing. As a form of "institutionalised parenthood", corporations have a significantly better track record as a platform for new venture activity than state or government related entities, but there are exceptions also to this rule.

It is worthwhile, herein, to make difference between corporate venturing and corporate venture capital: The latter refers to investments made from corporate funds directly in external start-up companies, i.e. it excludes investments made through a fund managed by a third party and the funding of new internal ventures. The former, on the other hand, refers especially to investments in-house (Chesbrough, 2002). Regardless of the fact that there are several significant corporate V2C players both in Tampere and Silicon Valley, as a limitation of the present study, corporate venturing is not discussed, herein, in any further detail.

Emerging V2C models

The shortcomings – such as the lack of long-term commitment, due to lack of financial interest – of many of the existing V2C models have opened space for new and innovative V2C business models, which seek to integrate the best practises of the existing players. It seems that ownership issues and investment of knowledge (intellectual capital) are the key building elements of the emergent V2C models. It can be argued that the emergent V2C models link the field to the roots of the classic venture capital industry.

(For a more comprehensive overview on emerging V2C models refer Rasila and Okkonen, 2003.)

All the categories of V2C players are represented in both Tampere and Silicon Valley. In the following chapters, an initial overview of V2C activity in the two regions is provided. The classification follows the one introduced above (excluding corporate venturing).

Case Silicon Valley

Silicon Valley is known throughout the world as the number one new technology venturing market on the planet. It is also a home for some of the best-known venture capital companies in the USA, and draws people from all over the country to seek and negotiate for venture capital financing. In addition, also the universities in the area are well known for their research and education related to entrepreneurship and venture capital financing.

However, based on the interviews conducted for the present study, it is also noticed in Silicon Valley that the needs of entrepreneurs and the services provided by venture capitalists do not always meet. The issue, as presumed, is two-folded: the capital injections available for investment are too large and venture capitalists are unable to provide sufficient hands-on involvement. Because venture capitalists have, consequently, been sometimes forced to return some of their funds back to the investors, due to inability to make small enough, hands-on investments, there is market pressure on the venture capital industry to move towards smaller investments.

Business angels

Business angels in the USA invest about twice as much in monetary terms and 20 times more in terms of the number of ventures financed as the formal venture capital industry. According to the Center for Venture Research[1], located at the University of New Hampshire, in total there are ca. 250,000 business angels in the USA who invest annually a total of \$20 billion in ca. 30,000 ventures. A typical investment of a business angel is less than \$200,000, but can also be as much as \$1,000,000. It is typical that business angels co-invest with other business angels (Mason and Harrison, 2000). It is evident that, in the USA, business angels play the most significant role in building business from venture to capital.

According to the Capital Connection[2] there are six business angel networks that operate in Silicon Valley (Appendix 2). They all provide capital investments to start-up and/or early stage companies. In addition to mere financial capital,

they also invest mental capital; their time as advisors and board members.

Incubators

In Silicon Valley, there are nine business incubators (Appendix 3), which are members of the National Business Incubation Association[3]. Most of the incubators are supported by public funds. On an average, each incubator has 16 tenants and the average incubation period is three years. Of the incubators only one appears to be making capital investments (one sponsored by a major corporation). The basic services include office space, furnishing and support services. A majority of the incubators have specialised to serve certain customer groups like international companies expanding to the USA, environmental businesses, art businesses or entrepreneurs from low-income communities. Common to these groups is that they may find it hard to get financing and other resources from other sources.

Advisors

The entrepreneurial environment and venture capital industry together have created numerous opportunities for various kinds of consultative advisors in Silicon Valley. One special group of these – namely technology analysts – is selected for introduction herein. This special advisor group provides entrepreneurs with technology and market analysis and suggestions for suitable venture capitalists. Such a service will most likely bring entrepreneurs and venture capitalists closer to each other, and make it easier for entrepreneurs to justify their need to raise capital. However, technology analysts do not fully solve the problems related to the knowledge and capital gaps, as they do not provide any managerial advice.

Emerging V2C models

There is no shortage of emerging V2C operating models in Silicon Valley. Three models have been selected for presentation, herein. The first relates closely to business angel networks and the second to individual business angels. The two models can also be defined as hybrids of the category of advisors. The third model is closer to the category of incubators.

