# Getting the Sharks to Bite in Your Ocean

A Look at Regional Differences in Funding Components in China and the United States

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Senior Capstone Project
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## ABSTRACT

This study explores the relationship between a venture capital firm's geographic region and the investment traits that it values. This study's results will help determine whether venture capital firms, by geographic region, emphasize certain investment traits over others when funding new companies.

The study examines three regions (the East Coast of the United States, the West Coast of the United States and China, specifically Beijing and Shanghai). By surveying available firms in each region, I collected data on which funding components, or investment traits, the sampled respondents valued. To increase the usefulness of my findings, I held constant the stage of funding for each surveyed firm. That is, when I compare firms across regions, I require that they have similar funding stages (e.g. seed stage or very early stage, start-up or early stage, late stage or pre-IPO stage, etc.).

In my research, I follow the MacMillan, Siegel and Narasimha (1985) model. That is, my investing traits, or funding components, include return on the investment (ROI), management team's experience, defensible product, industry barriers to entry, current investment by entrepreneur, macroeconomic conditions, business plan analysis, current portfolio risks, etc. Once the data from the various firms from the West Coast, East Coast and China were compiled, I then determine the top ten funding components for each region from those surveys. I then statistically examined whether there were any significant geographical differences among the top ten funding components of the venture capital firms in each region.

## INTRODUCTION

The venture capital ("VC") industry is unique among financial intermediaries in that it provides value-added support and networking capabilities, in addition to capital, to each portfolio firm. A venture capital firm invests funds in companies that are at various stages of development in order to help companies achieve growth and is a common means entrepreneurs use to obtain financing to grow their businesses. In the United States alone, venture capitalists invested over $20 billion in businesses in 2009. In the third quarter of

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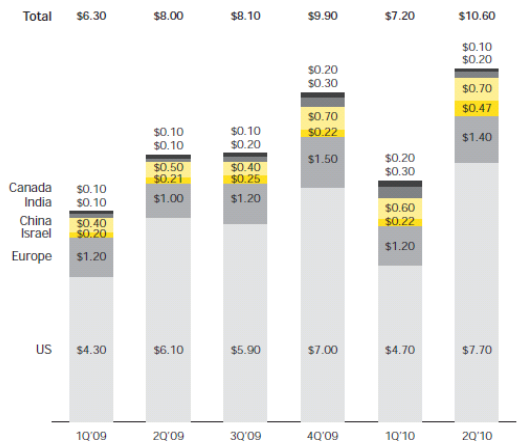
2010, venture capitalists invested $4.8 billion in 780 deals representing a 31% decline in dollar terms compared to the second quarter of 2010. Although the United States has some of the oldest and most successful firms, venture capital activities are expanding rapidly around the globe as depicted in Figure 1.

Figure 1: global quarterly venture capital investment by geography
Total investment (US$b)




*Source: Dow Jones VentureSource*

Venture capitalists ("VCs") may invest in different rounds of financing depending on where the company is in its maturity phase (pre-seed, seed, etc.) and the phase it is in when the company approaches the VC firm. Although there are several rounds of funding, it can be broken down into two sections: initial and expansion funding. The initial funding stage consists of pre-seed, seed and early stage. During these earliest stages, the business uses the capital to create a product, develop a business plan, conduct preliminary marketing and gradually ramp up its manufacturing and sales force. The expansion funding stage consists of second, third and bridge/mezzanine financing. In the second stage, companies typically use the money to support growing the company's assets and further diversify into the market. During the third stage, companies utilize the capital for major expansions and increasing production to breakeven and turn a profit. Finally, the company may conduct a bridge/mezzanine financing round which is used to support the company during a period of contemplation between conducting an initial public offering or selling its company. Sometimes, there is a fourth or initial public offering round where companies seek funding to support the company's decision to go public and offer its stocks on the New York Stock Exchange ("NYSE"). Companies can seek venture capital at many of these stages. According to the Center for Management Buy-Out Research however, United States venture capitalists typically invest in the expansion stage of ventures (Glenlake, 2000).

The business stage is one of the many aspects of a deal that a venture capital firm weighs when determining which businesses to invest in. One researcher compares a venture capitalist

to a whale. They are filter feeders who take the enormous deal flow a typical venture capital firm experiences and picks up "edible morsels" or quality investments. He also goes on to say that like whales, most venture capitalists have their own language which is very hard to interpret (Merrill & Nichols, 1990). While existing research measures which tools/traits venture capitalists use to determine good investments, there is little research on which of these traits venture capitalists weigh most. My contribution is to determine whether differences in selection traits differ among venture capital firms by geographic region. MacMillan, Siegel, and Narasimha (1985) determined venture capitalists weigh the qualities of the entrepreneur as most important followed by the potential for high returns, fast market growth and a defensible product. While helpful in supporting this work, the MacMillan, Siegel and Narasimha survey was conducted in a dramatically different investing environment and does not address any differences that arise based on geographic location.

In this paper, I focus on the various funding components, or traits, venture capitalists use when analyzing a company and which are weighed most heavily in the investment process decision. Specifically, I narrow my focus to firms which operate on the East and West Coasts of the United States and China, specifically the economically advanced regions in Beijing and Shanghai. The results will assist venture capitalists benchmarking their practices to other firms. In addition, the findings will aid entrepreneurs determining which region may be most appealing to seek funding based on the company's strengths and how well it meets the region's funding requirements.

Contributions from the analyses are threefold. Firstly, I provide a concise and updated list of funding components venture capitalists weigh most heavily when determining investment strength. Secondly and based on the VC's investment stage preference, I use this survey to determine what venture capitalists weigh most heavily in 2010.

Thirdly, this paper details the differences between the regional funding components for venture capitalists. This important differentiation will be able to assist companies in applying for funding in several ways. Firstly, based on the qualifications of the company, the entrepreneurs will be able to better select a region to acquire venture capital investment. Secondly, after selecting a region which values the funding components that the company

possesses, the entrepreneur will know the key components to focus on when providing their pitch to the investors. Alternatively, if it appears one region (e.g. Silicon Valley) is outperforming another region (e.g. China), venture capitalists will be able to analyze the differences in investment decisions to potentially increase their success rate for investing in quality deals. This paper is organized as follows. Section 2 overviews the literature used to support my hypothesis regarding the most important funding components and where regional differences occur. Section 3 defines how the data was collected and analyzed. Section 4 introduces the data collected and provides summary statistics. Finally, Section 5 compiles the statistics and provides concluding thoughts.

## LITERATURE REVIEW

Most venture capitalists have a defined list of funding components that they use to evaluate deals. However, before I can address which are predominately weighed heavier regionally, it is important to establish the most common components of funding across all geographic regions.

One such component is the management team's experience and knowledge. This component does more than just determine whether the entrepreneur is a serial entrepreneur with multiple new company starts or a first company entrepreneur. This component also analyzes management's experience. For example, do any or all of the team members have experience in the industry in which the venture will operate? Glenlake states "it is impossible to understate the importance venture capitalists attach to the qualities and motivation of the management team or entrepreneur" (Glenlake, 2000). According to some experts, managers should have the financial skills, marketing skills, technical expertise and knowledge of the industry and experience in running a business. In *Pitching to Venture Capitalists*, Patrick Ennis states that much of the success comes down to people and how smart they are, how much integrity they have and how hard they work. Ennis believes it is okay if an entrepreneur has not built a business before but it is imperative the entrepreneur work with the venture capitalists to find people who have built businesses and get those individuals on the management team (Ennis, 2004). It is important to note that several successful businesses such as Microsoft were founded by a first time entrepreneur. Members of the management

team must possess business expertise and knowledge in order to correctly guide the company forward. A business plan is not like a recipe nor is it cast in stone. The environment – both internally and externally - will change. An experienced management team will know when to vary the business plan or to rip it up and start anew. Venture capitalists want to not only invest in a solid idea and a bankable product or service, but they also want to invest in a team with great potential. In Sobieski's (2005) work on "Examining Various Financing Option", he states that when five prominent venture capitalists served on a panel and were asked to outline areas which most factored into their decision making process, the unanimous answer from the panel was the management team. They stated that a team which is dedicated, adaptable, smart and knowledgeable is the safest bet a venture capital firm can make. Factors such as barriers to entry, market expectations, capital requirements and business plans are uncertain and speculative. If the company has a solid team, those individuals can negotiate the unexpected and maximize the company's chance for success (Sobieski, 2005).

Although no single entrepreneurial profile exists, Friedman (2005) outlines some common characteristics of a quality entrepreneur. An entrepreneur must be a dreamer as well as a realist. The entrepreneur must be able to remain creative and willing to build the business while at the same time remaining pragmatic and practical. In addition, an entrepreneur must be a leader and good salesperson. The founder of a company must be the "chief cheerleader" and must be capable of motivating all individuals who work for him/her. In addition, an entrepreneur should be capable of paying attention to details, open-minded and intellectually honest. Also, the entrepreneur must be capable of noticing his/her weaknesses and bringing in partners and managers to strengthen the team. If the entrepreneur is not capable of seeing his/her own faults and unable to take constructive criticism, the company will most likely fail regardless of the advisors he/she has.

While a single entrepreneur's traits are important, most venture capitalists prefer to back a team rather than an individual. Thus, in addition to the entrepreneur, the team must also possess specific characteristics. It is important that the team is well balanced. The team should have members who have varying industry and business knowledge. Although technical expertise is important at the beginning of a new venture, it is imperative that individuals with

various backgrounds and expertise join the team to support marketing, sales and other important business operations that will continue to grow with the company. It is also important that venture capitalists can see that the management team is looking to grow the company for capital gains, and not to create a lifestyle business for the founders. If the entrepreneur and team members possess the above qualities, the company satisfies the management team experience funding component.

In addition to having a solid management team and an entrepreneur with extensive business knowledge, venture capitalists also want to invest in an entrepreneur with a sound business philosophy. Ennis states that "no one ever succeeds over the long run without integrity" (Ennis, 2004). Thus, venture capitalists want to invest in individuals that they believe will conduct business in an appropriate fashion. When venture capitalists provide funding, they also agree to become in sense business partners with that entrepreneur. The venture capitalist needs to be able to know, beyond a doubt, that the entrepreneur is someone he/she can work with for several years. Most venture capitalists judge the entrepreneur through the way he/she responds to questioning. If the entrepreneur interrupts constantly or is not organized for the meeting, it will usually deter venture capitalists from investing in the business.

Since venture capitalists provide money with business advice, an important funding component is whether the venture capitalists feel he/she will add value to the company through advising and mentoring. New companies are often passed over because the venture capitalist does not have the industry expertise required to add significant value. Most VCs have specialized expertise areas (e.g., technology, biotechnology, medical, manufacturing). Venture capitalists make investments that allow their portfolio companies to reach their next set of milestones, allowing the company to raise its next round of capital and in so doing, to reflect the increased value of the firm. If the investor does not feel he/she will add value to the company, most likely a deal will not be closed.

Another funding component is the size of the investment the entrepreneur has made in the company prior to funding. The more money an entrepreneur puts into his/her company, the more financial interest he/she has in the company. If the entrepreneur has not invested money in the company that means if the company fails, the entrepreneur has nothing to lose. Without

a financial investment in the company, all the entrepreneur loses is his/her time. As one venture capitalist put it, "we want the entrepreneur to feel the pain along with us if this thing does not work" (Casparie, 2005). By ensuring that entrepreneurs have a financial stake in the company, venture capitalists can guarantee that the entrepreneur will work hard and remain dedicated to the business in order to make certain that his investment as well as the VC firm's investment is not in a lost cause.

