

# **Financing of new High-Tech Ventures: The Role of Venture Capital**

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High-tech ventures are a crucial part of Western economies; they create new jobs and they may experience substantial growth. In addition, they play an important role in commercializing intellectual property created by universities and research institutions. However, these companies have a significant failure rate. Attracting sufficient financial resources is therefore one of the biggest challenges that these companies face. Venture capital is one of the few options to attract capital for many high-tech ventures.

In a joint research project of Technical University of Dresden and HHL Leipzig Graduate School of Management we studied the influence of venture capital companies on the development of high-tech ventures. We analyzed the original deal documents of 95 German venture capital-backed high-tech ventures including business plans, due diligences and monthly reporting.

Venture Capital companies not only provided capital, but were also engaged in strategic and operative decisions aimed to increase the chances of success for their investment. The documents showed that venture capital companies mainly supported high-tech ventures in attracting further financing and human capital related tasks like management recruiting. Another key topic for venture capital companies, but also for the high-tech ventures, is the assessment of potential risks. An early detection of risks and the development of counter measures can save new high-tech ventures from failure. Venture capital companies mainly assessed the market, technological and financial risks.