CEO Circle consists of chief executive officers with entrepreneurial background. They are hired to companies in order to solve especially the problems caused by the knowledge gap, by sharing their businessman wisdom with the entrepreneurial teams of the start-up companies. Payment is received either in cash or equity.

The concept of Virtual CEO is presented by Randy Komisar in his autobiography “Monk and the Riddle” (Komisar, 2001). The book describes

his personal work as “a business angel without money” possessing skills and networks vital to entrepreneurial ventures. For the time and money he contributes to young ventures he receives a stake in the company.

Garage Technology Ventures[4] helps young companies developing new technologies in three ways:

- (1) they provide small venture capital investments (\$100,000–750,000);
- (2) they help ventures raise bigger investments from venture capitalists, corporate and individual investors; and
- (3) they work as advisors in mergers and acquisitions.

Of these functions the second is pure V2C activity, while the two others are similar to the functions of venture capitalists.

Case Tampere

While the city of Tampere has a good 200,000 inhabitants, over 300,000 people live within a 20 min drive from the city centre, and half a million live within a radius of 100 km. Empowered by two universities (Tampere University of Technology and University of Tampere), other institutions of higher education and research, and a number of knowledge centres and science parks, the Tampere region is rapidly emerging among the most recognised local knowledge areas in Europe. One of the drivers of this development, the eTampere knowledge society development program, is largely geared at putting eEurope – the vision of Europe – into action on a local level.

The goal of the eTampere program is no less ambitious than to make Tampere the world’s leading local knowledge society. One mean to achieve this target is creation of new businesses, and acceleration of their growth and development. According to the business development strategy of the city of Tampere, this activity is supported by providing help in set-up activities and in evaluation of business ideas, creating culture that encourages entrepreneurship, securing appropriate finance, helping get required working premises, and promoting networks (Tampereen elinkeinostrategia, 2002).

The city of Tampere has been active (as key financier and part owner) in developing several specialised incubators. The mission of these V2C players is to turn “prospective” ventures “investable” in the eyes of venture capitalists, i.e. to help ventures to cross the dual gap. The city of Tampere has also invested in venture capital funds especially targeted to finance early stage companies.

Business angels

In Europe, and this holds also for Finland, the role of business angels is, unfortunately, far less significant than in the USA. The Internet hype of the late 1990s, particularly the successful initial public offerings (IPOs) it enabled, produced several new players in the business angel arena also in Finland. Within Finland, the Tampere region was not among the top scorers of individual IPO related wealth creation of the hype era, however. Hence, in Tampere this category of V2C players is not particularly strong, but of average strength.

Nonetheless, notable measures – on the Finnish national scale – to activate business angel activity have been taken precisely in Tampere. In 1997, Finnish Business Angel Association[5] was registered in Tampere. This was the first registered business angel association, and still to date the only one, in Finland. One of the functions of the association is to arrange elevator pitch sessions where entrepreneurs are pre-screened for presentation to participating members. It is to be noted that the association has not been successful, so far, in attracting the attention of Finland’s leading business angels. Even within Tampere, there are unofficial round-table-clubs of business angels that do not actively participate in the operations of the association. In Finland, and this holds also for the Tampere region, business angels typically make investments between €10,000 and 150,000 and their preferred investment time ranges from two to four years.

Incubators

In Finland, the number of business incubators has grown rapidly since 1995. For example, in the Helsinki region there was only one incubator in 1995 compared to 16 in 2000. Most of the incubators in Finland are located in one of the 16 science parks, and are strongly affiliated with university research (Aernoudt, 2002).

There are four players in Tampere that can be labelled as the city’s strategic V2C portfolio. All four have their own sector specific development responsibilities. While they differ in target venture segments, one of their common denominators is the V2C process. They all provide help in developing business plans and in acquiring additional financing, contact networks and office space. All four incubators are briefly introduced below.

Finn-Medi Research Ltd[6] is a business development organisation that concentrates on health technologies. In addition to basic incubator services they also provide loans that typically range from €11,000 to 50,000.

