Matchmaking

– An observation of the key players in the V2C field

Author: Johanna Garcia Gådin
Supervisor: Staffan Gullander
Abstract

The purpose with this paper is to contribute to a better understanding of how to create a better matchmaking process. To do this different matchmaking processes in varying organizations was investigated, described, compared and organized. This study has focused on organizations in Sweden and organizations that are active in San Diego, California. Matchmaking refers to the intention of making entrepreneurs and capital providers meet and initiate a relationship that hopefully will result in a financial investment. Many different organizations exist around the world that performs matchmaking, either as their main objective or as part of other activities. Attracting the right capital providers can be difficult and it’s important for the matchmaking organization to provide a high quality service that ensures investor ready ventures. In order to find these ventures and to prepare them for the capital provider’s criteria are to develop a process, containing of four different steps: nomination, selection, training and matchmaking. This process is mainly based on Seed Forum International’s, an organization funded in Norway, well-tested process. It’s also important to see to that a knowledge transfer takes place between the participants since other important effects of the matchmaking process except a financial investment is knowledge, networking and feedback that leads to improvements in the business plan.
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# 1 Introduction

This paper is the result of a study of business economics conducted at the University of Stockholm. It discusses the networks whose aim is to join entrepreneurs in need of capital with financially strong and knowledgeable investors. The first chapter gives an introduction to the study and defines the purpose and question of issue posed.

## 1.1 Background

There exist a high portion of small-sized companies in Sweden while the number of medium-sized enterprises is low. According to the 2002 statistics from Statistiska Centralbyrån (SCB) 716,696 companies existed in Sweden that year. The sizes of these companies were: 98% had 0-19 employees, 1.3% had 20-49 employees, 0.1% had over 250 employees.

In order for small, growth-oriented enterprises being able to expand and reach a broader market a need of resources and capital has to be filled. The entrepreneur’s problem is to find and reach potential investors that are searching for new companies to invest in. A critical step for these young enterprises is turning from an early development stage into a profitable company.

How to solve the financial issues related to that step is a real problem. The investors themselves express the difficulty with finding interesting prospects and the entrepreneurs themselves don’t seem to find the investors (Entreprenörsfonder 1998). Existing venture capital tends to go to already established companies showing a good profit. Organisations whose purpose is to help new companies enter the market, create networks of contacts and get risk capital can therefore be of great help. What unites these organisations is the *matchmaking* process, an activity that brings together promising companies with interested investors.

How these organisations practically perform these activities, plus what methods works have not been widely investigated, and this paper is an attempt to gather this information.

## 1.2 Matchmaking

Several organisations perform *matchmaking*, the process of making the investor and entrepreneur meet. Some of these organisations are active on a national arena while others work regionally, locally or internationally. The organisations might have a national coverage but be divided into smaller clusters with focus on different regional areas. Some of the organisations that have, or had, activity in Sweden are Seed Forum International, Connect, European Tech Tour Association, Nuteks investerarmässa, ALMIS affärsängelklubb, First Tuesday and Gate2Growth. Other organisations that exist in California, where this study also has been taking place, are First Tuesday, Women In Technology International, BIOCOM, CCAT and Connect to mention a few.

How they organize and structure their events and activities differ. A short definition will be given in this section and a more detailed overview is given in the chapter Case studies.

There are different ways of defining the meaning of matchmaking. Some organisations say that matchmaking is the actual meeting between the entrepreneur and the investor where the entrepreneur holds a pitch in front of the investor. In this paper the meaning of the word is even wider. The whole process whose purpose is to connect the entrepreneur and the investor will be called matchmaking. When reading the paper the reader should bear in mind the different meanings of the word. The two meanings will be separated. When discussing the process of matchmaking, the wider concept is used and when discussing the matchmaking as a part of the process, the meaning is of the actual pitching process.
1.2 Purpose

The purpose with this paper is to contribute to a better understanding of how to create a better matchmaking process. This was done by:

1. investigating,
2. describing,
3. comparing,
and
4. organizing

how matchmaking processes are performed in the matchmaking organisations.

1.3 Delimitations and remarks

This study had two phases. The first phase had its focus on networks working in Sweden while the second phase had its focus on networks working in California, US. Comparisons between the two different countries have been done and differences discussed.

This paper doesn’t aim to cover all the organisations and networks that perform some kind of matchmaking. Some of the organisations mentioned will not even perform matchmaking as one of their main activities. Different groups has been studied in order to get an overview on how matchmaking can be done in different parts of the world and what there is to learn from one place to another.
2 Method

This chapter gives an explanation on how the study has been structured. This includes explaining what paradigm and which methods have been used. Alternative lines of action are discussed plus pros and cons with the different methods.

2.1 Scientific discussion

Positivism and hermeneutics are two different philosophies of science. Positivism has its origin in science and its objective is striving for “absolute” knowledge. A positivist believes that the overall picture is understood through analysing pieces of information and then assembling them. A synthesis process (Ramírez 1992).

Hermeneutics on the other side is a humanistic way of interpreting information and this view has a greater understanding of relativistic train of thoughts. A starting point for a hermeneutics is that we interpret the world according to our own experience. For that reason an understanding of these experiences is essential. As a consequence, a conclusion made of one person doesn’t have to be confirmed by another person. This is something that can be hold against this philosophy. The philosophy also believes that in order to understand details about the world, one has to start with understanding the complete picture. The complete picture in its turn consists of small details. This concept is called the “hermeneutic circle” (Ramírez 1992).

In this paper a hermeneutic approach will be used. The purpose is to follow, understand and interpret the activities being studied and the result will not be one true, unambiguous and absolute truth.

2.2 Qualitative and quantitative methods

There are different methods that can be used to gather and analyse data in a scientific report. Those are the qualitative or quantitative approaches, or sometimes a mix between them. The differences them between can be explained in several ways where one is precision in measures taken. Data giving a rough estimation are called qualitative and data giving a precise estimation are called quantitative. Qualitative methods can also be classified as a subjective perception model while the quantitative methods deals with objectivity (Starrin and Svensson 1994). Another way of expressing the difference is that a qualitative approach has a purpose of getting a deeper understanding for, in this case, the matchmaking forums and its components, while a quantitative approach aims at gathering data and statistically examine them.

I’ve chosen to use a qualitative approach in this thesis since I do not have a certain result I’m expecting to confirm or reject. I want to understand and describe the matchmaking process. The qualitative approach also allows me to keep an open mind to what is studied and if necessary, I can change method (www.infovoice.se, 2005). I also want to evaluate these forums and qualitative methods are often used in such research.

2.3 Project process

2.3.1 Outline

The study conducted has been based on qualitative data gathered through case studies, observations, interviews and contact with concerned organisations. An extensive study of relevant literature has been made. The studied material includes literature about networks, entrepreneurs, investment and risk capital, business angels and theories about methods.
2.3.2 Interviews
The purpose with the interviews was to get a deeper understanding of the subject and how the networks function. Another aim was to get an understanding of the interviewee’s own opinions about the activity and what benefits it brings to themselves. The interviews were of the type semi-structured (Lantz 1993). A semi-structured interview has a set of questions pre-made in order to guide the interviewer but depending on the interviewees’ answers there is also a possibility to ask follow-up questions. By doing this, focus is kept on what the interviewee and the interviewer finds interesting.

Some negative aspects with interviewing people are that it can be hard to get relevant information. The persons being interviewed might have a difficulty in expressing themselves in words and the interrogator can unintentionally or intentionally affect the interviewee so that he/she gives the answers the interrogator expects. It can be very difficult to be completely objective.

In this paper I’ve interviewed a number of people with background as entrepreneurs, investors or involved in a matchmaking organisation. Although not all of the persons interviewed appears with their name in the report but I have kept their names in case of further inquiries.

2.3.3 Case studies
The case studies were done through participation on different events and forums. The interaction during the day was observed and written down in order to be analysed later on. Case studies are good to use when the questions why and how has to be answered. Normally only one or a few cases are studied in detail and this is also the case in this paper. I’ve studied six different cases, two in Sweden and four in the US, except the cases I’ve read about that adds four more.

2.4 Alternative methods
Since I in this paper focus on understanding and describing the processes taking place other suitable methods than the ones I’ve used are hard to find. Questionnaires might have been an option to gather data but still it’s hard to get good qualitative data from a questionnaire. It’s easier to use interviews and case studies. In future studies though, other methods will complement the ones used here. Future research will be discussed in chapter 7 – Discussion.
3 Conceptual frame work

In this chapter I will present relevant concepts for the understanding of this study. An introduction to the problems of the entrepreneur and the importance of the networks will also be given.

3.1 Venture capital

All capital provided to a company is related to a certain risk and is called venture capital. In this paper I will sometimes use the abbreviation VC when discussing venture capital. There exist different types of venture capital and they can be divided into different categories. Some of the types often mentioned are private equity, bank loan, high-risk loans and genuine venture capital. Private equity is equity provided by the owner or equity that the company itself has worked together while the other types comes from external sources.

When a company needs to finance it’s expansion into a new market, or the production of new products or the building of a new fabric etc, new venture capital is needed. The company has to contemplate the different forms of financing and make a decision on which type to use, and what types it can use. In the report Riskkapital till växande småföretag NUTEK and Industriförbundet stresses the differences between loans, high-risk loans, mezzanine capital and genuine venture capital. They point out that loans and high-risk loans should be characterized as high-risk loans and not as venture capital. The different financial forms are presented as follows:

- A bank loan is an important way for small enterprises to get funding but at the same time it conveys commitments that the company has to fulfil. How the money will be repaid is set in an amortization plan. The interest is calculated in a certain way and the bank takes mortgages in the loan taker’s assessments. Because of these characteristics, bank loans are best suited for investments in material assets when the lender can provide collateral in fixed assets.
- High-risk loans do not provide a security and comes with a high risk. These types of loans are often given by the government and organisations with governmental funding, for example NUTEK, ALMI and Industrifonden. The repayment requirements are more flexible but still regulated through contracts.
- Mezzanine capital includes convertible bonds and similar bonds that can be changed into owner capital.
- With an investment with genuine venture capital, the investor is aware that the stake can be lost if the investment fails. Venture capital is normally never repaid since it lacks security. The high risk makes the investor expect a higher percentage of yields. This yield is of an uncertain character and the size of it can’t be decided in advance. The investor normally always takes a percentage of the company in return for the investment so the company has to be prepared to give away part of its ownership to the new investor.

