

Managerial Support Provided by Venture Capital Investors in the Czech Republic

Manažerská podpora investorů rizikového kapitálu v podmínkách České republiky

JAROSLAVA RAJCHLOVÁ

Abstract

The paper focuses on the investigation of providing of managerial support to companies, offered by domestic venture capital investors, as regards factual domains and forms of such support.

Most usually such involvement concerns strategic management, financial management and communication management. Among most frequently provided forms of managerial support can be ranked: co-operation on business strategy formulation, supervision of company financial development, consultancy in the issues of company expansion, consultancy or participation in formulation of company marketing or production strategy, assistance with drawing up financial plans and budgets, support in external fund acquisition, support in establishment of company organizational structure, consultancy services connected with planning for internationalization, help with recruitment of company management staff, sharing of contacts with companies contained in the portfolio of investors, arrangement of contacts with attorney and advisors.

The publication of research results shall facilitate the improvement of knowledge in the field of company financing with alternative funds and their exploitation both in practical and theoretical levels.

Keywords

corporate financing, venture capital, non-financial value added, managerial support

JEL Codes

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Abstrakt

Článek je zaměřen na zkoumání poskytování manažerské podpory ze strany tuzemských investorů rizikového kapitálu podnikům, a to na faktické oblasti a formy této podpory.

Mezi oblastí s největší mírou poskytování podpory jsou oblasti strategického, finančního řízení a řízení komunikace. Mezi nejčastěji poskytované formy manažerské podpory patří: spolupráce na stanovení obchodní strategie, dohled nad finančním vývojem podniku, poradenství v otázkách expanze podniku, poradenství, eventuálně podílnictví při stanovení marketingové či výrobní strategie podniku, pomoc při sestavování rozpočtů nebo finančních plánů, podpora při získání cizího kapitálu, podpora při vytvoření organizační struktury podniku, poradenství při plánování internacionalizace, pomoc s výběrem členů managementu podniku, zprostředkování kontaktu na podniky v rámci portfolia investorů, zprostředkování kontaktu s advokáty nebo poradci.

Prostřednictvím publikace výsledků výzkumu lze prohloubit znalosti v oblasti financování podniků alternativními způsoby a využívat je jak v rovině praktické, tak rovině teoretické.

Klíčová slova

financování podniků, rizikový kapitál, nefinanční přidaná hodnota, manažerská podpora

Introduction

One of the alternative methods of company funding is an injection of the so-called “venture capital”.

On the basis of conclusions reached after analysing the scientific literature and her own research work (Schefczyk, 2006, Pernsteiner, 2003, Zinecker, Rajchlová, 2010) the author defines the term “venture capital” as follows: a venture capital is the form of own external resource, posing risks. Its investment is burdened neither with cost interests nor investment amortization in contrast with common forms of external financial funds. The risk, which investors face, is perceived especially as the loss on investment. The investment is usually made for the period solely contractually negotiated, mostly for the period covering 4 - 6 years. Venture capital investors concentrate on companies which can quickly and highly increase their values. Nevertheless, company funding, exploiting venture capital, does not necessarily result in the increase of company value (therefore, the author refuses the description of such form of the company funding as venture and “development” capital), or – as the case may be – in its growth and development. Venture capital investors provide companies with their managerial support, which can be identified as a non-financial value added offered by these investors. Such an attribute is the important and unique characteristic of venture capital financing.

The absence of research studies dealing with non-financial value added in the context of that company funding, applying venture capital, has been identified in the Czech Republic; therefore, the *raison d'être* of conducted research project was the effort to fill the gap in this particular sphere of research programmes.

The objective of empirical research is the survey examining the fact whether domestic venture capital investors provide their managerial support to companies, financed by venture capital.

Two levels of the forms of managerial support, offered by domestic investors, have been investigated: in the first level the monitoring focuses on the search for those domains of managerial support, provided by investors most frequently.

Research objective to be accomplished in the second level is the finding which factual forms of managerial support investors show in the Czech companies most frequently.

The author examines her assumption that established domains and forms of managerial support would differ from domains and forms extracted from selected foreign studies. On the grounds of her analysis of foreign studies, being the basis for conducted empirical

research, a question remains unanswered as regards domains and forms of provided non-financial value added offered by venture capital investors most frequently. Many authors, involved in their studies in monitoring of forms and domains of expert help, significantly differ in their conclusions (see chapter "Discussion on Empirical Research Results").