Tampere Technology Centre Ltd[7] and Tampere University of Technology together constitute an internationally significant

concentration of ICT based business, research and development activity. Much of the company's business development services, including Hermia Incubator, have been outsourced for over ten years to entrepreneurial (management-controlled) firms, mainly Hermia Business Development Ltd (of which Tampere Technology Centre Ltd owns 10 per cent). The incubator is specialised in technology based product and business innovations. The V2C player is an exception among the incubators in the Tampere Region, and Finland in general, because it is management-controlled, and public sector based players are only minority owners. Nonetheless, this is a close private-public-relationship.

Oy Media Tampere Ltd[8] is minority-held by the City of Tampere, whereas private sector (mainly large) enterprises own the majority. Media Tampere can also make investments in early stage companies and has creatively outsourced incubator services. The incubator Media Club was recently established as an incubator specialised in content production and media business. The incubator is not (yet) a legal entity, but a project fully owned by Tampere Polytechnic. The project was set-up for two years, in 2001.

Professia Ltd[9] is the latest entrant to the city of Tampere's strategic sector-specific V2C portfolio. Professia is owned, in four equal shares, by the city of Tampere, the University of Tampere, Finnvera Ltd (a public funding agency), and Sentio Invest Ltd (a local management-owned venture capital company). Professia manages a business incubator that develops knowledge-intensive advisory and business service companies.

Advisors

There are several advisory firms, in the Tampere Region, that are active in the V2C space. Many of these firms are actually incorporated form of the activity of a given business angel. One advisory firm has been selected as a case example of this category, namely Ledi Oy.

Ledi[10] has been one of the most active entrepreneurial companies in the Tampere V2C space. Ledi was established in 1997 and today has a presence at science parks in both Tampere and Helsinki. Ledi is a corporate finance boutique that arranges financing for mainly early-stage enterprises. Ledi has also been offered, and accepted, shares as partial payment for its services. Ledi and/or its individual partners played instrumental roles in establishing the business angel association (introduced above) and in creating a private-public seed-investment partnership involving corporate and government institutions – referred to as Seed

consortium – which resembles the round-table sessions of business angels. In the set-up, Ledi has served as the coordinator that pre-screens target ventures, helps put their presentations together, and is engaged in post-investment activities.

The seed consortium provides profit sharing based subordinated loans, ranging from €50,000 to 200,000, to seed, start-up, and growth stage companies. The maturity ranges from two to four (or even to seven), years. The loans are intended to cover the seeking of financing options and, ultimately, the expenses of the due diligence process related to a potential venture capital investment. The consortium (the investing institutions) does not provide any operational help (Laine, 2002).

Emerging V2C models

eAccelerator[11] is one of the six subprograms of eTampere. It was launched, in 2001, as a sort of an ambitious virtual incubator funded by the city of Tampere. The entity legally responsible for the eAccelerator project is Tampere Technology Centre Ltd. In practise, based on an outsourcing arrangement, the project is managed by Hermia Business Development Ltd, the partner driven company introduced above, making eAccelerator another PPP experiment. In addition to various incubation services the deliverables may include small investments. eAccelerator leans on a network of 15 core experts and an advisory board of 54 persons. 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 also plays a central role in evaluating new customer ventures and in making contacts with investors. Contracts with accepted ventures are made case by case. For compensation the management company of eAccelerator takes cash, but more lately has also accepted equity and success fees.

Tamseed Ky is seed and start-up venture capital fund managed by Innofinance Ltd[12] in cooperation with Sentio Invest Ltd. The fund was opened in October 2002 and in the first stage it managed to raise 5.6 M€. The fund works in close cooperation with business development entities that are part of the city of Tampere's V2C portfolio. The aim is to effectively utilise the skills and knowledge of these organisations in developing seed companies. The fund has already made its first investments.

Venture Stables[13] is a support model for testing innovations and facilitating for entrepreneurship within the faculty and students of the Tampere University of Technology. Also this V2C operation is managed by

Hermia Business Development Ltd constituting for yet another PPP experiment in Tampere. The ventures accepted to the stables gain an access to office space, computers and office equipments for one year and an option to one additional year. The contract also covers expert services, patenting costs, etc. up to €7,000. The stable staff can also provide contacts to customers and financiers. If a company succeeds, it is obliged to pay back the money the university has invested in it.