In this paper I will focus on genuine venture capital that is provided by private of professional investors, business angels or capital providers.

3.2 Business angels

A business angel is an individual investing his or her own capital and knowledge in growing and privately held companies (Entreprenörsfonder 1998, Acs & Audretsch 2003). Angels normally involves in the company before other investors has shown interest. A business angel is usually between 35 and 65 years old with extensive experience from the industry, having run a successful
business and with a big network of contacts. Because of this they are highly interesting for the entrepreneurs.

Business angels often join up in groups whose purpose is to identify interesting prospects and then in a joint force fund these prospects. These associations vary from being loosely held networks to being more structure-like types of company. They can above all be resembled to a club. In Sweden exist several Business Angel Networks (BAN) that are led by an angel, engaged in the network and making new members join. This “chief angel” has a big knowledge of business angel activity and also has a good contact with other angels (Gullander & Napier 2003). Another important person in close cooperation with the leading angel is the manager in charge of the more administrative parts of the network. The manager often has a background from a bank, an incubator or a law firm (Gullander & Napier 2003). An important role for these networks is to identify interesting projects and investigate their business idea and introduce them to suitable investors.

A syndicate is when business angels join together and invest in a joint project, something that has grown more common recently (Gullander & Napier 2003). The group is put together for a unique project only and is then disbanded, but the group members can often be found in the BAN. A syndicate diminishes the personal risk and the amount of money being invested by each individual. The group appoints one leader that works out a business plan and business model in collaboration with the entrepreneur. When the expert knowledge of the other angels is needed they are called to a meeting. Together they lower the total risk of investment for each individual.

3.3 Investments in Sweden

The Swedish Private Equity & Venture Capital Association (SVCA) is an independent, non-profit association for companies and individuals active within the Swedish private equity sector. They have 115 member companies with investments in about 1200 companies. The highest number of investments is done in medical technology and biotechnology, each with a share of 15 %. If the share of invested capital is considered then health care has the biggest share of investment with 24 %, closely followed by medicine with 23 % (www.svca.se).

Swedish investors tend to invest in Sweden. 85 % of the numbers of investments and half of invested capital were done in Sweden. The number of investment done in the Nordic countries and Europe only reach 6 % each but on the other hand higher amounts are invested, especially in Europe. If comparing the investments being made by Swedes on a global market, the conclusion is that Swedish investments are small.

Of the invested venture capital in Sweden is almost half used for marketing activities, one third to product development and the rest to international expansion.

3.4 Financing

3.4.1 Different phases of financing

The development of a business concept can be seen as a process and split up into different phases. The three first phases are related to venture capital: pre-commercial seed phase, start-up phase and expansion phase (Entreprenörsfonder 1998). The investments needed in these phases are mainly immaterial and are often financed by venture capital instead of bank loans. These entrepreneurs are often in need of both competence and contacts, not only capital, and therefore a mix between the two – qualified capital is to prefer (Entreprenörsfonder 1998).
Seed phase
Different costs come up at this phase, costs that should be regarded as investments for the future. A product has to be developed, tested and modified. It also has to be adapted to potential users and by analysing the market one can identify what needs there are to fulfil. A market analysis also acts as input to the development of strategies for communication and distribution. In the case that the company will produce goods, investments in property, storage, machines and personal has to be made. How to organise business also has to be solved. In a parallel action chain the organisation is developed and the people participating in it gets more knowledge, something necessary for the success of the company.

Start-up phase
This is when the product or service is introduced into the market. The production goes into full scale, personnel have to be recruited, and the organisation have to be functioning and campaigns must be held to inform the market about the company’s existence.

Expansion phase
Assuming that previous phases have been a success, now it’s time for the company to expand into new markets. This puts a demand for more resources, competence and contacts.

3.4.2 Financial issues
In young companies exist different types of problems. Information about their activities and what their results are is not easy to obtain. To fully understand the business the investor has to really engage him/herself in the company and sometimes great knowledge about the technology used is needed. In some cases there is a genuine lack of information meaning that neither the entrepreneur nor the investor can make a judgement about the business concept’s market potential. Often new and untested technology is being used on a new market with new methods for distribution and production that makes it even harder for the involved people to judge the potential of it fairly. Another problem is the case with asymmetric information, a problem whose existence can be discussed. The problem can be that the entrepreneur knows his companies strong and week sides and judges the risk differently from an external financier. The financier makes his/her own judgement of the situation and either of them truly knows about the other’s plan of action. The insecurity makes the financier demand a higher risk premium than what the entrepreneur is finding appropriate. These two factors contribute to a higher market price on external capital (interest rates on loans and incomes from risk capital) that makes it even more difficult to find external financing (Entreprenörsfonder 1998).

Another problem is the fact that small companies often exist in a special niche and that influences the risk. Companies acting in a small and new area can have big uncertainty influencing their business, whether the market is stable and even existing is not certain. A bigger company often have more products and are active in several markets, something that might lower the risk.

3.5 Networks
Networks have come to form the classic structure for information sharing. It is normally illustrated by a system of nodes, linked together and existing in both a physical and logical form. The human networks have existed for a long time but have gotten a prominent role in power and conflict filled world where the struggle for the best position and the best resources is especially important. The value of a network increases with the number of possible contacts that can be
achieved through it, but at the same time it’s important to keep the network exclusive. If it is too accessible its value will diminish.

A network today has many functions. In the case an unknown actor has to be evaluated the network can help. By letting other people, familiar with the actor, evaluate him/her more reliable information (in our own perspective) is reached (Burt 1992 i Acs & Audretsch 2003). Research by Shane & Cable (2002 i Acs & Audretsch 2003) amongst others show that investors tend to invest in companies with who they have social connections (see the chapter Theory - Social Capital). In order to attract an investor the entrepreneur needs to be in the same network as him/her, be recommended by a person in the network or in another way be connected directly to the investor. For exceptional technology exceptions can be made. Networks also have an influence on the incidence of entrepreneurs. In a society with a high proportion of entrepreneurs more people will be inspired to become an entrepreneur and choose that as an alternative career. This is because of the daily influence from friends, neighbours and other contacts.

Because of this sorting done on a network basis it becomes essential for the entrepreneur to have the right connections, not least within the entrepreneur’s own industry. This has led to an increase in the occurrences of headhunters as network builders (Finlay & Coverdeill 2000 i Acs & Audretsch 2003). They help the entrepreneur finding suitable persons for the management of the company, persons with extensive experience and many connections within the industry. If the company can demonstrate a well-known team with the right merits, the potential for succeeding in their projects is higher and the risk for the investors diminishes.

An investment in a newly started enterprise is a big engagement demanding confidence between the different people making this agreement. Confidence isn’t developed instantly; on the contrary it’s growing with time, developed in a constant process. Uddhammar and Erixon (2002) have identified four main factors decisive for the confidence we have in another person (they are presented in a descending order):

- Time one has known a person
- Relationship – siblings, parents
- Whether a person passes a ”test” made by oneself, for example:
  - The ability to keep a confidence
  - If a person does what has been agreed upon
- Whether a person is friendly and helpful

Confidence has to exist in a newly started relationship, although the exact amount of it and in what form it exists is hard to grasp. In the beginning a well-functioning chemistry between the investor and entrepreneur becomes increasingly important (Gullander & Napier 2003).
4 Theory

4.1 Social capital

4.1.1 Definition and meaning
Social capital can according to Coleman (1990 in Eriksson 2001) be described as:

…cooperation between at least two individuals during a longer period of time, building on mutual assistance, creates social capital…

Coleman says that social capital only can exist in a relationship between individuals. If this is expounded, Putnam’s definition on social capital can be used. He considers that networks, norms and trust generate coordination and collaboration for a common good (Eriksson 2001).

The exact meaning of social capital and how it is shown in the world is viewed and interpreted differently within separate disciplines and by different representatives. Bourdieu, Putnam and Fukuyama are the three main advocates for social capital. Bourdieu (Eriksson 2001) is saying that social capital generates resources for people inside a network. Putnam and Fukuyama on the other hand is saying that social capital generates good for the society in general and not only to the people connected to the network. According to Putnam a good example of a network creating value for society would have been the sports associations. Bourdieu meant that even criminals could benefit from a network, something that wouldn’t create good for society.

Social capital depends heavily on trust, something that is of great importance when businesses and companies are built. Research on Africa suggested that entrepreneurship wasn’t as common there as in other parts of the world, regarding the companies that existed and the size of these companies (Paldam & Tinggard Svenden 2004). When observing more closely what was happening the conclusion was made that African people on the contrary created a lot of new business. The problem was that the company couldn’t grow since they didn’t trust other people making important decisions about the business. Also noted was that many of the big companies that did exist were run by small ethnic groups. These small groups shared the same basic values and found it easier to trust each other. This is an example of how essential the existence of trust is in a relationship.

4.1.2 Capital and knowledge
In the literature other different types of capital are also discussed, among them physical and human capital. Physical objects that can be observed and touched are included in the concept of physical capital. A part of it is economical capital, described by Aspers (Eriksson 2001) as goods and assets with proper value. Another form of capital is human capital that takes the individual’s knowledge and skills into consideration.

Lin (2001) defines institutional capital as:

Institutional capital reflects sociocultural knowledge and skills about rules in the institutional field.

Lin also means that organizations are in need of agents to exercise those skills and knowledge when performing as their representatives. Institutional capital is built up by both cultural and social capital. Cultural capital can be described as rules and norms sanctioned by the institutional field. To obtain these different types of capital, in the example of knowledge, resources have to
be used and turned into them. Learning about cultural capital and obtaining it can be done through processes in institutional organisations such as attending a school with the purpose of achieving a diploma. These institutionalising organisations have a mission to train actors and indoctrinate them with values. They do not employ them and they do not keep them. Participation in such a process gives both institutional and human capital. Another way of proving one’s knowledge and skills is having people to assure them. This can be done through using resources embedded in social networks, thus creating social capital.

The flow of these resources and the capital created for an individual trying to obtain capital of some sorts in his/her interaction with an organisation can be shown in the figure below.