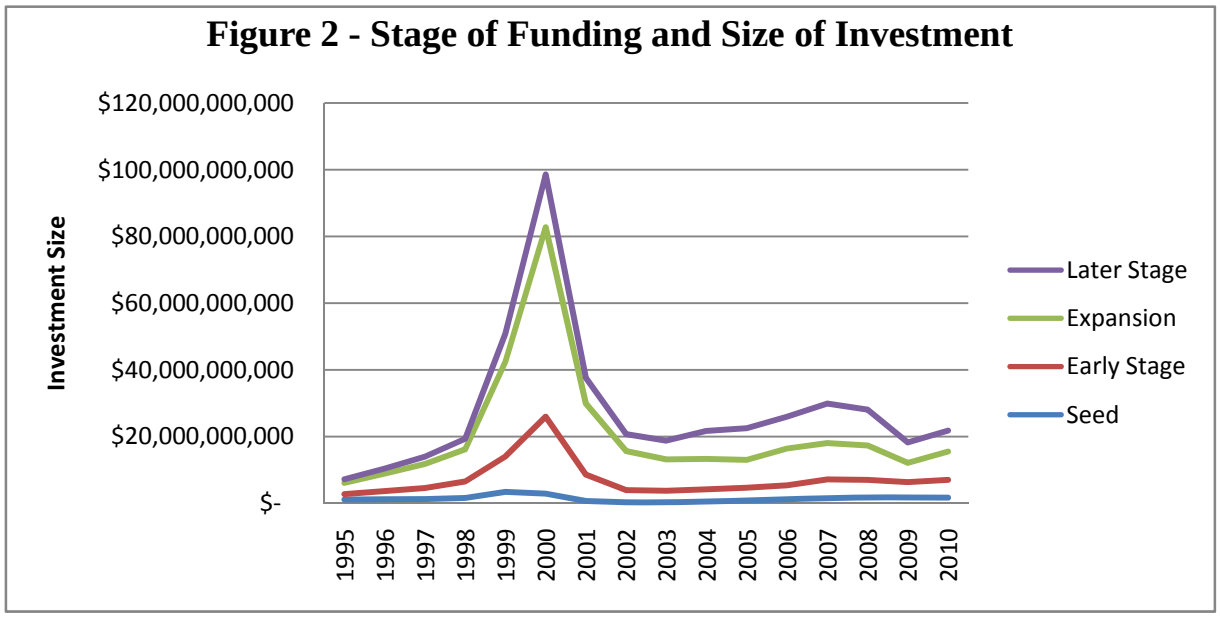
The stage of the company is another important funding component. Most firms specialize in a certain stage of funding, whether that be seed stage, early stage, first-round, second-round, mezzanine/expansion round or a fourth/IPO round. As one can imagine, a funding stage correlates to the company's maturity when it seeks funding. Some venture capitalists refuse to invest in early stage companies due to significant amount of capital a VC firm typically invests in addition to the high level of risk early stage companies bear. Predominantly, early stage investment is a sweet spot for angel investors. Angel investors are usually high-net worth individuals who conduct their own direct investment in a company. Most times, angel investor groups are formed which allow multiple angel investors to share the burden of evaluating and investing in a company. Thus, venture capitalists predominately invest in the second, mezzanine and fourth rounds of funding.

For most investors, the size of the investment being sought and stage of business development are common funding components. According to Glenlake's (2005) "Venture Capital and Buyouts", most venture capital firms will not consider investments of less than $1 million due to high due diligence costs irrespective of the investment size. That is, due diligence, meaning the resources committed by the firm to investigate each proposal and then monitor the progress of each portfolio company once an investment has been made, are almost invariant to the size of the investment. As such, there is insufficient return or value generated when the venture capital investment is less than $1 million.

Based on the stage of funding and the concomitant success of the venture, venture capitalists will commit more funds. According to PriceWaterhouseCoopers' MoneyTree Report (2011), in the third quarter of 2010, the average seed stage deal was $3.5 million. The average early stage deal was $4.8 million while the average expansion stage deal was $7.0 million and later

stage deal was $8.4 million. Thus, one can see that as the development stage of a company increases so does its average deal size (depicted in Figure 2). Most venture capitalists avoid investing in seed stage and early stage companies because of the high risk involved and restricted amount of funds. If the risk is low, a start-up company is much more likely to attract support from venture capitalists. However, most venture capitalists are looking to make large scale investments in later stage businesses.

**Figure 2 - Stage of Funding and Size of Investment**




As always, the business applying for funding should have a great idea and a defensible product as well as defensible intellectual property. The business should offer a product or service that is a "need-to-have" instead of a "nice-to-have". The more need based the product; usually, the easier it is to sell the product. However, the more important question is whether the product is defensible or not. Is this product easily replicated by larger companies with more capital or is there any patentable intellectual property? If not, and once a firm is satisfied with the market size criteria, the venture capitalists will determine what kinds of barriers exist which should give the prospective company a sustainable competitive advantage. Advantages can come in many aspects including patents or dominance within a certain area of the market. Most venture capitalists look to have a big market and large barriers to entry in order to ensure that the company can dominate the market. Additionally, it is important for the venture capitalist to see how the company will exploit this advantage in order to obtain a sustainable basis. Ways to sustain a competitive advantage are through

patents or complementary resources (such as manufacturing capabilities, marketing capabilities and brand name recognition) that ensure competitors cannot easily replicate one's product (Teece, 1986). This is also understood as "know-how" advantage. Another way one can sustain a competitive advantage is through a first-to-market strategy which allows companies to block competitors through an intensified customer relationship development. Most industries look towards standardization. Thus, if a company can be the first of its kind in an industry, sometimes that is all it takes to obtain a competitive advantage through standardization (Teece, 1986). Also, ramping up production and having economies of scale is another way to raise the barriers to competitors' entry while increasing its competitive advantage. Thus, the combination of a good idea and a defensible product is key to a business' success as well as an important funding component.

According to Merrill and Nichols, a business plan should answer several questions for a venture capitalist: who are the company's customers; what do those customers need and want; what is the product or service & how will it satisfy its customers' needs; how will the business beat its in-market competition; and how much money is required to accomplish the business' goals; and ultimately, how much money will the company make (Merrill & Nichols, 1990).

Another important funding component is the strengths, weaknesses, opportunities and threats ("SWOT") analysis of the business plan. After a SWOT analysis of the business plan is completed, a venture capitalist can usually make a decision not only about the business concept's viability but also its success and potential return. Additionally, in later stage companies, many venture capital firms will conduct reference calls. Reference calls are calls made by the firm to the business' current customers and suppliers. Some venture capitalists weigh the results of these calls heavily when making an investment decision. Also important within the business plan are the financial statements. One funding component that VCs look at is the sound nature of the financial statements. It is important that there is little waste in the budget for the coming year as well as its historical use of funds. Venture capitalists try to mitigate risk but they also want to make sure that they are investing in an entrepreneur who knows how to properly manage a business on a "shoe-string" budget. Although it is sometimes rare to have a company looking for funds that has already reached its breakeven

point, investors still like to see strong operational cash flows. If the company is not breaking even, most investors want to see that point be reached within one to two years after the funding round is closed. Although it may not solely constitute the health of a company, investors will usually look at current assets to judge how well the company is operating. Thus, having a sound business plan and financial statements are important pieces towards receiving funding.

When evaluating a business, it is important to determine if the industry the company is seeking to enter is a promising one. The target market for the product or service should be a rather substantial one in order to make up for miscalculations that are made (Ennis, 2004). A common mistake for entrepreneurs to make is to overestimate the amount of customers they will have within a few months of the entering the market. Thus, if the potential market is large, it will usually make up for any miscalculations made. However, it is important for a company to have "focus". As referenced by Merrill and Nichols (1990), venture capitalists "consistently advise presenting entrepreneurs to (1) examine potential markets, (2) pick their best shot, (3) go for it, and (4) ignore the others" (Merrill & Nichols, 1990). When evaluating an industry, it is important to find a company that will be operating in an industry which is in its early stage of development. It should be in an industry which is not in a too early stage in the sense that consumers do not have an established need or want for a product but it should also not be too late in its development in the sense that there are large, established competitors with strong revenues. Another common mistake by entrepreneurs is to claim that there is no competition within the marketplace. Usually, an attitude such as this will make investors sour on a deal. Although a company's product may be unique, there is usually competition whether it is direct or indirect. Investors look for markets that are "right on the cusp of takeoff" (Berkery, 2008). In addition, investors seek companies which will be disruptive in their markets (Horowitz, 2005). Investors want to see how a company will change the industry in which it will enter. A path to market domination must exist. Without such a path, a very high return on investment is almost impossible to achieve.

Although most venture capital firms do not discriminate on where a firm is located, some smaller firms try to maintain a regional focus. Thus, for such firms, where the company is

geographically located and its willingness to relocate can be important funding components. The location of an internet company is probably less important than a distribution company. The internet company will probably spend similar amounts of money to export its data regardless of where it is located; however, where a distribution company is located may increase the transportation costs it incurs in order to import raw materials and export finished products. Additionally, if a small venture capital firm with a regional focus wants to invest in a company (located outside of its region), the entrepreneur's willingness to relocate the business could be a factor which could make or break the negotiations.

Expected returns, growth potential and how long it will take to achieve solid returns and growth are all important funding components. Venture capitalists want high return companies which can offer on average a growth rate of 20% per year, pre-tax profit margin of at least 15%, and $10 million in revenue within five years. Venture capitalists invest in a diverse set of businesses. However, as we all know, most start-up businesses fail. The returns from a successful investment must be able to cover the losses incurred by failed investments while also providing a surplus to pay dividends to shareholders and make payments to fund investors. In order for a firm to achieve such high returns, venture capitalists want to see companies with high growth potential. According to Anderson, evaluating a company's growth potential is one of the most important parts of a firm's decision to invest (Anderson, 2005). Finally, how long it will take a company to reach expected returns and full growth potential weighs heavily on a venture capitalist's decision as to whether or not to invest. Venture capitalists continue to dedicate time and resources to grow investment companies once in the portfolio. They want to see as quick a return on their money as possible. In addition, the venture capitalist wants to ensure that an exit is in the near future in order for them to get their money back. VCs do not want to invest in "lifestyle" companies or businesses which would never be sold off and end up operating for the term of the entrepreneur's career.

Ennis argues that one of the metrics of success in securing venture capital funding is through personal referral. He states that "almost all startups that secure venture capital funding begin with a personal referral, and thus, that is the first and most important element for success"

(Ennis, 2004). To use a cliché, it is sometimes not what one knows but whom one knows. Venture capitalists are very busy and many applications for funding do not get through to the VC's desk. Thus, a personal referral can, and in many times is, one of the reasons why a company is able to obtain funding.

In addition to the above funding components, the pre-money valuation that is presented can be a very important funding component. Staenberg states that the process of valuation is both an art, a science and an unfair advantage (Staenberg, 2005):

> To find those exceptional investments, three factors come into play: the science, the art, and the unfair advantage. Our team approaches opportunities with both a scientific approach and an artistic approach. Value to metrics, analyzing numbers and data, and market indicators are the scientific part. We are extremely valuation sensitive. There are many venture funds chasing a lot of deals --- you have to be analytical in this business. Taking an industry analysis and comparing valuations or other deals that have been done around a certain space is one way to understand an opportunity. We look at both private and public market valuation and contrast that to our opportunity. That is the science part of it. There is also an art. You have to decide what is fair and what is appropriate when dealing with a company. What is appropriate given the team's experience and the size of the idea? Are you giving the team enough valuation to motivate them? When do you need to press and when do you need to back off and give them room? The art is utilizing psychology and sociology; it's nothing more than people skills. Also, the art of this work involves seeing the bigger picture and having a strategic vision. It's appropriate to know the end game. What can you say at the end of the day if things go according to plan or close to it? What kind of return on investment are we looking at? Be realistic and always have goals for specific companies. Finally, creating successful opportunities means creating an unfair advantage. An unfair advantage is something that differentiates a company from every other one; it is something they can do uniquely that others can't do. All successful companies need something that makes it hard to sell against them, and makes it easier for them to differentiate themselves from competitors. What are the resources, the assets, or the skills that the company can bring to any deal?