There are also other examples – e.g., Frederiksen contradicts results, reported in his earlier research, by publishing his research findings, summarized later.

As some examples of conclusions from foreign studies, demonstrating a positive influence and existence of the transfer of value added from venture capital investors to companies, can be cited: Brophy (1988), Rosenstein et al. (1989), Frederiksen et al. (1990), Sapienza, Timmons (1989), Frederiksen (1992), MacMillan et al. (1988), Frederiksen (1991), Busenitz et al. (2004), Ehrlich (1994), Boué (2005).

Having analysed foreign studies, two basic data collection methods were identified: interviewing of respondents (in writing, controlled interviews) in case of qualitative research and company data analysis, or (as the case may be) analysis of company business development in the stock market in case of quantitative research.

Rosenstein et al. (1989), Sapienza, Timmons (1989), Boué (2005) employed the method of interviewing of respondents; MacMillan et al. (1987), Rosenstein et al. (1989), Frederiksen (1990, 1991, 1992), Ehrlich (1994), Busenitz et al. (2004) applied interviewing involving written form.

Research based on company data analysis was carried-out by Frederiksen (1991, 1992); Brophy (1988) and others analyzed development of exchange quotation rates.

MacMillan et al. (1988) defined 20 forms of the expert help. Other authors (Ehrlich et al., 1994; Sapienza et al., 1996) partially adapted these forms. Landström (1991) defines 14 forms of the expert help and the EVCA (2002) specifies other 15 non-financial contributions.

Most usually such expert help concerns strategic management, financial management, human resource management, commercial sphere, operative management, communication management and the so-called "Sounding Board" (role of a mentor, coach, trustee). MacMillan et al., Ehrlich et al., Sapienza et al., Landström and the organization EVCA summarized the forms of managerial support; subsequently, below mentioned file of potential forms of managerial supports was formally developed to serve the needs of carried-out research. A definition of the forms of expert help was supported by its categorization into the individual domains.

The forms of provided expert help in the domain of strategic management are as follows: co-operation on business strategy formulation; support in establishment of organizational structure; support in formulation of corporate processes; consultancy services connected with planning for internationalization; consultancy on expansion; participation in development of products (services), participation in formulation of marketing or production strategy.

The forms of provided expert help in the domain of financial management include: assistance with drawing up financial plans and budgets; supervision of financial development; support in equity capital acquisition; support in external fund acquisition; support in grant acquisition.

The forms of provided expert help in the domain of human resource management relate to: recruitment of team members; selection of management staff; selection of key staff involved in technical sector; participation in negotiations dealing with employment contracts; staff motivation.

The forms of provided expert help in the domain of commercial sector can be: customer acquisition; acquisition of reference customers; acquisition of business partners; consultancy on selection of suppliers.

The forms of provided expert help in the operative domain include most usually: crisis management, solutions to routine operating problems and supervision of standard business activity.

The forms of provided expert help in the domain of communication management include: sharing of contacts with companies contained in the portfolio of investors; establishment of contacts with the CEOs of companies included in the portfolio of investors and managers of research and development departments; maintaining of contacts with investment banks; arrangement of contacts with media; arrangement of contacts with legal representatives and advisors; contact point (interface) with investors (investment group).

The role of investor as a coach and trustee is emphasized in the interpersonal sector.

Profiles of individual, above mentioned forms, constitute contents of the questionnaires used for the research, involved in the survey of forms of managerial support.

1 Applied Methodology and Empirical Research Material

Mixed methods research was used in the context of stated objective. Mixed methods research was applied in the form of data conversion – qualitative data were processed quantitatively.

A limiting condition, applied to the selection of research sample (consisting of venture capital investors), was the necessity of their registered seats situated in the territory of the Czech Republic. Limiting condition was set out so as to be able to investigate specific features of domestic venture capital market.

The organization CVCA (Czech Private Equity and Venture Capital Association), with full membership of venture capital investors, was inquired to find the identity of institutional investors. Moreover, those investors, not being the CVCA members, but whose investments were reported as the investments of the type “private equity” and “venture capital”, were addressed, too. The research did not monitor industrial focus of these investors. 7 managerial companies (out of 19) were excluded on account of mentioned limiting con-

dition. A base file of respondents consisted of 19 managerial companies; 12 managerial companies formed selective file.