![Flow diagram](image)

**Figure 1:** A functioning institutional field. Source: Lin 2001.

### 4.2 Other research

Research has been conducted in this field of study but still it’s hard to find information that can be used directly when observing these activities. In this section I will mention some research and papers that have been written by different researchers or that are currently (at the time of this paper) being written. Some of these existing papers will be presented in more detail in the following chapters but I would also like to mention another Swedish researcher named Torbjörn Ljungkvist who is a PhD student at the University College of Borås. He is researching Connect’s Springboard with the aim of investigating how a successful Springboard can be made. I believe his work will give a good picture of the Springboards and in what way they contribute to the Venture to Capital (V2C) field.

The V2C-field is the field in which the different actors – entrepreneurs, investors and matchmaking organisations – act. The purpose with a newly founded company in this field is to make it investable on the venture capital market and to make this happen V2C operatives exist. A V2C-operative is an actor – a person or an organization – that participates in the development of a company. There exist many different types of V2C-operatives: some are the already mentioned business angels and others are incubators, seed VCs and different types of advisors. They work with different models to try and help entrepreneurs and investors get in contact with each other and to make an investment happen which will be successful for all parts. But they also help the entrepreneur with many other things like improving the business plan, getting access to a useful network and solving difficulties in the start-up phase. Traditionally they have been paid or given equity in the company in exchange of their services.
Since more and more V2C operatives emerge and act in the same field, more operating models and business models emerge. There is a need to understand and to organize these operatives and models and research has and is being conducted in this area. Some of this research will be presented next.

4.2.1 Taxonomy
In their paper named *Traditional and emerging venture-to-capital business models* Tommi Rasila and Jussi Okkonen explain key elements in the operating models of existing V2C operatives. A purpose with their research is finding a “best practice”-operating model for V2C operatives and in doing so a new framework and taxonomy is needed. Rasila and Okkonen have surveyed the four traditional key actors Incubator, Business Angel, Advisor and Seed Capital VC, and compare them with five new operatives’ business models: Source Code Finland (resembling a Seed VC but not contributing money), eAccelerator (an elaboration of the traditional incubator), Virtual CEO (resembling a Business Angel without money), Trial Marriage (an operative that brought new incentives to Business Angels) and Venture Stables (a corporate venturing activity within Tampere University of Technology). Finally a hypothetical “best practice” V2C-player is discussed. The following table summarizes their research:

<table>
<thead>
<tr>
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<th>Compensation</th>
<th>Organization</th>
<th>Working model</th>
<th>Time span</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incubator</td>
<td>Money</td>
<td>Professional</td>
<td>Bureaucratic</td>
<td>Medium</td>
</tr>
<tr>
<td>Advisor</td>
<td>Money</td>
<td>Professional</td>
<td>Entrepreneurial</td>
<td>Short</td>
</tr>
<tr>
<td>Business Angel</td>
<td>Equity</td>
<td>Professional</td>
<td>Entrepreneurial</td>
<td>Long</td>
</tr>
<tr>
<td>Seed VC</td>
<td>Equity</td>
<td>Professional</td>
<td>Bureaucratic</td>
<td>Long</td>
</tr>
<tr>
<td>Source Code F.</td>
<td>Equity</td>
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<td>Bureaucratic</td>
<td>Long</td>
</tr>
<tr>
<td>eAccelerator</td>
<td>Money/Equity</td>
<td>Professional</td>
<td>Bureaucratic</td>
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<tr>
<td>&quot;V2C Operative*</td>
<td>Equity</td>
<td>Professional</td>
<td>Entrepreneurial</td>
<td>Long</td>
</tr>
</tbody>
</table>

*Table 1: Summary of traditional and emerging V2C operatives. Source: Rasila & Okkonen*

An example from this table is the Business Angel. He/she is not part of a professional organization but merely a private person that invests his/her free time and private money in a prospective company. He/she participates in the development of the company in an entrepreneurial approach and gets compensation in equity of the company. The Business Angel normally stays a longer time with the company and has different exit opportunities like public listing and, selling forward the stake to other investors or keeping it and collecting dividends.

An example of a new operative is the Virtual CEO that resembles the BA in many ways. The Virtual CEO is in possession of a large network and skills and contributes time and knowledge in developing the company but invests no own money. The entrepreneur is willing to give the Virtual CEO equity in the company in return for his/her services.

Rasila & Okkonen argues that in order to create a successful company, good quality in services and true commitment from the involved parties has to exist. They point out that this is first and foremost created through a professional organization, created over time by experts. For a V2C operative this commitment can be created by compensation of some sort, preferably through equity, which brings the strongest ties.

In *An evolutionary classification of venture-to-capital business models* Tommi Rasila adds another key V2C operative: the Business Angel Network (BAN). The BAN differs compared to the others in the
way that its interaction with the company is normally a unique transaction. The BAN is acting as a catalyst, introducing the venture to potential investors and receiving compensation from the parties involved. In the paper Rasila present several new operatives and he uses them to introduce a new framework, summarizing these actors into six new categories.

- Individual Investor: The individual investor invests personal money and may contribute his/hers own time. An example from the old classes is the Business Angel.
- Matching Service: This is a model where the actor acts as a catalyst for the company and gets compensation in different ways. An example from the old classification system is the BAN.
- Facilities and Services: Actors in this category sell services in a broad service spectrum. Both the Incubator and the Advisor are examples of this.
- Committed Consultant: This player has a long-term interest in the company and invests “sweat capital”. The Consultant resembles the “old” advisor but with the difference that the Consultant takes all or some compensation in shares of the client company.
- Pre-Seed Funding: Actors in this category helps with investing public money in order to develop the companies and often prepare them for an equity investment.
- Seed Investment Company: Just like traditional Seed VCs, the Seed Investment Company invests other people’s money.

In this paper I will mostly focus on organizations that can be sorted into the second category mentioned above – Matching Service but also the Individual Investor is somewhat relevant for the process. Also closely connected to the matchmaking organizations are the service providers. They help the entrepreneurs with for example legal matters, accounts and other services. These service providers belong to the two categories Facilities and Services and Committed Consultant.

4.2.2 Performance measurement

In the paper Use of Performance Measurement in V2C Activity Jungman et al discuss the need of a new V2C operative that serve both the entrepreneurs and the capital providers. Traditional operatives such as incubators, Business Angels and other kinds of advisors in the so called informal venture capital market are not interested in what happens with the venture after it has got venture funding. They conclude that other types of V2C players are emerging, a V2C player that acquires equity in the company, and their success factors and performance measures are discussed. The aim in a performance measurement system is to measure success factors from different perspectives such as entrepreneur, capital provider and V2C operative, but also from the perspective of past, future and current performance. They also state that the success factors should be derived from two perspectives: the capital provider and the entrepreneur.

The venture capitalist’s three most important investment criteria are readiness and uniqueness of the product, market size and potential, and general ability of management (Jungman et al, 2004) and are therefore important success factors to measure. Other important information could be the size of business that the V2C operative represent to the venture capitalist. The entrepreneur on the other hand needs to know about the conditions set by the capital providers in order to manage their processes so they can achieve them. Information about how companies and their valuation have grown during their V2C period is also of importance for the entrepreneur. Also the contacts that the V2C player can offer are of significant value.

4.2.3 The alliance aspect

In Cases in European Venture Capitalist – Entrepreneur Seppälä discuss the relationship between the venture capitalist (VC) and the entrepreneur and especially the alliance aspect. He argues that
research in this area is normally focused on the use of the agency theory when explaining this relationship. In this relationship a principal engage an agent to perform work on his/her behalf. In these cases the VC is normally the principal and the entrepreneur the agent. The two main problems that the agency theory tries to solve are conflicts of goals and different attitudes towards risks, and the maximization of one party’s interests at the cost of the other party (opportunistic behaviour) (Seppälä, 2005).

He further argues that it is has been pointed out that the agency theory gives a limited view on this relationship. It’s possible to view the relationship as cooperation between two parties and that it would be beneficial to put the entrepreneur as the key focus in this research. Seppälä uses Contractor and Ra (2000) when describing an alliance as “any cooperative or joint action between two companies on a contractual and/or equity joint venture basis”, or Das and Teng (2000) e.g. “voluntary cooperative inter-firm agreement aimed at achieving competitive advantage for the partners”. Since the relationship between the entrepreneur and the VC is likely to involve inter-firm alliance, he further explores how the academic field of entrepreneurship could learn from the alliance research. In his study he has chosen to focus on eight cases where the objects are entrepreneurs.

When analysing these cases he summarizes them into two different kinds of propositions – fundamental (with the purpose of providing a basis for future theory development) and explicative (that refine the basic picture displayed by the fundamental propositions). The propositions are (in this paper I will not give a detailed description of these propositions but refer directly to Seppälä’s paper for those that want to read more):

1) Successful entrepreneurial companies are more likely to experience positive relationships with VCs.
2) Entrepreneurial companies with a strong position related to team, idea, timing and operations are more likely to experience positive relationships with VCs.
3) Unsuccessful entrepreneurial companies are less likely to experience positive relationships with VCs.
4) Even successful entrepreneurial companies, with a strong starting point can experience the relationship with VCs as negative if certain conditions are met.
5) Even unsuccessful entrepreneurial companies that understand the VC industry and the goals of the specific VCs can experience positive relationships with VCs if certain conditions are met.
6) Learning and evolution are vital elements in the VC entrepreneur relationship, especially in cases, where the entrepreneur does not have full understanding of the VCs business.

In order to make the alliance work it seems to be of great importance that the entrepreneurial company is run by a competent team with a strong idea. It is also shown that learning in the relationship is of big essence, especially when the entrepreneur lacks understanding of the VCs business. It becomes obvious that the entrepreneurs need to know what the conditions are on the VC market and they need to be prepared to meet these conditions in order to experience a successful relationship with a VC.

4.2.4 Knowledge transfer in V2C context

In his most recent paper, Formal and informal ways of knowledge transfer for growth ventures – Case of V2C, Okkonen discusses social capital and the activity theory applied to the V2C case. He means that the entrepreneurs, V2C players, and the venture capitalists form an activity system based on mutual trust and social capital where one of the V2C player’s roles is to transfer explicit or tacit knowledge. As mentioned earlier the research in this field points out new emerging V2C
Matchmaking – a study of methods  

operatives whose equity models is taking equity in the target company. This helps the V2C operative to really commit to the task of making the venture listable.