Summary and discussion

Key features and differences of the two V2C arenas

A number of similarities and differences mark the players of the regional V2C arenas of Tampere and Silicon Valley. In both regions there are players in all of the five V2C categories. In principle, the markets are dynamic and offer a balanced mix of V2C related services to entrepreneurs facing the dual gap. Overall, the players seem to provide monetary investments in small enough doses, and offer specialised business development services to several different business areas and sectors of economy.

It is also evident that the city of Tampere's portfolio of V2C players, and the incubators they manage, play the most visible role in this V2C arena. Domination of the V2C space by public sector or public sector funded entities is quite a common feature in Europe vs the USA, where business angels play the dominant role. It is worth mentioning that even though the population in Silicon Valley is some eight times larger than that of the Tampere Region, the number of business incubators is only double. In Tampere, business incubators work in close contact with the two universities in the area, whereas in Silicon Valley incubators are established to serve certain special groups of the population, which may find it difficult to start and expand their businesses in other ways.

As mentioned above, in Silicon Valley as in the USA in general, business angels play the dominant role in turning entrepreneurial ventures “investable” in the eyes of venture capitalists. In Silicon Valley, an average angel investment is bigger – and obviously also the number of active business angels is larger in both absolute and relative terms – than in Tampere.

In Europe, the mechanisms by which V2C resources are provided and distributed differ between countries and regions. In Tampere, several creative PPP schemes are underway as well as all some emerging V2C models. In contrast, the emerging V2C models developed in Silicon Valley

lean heavily on private entities and active ownership.

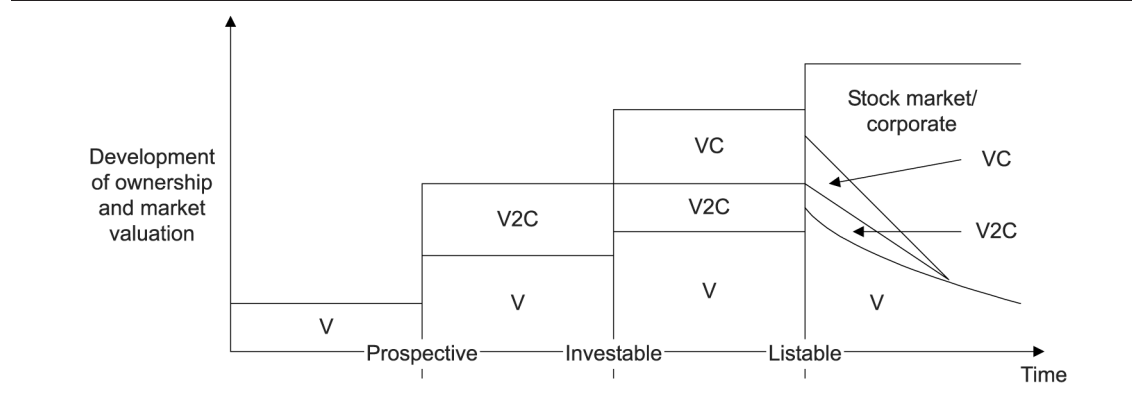
However, the picture is in complete neither in Tampere nor in Silicon Valley. Notably, each of the key players interviewed for this study agrees that further development is still needed in the V2C space, at both ends. These conclusions also reflect upon the differences in entrepreneurial culture between Finland and the USA. In the USA, the general attitude towards entrepreneurship, growth and wealth creation, is by far more encouraging than in Finland. This is manifested by both annual birth-rate of new businesses per capita and the amount of both business angels and angel money put back to the entrepreneurial process.

Ideas for further development of V2C services in Tampere region

In the words of a Tampere based incubator representative interviewed for this study: “The biggest challenge in the field is to clarify and communicate to each other the needs and objectives of V2C players and venture capitalists and, in the course of the dialogue, develop an operating model that fulfils these needs and, ultimately, makes the growth resource allocation of young ventures more efficient”. Also the other interviewees underscored the importance of dialogue and two-way cooperation between the V2C players and both entrepreneurs and venture capitalists.