Data collection was organized via on-line questionnaire, posted in the web pages administered by the Faculty of Business and Management http://dotazniky.fbm.vutbr.cz/venture_investori/.

A personalized e-mail message, containing cover letter and link to this questionnaire, was sent to factual representatives of venture capital investors in the middle of October 2011. Investors were asked to identify the form of support provided in the period of their activity.

The first part of distributed questionnaire introduced research plan. Respondents could voluntarily add their contacts in the form of their e-mail addresses and company identification. 31 lines followed, containing the characteristics of forms of managerial support as specified in the introduction. A check mark, inscribed in the field next to the line, expressed their approval with such form of the support, offered to companies. The approval was registered by the export into Excel file, and was expressed by the figure 1.

Respondents were asked – if none of offered possibilities was correct, resp. was not provided by them – to identify the activity, which they really provided, in the field entitled "Write Your Message". Those investors, not responding in 14 days following the questionnaire distribution, were repeatedly electronically invited to complete it. The questionnaire was closed in the middle of November 2011. 10 (out of 12) addressed venture capital investors responded. A response rate of questionnaire amounted to 83.34%. Data were processed by a descriptive statistics of the programme Excel.

To accomplish partial objective in the level focusing on the identification of individual domains of support, provided by venture capital investors most frequently, qualitative data were processed by means of the application of statistical function frequency in absolute and relative expression of identification in the particular sphere. Statistical functions of arithmetic mean and standard deviation were applied to identify the significance level of particular sphere for investors and to improve the information capability of captured data.

To identify the form of managerial support, provided by investors most frequently, qualitative data were processed by the Microsoft Excel COUTIFS, as absolute frequency of positive responses and, subsequently, were modified into relative frequency of positive answers. Moreover, descriptive statistics "arithmetic mean" and "standard deviation" were further used to increase the information capability of collected data.

2 The Results of Empirical Research

Tables 1 and 2 contain results of the research identifying domains and forms of managerial support provided to companies, financed by venture capital. Research results are divided into two parts to provide a better illustration.

The first part presents results of survey focusing on the domains managerial support, provided most frequently, and, at the same time, survey focusing on the providing of factual forms of managerial support by means of the determination, of frequencies, of identified positive responses.

The second part presents results of survey focusing on the factual forms of support given to companies, financed by venture capital, offered by involved investors most frequently.

PART 1: Identification of Domains of Managerial Support, Provided by Investors Most Frequently

Table 1 consists of six columns: the first column contains identification of domains of managerial support, the second column specifies investigated individual forms of supports of companies financed by the venture capital, data contained in the third column specify the absolute frequency of positive responses. Data collected in the fourth column represent a relative expression of the values contained in the third column; i.e., relative frequency of positive responses.

The arithmetic mean of percentage of positive responses (fifth column), completed with the value of standard deviation in the sixth column, provide the information on the sequence of significance of particular domains of managerial support from the side of investors.

Strategic management is the domain of managerial help, most frequently provided by investors. The arithmetic mean of percentage of positive responses displayed in this field is in the level of 83% with the standard deviation 10%, which means the variance of values in the range 10% from the arithmetic mean. Obtained result can be interpreted in such a way that on average 83% of respondents identified providing of some or all forms of their help in the domain of company strategic management. Such value is the highest held. The lower the value of standard deviation, the higher information capability of the arithmetic mean; i.e., the values of the file are distributed around the arithmetic mean value.

The second most frequently mentioned domain of support lent to management, offered by investors, was the financial management. The arithmetic mean value was detected in the level 74%; i.e., on average 74% of respondents provided some or all forms of managerial support contained in the domain of company financial management. The standard deviation value was then specified in the level 28%. In this particular case the standard deviation value is high, reporting the variation of calculated values; i.e., unevenly distributed positive responses in case of providing of the individual forms of support offered by investors.

The third field of managerial support, most frequently identified by investors as provided, was the communication management. The arithmetic mean value of percentage of positive responses reached 60%; i.e., on average 60% of investors provided some of mentioned forms. The standard deviation value equals to 20%. The standard deviation value can be considered as higher; i.e., the values of relative frequency of number of positive responses

of the individual forms of the managerial support are not around the arithmetic mean value.