The ideal process of making the venture listable has been illustrated in figure 1. In order to become listable the venture has to meet certain conditions set by the VCs. The VC players in their turn have derived the rules from the stock market. Since the VC’s normative strategic logic is to be an interim-owner, the V2C players has to consider what they want and need. This model isn’t serving the VCs but the entrepreneurs and the V2C players should consider 1) what the value is to the entrepreneurs and 2) how the V2C can provide better and more investable ventures to capitalists (Okkonen 2006).

Okkonen further argues that the V2C adds value to the entrepreneur’s business through their knowledge on certain operational issues. In addition this adds information and knowledge to the VC. The matchmaking process that takes place is a critical process where it truly shows if the V2C player’s task of finding, selecting and helping ventures that have accepted these conditions has succeeded. But the V2C player also has to prepare the entrepreneurs for the business environment. In the matchmaking process one perspective is that the V2C is primarily transferring this mentioned knowledge (human capital) and only secondly financial capital. This is where social capital becomes interesting since it facilitates learning in inter-organizational relationships.

Okkonen further distinguishes the characteristics between the three dimensions of social capital – structural, dimensional and cognitive – and what these dimensions imply for the different stakeholders (see table 2). In a structural context, social capital gives the entrepreneur access to capital and knowledge while the VC gets access to the ventures and a possibility to reduce the risk they are taking when investing. The knowledgist or the V2C-operative ensures the network and gives credibility to all parties and helps them with the process. He also concludes that since V2C transfer knowledge, the activity theory can be applied and that the process of growth is an activity system. The activity system transfers intellectual capital consisting of social capital, knowledge and skills. But above all, social capital can be used to explain the actions performed by

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**Figure 1: Ideal V2C process. Source: Jungman et al 2004**
the actors in the growth company process. The actions have more to do with contacts and trust than capital.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Structural</th>
<th>Dimensional</th>
<th>Cognitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venturer</td>
<td>access to capital and access to</td>
<td>ensures contract</td>
<td>ensures a single goal ie contract on what is</td>
</tr>
<tr>
<td></td>
<td>knowledge on managerial etc. issues</td>
<td></td>
<td>desirable</td>
</tr>
<tr>
<td>Knowledgist</td>
<td>entry to network as a legitimate actor</td>
<td>ensures that the network will hold</td>
<td>knowledge on legitimate moves, how to act</td>
</tr>
<tr>
<td>Venture</td>
<td>access to ventures and possibility to reduce risk</td>
<td>ensures contract</td>
<td>ensures a single goal ie contract on what is desirable</td>
</tr>
<tr>
<td>Capitalist</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 2: Gains of the three dimensions of social capital to V2C actors*
5 Case studies

This chapter displays the results from the case studies and the networks observed are presented in more detail, inclusive their activities. Some analysis is done but the final analysis of the activities is done in the next chapter.

In this chapter I will describe ten different organizations and their activities. Out of these ten cases two have been observed in Sweden, four in the U.S. and four uniquely through literature. The cases observed all had matchmaking as their main event or as one of their main events. They were organized by organizations that focus on helping entrepreneurs develop their business and to help them reach investors. Many of the organizations provide help to the entrepreneurs in many other ways except the matchmaking process. The cases studied through literature, Internet and sometimes through interviews have been selected since they perform matchmaking or aid entrepreneurs develop their business idea in order to reach the investors, but have not had an event that I could attend. They are also studied since they show different ways to organize matchmaking.

5.1 Seed Cap Arena

5.1.1 Background
The Seed Cap Arena event I participated in, took place in Gävle on the 24th of November 2005. Several organizers co-hosted the event, amongst them were X-invest, Connect, Almi företagspartner AB, NUTEK, the university in Gävle and Innovationsbron AB. The event was primarily directed towards young companies from Gävleborg, Dalarna, Västernorrland, Jämtland and Västmanland that:

- are looking for new connections, competence and capital in different forms, for example through business angels.
- have their activity based on an innovative product or service with great commercial value.
- are in an early start-up stage with ambitions and potential of growing.
- are ready for external influence, capital and joint ownership
- have a well-laid business plan.

(www.nutek.se)

The investors (business angels and risk capital companies) wanted are defined as follows:

- Are interested in an engagement in a young growth-oriented company with promising opportunities.
- Are prepared to actively contribute to the company’s long-term development and growth with both capital and competence.

(www.nutek.se)

The event was free for the presenting entrepreneurs but an admission fee was taken from the participating investors, service providers and other public that attended.

5.1.2 Selection
In order to participate, the applicants have to go through a selection process. The first step in the selection process was handled by X-invest, Connect and Almi företagspartner AB. They reviewed the registered companies’ applications and selected a few to a training process. In this process the companies received help with their presentations from CONNECT.
The objective is to teach the entrepreneurs to hold one short but “selling” 30-second elevator pitch and one professional ten minutes presentation. All companies then hold their presentations in front of a project group that selects which ten of them that will present at the main event. One final dress rehearsal in front of a panel giving feedback is made before the final presentations takes place.

5.1.3 The event
The moderator Ove Joanson from the Media Conglomerate Group opened the day. A series of lectures about business angels and risk capitalists, investment strategies and how investments can succeed were held during the first half of the day. The first session ended with a panel debate about risk capital in general, including all the speakers.

The second session was held after lunch and this was when all the entrepreneurs held their presentations. Each presentation lasted a maximum of ten minutes and was followed by a question session for the audience. A moderator led the questioning and asked most of the questions, although it was free for anyone to ask a question.

During the day of the event all companies had their own display case outside the conference room. This set up is meant to facilitate the meeting process between interested capital providers and the entrepreneurs and networking in a whole. The day was finished with social activities and a buffet.

5.2 Seed Forum International

5.2.1 Background
Seed Forum started at Campus Kjeller Technology Park (half an hour north of Oslo) in Norway. At the time there was a big need of making use of and commercialising the research conducted at the campus (Korsmo 2005). Today Seed Forum focuses on two different activities: creating networks for business angels and organizing Seed Forum – the meeting spot for investors and entrepreneurs with objective of decreasing the risk in an investment. Seed Forum is a British non-profit association with a small but efficient organisation. They have two people active in London, four to five people in Norway and one on Iceland.

Their main activity is their forums taking place in Oslo, London, New York, Moscow, Reykjavik and Stockholm. Seed Forum is a cross-border organization, organizing forums in different countries, inviting local and global investors to meet Nordic entrepreneurs. Their process is thoroughly worked out and consists of the following four steps:

- Nomination
- Selection
- Training
- Matchmaking

The event I participated in was free for capital providers and other public but had an admission fee for entrepreneurs. This admission fee is often partly or in its whole paid by another actor such as Länsstyrelsen, ALMI or the like.
5.2.2 Their model

A company wanting to participate can’t apply for themselves but have to be nominated by one of the organisations especially selected by Seed Forum International. These organisations, or science and innovation centres, can nominate a maximum of two companies each. A selection of these nominated companies’ executive summaries is forwarded to a jury chosen from national experts that selects which companies will attend their region’s forum. Some of these also proceed to present their company on an international event.

Before the actual presentation, these companies pass through a pitch-training event where a team of business coaches attend called the training process. The coaches gives their views on each company and present them to the project management team, consisting of the Board of Seed Forum International and appointed advisors. The management team makes the final decision on which teams that will participate at the international forum. Finally a second-stage pitching is held where the companies can fine-tune their presentations that are recorded for them to analyse later on. Each presentation is scheduled to last 8-10 minutes.

In order to be selected at all the companies have to meet the selection criteria:

- **Substance** - a parameter of technology, market relevance, internationalisation and the company's management team
  and
- **Presentation** – how the company is presented by its CEO and how its overall makeup reflects its professionalism

(www.seedforumnorway.com)

5.2.3 Seed Forum in Stockholm

The event in Stockholm in the winter of 2005 was the first to take place in Sweden. It was located in IQube, an incubator started by Johan Staël von Holstein, a well-known entrepreneur. The purpose with IQube is creating a meeting place for entrepreneurs, academics, politicians, risk capital and industry and to facilitate young company’s development and growth.

The number of enterprises attending differs from time to time. In Stockholm a total of ten companies attended, six of them were Norwegian, three were Swedish and one was Icelandic.

After the opening remarks by Steinar Hoel Korsmo five companies held their presentations before coffee break. Then the remaining five companies held their presentations before the lunch break took place. Also a question time was held after each presentation. Similar to Seed Cap Arena each company had a display case outside the auditorium. During the breaks representatives from each company could easily be reached at these booths. A final reception offering more opportunities to network was held at the British embassy in the evening.

5.3 Connect

5.3.1 Background

Connect was originally founded 1985 at University of California in San Diego (UCSD). One of the co founders was Mary Walshok, still active in the organisation. Anders Kuikka (2005) was part of a Swedish delegation that went over to San Diego to study UCSD Connect and later on brought the concept over to Sweden in 1998-99. During this time there was a big need of an organisation that would help local entrepreneurs reach investors and to facilitate networking. Today the entrepreneurial landscape in San Diego has changed and several associations exist that
partly do what Connect once did, some of them mentioned in this paper. This has conveyed consequences to Connect that has had to change their format to better suit the new need of the entrepreneurial community in San Diego. The same course of events has not yet occurred in Sweden, but Sweden’s entrepreneurial landscape is also very different from the one in San Diego.

Connect aims at offering a meeting platform for five interest groups:

- Researchers and developers (at universities or other research institutes) – they develop new and intelligent technology but don’t know how to get it out to the public.
- Entrepreneurs – they do not always find the technology they need.
- Investors.
- Solicitors/lawyers, auditors and other service providers.
- Large companies – they are the prime service customers.

Connect Sweden is divided into regional networks and are very strong on a local market, helping local entrepreneurs meet local investors. Although the networks are under the same organisation, collaboration between the regional networks or between the different international Connect networks is not common. They do not have any routines for aiding local entrepreneurs reach a broader national or international market.

