

SELECTED READINGS

Betros, Chris. (September 2008). From Startup to IPO: New Zealand's Most Successful Entrepreneur. *J@pan Inc.*, no. 80, pp. 37–39.

This article profiles an entrepreneur—Ted Williams—from New Zealand who has had great success launching an Internet business in Japan. During this interview, Mr. Williams recounts his first days in Japan from being a tourist to trading whisky for office furniture to reorganizing the management structure of his company in preparation for an IPO. ValueCommerce, Mr. Williams's company, is Japan's first interactive Internet marketing site.

Delaney, Laurel. (April 2007). Howdy, Partner. *Entrepreneur*, vol. 35, no. 4, p. 87.

This very brief editorial column illustrates another tactic for boosting capital: forming strategic global alliances (SGAs). The author, Laurel Delaney, owns a consultancy advising entrepreneurs on international endeavors. In her column, Ms. Delaney asserts that strategic global alliances can offer successful avenues for defraying informal risk. The anecdote includes Ms. Delaney's experience exporting food to Japan. Ms. Delaney also highlights the three telltale qualities of a potentially auspicious SGA partner: good chemistry, internal trust, and charted performance results.

Duffner, Stefan; Markus M. Schmid; and Heinz Zimmermann. (February 2009). Trust and Success in Venture Capital Financing—An Empirical Analysis with German Survey Data." *Kyklos*, vol. 62, no. 1, pp. 15–43.

This research paper is the collaborative effort of a Goldman Sachs analyst (Duffner) and two Swiss finance experts (Schmid and Zimmermann). Leaving nothing to chance or to opinion, these authors have designed a research study to scrutinize the importance of trust in venture-capital funding decisions. The authors conducted a survey of German venture capitalists in 2003 and again in 2006, the data from which suggest that mutual trust between the venture-capital firm and the entrepreneur is an indicator of the venture's successful performance. Also relevant to these results, the more trust a venture capitalist had in an entrepreneur, the less vigilance he tended to impose on the entrepreneur in the formative stages of the venture.

Kaplan, Steven N.; Berk A. Sensoy; and Per Strömberg. (February 2009). Should Investors Bet on the Jockey or the Horse? Evidence from the Evolution of Firms from Early Business Plans to Public Companies. *Journal of Finance*, vol. 64, no. 1, pp. 75–115.

This study includes evidence-based research on the behavioral development of the venture-capital-backed firm. From the start-up phase to the search for funding and finally to the IPO, the authors have based their research on 50 firms that received seed funding from venture-capital groups and eventually went public. The study design is formidable, accounting for all sorts of variations in company dynamics. The hypothesized results suggest that venture capitalists, when assessing start-up ventures, should focus their attention on the viability of the start-ups' core business idea, rather than on the chemistry of the management team; as companies evolve, so typically will the leadership structure.

Patrick, Darren. (June 1, 2008). Going Private. *Benefits Canada*, vol. 32, no. 6, p. 63.

The author of this article is an investment analyst at a Vancouver, Canada, consulting firm. In an effort to expand the firm's net worth, the author recommends investors increase their odds by betting on companies that are not listed in the public domain. Funding from private-equity firms, the author suggests, is an attractive alternative to ambiguous capital markets. In this article, the author specifies the many ways in which one can invest in private equity, underscoring the relaxed pricing models and return conditions promised by the current trends in private-equity deals.

Spindler, James C. (May 2007). IPO Liability and Entrepreneurial Response. *University of Pennsylvania Law Review*, vol. 155, no. 5, pp. 1187–1228.

This scholarly article, authored by a University of Southern California (USC) law professor, details the legal implications of taking a private company public by issuing an initial public offering (IPO) on the stock market. In addition to the heightened level of scrutiny and the redoubled number of shareholders to please, a newly public company may find that its option performance also takes a hit. The author explores some of the more technical ramifications of becoming a publicly traded entity, citing the Securities Act of 1933 as a virtual insurance policy for shareholders against a company's potential missteps. Entrepreneurs, or company owners, may shy away from going public because of the increased risk thrust on them by the Securities Act liability, opines the author.

Taulli, Tom. (February 2009). When to Postpone Efforts to Raise Capital. *BusinessWeek Online*, www.businessweek.com/smallbiz/content/feb2009/sb2009025_538531.htm.

This article deals with raising equity capital for an early-stage company and the current state of the early-stage investing marketplace. Getting a meeting with a VC or angel investor is not easy. This article discusses things to keep in mind when dealing with VCs and angel investors.

Zhang, Jing; Vangelis Souitaris; Pek-hooi Soh; and Poh-kam Wong. (July 2008). A Contingent Model of Network Utilization in Early Financing of Technology Ventures. *Entrepreneurship: Theory & Practice*, vol. 32, no. 4, pp. 593–613.

A U.S. business professor, a British entrepreneurship professor, and two Singaporean policy professors joined forces to conduct this study on international habits of soliciting start-up funding. Westerners tend to emphasize social networks when directing their search for funding. Asian entrepreneurs, on the other hand, typically employ a different modus operandi. The authors of this study suggest that while the Western tendency may be familiar and easy, it can also be limiting and risky. Asian entrepreneurs don't normally abdicate their companies' marketing or sales functions to their personal contacts; why should they rely on friends and family for seed capital? Entrepreneurs, according to this study, should cast a wider net in the canvassing stage, so as not to exhaust personal relationships or recurring sources of funding. The study includes data from over 200 high-tech start-up firms in both Singapore and Beijing, China.