If a valuation cannot be agreed upon, all too often a deal will fall apart. Weber states that it is a common mistake made by entrepreneurs to overvalue their companies. They tend to believe that the business concept is worth a significant amount when in reality, it is worth little. The returns to be made are going to be "based on what they and the investors do in the future and not what has been done in the past. They have an overblown view of what has been done in

the past and what they think they are bringing to the table" (Weber, 2005). Thus, the valuation of the company is significant funding component for venture capitalists.

Funding components such as economic conditions and current investment portfolio risks are outside of the control of the prospective company but still important components that venture capitalists consider when determining whether or not to make an investment. Macroeconomic conditions, specifically capital gains tax levels, stock indices performance and interest rates can all affect a venture capitalists decision. If it is a bull stock market, most initial public offerings perform well which would increase the likelihood that venture capitalists would invest in a later stage company looking to go public. Also, it has been proven that as interest rates raise so does the amount of venture capital investment. Another factor outside the control of the company is the venture capital firm's current risk portfolio. If the firm has already invested in a company that operates in a similar space as the prospective company, it is less likely the firm will invest. Furthermore, if the company is a very risky investment and the portfolio is already laden with high risk companies, more often than not venture capitalists will not invest.

Many venture capitalists believe that one can grade a company based on similar categories such as market size, barriers to entry, capital requirements, deal economics and the team (Sobieski, 2005). As put by John Higginbotham in his piece "Essential Components for Investing In Venture Capital, (Higginbotham, 2005):

> At its simplest level, it's people, market, competitiveness, and governance. In terms of people, experienced management is critical. That means a complete management team with a capable board of directors that is constructed with an eye toward the needs of the company going forward, rather than legacy kinds of relationships. The board and the management team are critical in establishing functional and creative capabilities for a successful undertaking… Another key rule is making sure [the company has] an actual marketplace that can be served. Specifically, that means serving a critical need in that marketplace as opposed to a "nice to have". [The company] can have the greatest technology in the world, but if nobody actually needs it, [the company isn't] going to go anywhere. A key parameter that [investors] track is whether there are real customers, and whether the product or service addresses a critical need in the marketplace. In addition to the marketplace, [venture capitalists] also investigate whether the product or service that the company is supplying is in fact providing real value. Is there a clear value proposition? Presuming that there is a

> need, is the company's solution providing a compelling solution? Does the value proposition stack up competitively in the marketplace? Does the company own its own IP (intellectual property) in order to continually control and refresh that IP? Does the company really understand corporate controls and corporate governance?

Each venture capital firm has a slightly different philosophy on how to determine which companies to invest in. However, previous research and the research presented in this paper demonstrate that there are regional differences in how a VC firm evaluates a company.

It is well known that regions both domestically and abroad have various ways of conducting business. Also, based on geographic locations, some regions will require higher returns based on regional differences in inflation rates, availability of investment funds and interest rates. In “Raising Money: Venture Funding and How To Get It”, Merrill and Nichols (1990) discuss that regional styles exist within venture capital. Although many large funds insist on having a nationwide presence, this is usually due to having regional offices scattered throughout the United States. However, the majority of these firms continue to maintain a local outlook on businesses and usually “take on some characteristics of the local style of entrepreneurship, which leads to geographical differences” (Merrill & Nichols, 1990).

Within the industry, especially in the United States, there is severe rivalry between regions. One VC from New York stated that “there are no real venture capital firms outside New York City” (Merrill & Nichols, 1990). Although this is an extreme way of thinking and is totally unfounded, it nonetheless illustrates the stark rivalry between the East and the West Coast. When asked to relay the regional differences in venture capital firms, this is what some experts had to say (Merrill & Nichols, 1990):

> "Entrepreneurs are more sophisticated in Silicon Valley and Route 128, and so are the venture capitalists. The deal flow is much higher quality there than in other parts of the country. New York and Boston firms seem to be more conservative. Here in southern California, venture capitalists are more competitive less collegial, than in Silicon Valley."
>
> "I suspect that Western firms are less conservative. New York and Boston venture capitalists tend to come from the financial industry rather than an operating background, which may explain it."

> "Silicon Valley is a tightly integrated community. They all know each other. One third of the deals there are by 'dragooning,' where venture capitalists draw known talent from existing high-tech companies and set them up in business. This is rare in other parts of the country."
>
> "Venture capitalists in Silicon Valley and Route 128 are more oriented toward early-stage investments. They also rely more on the 'old-boy network'."
>
> "Southern California venture capital is not cohesive --- unlike Silicon Valley and Route 128, which are. New York firms are different in that they are more willing to invest outside their own geographical area --- all over the country. Silicon Valley funds seem to use more young associates. Another difference there is that vesting periods for founder stock are shorter because turnover is so high"

Although some of the statements above are extreme, it none the less illustrates the general idea that regional differences exist. Specifically, Silicon Valley (West Coast) and Route 128 (East Coast), represent areas where the entrepreneurs are more sophisticated, the funding stages are usually earlier stage, and where much of the industry operates. In addition, these West Coast firms are less conservative in their approaches as compared to their New York and Boston counterparts due to the East Coast VCs' backgrounds in the financial rather than operating industries. It also appears that firms on the East Coast are more willing to venture into investments outside of their region as compared to Silicon Valley funds which remain more local and have younger associates.

In Richard Florida and Martin Kenney's 1988 work on "Venture Capital, High Technology and Regional Development", they define seven distinct regions in the United States where venture capital firms are located. Those regions are Texas, Minnesota, Illinois, Connecticut, New York, Massachusetts and California. According to their research, Texas VC firms mostly focus on energy-related and biotechnology investments and are predominately located in Austin, Dallas, Houston, and San Antonio. Minnesota VCs are predominately located in Minneapolis and typically invest in technology-oriented hybrids. There is a high amount of users and local sources of venture capital in the area. These venture capital firms typically invest outside its region with most of its money flowing into California tech startups. In addition, local companies tend to attract capital from other regions as well. In Illinois, Chicago is the main hub of venture capital investment. When being compared to the New York region, Bygrave and Timmons state that "New York and Chicago, Illinois, are finance-

oriented centers and net exporters of capital to other regions. Venture capital firms in those regions are typically tied to major financial corporations or other institutional sources of wealth" (Bygrave & Timmons, 1992). Connecticut has experienced a shift in what the venture capital firms look like over the years. Previously, early venture activity was conducted by wealthy individuals (much like an angel). However, in 1992, Connecticut was home to the three largest, industrial corporate-subsidiary VC firms in addition to several private VC firms located in and around the Connecticut area. Massachusetts is considered to be one of the largest areas of VC money in the country. Like Minneapolis, it typically invests in technology-oriented hybrids and frequently looks outside of its region for investment opportunities. In addition, Bygrave and Timmons believe that "Boston's economy is also much more diverse than that of Silicon Valley" (Bygrave & Timmons, 1992). Finally, similar to other areas, California, specifically San Francisco and Silicon Valley, are attracted to technology companies. According to Florida and Kenney (1988), VCs in the Silicon Valley have evolved with these high technology enterprises. Thus, it formed an integral part in the social structure of innovation (Florida & Kenney, 1988). A social structure of innovation is considered to be the interactive system of technology enterprises, skilled human capital, substantial private and public research and development, specialized networks of suppliers, prestigious universities, a breadth of support services such as accountants, attorneys and consultants, a thriving entrepreneurial network and an open exchange environment of information and technology. This is what has helped Silicon Valley to be considered one of the most prominent areas of VC funding in the country.

## METHODOLOGY

Data was collected for this study from the United States, specifically the West Coast and East Coast and China, specifically Shanghai, Beijing, and other economically advanced areas of China. Participating companies specialize in venture capital financing. I chose to look at the West Coast and the East Coast of the United States because of their different business practices due to the different business environments in which they operate. I also chose to look at Chinese firms because China is one of the fastest growing emerging markets and the

country has significant differences in culture and norms from the United States in their focus on collectivism compared to individualism in the United States.

I selected the companies that participated in the survey through the use of the VCPro Database 2010 which lists the registered venture capital firms worldwide including North America and China. The questionnaire was administered in English for the West Coast and East Coast. For China, the surveys were translated into Chinese by the US-China Institute at Bryant University and then, once the surveys were returned, were back-translated into English to ensure content clarity. Unfortunately, the data collected from the Chinese respondents was insufficient to determine a proper funding component strategy. The data was collected in two stages based on the MacMillan, Siegel and Narasimha model. Firstly, I sent out a preliminary survey which was administered to nine firms operating in the East Coast region. I sought their feedback on the survey and adjusted the questionnaire as needed to accommodate recommendations. Secondly, I sent out the adjusted survey to 146 firms in China, 718 firms on the West Coast and 1,232 firms on the East Coast of the United States. The questionnaires were distributed to managing directors of venture capital firms in these three regions. These directors are the ones that set the tone for investment and thus provided me with the most accurate representation of their investment policies. A follow up round was conducted for those who had not responded to the surveys on the third week of January. This round consisted of e-mail and telephone communications.

The survey consists of a Likert-type measurement scale as well as multiple choice questions. I asked the various venture capitalists in the three regions to identify on a scale of one to five how important each of the funding components is to the deal. The surveys were administered using an online survey program, QuestionPro. After the results were compiled, the data collected was analyzed using predominately SPSS software in addition to QuestionPro analytics and an Excel spreadsheet. Most of the data was quantitative which was analyzed using regression analyses in addition to factor group analysis and group mean comparisons. Through SPSS, the top three funding components for each of the regions were developed. Additionally, all open ended boxes were reviewed and answers were compiled to further enhance the reasoning behind why some venture capitalists weighed certain funding

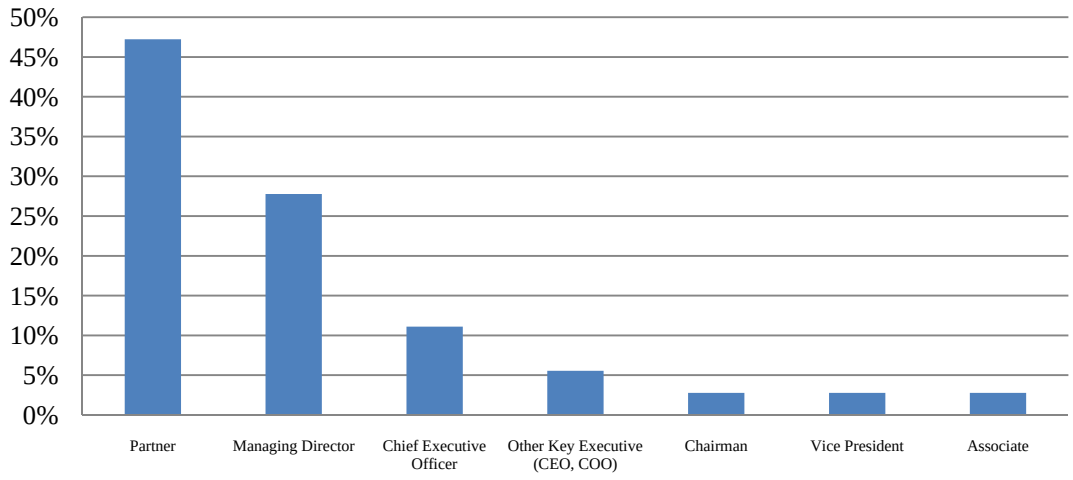
components more important than others. After the data was compiled, graphs were created to further demonstrate how each region ranked individual funding components.

## ANALYSIS

Descriptive Statistics

Among the respondents, 70.8% were from the East Coast of the United States, 25.0% were from the West Coast and 4.2% were from China. Due to the low response rate from Chinese venture capitalists, I focus purely on the results of the East and West Coast surveys. Of the respondents, 87.5% were males, most of who were between the ages of 46-55 (44.4%) and were partners in the firm. A detailed breakdown of job titles amongst the respondents can be found in Figure 3. The survey respondents' demographic characteristics as well as their firms' investment statistics are presented in Appendix D.