5.3.2 Activities
Connect offers different types of activities to entrepreneurs, amongst them financial forums and springboards, where the springboard is their most popular activity. In Gothenburg a springboard is arranged each or every second week (Kuikka 2005). In San Diego the springboards are being held about two times a month (Coleman 2006). UCSD Connect perform more activities than the ones mentioned here and to attend to these a fee normally has to be paid. The entrepreneur normally doesn’t pay for being involved in the processes.

Financial Forum
The Financial Forum follows the same comprehensive framework as the mentioned events by Seed Forum International and Seed Cap Arena. In detail there exist a lot of difference though. Connect invites interested companies to submit an application that are looked over by a selection committee. This committee consist of experienced persons from, among others; service providers that are network members (www.connectsverige.se).

The business plans are thoroughly revised by the selection committee to make sure that they reach the standards. If they don’t they might be offered to participate in other Connect activities that will better prepare them for the final meeting with the investor. The companies are also offered help to make the most of their eight minutes presentations. In Sweden the presentations and the presentation material is held and written in English due to a high interest from international venture capital corporations.

Venture Roundtable
UCSD Connect has now decided to end the Financial Forum since they have seen a trend in fading interest for this type of event. The companies in the region are now so well connected to capital providers that they do not need to attend these forums in order to find funding (Orion 2006). Capital providers also want to invest in private; they don’t want others to hear their questions or thoughts about the companies. Instead UCSD Connect are starting up a new activity called the Venture Roundtable, a synthesis between the Financial Forum and RTA Venture Roundtable.
This event is a much more targeted activity for a smaller group of attendees (only 15-20 capital providers) and will take place three times a year. The event focuses more on early start-up companies that haven’t really gotten started. These companies, five companies per roundtable event, get a chance to introduce themselves to the participating capital providers, which are active in the same area as the companies themselves. The focus is not on matching the entrepreneurs with an investor but to show “concepts in technology to the venture capital community” (www.connect.org).

Springboard
The springboard process aims at aiding entrepreneurs with difficulties in their business. The help is offered through a panel with a broad variety of competences. The panel can consist of capital providers, legal experts, auditors and similar with knowledge of the entrepreneur’s business. If the entrepreneur is acting in the biotech industry, then the panel will have experience from that industry.

To attend a springboard the company sends in an application explaining what strengths and weaknesses the company has, what they have achieved and what their most crucial problems are at the time. The entrepreneur selects three or four main issues concerning starting up a company, protect patents, create a market, hiring personnel, get financing et cetera, that will be discussed. Connect also helps the entrepreneur improve his/her ten minutes presentation. Once the springboard is finished the participants are asked to answer a questionnaire that gives valuable information to Connect about their opinions concerning the springboard.

The springboard might also work as an unofficial way of finding suitable board members. If the company has explained that they are in need of a certain person with a special competence and somebody knows a person suitable for the position, then they might call that person and invite him/her to the springboard in the hope of creating a successful match.

It’s not only the entrepreneur that is in focus during these events. Of equal importance is the meeting between the investors and the service providers. They make new contacts and create connections during these meetings and it’s not uncommon that banks and auditor firms send their juniors to these meetings in order to enhance their networks. These meetings also serve as a bank of information – the participants are introduced to the latest technology and get an update on what is happening in the industry.

Global Connect
Global Connect is a program that brings together organizations-firms, regional development organizations, university programs, and capital service providers in order to develop high technology and life science linkages (www.connect.org). Global Connect is, according to Orion (2006), about aiding different regions around the world through the information, tools and networks that Connect possess. Above all help is provided through grants and contracts.

Global Connect is using the same principles as UCSD Connect but on a global market. According to their webpage they provide their members with more or less the same activities as UCSD Connect, but with less activities per year.

5.4 Tech Tour

5.4.1 Background
The European Techn Tour Association (ETT) was founded in Geneva, Switzerland in 1998 (www.techtour.com). Their concept is to gather a country’s most interesting and growing
companies and introduce them to global actors. The participating entrepreneurs are invited to the event but there is a possibility to apply for an invitation. Except the entrepreneurs themselves, about 60 persons are participating, creating a mix of international venture capitalists, investment banks, press, service providers and researchers.

The companies are sorted according to the same principle as the other organisations where a panel is judging their business value. One requirement though is that the companies have to have at least 20 employees and ETT has its focus on early to expansion stage technology companies. Before a tour takes place in a certain region a local representative plus the ETT executive committee identify promising companies through their combined networks. They also hold an open competition at least three months before the tour where local companies can apply. Their applications are reviewed and selected by a local and independent committee put together by the local representative. Participation in the tour is free.

The investors cannot apply to participate themselves but are invited. They are selected on criteria based on their “professional competence, their international experience and their ethical values” (www.techtour.com) and come from all around the world. Although they are invited to the event it is possible to send in an application for being selected. The tour then shows them both promising companies and highlights of the visited countries culture and sights. The tour takes a couple of days, normally two and a half, and each day has a different schedule and activities. Presentations of the entrepreneurs are mixed with key note speakers and sightseeing. The capital providers have to pay a fee to participate but the event is also sponsored.

**5.4.2 Swedish Tech Tour**

The Swedish tour took place for the first time in 1999 and then had a pause for several years before taking place for the second time 1-3 June 2005. 70 international participants met 25 of Sweden’s most promising technology companies. Normally there is a limit set to 60 participants to ensure maximum interaction between them. Meetings with key persons representing venture capital, business, entrepreneurs and academy was also given.

The program was started with a dinner in the Blue Hall in the City Hall in Stockholm where Marcus Wallenberg, CEO Investor, and Sven-Christer Nilsson, CEO Ericsson AB, were speakers (www.techtour.com). The presentations of the companies were held the next day on two different locations. Before lunch they were held on the ship named Teaterskeppet in the archipelago and after lunch they were held in Kista Science City and Kista Science Tower. In the evening the participants went to Lappland and stayed at the Ice Hotel in Jukkasjärvi. The final day was started with more presentations at SAAB’s airport in Linköping. The lunch took place at Lofstad castle with the mayor of Norrköping Eva Joelson as a hostess. The final presentations took place at Norrköping’s university before the participants were transported with train back to Stockholm.

**5.5 First Tuesday**

First Tuesday was started in London and spread in an early stage to Sweden. A group of young Swedes introduced the network in Lund in 2000 and they remained active for only one year before the activities were closed down (Svensson 2005). The closure of the group’s activities was due partly because the founders got separated by work at different locations and partly because the burst of the IT bubble. First Tuesday was started at a time when the business spirit and the optimism, as well as people’s interest in mingling and networking, was flourishing. Also there were a great number of possible sponsors that diminished greatly after the IT bubble.
Every first Tuesday each month meetings were arranged for risk capitalist, entrepreneurs and service providers. This is where they got their name. All participants had a small pin saying who they were and everybody was welcomed. There were not so many official invitations to these meetings; instead the word was spread from mouth to mouth with their motto being “Smart people attracts smart people” (Svensson 2005). Their activities didn’t really include an official matchmaking but their intention was to create a meeting point with interesting speakers.

A difference from the other networks mentioned in this paper is that First Tuesday is run as a company owned by its own networks around the world (www.firsttuesday.com). Well-known leaders from the technology sector lead each network that is situated in a certain city. The organization is similar to that of franchising where each city serves as a license taker. Other activities they have are the Thought Leadership where experts brainstorm about current topics from the technology sector and Wireless Wednesday that focuses on telecommunication and other wireless technology.

In First Tuesday, compared to other organisations, a greater focus is put on networking. Matchmaking as in the process of connecting entrepreneurs with capital does exist but that is not one of their core activities. Their main purpose is of making a meeting place available for networking that will contribute to the creation of new businesses.

First Tuesday do not longer exist in Sweden but the organization is still active and keep arranging events and meetings in many other countries, for example in Germany, Norway, Hungary, Ireland, Switzerland, the Czech Republic and South Africa.

5.6 Gate to growth

Gate2Growth is supported by the European Commission under its Innovation/SME programme with the prime objective of supporting innovative entrepreneurs in Europe. Through networking and exchange of experience, Gate2growth also aims at assisting Innovations Professional to improve their capacity to assist entrepreneurs. With Innovations Professionals they mean early stage technology venture capital investors, managers of technology incubators, managers of industrial liaison and technology transfer offices linked to universities and research centres, academics in entrepreneurship, finance research and teaching (www.gate2growth.com).

They provide the following activities:

- Business Matching – activities for entrepreneurs in need of financing
- InvestorNet – for investors
- Incubator Forum – a network for university technology incubator managers in Europe

They also aid in knowledge transfer and knowledge spreading in entrepreneurship, innovation and finance. The financing issue is supported in two ways, one is providing them with all tools needed to seek funding from investors, and the other is offering a matching service on their homepage. They also have an offline form of the matching service where entrepreneurs with excellent business plans can get help from the Gate2growth matching team. The group consists of experts in venture capital and business with investor relations on a pan-European level and they help the entrepreneurs with preparing information for pitching to investors, identify relevant European investors and give access to a personal network of investment managers in top Venture Capital companies.
5.7 Women in Technology International (WITI)

5.7.1 Background

Carolyn Leighton founded WITI in 1989 with the objective of helping women in their career by providing access to other professional women. WITI is a global network existing not only in the U.S. but also worldwide in Hong Kong, Great Britain, Australia, Spain and Mexico. They provide their members with a broad set of activities including: Networking, WITI Marketplace, Career Services/Search, National Conferences and Regional Events, Publications and Resources, Small Business Programs, Research and Bulletin Boards (www.witi.com).

WITI arrange seminars and events in many different cities around the U.S. and around the world. Within each local WITI network exists also regional networks and the one I focused on had their main activities in San Diego. The event I participated in took place at the Hilton hotel in La Jolla. The network normally finances their conferences and activities through both admission fees and sponsors, but there is no admission fee for the companies that participates in the venture connections.

5.7.2 Venture Connections

The Venture Connections was held under the WITI banner for the first time on the 13th of February 2006. A group called Forum for Women Entrepreneurs, which now belongs to WITI, have had three Venture Dinners before. The Venture Connections was only one part of a two-day technology summit, containing a broad spectrum of activities.

