

Venture Capital: Supply and Demand



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Presentation by Anne de Bruin
Massey University, New Zealand

Supply of VC

- VC industry: evolves with industries it funds
- Policy – Support of VC part of high-technology economic development strategy in many countries
- New Zealand (NZ): 4 million people, 97% of businesses are SMEs – less than 50 FTEs
- 2002 Growth and Innovation Framework (GIF)
- 3 key industry sectors identified: ICT, biotech, creative industries – Taskforce Reports

Government VC Initiative

- 2002 -NZ Venture Investment Fund (VIF)
– seed, start-up, early expansion
- Crown owned company contracting private sector Fund Managers
- Pool of NZ\$100 million with matching private capital \$2 for every \$1 from VIF
- Biotechnology Fund – Biotech Taskforce identified access to capital as vital for industry growth


VC Industry in NZ

- Immature and Small
- Growing - 51 deals in 2003, 39 in 2002
- Committed capital NZ\$1.12 billion
- Health and Biosciences – dominant by value – 3 deals, 27% of total
- IT/Software - 20 deals, Communication – 6 deals
- Male dominated industry

Supply to Women-led Business

- Around 3%
- No gender-based discrimination
- Entrepreneurial Gender Gap – women’s lower rate of participation in entrepreneurship relative to men – about 2/3’s of men’s participation
- Our interviewee – lack of understanding of scientific ideas and scientist by financiers

Demand for VC

- Low overall demand for VC
 - Predominance of Informal Sources –
‘Four Fs’ – family, friends, founders and
‘foolish’ investors (GEM Report)
 - SME context
 - Women in high-tech industries – few
 - Control considerations
 - Suspicious of VC – ‘vulture capitalists’
 - Growth Aspirations
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Supply-side

- Supply of VC – ‘Policy Matters’
- Government VIF positive impact
- Growth of VC will spillover to more women-led business funding
- High profile women already in the industry
- Systemic factors: innovation policy, R&D
- Sector specific growth initiatives
- Irish Model- Ireland’s population equivalence, similar scheme to NZ’s VIF in the 1990s
- Carefully planned policies drawing on previous mistakes and lessons learned in other countries

Demand-side



- Education – grow women in science and ICT base
- Greater awareness – more education on the role of VC in funding growth
- Industry specific approaches
- Narrow the Entrepreneurial Gender Gap
- More research on growth strategies of women entrepreneurs