**Figure 3 - Positions of Survey Respondents**




Additionally, it appears most of the venture capitalists who responded focused on predominately early stage and first stage investing of which 70.8% and 63.9% of the survey respondents participated in these rounds. The most common size of investment is $1 million to $5 million with a clear focus on the technology and biotechnology/healthcare industries.

Variable Analysis

After reviewing the demographics of the respondents, it is important to see how, overall and regionally, the respondents rank the 27 variables provided in the survey. All responses were ranked using a one to five-point Likert scale (1= not important …5=important). Appendix E depicts the mean response for both the East Coast and the West Coast for each of the variables. As you can see, the most highly ranked across all regions was the entrepreneur's and management team's experience and knowledge. The average ranking for this variable was 4.96 for the East Coast and 4.82 for the West Coast. Another interesting variable was "I will not invest in a company that has not been operating for at least one year". Venture capitalists on the West Coast felt more strongly against this statement (1.65) than East Coast venture capitalists at 2.33. Through my research, it is also apparent that the East Coast venture capitalists readily demand that the entrepreneur's investment be found on the capital table while the West Coast is less likely to make this a significant requirement. Also, East Coast venture capitalists stated the size of the round was somewhat important to them (4.22) while West Coast venture capitalists were neutral on the variable (3.47). Additionally, the stage of funding, similar to the size of the round, was also more important to the East Coast venture capitalists (4.47) than the West Coast venture capitalists who again found it neutral (3.65). Both regions however felt resoundingly the same on the recommendation being somewhat unimportant and the entrepreneur's goals and concepts being somewhat important to important. Overall, the West Coast and East Coast had resoundingly similar values when it came to variables. However, when examining how each region ranked the most important to least important variables, vast differences arose.

| | East Coast | West Coast |
|---|---|---|
| **Management Team's Knowledge and Experience** | 4.96 | 4.82 |
| **Investment By Entrepreneur** | 3.33 | 2.71 |
| **Less Than One Year Operations** | 2.33 | 1.65 |
| **Size of Round** | 4.22 | 3.47 |
| **Stage of Funding** | 4.47 | 3.65 |
| **Entrepreneur's Goals and Concepts** | 4.84 | 4.65 |
| **Recommendation** | 2.43 | 2.47 |

Both regions appear to value the management teams' and entrepreneur's experience as the most important factor when evaluating a company. Venture capitalists across regional

boundaries value the management team's experiences because, as one survey respondent described, "people [are] what makes it all happen". Another survey respondent stated that "strong management will be able to adapt to uncertainty and create success from less than optimal solutions". However, as one venture capitalist from the East Coast stated, "aptitude, coach-ability, and leadership skills are most important. They cannot be developed in a short period of time if the founders and management team do not possess such attributes from day one". All the other things like marketing knowledge, pricing and distribution, and general operation processes can be learned and provided by a good well-rounded advisory board". Put simply, one venture capitalist states that the "investment is based on [the] people/entrepreneur involved [and] not Excel spreadsheets". Ultimately, "a manager's prior record of accomplishment, even in a different area, is a good indicator of likely success". In addition, the entrepreneur's ethics, integrity and philosophy are also valued across regions. Many VCs commented on the fact that "we can't, nor shouldn't be expected to, change someone's ethical outlook".

The second most important variable in both the East Coast and West Coast is the potential return. Obviously, venture capitalists are expected to receive a return for their investments. As one venture capitalists from the East Coast stated, if someone believes that a venture capital fund does not find the potential returns important, either they "are living on another planet, or else [they] are dealing with no VC that I have ever heard of".

However, a discrepancy does arise between the East Coast and West Coast as to what the third most important aspect of a company is. Overall, across regions, it appeared the third most important variable was the ability to grow. The East Coast ranked pre-money valuation as the third most important aspect while the West Coast considered a growing market. This coincides with my hypothesis that based on regional differences, the East Coast relies more on the financial background of the company than the idea potential that the West Coast values. This hypothesis is based on the idea that venture capitalists on the East Coast tend to have a financial career background while West Coast VCs typically have operation backgrounds. As one venture capitalist from the East Coast stated, "the return on investment is directly proportional to pre-money valuation". Another VC argued that sound financials were also

imperative along with growth because without these "there will be no agreement on valuation". Therefore, it appears that if one's company has a reasonably high valuation but operates in a growing market, it would be better served to seek funding from the West Coast instead of the East Coast. In contrast, it appears the West Coast relies more heavily on the potential of a growing market to determine its investment decision. Survey respondents state that "business models can be adjusted, but not the entrepreneur's skills nor the market conditions" and "you can fix management, fix money problems, [but you] can't fix market opportunity". Another VC states that "without a good growing market opportunity and solid management team, your probability for success drops exponentially. A big market lets you make mistakes and still find a place to harvest value. The good team navigates the choppy waters and gets you there. You also need to have a fundamental alignment with [the] entrepreneur about how you will work together and get through the challenges".

In regards to the least important variables, one can see that the number one least important variables for the East and West Coast vary significantly. The East Coast finds the entrepreneur's willingness to relocate as a significantly unimportant aspect of the investment decision. One VC said that his firm likes to be "very active with [their] companies and like to be within close proximity, so [they] wouldn't look at things that required relocation". From another vantage point, one venture capitalist said that "in a globalized world, location is less important as a gating factor, and it would [be] futile to ask a top company to relocate just for [the fund's] money, when they have many other choices". In contrast, the West Coast seems to find it unimportant if a company is recommended to them by someone whom they know and have done business with. As one VC stated, "you cannot restrict your investment universe to personal contacts" if you truly want sound companies.

The regions also differ on how what they value second least important during their due diligence process. The East Coast places low importance on the geographic location. As one VC states, investors "cannot be geographically fussy if [they] want to see good opportunities". In addition, another VC stated that "it is not important to [the firm] where [the company] is located so long as [it is] in an environment conducive to [its] success". In contrast, the West Coast places low importance on the company's financial statements. Many companies that the

respondents are seeing are early stage, and thus, "they have taken in very little capital, have no cash flow or current assets. Ultimately, sound financials are not important to [their firms]. If [a company has] a good idea, [the venture capital firms] will be able to develop it to make the financial statements sound and operating". Another VC echoed this statement by saying that "while we help develop these things with our capital (i.e. business plans and financial statements), whether they exist is largely irrelevant to our decision to invest". Put bluntly, one venture capitalist said that "if you want a mid cap or blue chip – buy it on the market".

Finally, both regions agree on the third least important aspect of the company which is less than one year of operation. Many of the VCs surveyed focus on early stage companies which have few customers and almost no operating history. When the firms specialize in early stage investing, very often, "revenue or amount of time the company has been in operation [are] just not important". Another VC stated that "operating history can be irrelevant for a new company with good intellectual property and a strong business model".

| Importance | East Coast | West Coast | Overall |
|---|---|---|---|
| Most | Management Team | Management Team | Management Team |
| Second Most | Potential Return | Potential Return | Potential Return |
| Third Most | Pre- Money Valuation | Growing Market | Ability To Grow |
| Least | Relocation Willingness | Recommendation | Relocation Willingness |
| Second Least | Geographic Location | Sound Financial Statements | Geographic Location |
| Third Least | Operating Less Than One Year | Operating Less Than One Year | Operating Less Than One Year |

As one can see, it is clear that regardless of location, venture capitalists most value the management team and potential return funding components. However, it is also clear that after these components are taken into effect, the VCs on the West Coast turn to the market potential while the VCs on the East Coast look to another monetary factor- pre-money valuation. Finally, both VCs felt it was unimportant the length of operation of a firm, but the East Coast found location to be second least important while the West Coast, interestingly enough, found sound financials to be second least important. It is clear from this data that

West Coast VCs look more closely at the deal potential and future while East Coast VCs rely heavily on the current state of the deal. A further ranking of the variables and bar charts associated with these rankings can be found in Appendix E at the end of this document.

## FACTOR GROUP ANALYSIS

While looking at individual components is important, it is also useful to view the components in an aggregate level. Grouping traits through a factor group analysis, I was able to demonstrate patterns that VCs use when looking at deals. After creating groups, I was able to determine which components, grouped together, are viewed as the most important factors when analyzing a deal. Thus, I was able to see how the 27 variables reduced to five factors.

The first factor can be termed for the East and West Coast as well as the United States as a whole to be the "Business Analysis Factor". For the United States, the Business Analysis Factor has three variables: the entrepreneur's business philosophy, reference call results and the potential for company growth. For the East Coast, the Business Analysis Factor consists of the four variables: investment by the entrepreneur, the SWOT analysis, the entrepreneur's business philosophy and the prospects of a growing market. Like the East Coast, the West Coast has four variables in its Business Analysis Factor and shares two of these variables with the East Coast. In addition to the shared variables (entrepreneur's business philosophy and the prospects of a growing market), the West Coast also includes the importance of a defensible product and the company's ability to operate in a market niche.

| | Overall | East Coast | West Coast |
|---|---|---|---|
| **Factor 1** | • Entrepreneur Business Philosophy<br>• Reference Calls<br>• Growth Potential | • Entrepreneur Business Philosophy<br>• Growing Market<br>• Investment by Entrepreneur<br>• SWOT | • Entrepreneur Business Philosophy<br>• Growing Market<br>• Defensible Product<br>• Market Niche |

The second factor can be termed "Financial Analysis Factor" for the East and West Coast as well as the United States. For the US, the financial analysis factor includes four variables: current revenue, less than one year operations, sound financials and operating cash flow. The East Coast considered all the same factors as the overall category did. Like the East Coast, the West Coast also considers current revenue, sound financial statements and operating cash flows to be in its Financial Analysis Factor in addition to the company's current assets and the investment by the entrepreneur.

| | Overall | East Coast | West Coast |
|---|---|---|---|
| **Factor 2** | • Current Revenue ⟷<br>• Sound Financials ⟷<br>• Operating Cash Flows ⟷<br>• <1 Yr Ops ⟷ | • Current Revenue ⟷<br>• Sound Financials ⟷<br>• Operating Cash Flows ⟷<br>• <1 Yr Ops | • Current Revenue<br>• Sound Financials<br>• Operating Cash Flow<br>• Investment By Entrepreneur<br>• Current Assets |

The third factor group can be considered the "Deal Terms and Size Factor" for both the East and West Coast as well as the overall category of the United States can be considered the current position of the business. The United States as a whole identifies the third factor to be "Business Position Factor" which includes stage of funding and a defensible product. The East Coast defined the size of the round, the industry space and the stage of funding to all be parts of the Deal Terms and Size Factor. Although the West Coast defines the factor to include the size of the round, it also considers the strength-weaknesses-opportunities-threats analysis, the expected term of the company and the pre money valuation to also be part of the third factor.

| | Overall | East Coast | West Coast |
|---|---|---|---|
| **Factor 3** | • Defensible Product<br>• Stage of Funding ⟷ | • Size of Round ⟷<br>• Stage of Funding<br>• Industry Space | • Size of Round<br>• SWOT<br>• Expected Term<br>• Pre Money Valuation |

The fourth factor varies drastically between the East and the West Coast while the United States as a whole echoes the same factor as the East Coast. The East Coast's and United States' fourth factor can be termed "External Market Factor" and consists of the macroeconomic conditions and the current portfolio risk. In contrast, the West Coast's fourth factor can be termed the "Business' Potential" and consists of the industry space in which the company operates, the entrepreneur's goals and concerns, the potential return and the growth potential of the company. This drastic difference highlights that the fourth factor in an investment decision for an East Coast venture capitalist may examine the realities of the external market while the venture capitalist on the West Coast focuses instead of the investment's future potential.