The entrepreneurs were pre-screened after applying or else invited. A requirement to attend was that the company had to be either in the life sciences or the technology industry. Capital providers could attend for free but had to make an advance submission. The entrepreneurs could choose to attend Boot Camp that is a pitch training process held 2 weeks prior to the event, run in co-operation with the Tech Coast Angels. The entrepreneurs are then coached in small groups for a couple of hours, learning about presentation techniques.

The presentations took place in the morning at the Hilton Hotel in La Jolla. Information about the companies was sent out to the capital providers in advance. The participating entrepreneurs were divided into two different rooms, one for technology companies and one for life science companies. Each pitch had to be a maximum of seven minutes and no question time followed. Once all companies had done their presentations the participants introduced themselves before the Venture Connections was officially closed, but the networking continued.

5.8 Venture Challenge

5.8.1 Background

The Venture Challenge is an annual new venture competition that gives graduate students the possibility to seek investment capital for their business idea. The competition also gives the audience a possibility to find out what investors want to see in a presentation. It is an international event that gives top students the possibility to compete for awards up to 15 000$. The competition is a two-day event that had 20 participating teams in the 2006 Venture Challenge, most of them from the US but one team came from Sweden. Most teams had been invited to the event directly but some had participated in competitions and been selected to attend this venture competition. The competition has no admission fees and most parts of the event are open to the public.
5.8.2 The competition
Several parts – a semi-finalist round of presentations, an exhibition fair, a wildcard round, and a finalist round built up the competition. The competition starts off with the semi-finalist round where the teams are divided into five different groups, with four teams in each group. Each group have their presentations in a separate room with a jury consisting of four to five judges with a background in entrepreneurial companies, venture capital firms, investors and service providers. These judges also provide the team with feedback on their presentations after the semi-finalist round. The presentations can last a maximum of ten minutes and are followed by a question time where the judges can ask the teams to clarify parts of their business plan or question relevant issues significant for the business idea. After that the audience, if time remains, can ask questions.

In each room a winner is chosen that goes on to the finalist round. Among the teams that didn’t win a wildcard is chosen during the exhibition fair. The wildcard is selected on criteria based on their performance at the exhibition fair where a separate anonymous jury walk around asking the teams about their business. This part motivates the teams to be alert and trained on pitching the company and their business idea to all visitors. The exhibition fair, including the presentations, are open to the public.

The finalist round takes place the second day and similar to the semi-finalist round, the finalist jury consists of different judges with a varied background. The companies have the opportunity to change their presentation to this round according to the feedback given by the judges during the first day. Many do this. They can also improve and prepare their answers for the question time based on the questions they received the day before. The question time is one of the most critical moments for the teams. They have to be prepared to give satisfying answers to all possible objections to the idea that the judges might have. Not being able to answer a question or remark from a judge can deeply lower the impact of the presentation.

5.9 CCAT

5.9.1 Background
CCAT stands for Center For Commercialization Of Advanced Technology and is a partnership designed to accelerate the development and application of advanced technologies to solve real-world problems (sdsu.theitpros.net).

This commercialisation program is sponsored by the Department of Defense (DOD) and SDSU Research Foundation, UCSD’s Jacob School of Engineering and CONNECT, the Security Network, and the Navy's SPAWAR Systems Center that have all joined together in this program. CCAT aims at turning DOD, industry and academic technologies into commercial and/or defense-related enterprises.

On their homepage CCAT says it offers the following services at no cost for selected technologies:

- Commercial Feasibility Studies
- Prototype Development, Test & Evaluation Funding
- Research & Development Funding
- Market Analysis Studies
- Business Plan Development
5.9.2 Business Showcase
The Business Showcase was held at UCSD Faculty Club Tuesday March 21 with 14 participating companies. This was the first time that CCAT tried this format of the event that was free for all participants. The evening begun with networking and all participating companies had their own table where they could showcase information about the company and answer the public's questions. After an hour each company held an elevator pitch for a maximum of two minutes and then another round of networking took place where the audience could find out more about the companies.

The participating companies all belonged to different areas of life sciences, communication, hi-tech and biotech and what category they belonged to was clearly marked out. All the companies had received some sort of award connected to venture and entrepreneur pitching and business ideas. Most of the companies had been invited to participate.

5.10 Venture Cup
Venture cup is a business plan competition with a purpose to help people with business ideas to accomplish them. It was founded in Göteborg in 1998 by McKinsey, Chalmers and the University of Göteborg. Venture Cup takes place in all of the Nordic countries; Sweden, Norway, Denmark and Finland. Sweden in its turn is divided into four different regions and a separate competition takes place in every region. Participation in the competition is free. The competition is divided into three steps. To the first step every participant submits one or up to five business ideas. The business idea can be up to two pages long with appendices of five pages. The ten best business plans in each region is awarded with a price of 5 000 SEK (Venture Cap Nordic, 2004).

To the second step a marketing strategy plan has to be submitted in addition to the step 1 requirements. It can be a maximum of twelve pages long and with appendices of no more than eight pages. The ten best market plans receive a price of 15 000 SEK. Finally the complete business plans are evaluated and the winner receives 200 000 SEK, the runner-up receives 100 000 SEK and the third runner-up receives 50 000 SEK. These plans can be a maximum of 20 pages long with ten pages of appendices.

The project management team put together the juries and the jurors are selected based on their expertise and on recommendations. The teams receive written feedback from at least three jurors. With this feedback the teams can better understand their strengths, weaknesses and get suggestions on future development.
6 Analysis

In this chapter the whole matchmaking process in all its different parts and aspects will be analysed and discussed. A summary of the process will also be presented.

Each case has shown a slightly different matchmaking procedure. It can be argued that some of them have developed a stronger model than the others but the question is how to evaluate this. An evaluation model of these organization’s processes and actions are needed and suggestions to what factors could be interesting to look upon will be discussed although much is still left to research in this field of study.

6.1 The selection process

One of the most critical issues in order to have a forum at all is to have both entrepreneurs and capital providers attending an event. How to find these is not as easy as it sounds. One way is to let anybody that’s interested attend the forum and try to notify as many as possible about it. This might attract a lot of visitors but it is also very likely that many of these are there out of pure curiosity, not really wanting to commit to anything, which may scare away the serious actors that are both careful and selective with their time and with whom they speak.

Another problem with letting anybody attend is that it may attract entrepreneurs that don’t have their business idea and plan totally figured out yet and that do not know anything about the conditions the capital providers have set in order to invest. The only benefit the capital providers get through an event organized like this is being able to screen a lot of deal-flow at the same time, but they still have to perform careful screening to sort out which companies could be prospective.

For the entrepreneurs a scenario like this could result in them pitching their business, not to capital providers that are there in search for projects, but to capital providers just showing up to see what is going on or people trying to see what opportunities is out there and, as some people I’ve met, are looking for a new job. It can be argued that this is not completely negative but still less motivated people attend, demanding attention from both entrepreneurs and investors without really giving them anything in return.

With this said the conclusion could be drawn that some sort of selection should take place. As has been stated in research, and especially discussed by Seppälä, the V2C operative should know what rules the venture capitalists have set up and what they are looking for in new ventures. By knowing their capital providers, the forum can set up criteria on what these are looking for in a new venture and hence optimise the selection process. When using the knowledge about these conditions a knowledge transfer is taking place, as argued by Seppälä (2005), between the V2C operative and the venture and the entrepreneurial team will be better prepared on the meeting and the relationship with a future venture capitalist. This is likely to have a positive impact on the VC since they will have a strong and investor ready company managed by an entrepreneurial team prepared for their mutual commitment.

Whether the forum should be open to all types of investors and entrepreneurs, as in their area of interest and area of activity, or whether it should be focusing on a certain sector can also be discussed. When contemplating the V2C players role in transferring both knowledge and skills between ventures and capital providers, one could state that by knowing in what field the ventures and capital providers act, their work could be much more focused and optimised. If focusing on only biotechnology for example, everybody participating knows what general
conditions have to be met and where the technology is today so that the ventures business models can be understood and contemplated. And above all, the V2C players know what to look for and how to select prospective ventures.

Hence, how this selection should be performed is the next issue to consider. In several of the cases the organizations point out that they have a jury that selects which of the applying ventures will be accepted. In some cases though there is an additional step before being reviewed by the selection jury. These entrepreneurs have to be nominated by a third party, normally an incubator, a technology park or advisors or similar that has been selected by the V2C player. Building up such a network takes time but in the long run it also establishes a good basis for selecting quality ventures.

Obvious in this model is that although the entrepreneur might have a splendid business idea, he/she might not know the right people to nominate him/her to such an event while an entrepreneur with the right contacts more easily can influence their situation. Networks and having the right connections proves to be of great importance even in this aspect. Just knowing people do not get you all the way, but it will surely help.

Screening and selecting capital providers can be more difficult and in most of the cases studied this doesn’t happen at all. The purpose with this selection is to find suitable capital providers that are sincerely interested in these companies and that are prepared to invest, preferably money, knowledge, and time. It is also possible for service suppliers to attend and the requirements for them in doing so vary. Some networks as for example Seed Forum require them to be able to aid the entrepreneur to get in contact with other capital providers. A mutual benefit must exist between all participants.

Careful selection implies good quality of the selected ventures. With time the organization build up a reputation and both entrepreneurs and capital providers can be sure that they provide good quality in their services. Especially interesting is the fact that UCSD Connect has closed down their Financial Forum activities in San Diego and replaced them with the Venture Roundtable. Their problem was that driven entrepreneurs and capital providers begun to find each other without the help of a middleman (Connect). What were left to their events were less successful or interesting ventures. These ventures didn’t attract the important capital providers. The quality of the events decreased and that’s when UCSD Connect decided to stop the activity. The matchmaking organization must be sure to maintain their reputation and standard, but also to respond to changes in the environment.

6.2 The training process and the presentations

Once the entrepreneur has been selected for participation in the forum, preparations for the presentation have to take place. Some organizations provide the entrepreneurs with training while some don’t. In many of the cases studied the entrepreneurs told me that they had been offered training but that these trainings focused on people not knowing how to pitch their company and that they were already experienced performing presentations so they didn’t attend. The V2C players on the other hand pointed out that they did perform training in order to improve the performances. This training could constitute of giving the companies templates on how to organize the content of their presentations, or having separate rounds of presentations where a number of the best presentations got selected and filming or providing feed back directly on the dress rehearsal.