The arithmetic mean of percentage of positive responses in the interpersonal field was found out in the value 45%; i.e., on average 45% of respondents were perceived as coaches and/or trustees. The standard deviation takes the value 5%, such value can be considered as low; i.e., the values of individual frequencies vary around the value of arithmetic mean of percentage of positive responses and the information capability of the result is high.

Identified level of the arithmetic mean of percentage of positives responses in the domain of the support to management, offered by investors in the form of human resource management, was 44% and the standard deviation value 20%. On average 44% of respondents expressed themselves positively as regards their support to company management in the sphere of human resource management.

Commercial sphere is one of the least frequently highlighted domains of support to management, the arithmetic mean value of the percentage of positive responses equals to 38%; i.e., on average 38% of respondents confirmed providing of the forms of their support in the commercial sphere. The standard deviation value, ranging around the arithmetic mean, reached the level 21%.

The least frequently identified domain of involvement of investors, specifying provided forms of managerial support, was the field of operative management. The sum of arithmetic mean value reached 25%, while the relative deviation was low, amounting to 5%. The smallest number, on average 25% of venture capital investors, was involved in company operative management.

In the domain of strategic management all respondents unambiguously marked their help with formulation of business strategy. 90% of respondents expressed themselves positively in the issue of providing of consultancy in the questions dealing with the expansion and consultancy ev. co-partnership in the formulation of marketing or production strategy, 80% of respondents specified providing of their support offered for the planning for internationalization and support in the establishment of organization structures. 70% of respondents expressed their approval with the providing of managerial support to companies as regards definition of company corporate processes and participation in the development of product or service.

In the domain of financial management 100% of respondents highlighted their support, provided to companies, by supervision of company financial development. 90% of respondents emphasized their support in the form of their assistance with the drawing up budgets and financial plans and external fund acquisition. Seven respondents, in relative expression 70% of respondents, supported companies in the alternative equity capital acquisition. Totally 20% of respondents offered their support in the applying for subventions or grants.

Table 1: Domains and Forms of Managerial Support Offered to Domestic Company by Venture Capital Investors

1	2	3	4	5	6
Strategic management	Co-operation in business strategy formulation	10	100%	83%	10%
	Consultancy with company expansion	9	90%		
	Consultancy/co-partnership in formulation of marketing or production strategy	9	90%		
	Support with organizational structure establishment	8	80%		
	Consultancy - planning for internationalization	8	80%		
	Support with definition of corporate processes	7	70%		
	Participation in development of product /service	7	70%		
Financial management	Supervision of financial development	10	100%	74%	28%
	Assistance in drawing up budgets/financial plans	9	90%		
	Support with external fund acquisition	9	90%		
	Support with alternative acquisition of own equity	7	70%		
	Support with subsidy acquisition (grants, subventions)	2	20%		
Communication management	Contacts with companies included in the portfolio	8	80%	60%	20%
	Contacts with lawyers/consultants	8	80%		
	Contact with investment banks	7	70%		
	Contact with press	6	60%		
	Contact point (interface) with investors (investment group)	5	50%		
	Contacts with the CEOs of companies included in the portfolio and managers of research and development	2	20%		
Interpersonal function	Role of coach	5	50%	45%	5%
	Role of trustee	4	40%		
Human resource management	Help with recruitment of management staff	8	80%	44%	20%
	Help with recruitment of team members - generally	5	50%		
	Active help – improvement of staff motivation	4	40%		
	Selection of key staff (technical sphere)	3	30%		
	Co-operation in negotiating of employment contract contents	2	20%		
Commercial sphere	Active help in attracting customers	5	50%	38%	21%
	Active help in attracting reference customer	5	50%		
	Active help in attracting business partners	5	50%		
	Consultancy – selection of suppliers and equipment	0	0%		
Operative management	Solution to crises and routine operation problems	3	30%	25%	5%
	Supervision (feedback) of operative businesses	2	20%		

Source: own research.

The following forms of managerial support are included in the domain of communication management. Establishment of contacts with companies, included in the portfolio of investors, and negotiation of contacts with lawyers or advisors were mentioned most usually (80% of respondents). Seven respondents (70% of respondents) initiated contacts with investment banks. Six respondents (in relative expression 60% of respondents) offered contact with the press. 20% of respondents emphasized their support in the form of handing-over of personal contacts to the CEOs of companies, contained in their portfolio, and managers of research and development department.