| | Overall | East Coast | West Coast |
|---|---|---|---|
| **Factor 4** | • Macroeconomic Conditions ⟷ Macroeconomic Conditions<br>• Current Portfolio Risk ⟷ Current Portfolio Risk | | • Industry Space<br>• Entrepreneur Goals and Concerns<br>• Return<br>• Growth Potential |

Finally, the fifth factor also differs significantly between the East Coast and West Coast. For the East Coast, its fifth factor can be termed the "Product or Service Analysis" and consists of a defensible product and operating in a market niche. These two variables were found in the West Coast's Business Analysis Factor. In contrast, the West Coast's fifth factor can be termed "Relationship Generation" and consists of the stage of funding being sought, the result of reference calls, the location of the company, the entrepreneur's willingness to relocate, the venture capitalist's ability to add value to the company and having the company referred to them by someone whom they know or have done business with. Again, we see a contrast between the focus on the product and the focus on the person. From the readings I have reviewed, interviews I have conducted and surveys I have administered, this factor group reinforces what I have seen which is the reality that the East Coast focuses more on the numbers part of the deal while the West Coast focuses more on the team and the idea.

| | Overall | East Coast | West Coast |
|---|---|---|---|
| **Factor 5** | • Market Niche<br>• Relocation Willingness | • Market Niche<br>• Defensible Product | • Stage of Funds<br>• Reference Calls<br>• Location<br>• Relocation Willingness<br>• Value Add<br>• Recommendation |

## SUMMARY

The sample size for this survey represented roughly half of the venture capitalists operating in North America and a sixth of the venture capitalists operating in China. Due to unclear contact information, the sample size in China was much smaller than that in the United States. I conducted a survey on venture capital funding components and their regional differences. Based on my understanding, given that there were no studies conducted on this area of research for the past twenty years, this study provides a timely depiction of how venture capitalists are forming their decisions on whether or not to invest in a startup company across and within regional boundaries. I found that venture capitalists on the East Coast rely on factual, clearly represented information, such as financials, potential return and pre-money valuation, while West Coast venture capitalists rely more on the idea, potential return and potential growth. However, both regions' decisions strongly relied on the past and present experience of the management team and/or entrepreneur. Both regions found the geographic location of the companies and the operating time of the company to be least important when considering an investment. Interestingly, the West Coast reported sound financial statements to be one of the least important aspects of a firm while the East Coast reported it to be one of the most important.

## FUTURE RESEARCH

Future research can extend this line of analysis to the study of the differences in funding components between nations. Venture capital investment is increasing rapidly across nations including China, Japan, India, Israel, Canada and Europe. My study's original focus was going to consist of the East and West Coast regions in the United States and in economically

advanced areas of China. Unfortunately, few responses were received from the Chinese venture capital firms. We solicited these venture capitalists through two rounds of reminders. Firstly, we converted the survey to mandarin Chinese and through an email, attached a survey as well as including a link to an online survey translated in mandarin as well. In addition, we faxed the cover letter that was sent through an email to the office fax numbers and included a copy of the translated survey as well. We also solicited the Chinese Venture Capital and Private Equity Association (CVCA) and the China Venture Capital Research Institute (CVCRI) to receive sponsorship. I would suggest in future research to obtain support from a local venture capital association to increase the response rate in China, Israel, and all nations abroad. This area of research is fascinating and further research into various international funding components may help explain why developing countries are expanding so rapidly. Is it possible that these countries are more entrepreneur friendly than the United States, home to the American Dream of owning and operating your own business?

## CLOSING THOUGHTS

In this paper, I focused on the various funding components, or traits, venture capitalists use when analyzing a company and which are weighed most heavily in the investment process decision. I sought to prove that differences exist between regional boundaries, namely in the East Coast and West Coast of the United States. I found that the West Coast venture capitalists focus more on the market and product potential while the East Coast venture capitalists tend to focus on the numerical value of the deal. This is attributable to the different career backgrounds and environments in which the venture capitalists operate. This research will now allow venture capitalists to benchmark their practices against their neighbors and other regions and also assist entrepreneurs with selecting where to obtain financing and how to shape their presentation to the venture capital firms.

## APPENDICES

Appendix A – United States Survey

# Changing Funding Components in Venture Capital Investing

A Study conducted by:

JENNIFER A. SCHWALL

**GENERAL GUIDELINES**

Please answer all questions. If you wish to comment on any questions or qualify your answers, please feel free to use the space in the margins or a separate sheet of paper. If you would like to receive the complimentary summary report of this survey, please provide your contact information on the last page of the survey. Your participation is voluntary. If you decide to participate, you are free to withdraw your consent and discontinue participation at any time without penalty. Your answers will be kept confidential and will not be individually identified in any published analysis or summary of the findings. At the end of the survey you will be given the option to provide contact information to allow the research team to follow-up with you directly regarding the study; however providing such information is strictly voluntary and not a condition for participating in the survey."

**ALL INFORMATION THAT YOU PROVIDE WILL BE KEPT STRICTLY CONFIDENTIAL AND WILL BE ANALYZED ONLY AT THE AGGREGATE LEVEL.**

## Funding Components

**Please assess the following components on their importance to the deal making decision based on a scale of one to five. (1 = not important ) (5 = very important)**

| | 1 Not Important | 2 Somewhat Unimportant | 3 Neutral | 4 Somewhat Important | 5 Important |
|---|---|---|---|---|---|
| a) I value the entrepreneur's/ management team's experience and knowledge | | | | | |
| b) The amount of money already invested by the entrepreneur is important. | | | | | |
| c) The amount of revenue already achieved by the start-up is important. | | | | | |
| d) I will not invest in a company that has not been operating for at least one year. | | | | | |
| e) The size of the deal being sought (in monetary terms) is important. | | | | | |
| f) The industry in which the company operates is important. | | | | | |
| g) The stage of funding the entrepreneur is seeking is important. | | | | | |
| h) The business concept and entrepreneur's goals are important to me. | | | | | |
| i) The current macroeconomic conditions affect my decision as whether or not to invest. | | | | | |
| j) The current portfolio risks of my venture capital firm influence my investment decision. | | | | | |
| k) It is important to have a good business plan SWOT analysis. | | | | | |
| l) The company must have sound financial statements (cash flow, income statement and balance sheet). | | | | | |
| m) The potential returns of the idea are important to me. | | | | | |
| n) The owner's business philosophy is important to me. | | | | | |
| o) The company must operate in a growing market with many opportunities. | | | | | |
| p) If later stage funding, the results of reference calls are important. | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| q) The expected term of the deal is important to me. | | | | | |
| r) The potential for the company to grow is important in my decision making process. | | | | | |
| s) The entrepreneur must have a defensible product. | | | | | |
| t) There must be a clearly defined market niche for the product. | | | | | |
| u) The geographic location of the company is important to me. | | | | | |
| v) The entrepreneur must be willing to relocate. | | | | | |
| w) I have to be able to add value to the business in order to invest in it. | | | | | |
| x) It is important for the company to have operating cash flow. | | | | | |
| y) I look at current assets to determine the health of the company. | | | | | |
| z) The entrepreneur must be recommended to me by someone I personally know. | | | | | |
| aa) The pre-money valuation of a company is important to me. | | | | | |

**Of the above items, which are the three most important statements when determining funding?**

**Most Important** ☐

**Second Most Important** ☐

**Third Most Important** ☐

Why:

**Of the above items, which are the three least important statements when determining funding?**

**Least Important** ☐

**Second Least Important** ☐

**Third Least Important** ☐

Why:

## Additional Feedback

**Please explain why you rated some aspects as very important while others not important.**

## General Participant Information

**Gender:** ○ Male ○ Female

**Age:** ○ 18-25 ○ 26-35 ○ 36-45 ○ 46-55 ○ 56-65 ○ 65+

**What is your nationality?** ○ United States ○ China ○ Other:_____

## Venture Capital Firm Information

**How long have you been working at your current firm?**

○ Less Than 1 year ○ 1 to 3 years ○ 3+ to 5 years ○ 5 -10 years ○ 10+ years

**How many people work for your firm?**

○ 1-5 ○ 6-10 ○ 11-15 ○ 16-25 ○ 26-50 ○ 50-100 ○ 100+

**Where are your firm's investors predominately located?**

○ North America ○ Europe ○ Asia ○ South America ○ Other:
_____

**What position do you hold?**

| | | | | | | |
|---|---|---|---|---|---|---|
| ○ Founder | ○ Partner | ○ Senior Associate | ○ Associate | ○ Senior Analyst | ○ Analyst | ○ Other |

**What are your responsibilities?**

**What type of funding do you provide? (Check all that apply)**

| | | | | | |
|---|---|---|---|---|---|
| ○ Seed Stage | ○ Early Stage | ○ First- Round | ○ Second Round | ○ Mezzanine/ Expansion Round | ○ Fourth/ IPO Round |

**What is your average investment size?**

| | | | |
|---|---|---|---|
| ○ Less Than $1 Million | ○ $1 Million- $5 Million | ○ $5+ Million - $10 Million | ○ $10 Million + |

**Does your firm specialize in a certain industries? (Check all that apply)**

| | | | |
|---|---|---|---|
| ○ Technology | ○ Communications & Electronics | ○ Business Services | ○ Industrial |
| ○ Consumer | ○ Energy | ○ Biotechnology & Healthcare | ○ Financial Services |

○ - Other: _____

## Personal Information

**Providing the following information is optional.**

Company Name: _____
First Name: _____ Last Name: _____
Address: _____
City: _____ State: _____ ZIP Code: _____

Appendix B – Chinese Survey

# 风险投资不断变化的投资目标要素

主导研究者：
詹妮弗·史沃
**(JENNIFER A. SCHWALL)**

**说明**

请回答所有的问题。如果需要对一些问题作评论，或对回答的内容作详细解释，请在空白处或另一张纸上作注解。如果您希望收到免费调查摘要，请在这份调查表的最后一页留下您的联系方式。

**您所提供的信息仅用于综合分析并且严格保密**

## 投资目标的要素

**根据 1 至 5 的评估等级和每个投资目标要素的重要性，请做出您的选择。 (1 = 不重要) (5 = 非常重要)**

| | 1<br>不重要 | 2<br>有点不重要 | 3<br>中立 | 4<br>有点重要 | 5<br>重要 |
|---|---|---|---|---|---|
| a) 我看重创业者/管理团队的经验和知识。 | ● | ○ | ○ | ○ | ○ |
| b) 创业者已经投入了的金额是重要的。 | ○ | ○ | ○ | ○ | ○ |
| c) 创业者已经获取的收入金额是重要的。 | ○ | ○ | ○ | ○ | ○ |
| d) 我不会投资于一家一年以来一直没有经营的公司。 | ○ | ○ | ○ | ○ | ○ |
| e) 所寻求的交易规模（以货币计算）是重要的。 | ○ | ○ | ○ | ○ | ○ |
| f) 公司所在的行业是重要的。 | ○ | ○ | ○ | ○ | ○ |
| g) 创业者所寻求的投资基金阶段是重要的。 | ○ | ○ | ○ | ○ | ○ |
| h) 对我来说，经营理念和创业者的目标很重要。 | ○ | ○ | ○ | ○ | ○ |
| i) 当前的宏观经济条件影响我投资的决定。 | ○ | ○ | ○ | ○ | ○ |
| j) 目前风险投资公司投资组合的风险左右我的投资决定。 | ○ | ○ | ○ | ○ | ○ |
| k) 具有良好的商业计划 SWOT 分析很重要。 | ○ | ○ | ○ | ○ | ○ |
| l) 公司必须有健全的财务报告（现金流量，损益表和资产负债表）。 | ○ | ○ | ○ | ○ | ○ |
| m) 潜在回报的意念对我很重要。 | ○ | ○ | ○ | ○ | ○ |
| n) 业主的经营理念对我很重要。 | ○ | ○ | ○ | ○ | ○ |
| o) 公司必须在一个日益增长并具多种机会的市场中运营。 | ○ | ○ | ○ | ○ | ○ |
| p) 如果是后期资金，电话查询的结果很重要。 | ○ | ○ | ○ | ○ | ○ |
| q) 预计的交易方式对我很重要。 | ○ | ○ | ○ | ○ | ○ |
| r) 公司发展潜力在我做决定过程中是重要的因素。 | ○ | ○ | ○ | ○ | ○ |
| s) 企业家必须要有合理的产品。 | ○ | ○ | ○ | ○ | ○ |
| t) 必须要有一个明确的产品市场定位。 | ○ | ○ | ○ | ○ | ○ |
| u) 公司的地理位置对我很重要。 | ○ | ○ | ○ | ○ | ○ |
| v) 创业者一定要愿意搬迁。 | ○ | ○ | ○ | ○ | ○ |

| | | | | | |
|---|---|---|---|---|---|
| w) 为了在公司投资，我必须能够为业务增值。 | ○ | ○ | ○ | ○ | ○ |
| x) 重要的是公司要有经营现金流量。 | ○ | ○ | ○ | ○ | ○ |
| y) 我以现有资产来决定公司健康状况。 | ○ | ○ | ○ | ○ | ○ |
| z) 必须要由我的熟人为我推荐创业者。 | ○ | ○ | ○ | ○ | ○ |
| aa) 对我来说，投资前对公司估价很重要。 | ○ | ○ | ○ | ○ | ○ |