The research also mentions the importance of knowledge transfer and a learning process. Okkonen (2006) wrote about knowledge transfer in the V2C field and assuming the importance
of the V2C player preparing the ventures in order to make them investable by the VCs, this training process should be carefully constructed. Seppälä also argued about the importance of being well prepared for the cooperation with the capital providers and for the negotiations with the VC. A successful collaboration is more likely if being prepared. The entrepreneur needs to be aware of the conditions set by the VC and the venture’s positive and negative sides, and how to work with these. A successful training session should contain these aspects in order to make the entrepreneur aware of these things and to prepare the venture for the VC market.

Most common for these forums is that the entrepreneur does the presentation him/herself, telling what type of funding he/she is looking for. In many cases the entrepreneur doesn’t have the qualifications that makes him/her a good speaker, often lacking the right spirit to engage the audience in the presentation. Many things are important when holding a presentation: body language, body movements, clothes, how the person is talking et cetera. A bad presentation can make even a really good business idea look bad.

The length of the presentation is of great importance, including how the material presented is designed. People are able to keep up their interest in the speaker for a couple of minutes. After that the information given will start to feel irrelevant, if not the speaker is a very good one. The quality of the presentations observed varied greatly, some very engaging, starting directly with why the entrepreneur is there and what he/she is looking for. Some speakers introduced their presentation by telling the audience about themselves and their experience. This can make it tiresome since it takes a longer time to get to the actual objective with the presentation.

All presentations I’ve seen have included a power point presentation that gives the audience a good overview of what the speaker is talking about. When creating a power point presentation one has to be aware that it also takes focus from what one is saying. People will look at the projected pictures and/or text and try to read what it says. Therefore it’s of essential importance that the information shown is short, easily overviewed and relevant. Putting on 20 slides with detailed information in a small font about the company is not a good idea since people will be trying to read what is on the screen and get frustrated once they don’t succeed.

A difference between the US and Sweden was that in Sweden question time followed each presentation. This was not the case in the US where the next speaker took over the stage almost immediately, after being introduced by a host from the matchmaking organisation. One exception though was the Venture Challenge but the people (judges) asking questions were evaluating the contestants’ performance in two main aspects: how they answered these questions and the general impression of their business idea. Most of the American forums also didn’t provide their entrepreneurs with a display case; instead all participants mingled in pauses and after the presentations were done. I believe that by letting the audience question the entrepreneurs, different perspectives on their business are shown and a more complete picture can be given on strengths and weaknesses. A problem might be that investors want to ask their questions in private so that other people in the room cannot take advantage of their questions and doubts.

### 6.3 Connecting

It’s important for the entrepreneur to start a dialogue with potential investors, something that is done outside of the presentation. One problem mentioned by the Swedish participants has proven to be that after the presentation has taken place, the entrepreneur is not active in the search for investors. They tend to wait for the investors to come look for them. This is partly due to the form of the forums where the entrepreneurs are given a display case where they are
supposed to stand, but another reason can be that they lack information about who are the participating investors.

Different opinions about this system were heard both in Sweden and San Diego. Some entrepreneurs wanted to know more about the capital providers beforehand and others thought it was a good idea to have a display case where the capital providers could approach the entrepreneur. Information about the participants is sometimes handed out at the event, but this is very seldom the case. It makes it even harder for the entrepreneurs to establish contact with investors if the participant directory is “secret”. They have no real opportunity to know who is and in what way they could approach them. Considering the Seed Cap Arena with a broad variety of business areas, it makes sense to have the investors approach the entrepreneurs. Then they can select the entrepreneurs acting in an area they are interested in.

Some Swedish entrepreneurs mentioned the benefits of having a forum focusing on a certain business or dividing the forum into smaller business-oriented parts instead of making a mix between whole spectrums of industries. This was mostly the case in the US. They often had a clear focus for the forum, inviting only companies active in technology or life sciences, and keeping the presentations separated by category. In that way all attendees in a room know what area of business the others are interested in and starting a dialogue is much more easier.

In the case of not using display cases other possibilities arise. At many of the US events the participants introduced themselves after the presentations were completed. Each person said their name, what they did, what they were looking for and that made it easier for all the other people in the room to get an idea of who to speak with about what.

6.4 Participation

It has been discussed how to select the participants and how to attract them but not how to finally make them attend. There are several factors that have to be considered: the meeting point, the event, the presenting entrepreneurs, the capitalist providers, in some cases speakers and other circumstances that will be discussed.

The creation of an attractive meeting point has proven to be of special importance. Especially First Tuesday was well aware of the importance of the setting for their meeting. They offered a high-class meeting point with interesting participants and speakers that attracted other people in the industry. Tech Tour also offers a very unique event where the participating venture capitalist travel around a country, experiencing both the country’s culture and sights while networking and being introduced to prospective ventures. The VCs are also carefully selected to ensure high quality throughout the whole event and to maximize the exchange between the participants.

The organizations differ a lot though in how they perform their events. Seed Forum International has, except the presentations and a lunch buffet, the tradition of holding an evening reception at an embassy, or the like, for all the participants, which adds extra value to the event. The Venture Challenge also adds extra value to the event through their many different activities, receptions and dinners. The case of Seed Cap Arena in Gävle had several speakers and panel debates during the day. Other cases focused mainly on the presentations but every forum observed offered food and drinks to the participants.

Perhaps most important though is the people attending. Mentioned earlier was the proposition about letting both entrepreneurs and capital providers get information about the participants before the event. One entrepreneur in San Diego called the host for the event asking for information about the attending VCs. He then kept an eye out for the ones he knew he was
interested in and made sure he got to speak to them. Another entrepreneur called the hosts for the event to ask about this information just to make sure that it was worth attending.

It can be noted that there exist a desire for the entrepreneurs to know more about the participating VCs and vice versa but the VCs and Bas also want to know which other VCs and Bas that are going to attend. They want to find out beforehand if it’s worth attending or if they are wasting their time. A suggestion that was proposed in Gävle, dealt with this and their opinion was that it would be easier to get the right BA to attend if they beforehand knew what type of companies would be presenting. Another example is an American investor that said he always beforehand had an idea about who would be present and whom he wanted to meet. He would only attend a Connect forum if he knew somebody was going to be there that was an influencer.

As seen arguments both for and against the dissemination of information exist and the question is how to evaluate what way is the best in order to maintain a high quality and number of participants. A possibility to encourage participants to show up is to develop a system with participation fees.

### 6.5 Income model

The organization whether non-profit or not need to have an income model to support their activities. Some organizations already use admission fees for the capital providers or other attending (se Appendix or chapter 5) or let different firms sponsor the event. Of the cases studied only three organizations had an admission fee for the capital providers and they were Tech Tour, WITI and Seed Cap Arena. Worth mentioning is that some of the other organizations perform other activities where they charge all the participants, and many of the organizations uses sponsors to their events.

An advantage with an admission fee is that it motivates the actors to attend the event. A negative effect though could be that less investors and entrepreneurs attend because of the fee. A system with participation fees could be done in several ways and is illustrated in the following figure:

<table>
<thead>
<tr>
<th></th>
<th>No fee</th>
<th>Fee</th>
<th>Returned fee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneur</strong></td>
<td>No quality guaranteed, participation out of curiosity</td>
<td>Highly motivated VCs, risk of poor quality in ventures</td>
<td>Motivated VCs, risk of poor quality in ventures</td>
</tr>
<tr>
<td><strong>Venture capitalist</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>No fee</strong></td>
<td></td>
<td>Highly motivated VCs and ventures, risk of few attending</td>
<td>Motivated VCs, highly motivated ventures, risk of few ventures attending</td>
</tr>
<tr>
<td><strong>Fee</strong></td>
<td>Highly motivated entrepreneurs, risk of poor quality in VCs</td>
<td>Highly motivated VCs and ventures, risk of few attending</td>
<td>Motivated VCs, highly motivated ventures, risk of few ventures attending</td>
</tr>
<tr>
<td><strong>Returned fee</strong></td>
<td>Motivated ventures, risk of poor quality in VCs</td>
<td>Motivated ventures Highly motivated VCs, risk of few VCs attending</td>
<td>Motivated ventures and VCs</td>
</tr>
</tbody>
</table>

*Table 3: Effects of introducing admission fees*

This table illustrates positive and negative effects of introducing admission fees in the matchmaking forums. The meaning of returned fee is that the participant (entrepreneur or VC) pays
when applying to the event and when attending to the actual event, the fee is returned. This creates incitements to attend.

With no fees for participating at the event both entrepreneurs and VCs might attend out of curiosity, which might give an event with many participants. On the other hand they do not need to be highly motivated to attend which can lower the quality of the forum. They might arrive to the event, investigate who is present and then leave. Introducing fees for both parties creates a highly motivated participant but it also brings a risk that few entrepreneurs and VCs attend. Not every entrepreneur might have the possibility to pay participation fees to a lot of different events and the travelling and lodging costs that come with that and the investor might not be interested to pay for an opportunity to invest, especially when they do not know whether the event will be successful or not. Making the participants pay a participation fee that will be returned upon attendance secures the participants attendance to the event. If information is sent out beforehand, this model could work well since both entrepreneurs and investors have incitements to attend and if they wouldn’t, the matchmaking organization is being compensated with the participation fee.

Participation fees also bring up the issue of what the drive is for the forum hosts. An income model as the one mentioned where participation fees are being paid would aid the hosts. Some organizations get their funding through sponsors and others perform several other activities that bring money to the organization. Many of the organizations are non-profit and they are mainly interested in developing ventures and creating good for society. Still they need to get the funds needed to organize their activities.

As discussed by Rasila and Okkonen true commitment from a V2C operative is essential in order to make a successful match. This can either be created through working with a truly professional organization or by giving the operative some sort of compensation. They argue that the best compensation is equity in the company since it strengthens the bonds between the V2C operative and the venture. The V2C operative is also more eager to make sure that the venture gets a successful relationship with a VC and is more likely to follow up on the venture’s development. The six different categories mentioned by Rasila (see page 11 in this paper) all have some sort of economic compensation for their activities, which is needed in order to maintain high quality in the V2C operative’s services.