More efficient and appropriate distribution and use of target venture ownership could be a key to more successful V2C activity. In fact, ownership – not financing – is key to both venture capital and V2C activity (Rasila *et al.*, 2002; Seppä, 2000; Seppä and Näsi, 2001). In return for the time, money and services, and businessman wisdom if any, that they contribute to target ventures, V2C players could receive a minority share in the target company. In Silicon Valley, two emerging V2C models have been identified (CEO Circle and Virtual CEO) that utilise the idea of using equity to buy committed knowledge. By definition, a V2C player's financial gains should be maximised at the point where a venture capitalist enters the “investable” venture, or – better yet – at the later point where the venture capitalist completes a successful exit (Rasila *et al.*, 2002). In Figure 2, the ideal development of the market valuation of a given venture is shown as a function of time. The picture does not reflect reality in the Tampere region at the present moment, since most of the local V2C players prefer cash to equity and do not exercise active and responsible ownership.

At the moment, most of the Tampere based V2C actors have no ownership incentives to pay

Figure 2 Development of ownership and market valuation through ventures life

attention to the time after receipt of venture capital investment. Likewise, the venture capitalists do not have an incentive to pay attention to the time before their own investment. The ownership structure depicted above could help different parties to better understand each other's motives and operating logic and enable fruitful long-term relationships. Such an operating model would require much closer cooperation between V2C players and venture capitalists which also brings about new challenges: V2C players may become servants to a given venture capitalist leading to neglect of other stakeholders. Also, misplaced ownership distribution, for example, in favour of faceless institutions rather than entrepreneurial teams responsible for delivering the results, can cause more harm than good to the entrepreneur.

Besides ownership, another important issue is the delivery of crucial knowledge to target ventures. We believe that it is not a matter of lack of knowledge – or businessman wisdom – but rather a lack of sufficient vehicle to acquire and deliver that wisdom or competence. As committed competence cannot be bought on the market in the classic meaning of the word, expansion of owner base may be a working solution. The limited-life limited-partnership based fund vehicle of the venture capital industry could serve as a basis in developing a vehicle to do the exchange between knowledge and stake in a company – such as the concept of the Knowledge Fund (Seppä, 2002). Whereas a venture capital fund is managed by a venture capitalist, a knowledge fund is managed by a venture knowledgist. Investors of knowledge could be found, besides entrepreneur and adviser communities, for example, inside universities, major corporations, and other institutions.

The above discussion is meant to stimulate discussion and lead to further research and development activity in the V2C space. In conclusion, probably the highest yield would come from further work on the development of an operating model that understands and appreciates

the needs of entrepreneurs, V2C players and venture capitalists, but is set to serve the stock market investor (or acquiring corporation) as the ultimate customer. At least as crucial is the valuation of businessman wisdom. Since the city of Tampere and many other key players of the region recognise the importance of a strong local V2C community, Tampere continues to facilitate one of the most potential “testing environments for new V2C laboratories” in Europe and the world. Silicon Valley, for its part, remains as a trendsetter in growth venturing and venture capital financing.

Notes

- 1 www.unh.edu/cvr/
- 2 www.capital-connection.com/networksangels.html
- 3 www.nbia.org
- 4 www.garage.com
- 5 www.ledi.fi/bisnesenkelit/index.html
- 6 www.finnmedi.fi
- 7 www.hermiayrityskehitys.fi
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Appendix 1. Interviewed professionals

In Tampere

- Business angel (anonymous);
- Eskola M., FinnMedi Research Ltd;
- Jussila, P. and Huhtamella, H., Hermia Business Development Oy;
- Jussila, A., Ledi Oy;

- Sulonen, T., Oy Media Tampere Ltd, Media Club;
- Vakkari, L. Ledi Oy.

In Silicon Valley:

- Dossani, R. and Toyoda, M. Asia/Pacific Research Center, Stanford University;
- Guerra, P. Center for Innovation and Entrepreneurship (CIE), Santa Clara University;
- Tyebjee, T. Leavey School of Business, Santa Clara University.

Appendix 2. List of Silicon Valley business angel networks

- Angel Investors;
- The Angels' Forum;
- The Band of Angels;
- Angel Breakfast Club;
- Investors Circle;
- Net Angels.

Appendix 3. List of Silicon Valley business incubators

- Business United in Investing, Lending and Development;
- Daly City Business Center;
- Environmental Business Cluster;
- International Business Incubator;
- Panasonic Incubator;
- Renaissance Business Incubator;
- San Jose Arts Incubator;
- Software Business Cluster;
- US-Japan Business Incubation Center.