综上所述， 哪三个要素是决定提供基金的**最重要**的条件？

**最重要** ☐

**第二最重要** ☐

**第三最重要** ☐

为什么:

综上所述， 哪三个要素是决定提供基金的**最不重要**的条件？

**最不重要** ☐

**第二最不重要** ☐

**第三最不重要** ☐

为什么:

## 补充意见

**请解释一下，您为何评价某些条件非常重要的同时，别的条件不重要。**

## 参与者一般情况

**性别:** ○ 男 ○ 女

**年龄:** ○ 18-25 ○ 26-35 ○ 36-45 ○ 46-55 ○ 56-65 ○ 65+

**您的国籍?**

○ 美国 ○ 中国 ○ 别的国家:_____

## 风险投资公司信息

**您于所在的公司工作多久了?**

○ 不到 1 年 ○ 1 到 3 年 ○ 3 年以上 to 5 年 ○ 5 年以上

**贵司有多少职工?**

○ 1-5 ○ 6-10 ○ 11-15 ○ 16-25 ○ 26-50 ○ 50-100 ○ 100+

**贵司的投资者主要来自什么地方?**

○ 北美 ○ 欧洲 ○ 亚洲 ○ 南美

○ 其它地方:
_____

**您的职位是什么、负责哪一方面?**

**你们提供哪些基金? (选所有适合的类型)**

○ 种子期 ○ 早期 ○ 第一轮 ○ 第二轮 ○ 夹层期/ 第三轮 ○ 第四轮/ IPO 期

**平均投资金额是多少?**

| | | | |
|---|---|---|---|
| ○ 少于一百万美元 (< $1 Million) | ○ 一百万 -- 五百万美元 ($1 Million- $5 Million) | ○ 五百万美元 -- 一千万美元 ($5+ Million - $10 Million) | ○ 一千万美元以上 ($10 Million +) |

**贵公司专门投资于某种行业吗? (选所有适合的类型)**

| | | | |
|---|---|---|---|
| ○ 技术 | ○ 电子及通讯 | ○ 业务服务 | ○ 工业 |
| ○ 消费者 | ○ 能源 | ○ 生物工程及医疗保健 | ○ 金融服务 |

○ - 其他: _____

## 个人情况

**您可以选择是否填写以下情况.**

公司名称: _____

名字: _____ 姓氏: _____

地址: _____

城市: _____ 省: _____ 邮编: _____

电话: _____ 电邮: _____

**文件发送到:** ○ 我的邮件 ○ 我的邮政地址 ○ 哪一个都可以

**如果我有问题, 您愿意讨论有关回答的内容吗?**

○ 可以 ○ 不可以

**您的宝贵意见和建议对我来说非常珍贵。谢谢您费心填写。.**

Appendix C - Demographics of Respondents

*Table 1:*
*Demographic Information of Respondents and Characteristics of Investment Firm*

| Variable | Category | Percentage of Group |
|---|---|---|
| Region | East Coast | 70.8% |
| | West Coast | 25.0% |
| | China | 4.2% |
| Gender | Male | 87.5% |
| | Female | 12.5% |
| Age | 18-25 | 0.0% |
| | 26-35 | 6.9% |
| | 36-45 | 16.7% |
| | 46-55 | 44.4% |
| | 56-65 | 27.8% |
| | 65+ | 4.2% |
| Stage of Investment | Early Stage | 70.8% |
| | First Stage | 63.9% |
| | Second Stage | 43.1% |
| | Mezzanine | 26.4% |
| | IPO | 12.5% |
| Size of Investment | Less than $1 Million | 20.8% |
| | $1 Million - $5 Million | 48.6% |
| | $5 Million - $10 Million | 12.5% |
| | $10 Million + | 18.1% |
| Industry | Technology | 58.3% |
| | Communications and Electronics | 38.9% |
| | Business Services | 34.7% |
| | Industrial | 18.1% |
| | Consumer | 25.0% |
| | Energy | 22.2% |
| | Biotechnology and Healthcare | 61.1% |
| | Financial Services | 15.3% |
| | Other | 6.9% |

## Appendix D - Variable Mean and Statistics

**Variable Mean and Statistics**

| | Region | N | Mean | Std. Deviation | Sig. |
|---|---|---|---|---|---|
| Management Team's Knowledge and Experience | 1 | 51 | 4.96 | .196 | |
| | 2 | 17 | 4.82 | .393 | .000 |
| Investment by Entrepreneur | 1 | 51 | 3.33 | 1.052 | |
| | 2 | 17 | 2.71 | 1.404 | .090 |
| Current Revenue | 1 | 51 | 3.55 | 1.346 | |
| | 2 | 17 | 2.65 | 1.367 | .937 |
| Operating For Less Than One Year | 1 | 51 | 2.33 | 1.506 | |
| | 2 | 17 | 1.65 | .931 | .012 |
| Size of Round | 1 | 51 | 4.22 | 1.006 | |
| | 2 | 17 | 3.47 | 1.328 | .082 |
| Industry Space | 1 | 51 | 4.35 | 1.016 | |
| | 2 | 17 | 4.41 | .712 | .311 |
| Stage of Funding | 1 | 51 | 4.47 | .731 | |
| | 2 | 17 | 3.65 | 1.169 | .008 |
| Entrepreneur's Goals/Concepts | 1 | 51 | 4.84 | .464 | |
| | 2 | 17 | 4.65 | .606 | .031 |
| Macroeconomic Conditions | 1 | 51 | 3.41 | 1.099 | |
| | 2 | 17 | 2.59 | 1.228 | .469 |
| Current Portfolio Risk | 1 | 51 | 3.61 | 1.097 | |
| | 2 | 17 | 2.82 | 1.015 | .578 |
| Strong SWOT Analysis | 1 | 51 | 3.80 | 1.040 | |
| | 2 | 17 | 3.12 | 1.317 | .201 |
| Sound Financials | 1 | 51 | 3.35 | 1.230 | |
| | 2 | 17 | 2.53 | 1.281 | .656 |
| Potential Return | 1 | 51 | 4.84 | .418 | |
| | 2 | 17 | 4.76 | .437 | .289 |
| Entrepreneur's Business Philosophy | 1 | 51 | 4.27 | .850 | |
| | 2 | 17 | 4.00 | .866 | .967 |
| Growing Market | 1 | 51 | 4.41 | .853 | |
| | 2 | 17 | 4.24 | .752 | .634 |

| | | | | | |
|---|---|---|---|---|---|
| Result of Reference Calls | 1 | 51 | 4.47 | .880 | |
| | 2 | 17 | 4.47 | .717 | .535 |
| Expected Term of Company | 1 | 51 | 4.33 | .909 | |
| | 2 | 17 | 3.94 | 1.197 | .351 |
| Growth Potential | 1 | 51 | 4.78 | .541 | |
| | 2 | 17 | 4.88 | .332 | .134 |
| Defensible Product | 1 | 51 | 4.49 | .758 | |
| | 2 | 17 | 4.24 | .752 | .928 |
| Market Niche | 1 | 51 | 4.35 | .770 | |
| | 2 | 17 | 4.18 | .951 | .218 |
| Location of Company | 1 | 51 | 3.47 | 1.189 | |
| | 2 | 17 | 3.35 | 1.455 | .198 |
| Entrepreneur's Willingness to Relocate | 1 | 51 | 2.37 | 1.199 | |
| | 2 | 17 | 2.18 | 1.286 | .787 |
| Ability for Venture Capitalist to Add Value | 1 | 51 | 3.71 | 1.045 | |
| | 2 | 17 | 3.41 | 1.278 | .141 |
| Operating Cash Flow | 1 | 51 | 2.45 | 1.376 | |
| | 2 | 17 | 1.88 | 1.166 | .252 |
| Current Assets | 1 | 51 | 2.08 | 1.017 | |
| | 2 | 17 | 1.82 | 1.131 | .878 |
| Recommendation | 1 | 51 | 2.43 | 1.044 | |
| | 2 | 17 | 2.47 | 1.463 | .005 |
| Pre-Money Valuation | 1 | 51 | 4.39 | .827 | |
| | 2 | 17 | 4.24 | 1.200 | .144 |

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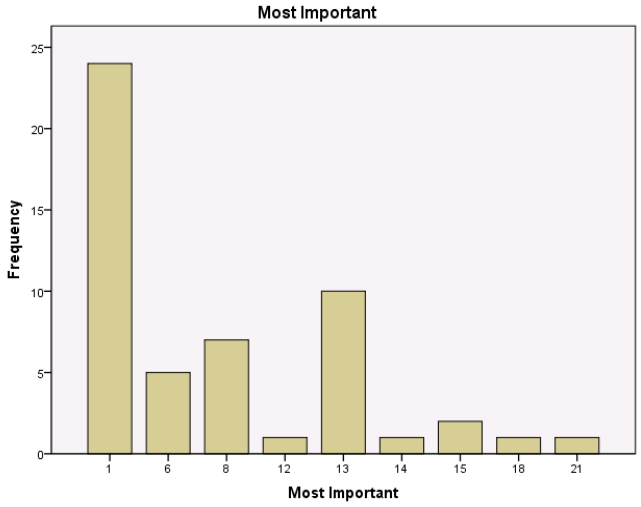
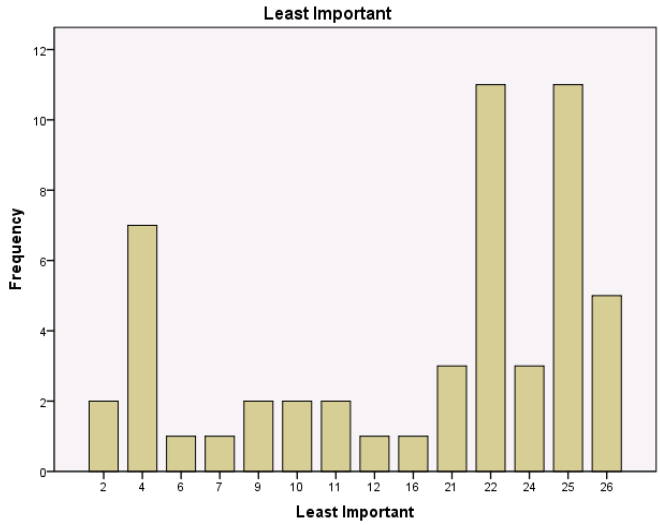
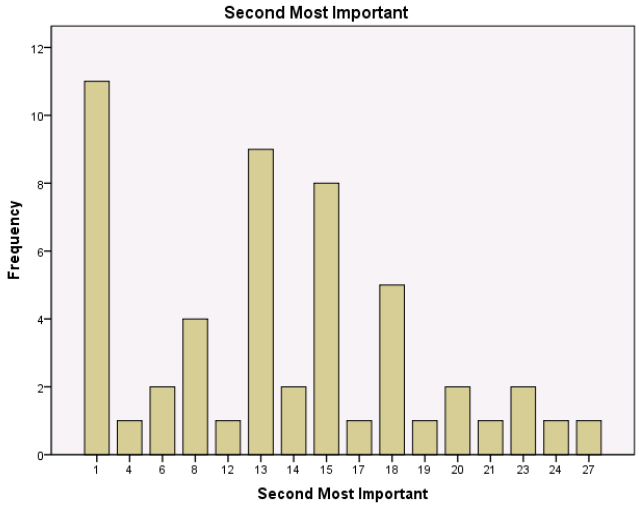
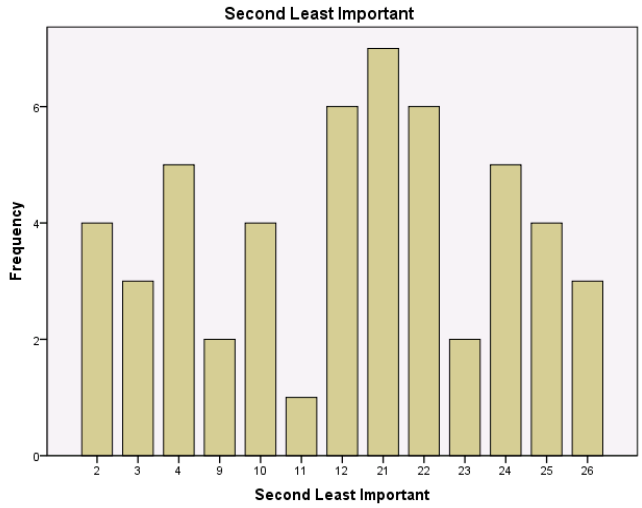
Appendix E - Most Important and Least Important Variables