Jungman also discussed that traditional V2C operatives are not interested in what happens after the venture gets funding, but argues that it is of importance. In order to attract both investors and entrepreneurs the operative needs to prove how the venture has grown during their V2C period and what happened to the venture afterwards. This also implies that a more extensive knowledge transfer is taking place during this period. Jungman means that a new V2C operative is needed that focus more on these aspects. Traditionally today’s matchmaking organizations don’t interfere once the matchmaking has taken place. Exceptions exist in the form of for example Seed Forum International Alumni Network. Some do some sort of follow up survey but far from all. It might be time consuming and expensive but by investigating different start-up conditions with successful and unsuccessful investments could help the V2C operative understand and create a better model for matchmaking. Such work has to be financed in some way and the equity model could be an alternative, but some changes in today’s model need to be done.

6.6 The importance of the networks
Networking has proven to be of importance in several aspects. Every company attending doesn’t expect a direct dividend in forms of funding but instead sees the forums as a way of making
valuable contacts for the future and to learn something for the business from the event. This search for contacts and building relationships is a clear evidence of the meaning of social capital in these actions. Okkonen meant that these potential contacts and the trust that can be built in these relationships over time might be very useful in the future.

The importance of large networks is especially evident in the San Diego region where Connect stopped their Financial Forum due to themselves not being needed anymore in connecting the entrepreneurs with the capital providers. The entrepreneurs had built their own network and knew how to contact the right persons to get funding. And the VCs knew where to go to find them. But circumstances change and it’s important to be aware of that and adapt to these changes, just as Connect did.

The primary reason for the investors to participate is deal flow. They need to keep an eye on new companies that might be worth investing in. Another reason for the capital providers to attend is getting an update of what happens in businesses nowadays and what technology that is of current interest and under development. They also participate in a sub process of learning and knowledge transfer. It’s also a way of nurturing existing contacts and making new ones. A direct use of these contacts might not appear immediately, but they might turn up to be useful later on. Keeping these connections means that a mutual trust can start to develop and once an investment opportunity shows up, it will not seem so risky.

Above all it is important to get persons with the right competence into a company’s early development in order to contribute to a company’s development. A commitment to invest is not solely a financial issue but also a bigger responsibility and it’s important that a working relation exist between all parties.

6.7 An evaluation model

Starting with what has been analysed, the ideal process can be summarized in figure 2. The matchmaking organisation is the spider in the net, giving the prerequisites needed for the event to take place. They create a network of entrepreneurs, investors, service providers and incubators, technology parks and similar institutions that have the possibility to nominate companies to the forum, or just to promote the forum to suitable companies.

In order to participate the ventures have to pass through a nominator and a selection process. It should also be possible to submit an application to attend, following the same model developed by Tech Tour. The reason for this is that it allows new entrepreneurs an entrance to the network, something that can be hard without former contacts. The capital providers should also be selected based on their expertise and activities. Capital providers that do not engage in any ventures or other activities should not be automatically invited to the following event. Capital providers also motivates other investors to attend, some of them not really being “true” investors but rather service providers. As long as they are helpful for the participants these should be allowed.

The next step is the training process where the ventures both improve their presentations and pitches, but perhaps most important – they improve their business model by working with positive and negative aspects of their business and learning about the VC market. In this process investors, service provider, and other persons with knowledge about the industry can participate with evaluating these ventures and provide feedback on their business models. Advantages to these are given through enhanced knowledge transfer, they will learn about new ventures and technology, what competition there is, and not least – networking.
These processes make sure that what is finally presented at the main event—the matchmaking—is of high quality, the ventures have been thoroughly screened and the capital providers are motivated. What comes out of this meeting varies, but it’s mainly a process of transferring human capital with results such as new contacts, knowledge and skills. In some cases even capital is provided.

![Diagram of the process of matchmaking](image)

**Figure 2: The process of matchmaking**

Networking and making new connections are one of the main objectives of entrepreneurs, service providers and capital providers. They hope to build useful connections that can be of help in the future. This applies not least for the service providers that are attending the event, providing help and advice in the start-up phase, expecting business once the enterprise is up and running.

In order to evaluate the different forums their activities has to be aligned and analysed. It’s not only what they do that matters, but also how they do it (see figure 3). If I summarize the factors that I’ve discussed so far I end up with the following model (see figure 4). This model resembles a lot to the Seed Forum International’s model but with some minor changes.
Figure 3: Comparison between two matchmaking processes for entrepreneurs

- Nomination: Nominating a venture ensures that a trusted part believes in this business idea. Somebody has done an initial screening.
- Selection: In order to maintain high quality on both ventures and venture capitalists, they must be screened and selected.
- Participation: An application fee can be used to ensure that only serious candidates apply and participate at the event inclusive in the processes preceding it. This factor can be seen as a part of the selection process. Ventures and VCs accepting this criterion pass on.
- Training: The entrepreneurs receive training in both presentation techniques as well as getting feedback on their business model, preparing them for the VC market.
- Meeting point: It’s important to package the event in an attractive costume that appeals to the ventures and capital providers. It’s probably more difficult to find, attract and keep capital providers than entrepreneurs. Creating a serious activity and focusing on selecting good ventures will build a positive reputation that makes it easier to attract new investors. Facilitating knowledge transfer and networking at the actual event will also increase the VCs interest in the event.

Ventures that succeed, get funding and continue their growth process can contribute to this process both by inspiring new ventures to participate but also by offering help in the training process. Also the VCs can take part in this training process, helping the ventures fulfil the conditions set up by the VC market.
7 Conclusions

7.1 The matchmaking process

Much is still left to observe in this field of study and a more extensive research would have given even more valuable information. Some conclusions I’ve made through my work with this paper is that there is a great need for V2C operatives, but they still have a lot to work on in their models. They need to build up an extensive network and make sure to provide only the highest quality for both ventures and venture capitalists. By using incubators, technology parks and other trusted parties to do an initial screening a certain quality is guaranteed when the selection process is taking place. As shown in the case with UCSD Connect, the selection of both ventures and capital providers is essential. Without good quality in ventures, no capital providers will attend and vice versa. One way to insure and to raise the motivation among the participants is to introduce a participation fee, preferably one that is being returned fully or partially upon attendance to the event. By doing this information about both ventures and capital providers can be provided to the participants beforehand and the risk that particularly VCs and entrepreneurs won’t show up to the actual event is less and even if that would happen, they are being compensated.

It is also important that the ventures are being prepared and trained for the VC market. They need to understand the conditions and learn how to improve their business to meet them. This information and knowledge transfer can be given through the V2C operatives that have the network and the knowledge of both the venture’s and the capitalist provider’s world. This also means that a closer collaboration with existing VCs would be of great importance in order to understand these conditions. In research has been concluded that traditional V2C operatives get compensation for their commitment through either money or equity and this model should be worth contemplating. On the other hand I believe that more observations and interviews are needed upon the subject before making a statement regarding these organizations. These organizations work differently and many are non-profit, but still they need to have an income model to sponsor their activities. Today this is done in many different ways; participation fees, membership fees, sponsors etc.

The final step for these organizations is the actual matchmaking taking place at a meeting point. This meeting point needs to provide extra value to the event in form of networking, knowledge transfer and great ventures. Not every event ends up in a successful match but new contacts, possible business partners or new knowledge will give positive feedback back to the V2C operative and make the venture capitalists come back. Investigating whether a venture succeeded or failed on the event can also make shortages in the process more comprehensible and by aiding these ventures these problems could be solved.

7.2 What I’ve learned

When starting this thesis I didn’t know much about the existence of these organisations and their activities. I really had to start from the beginning and learn all that could be learned during this short period of time. Once I started to dig in this very interesting world of venture capital and entrepreneurs I found more and more to investigate. It was hard to keep focus on my initial problem statement since I found plenty of other interesting aspects of this area. But since this thesis is supposed to correspond to 10 points at the university, I had to delimit my studies.
I’ve learnt a great deal about the difficulties of being an entrepreneur, starting up your own business, finding funding. It’s not an easy world and many newly started businesses never reach the point where many of the companies I met are today. But I’ve also learnt a great deal about the difficulties being an investor. Their world is a risky business, where sorting out which companies that are going to succeed is a though job. I’ve also realised exactly how important networks are, especially when it comes to this. Knowing the right person is really essential.

I am most grateful to all the persons that have helped me with this thesis, not least my supervisor and my study group in Sweden. Without you I wouldn’t have been able to do this at all. People both in Sweden and in California have been very helpful, giving me access to meetings and giving me information about their own work and knowledge about these events. Having a background primarily in engineering I sometimes felt a bit out of place when talking to investors, trying to grasp the whole picture but with your help I’ve been able to understand the processes bit by bit.

### 7.3 The future

This paper has been a small attempt to understand the matchmaking organizations that work so hard with connecting entrepreneurs with investors. There is still plenty to research in this field and a lot to improve and clarify in this paper. In future research a suggestion is to choose perhaps only three or four different organizations, but to observe their activities closely for a period of time. While doing this more quantified material could be gathered by interviewing both entrepreneurs and capital providers according to a set template. A deeper investigation regarding income models and greater involvement even after an investment is taking place could also be of interest.
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http://www.svca.se

Tech Tour

http://www.techtour.com

First Tuesday

http://www.firstTuesday.com/

San Diego State University

http://sdsu.theitpros.net

### 8.4 Interviews


Anders Kuikka, Connect. 2005-11-03.

Peter Svensson, First Tuesday. 2005-11-08.


Tyler Orion, Connect. 2006-03-06.

Carey Harrington, Women in Technology International. 2006-.

Christian Braemer, Meryll Lynch. 2006-03-06.

Duane Roth, Connect. 2006-04-11.
9 Appendix

Admission fees

The following table shows whether an organization has an admission fee to their matchmaking events.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Entrepreneur</th>
<th>Capital Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed Cap Arena</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Seed Forum International</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Connect Springboard</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>WITI</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>CCAT</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Venture Challenge</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Venture Cup</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Tech Tour</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

First Tuesday performs more of an informal matchmaking and this model is hard to apply to them. Gate2growth performs free matchmaking over the Internet and therefore I have decided not to mention them in this case.