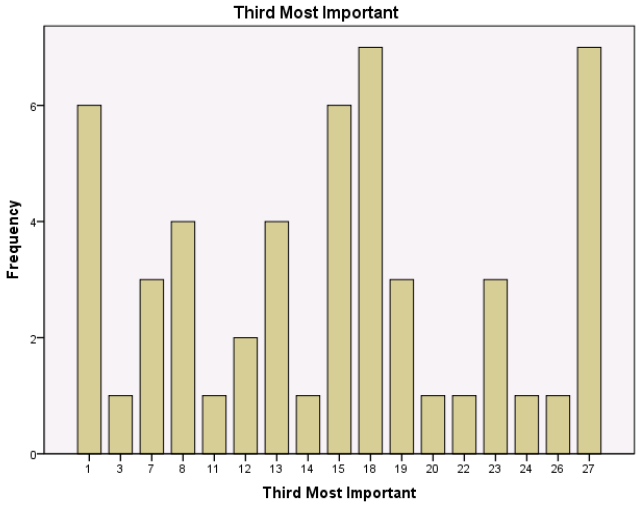
*East Coast Data- * variable numbers refer to a-aa in survey*

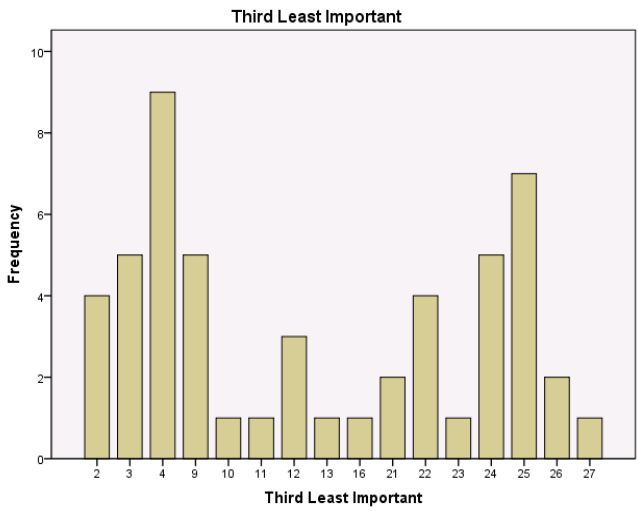


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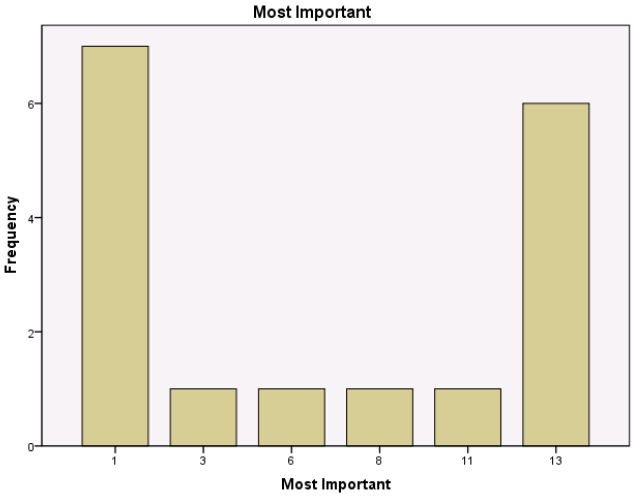
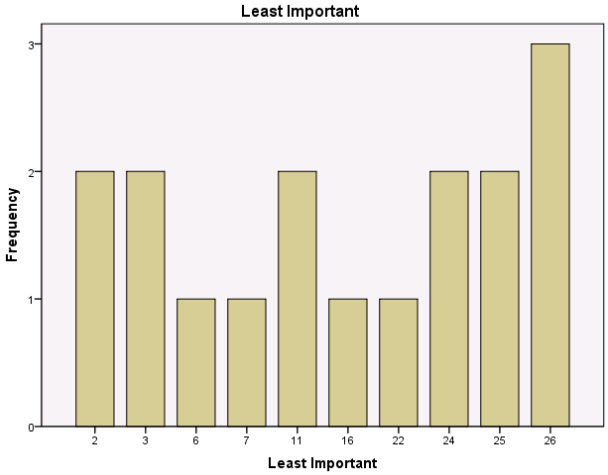
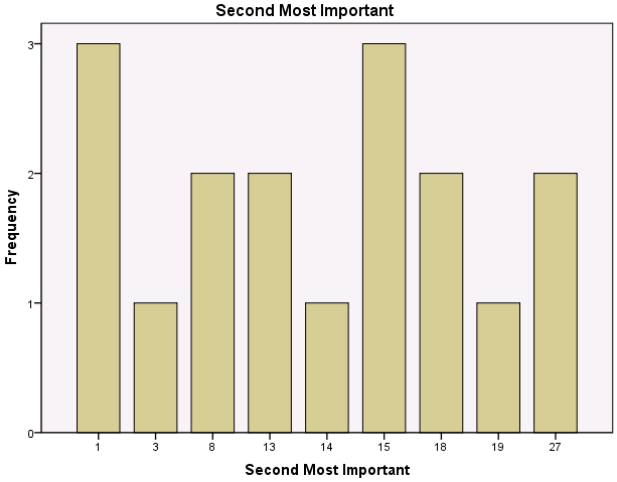
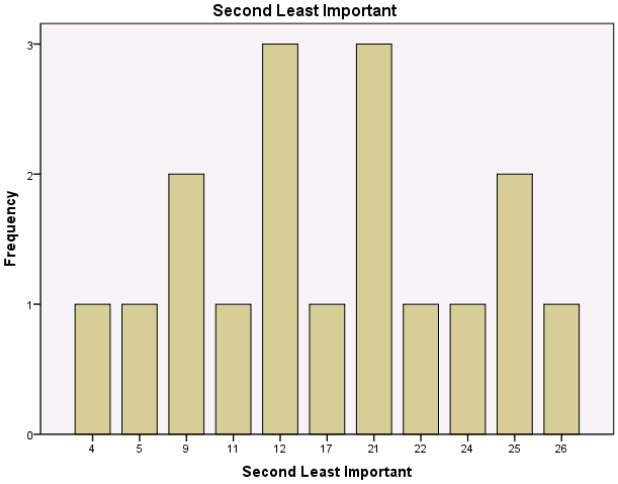
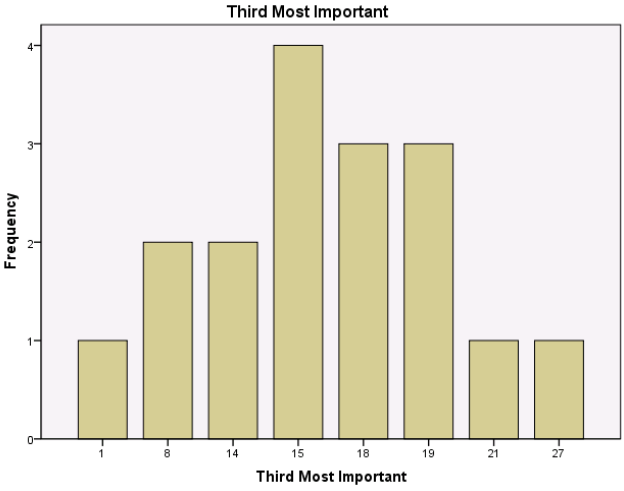
*West Coast Data- * variable numbers refer to a-aa in survey*

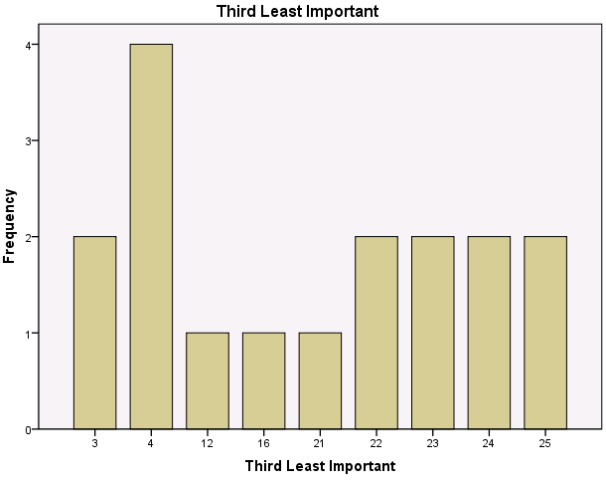


Appendix F - Factor Group Explanations

| | Overall | East Coast | West Coast |
|---|---|---|---|
| Factor 1 | Reputation and Market<br>• Entrepreneur Business Philosophy<br>• Reference Calls<br>• Growth Potential | Business Analysis<br>• Investment by Entrepreneur<br>• SWOT<br>• Entrepreneur Business Philosophy<br>• Growing Market | Business Analysis<br>• Entrepreneur Business Philosophy<br>• Growing Market<br>• Defensible Product<br>• Market Niche |
| Factor 2 | Financials<br>• Current Revenue<br>• <1 Yr Ops<br>• Sound Financials<br>• Operating Cash Flows | Financials<br>• Current Revenue<br>• <1 Yr Ops<br>• Sound Financials<br>• Operating Cash Flows | Financials<br>• Current Revenue<br>• Sound Financials<br>• Operating Cash Flow<br>• Current Assets<br>• Investment By Entrepreneur |
| Factor 3 | Business Position<br>• Stage of Funding<br>• Defensible Product | Deal Terms/Size<br>• Size of Round<br>• Industry Space<br>• Stage of Funding | Deal Terms/Size<br>• Size of Round<br>• SWOT<br>• Expected Term<br>• Pre Money Valuation |
| Factor 4 | External Market<br>• Macro Economic Conditions<br>• Current Portfolio Risk | External Market<br>• Macro Economic Conditions<br>• Current Portfolio Risk | Business Potential<br>• Industry Space<br>• Entrepreneur Goals and Concerns<br>• Return<br>• Growth Potential |
| Factor5 | Location<br>• Market Niche<br>• Relocation Willingness | Product/Service Analysis<br>• Defensible Product<br>• Market Niche | Relationship Creation<br>• Stage of Funds<br>• Reference Calls<br>• Location<br>• Relocation Willingness<br>• Value Add<br>• Recommendation |

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*FACTOR ONE*

- *Overall*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 72 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 72 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .561 | .605 | 3 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Entrp. Business Philosophy | 4.22 | .843 | 72 |
| Reference Calls | 4.44 | .854 | 72 |
| Growth Potential | 4.82 | .484 | 72 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 13.49 | 2.676 | 1.636 | 3 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.495 | 4.222 | 4.819 | .597 | 1.141 | .091 | 3 |
| Item Variances | .558 | .235 | .729 | .495 | 3.109 | .079 | 3 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Entrp. Business Philosophy | 9.26 | 1.324 | .331 | .118 | .544 |
| Reference Calls | 9.04 | 1.195 | .402 | .210 | .419 |
| Growth Potential | 8.67 | 1.831 | .466 | .228 | .427 |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *East Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 52 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 52 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .707 | .717 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Inv. By Entrp. | 3.33 | 1.043 | 52 |
| SWOT | 3.79 | 1.035 | 52 |
| Entrp. Business Philosophy | 4.27 | .843 | 52 |
| Growing Market | 4.38 | .867 | 52 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 15.77 | 7.710 | 2.777 | 4 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 3.942 | 3.327 | 4.385 | 1.058 | 1.318 | .235 | 4 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Inv. By Entrp. | 12.44 | 4.487 | .484 | .346 | .653 |
| SWOT | 11.98 | 4.686 | .436 | .190 | .684 |
| Entrp. Business Philosophy | 11.50 | 4.608 | .661 | .478 | .553 |
| Growing Market | 11.38 | 5.261 | .427 | .275 | .682 |

- *West Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 17 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 17 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .802 | .810 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Entrp. Business Philosophy 2 | 4.00 | .866 | 17 |
| Growing Market 2 | 4.24 | .752 | 17 |
| Defensible Product 2 | 4.24 | .752 | 17 |
| Market Niche 2 | 4.18 | .951 | 17 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 16.65 | 6.993 | 2.644 | 4 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.162 | 4.000 | 4.235 | .235 | 1.059 | .012 | 4 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Entrp. Business Philosophy 2 | 12.65 | 4.243 | .561 | .566 | .780 |
| Growing Market 2 | 12.41 | 4.132 | .750 | .703 | .694 |
| Defensible Product 2 | 12.41 | 4.507 | .601 | .602 | .761 |
| Market Niche 2 | 12.47 | 3.890 | .586 | .411 | .774 |

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*FACTOR TWO*

- *Overall*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 72 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 72 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .863 | .863 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Current Revenue | 3.33 | 1.364 | 72 |
| <1 Yr Ops | 2.22 | 1.436 | 72 |
| Sound Financials | 3.18 | 1.282 | 72 |
| Op. CF | 2.35 | 1.334 | 72 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 11.08 | 20.810 | 4.562 | 4 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 2.771 | 2.222 | 3.333 | 1.111 | 1.500 | .322 | 4 |
| Item Variances | 1.836 | 1.643 | 2.063 | .420 | 1.255 | .031 | 4 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Current Revenue | 7.75 | 12.641 | .651 | .443 | .849 |
| <1 Yr Ops | 8.86 | 11.502 | .744 | .586 | .811 |
| Sound Financials | 7.90 | 12.624 | .718 | .521 | .823 |
| Op. CF | 8.74 | 12.197 | .733 | .578 | .816 |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *East Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 52 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 52 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .865 | .866 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Current Revenue | 3.54 | 1.335 | 52 |
| <1 Yr Ops | 2.31 | 1.502 | 52 |
| Sound Financials | 3.33 | 1.232 | 52 |
| Op. CF | 2.44 | 1.364 | 52 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 11.62 | 21.104 | 4.594 | 4 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 2.904 | 2.308 | 3.538 | 1.231 | 1.533 | .383 | 4 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Current Revenue | 8.08 | 12.778 | .685 | .500 | .839 |
| <1 Yr Ops | 9.31 | 11.315 | .745 | .612 | .816 |
| Sound Financials | 8.29 | 13.386 | .688 | .499 | .839 |
| Op. CF | 9.17 | 12.146 | .747 | .609 | .814 |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *West Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 17 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 17 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .846 | .854 | 5 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Current Revenue 2 | 2.65 | 1.367 | 17 |
| Sound Financials 2 | 2.53 | 1.281 | 17 |
| Op. CF 2 | 1.88 | 1.166 | 17 |
| Current Assets 2 | 1.82 | 1.131 | 17 |
| Inv. By Entrp. 2 | 2.71 | 1.404 | 17 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 11.59 | 25.132 | 5.013 | 5 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 2.318 | 1.824 | 2.706 | .882 | 1.484 | .184 | 5 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Current Revenue | 8.94 | 16.809 | .576 | .477 | .838 |
| Sound Financials | 9.06 | 16.184 | .709 | .728 | .800 |
| Op. CF | 9.71 | 16.971 | .708 | .747 | .802 |
| Current Assets | 9.76 | 16.566 | .791 | .866 | .783 |
| Inv. By Entrp. | 8.88 | 16.985 | .534 | .459 | .851 |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

*FACTOR THREE*

- *Overall*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 72 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 72 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .344 | .366 | 2 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Relocation Willingness | 2.32 | 1.197 | 72 |
| Market Niche | 4.33 | .805 | 72 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 6.65 | 2.512 | 1.585 | 2 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 3.326 | 2.319 | 4.333 | 2.014 | 1.868 | 2.028 | 2 |
| Item Variances | 1.040 | .648 | 1.432 | .784 | 2.210 | .307 | 2 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Relocation Willingness | 4.33 | .648 | .224 | .050 | . |
| Market Niche | 2.32 | 1.432 | .224 | .050 | . |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *East Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 52 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 52 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .600 | .620 | 3 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Size of Round | 4.19 | 1.011 | 52 |
| Industry Space | 4.35 | 1.008 | 52 |
| Stage of Funding | 4.46 | .727 | 52 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 13.00 | 4.275 | 2.067 | 3 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.333 | 4.192 | 4.462 | .269 | 1.064 | .018 | 3 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Size of Round | 8.81 | 2.002 | .438 | .236 | .458 |
| Industry Space | 8.65 | 2.231 | .342 | .121 | .611 |
| Stage of Funding | 8.54 | 2.606 | .486 | .252 | .438 |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *West Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 17 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 17 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .804 | .802 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Size of Round 2 | 3.47 | 1.328 | 17 |
| SWOT 2 | 3.12 | 1.317 | 17 |
| Expected Term 2 | 3.94 | 1.197 | 17 |
| Pre-Money Val 2 | 4.24 | 1.200 | 17 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 14.76 | 16.066 | 4.008 | 4 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 3.691 | 3.118 | 4.235 | 1.118 | 1.358 | .245 | 4 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Size of Round 2 | 11.29 | 8.096 | .821 | .724 | .646 |
| SWOT 2 | 11.65 | 9.743 | .558 | .351 | .786 |
| Expected Term 2 | 10.82 | 10.529 | .528 | .367 | .796 |
| Pre-Money Val 2 | 10.53 | 10.140 | .587 | .582 | .770 |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

*FACTOR FOUR*

- *Overall*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 72 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 72 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .673 | .673 | 2 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| MacroEcon Cond. | 3.21 | 1.150 | 72 |
| Current Portfolio Risk | 3.40 | 1.109 | 72 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 6.61 | 3.847 | 1.961 | 2 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 3.306 | 3.208 | 3.403 | .194 | 1.061 | .019 | 2 |
| Item Variances | 1.276 | 1.230 | 1.322 | .092 | 1.075 | .004 | 2 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| MacroEcon Cond. | 3.40 | 1.230 | .508 | .258 | . |
| Current Portfolio Risk | 3.21 | 1.322 | .508 | .258 | . |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *East Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 52 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 52 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .665 | .665 | 2 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| MacroEcon Cond. | 3.40 | 1.089 | 52 |
| Current Portfolio Risk | 3.62 | 1.087 | 52 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 7.02 | 3.549 | 1.884 | 2 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 3.510 | 3.404 | 3.615 | .212 | 1.062 | .022 | 2 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| MacroEcon Cond. | 3.62 | 1.183 | .498 | .248 | . |
| Current Portfolio Risk | 3.40 | 1.187 | .498 | .248 | . |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *West Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 17 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 17 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .827 | .861 | 4 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Industry Space 2 | 4.41 | .712 | 17 |
| Entrp. Goals/Concepts 2 | 4.65 | .606 | 17 |
| Return 2 | 4.76 | .437 | 17 |
| Growth Potential 2 | 4.88 | .332 | 17 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 18.71 | 3.096 | 1.759 | 4 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.676 | 4.412 | 4.882 | .471 | 1.107 | .040 | 4 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Industry Space 2 | 14.29 | 1.471 | .647 | .450 | .818 |
| Entrp. Goals/Concepts 2 | 14.06 | 1.559 | .772 | .634 | .722 |
| Return 2 | 13.94 | 2.059 | .674 | .502 | .782 |
| Growth Potential 2 | 13.82 | 2.279 | .704 | .588 | .798 |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

*FACTOR FIVE*

- *Overall*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 72 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 72 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .253 | .257 | 2 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Stage of Funding | 4.28 | .907 | 72 |
| Defensible Product | 4.44 | .748 | 72 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 8.72 | 1.584 | 1.258 | 2 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.361 | 4.278 | 4.444 | .167 | 1.039 | .014 | 2 |
| Item Variances | .692 | .560 | .823 | .263 | 1.469 | .035 | 2 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Stage of Funding | 4.44 | .560 | .147 | .022 | . |
| Defensible Product | 4.28 | .823 | .147 | .022 | . |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *East Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 52 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 52 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .627 | .628 | 2 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Defensible Product | 4.50 | .754 | 52 |
| Market Niche | 4.37 | .768 | 52 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 8.87 | 1.687 | 1.299 | 2 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 4.433 | 4.365 | 4.500 | .135 | 1.031 | .009 | 2 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Defensible Product | 4.37 | .589 | .457 | .209 | . |
| Market Niche | 4.50 | .569 | .457 | .209 | . |

**Getting The Sharks To Bite In Your Ocean**
***Senior Capstone Project for Jennifer Schwall***

- *West Coast*

**Case Processing Summary**

| | | N | % |
|---|---|---|---|
| Cases | Valid | 17 | 100.0 |
| | Excluded[a] | 0 | .0 |
| | Total | 17 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .813 | .826 | 6 |

**Item Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Stage of Funding 2 | 3.65 | 1.169 | 17 |
| Reference Calls 2 | 4.47 | .717 | 17 |
| Location 2 | 3.35 | 1.455 | 17 |
| Relocation Willingness 2 | 2.18 | 1.286 | 17 |
| Value Add 2 | 3.41 | 1.278 | 17 |
| Recommendation 2 | 2.47 | 1.463 | 17 |

**Scale Statistics**

| Mean | Variance | Std. Deviation | N of Items |
|---|---|---|---|
| 19.53 | 29.265 | 5.410 | 6 |

**Summary Item Statistics**

| | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|---|---|---|---|---|---|---|---|
| Item Means | 3.255 | 2.176 | 4.471 | 2.294 | 2.054 | .689 | 6 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Stage of Funding 2 | 15.88 | 21.360 | .605 | .457 | .778 |
| Reference Calls 2 | 15.06 | 24.559 | .589 | .478 | .796 |
| Location 2 | 16.18 | 18.654 | .676 | .591 | .760 |
| Relocation Willingness 2 | 17.35 | 20.868 | .574 | .578 | .784 |
| Value Add 2 | 16.12 | 20.860 | .580 | .600 | .783 |
| Recommendation 2 | 17.06 | 20.184 | .528 | .632 | .799 |

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