50% of respondents carried out the interpersonal function by means of the role of coach and 40% of respondents held the role of trustees.

In the domain of human resource management 80% of respondents specified following forms of their support: help with selection of management staff; 50% of respondents mentioned their help with recruitment of team members. 40% of respondents offered their expert help with solution to the improvement of the staff motivation. 30% specified their support in the recruitment of key technical staff and 20% of respondents emphasized their partnership in the negotiations about the contents of employment contracts.

50% of respondents marked three (out of four) types as provided forms of their support in the commercial sphere. These are: active help in attracting customers, active help in attracting reference customers, active help in attracting business partners. None of the respondents quoted consultancy activity undertaken for the selection of suppliers and equipment.

Within the framework of the operative management 30% of respondents helped to solve crises and problems in routine operation and 20% of respondents supervised operative businesses.

Part 2: Research of Factual Forms of Transfer of Managerial Support to Companies Provided by Venture Capital Investors

Table 2 summarizes the results of partial research. The first column of the Table 2 shows factual forms of managerial support, lined up from the forms with the highest reached frequency to the least ones. The second column specifies found-out values of absolute frequency; the third column identifies found-out values of relative frequency.

The most frequently mentioned provided form of managerial support was the help of investors with business strategy formulation – identified by 100% of investors, as well as their supervision of financial development.

Nine responses (out of total possible 10), resp. 90% of all investors, agreed with providing of their support within the framework of consultancy services offered in the issues of company expansion, and participation (or co-partnership) in formulation of company marketing or production strategy. The identical frequency of affirmative statements identified providing of help in the drawing up company budgets or financial plans and support

in acquisition of external funds. 80% of investors offered their help in the establishment of company organizational structure and personal consultancy rendered for planning for internationalization. The identical percentage of investors confirmed sharing of know-how in the form of their aid in the selection of members of management. Moreover, totally 80% of investors also stressed the establishment of contacts with companies included in their portfolio and contacts with lawyers/advisors.

70% of venture capital investors highlighted transfer of managerial know-how as regards the definition of company processes and co-partnership in the development of product or service, equity capital acquisition and establishment of contacts with investment banks.

Six investors, in relative expression 60% of investors, mentioned making of contacts with the press.

Totally 50% of investors formed a sort of contact point, or interface, with other investors, or investment groups, as the case may be. The same relative number of investors participated in recruitment of team members, actively contributed to the acquisition of customers, reference customers and business partners.

Five investors (50% of investors) acted as coaches of company management.

Four respondents, representing totally 40% of respondents, actively assisted with the staff motivation strengthening. The identical number of respondents emphasized their role of trustees.

30% of respondents highlighted transfer of managerial know-how in the form of their help with solution to crises and problems with the routine operation and help with key technical staff recruitment.

The absolute frequency 2, corresponding with 20% of respondents, was investigated in case of managerial support in the form of the establishment of contacts with the CEOs of companies included in the portfolio of investors and managers from research and development departments, co-participation of investors in negotiating of contents of employment contracts, support offered by investors as regards subsidy awarding process (grants, supports) and supervision, or feedback, of operative businesses.

None of the investors identified the field of selection of suppliers and equipment as provided domain of their consultancy services.

Table 2: Forms of Managerial Support Provided by Venture Capital Investors Offered to Domestic Companies

Provided form of managerial support	Frequency of affirmative marking	Relative frequency
Co-operation in business strategy formulation. Supervision of financial development of company	10	100%
Consultancy as regards company expansion. Consultancy/participation in identification of marketing or production strategy; help with drawing up budgets/financial plans; support to acquisition of external funds	9	90%
Support to establishment of organizational structure; consultancy in planning for internationalization; help with recruitment of management staff; contacts with companies included in the portfolio; contacts with lawyers/advisors	8	80%
Support to defining of company processes; participation in development of product/service; support to alternative acquisition of equity capital; contact with investment banks	7	70%
Contact with the press	6	60%
Contact point (interface) with investors (investment group); help with recruitment of team members – generally; active help in attracting customers; active assistance in attracting reference customers; active help in acquisition of business partners; role of coach	5	50%
Active help in staff motivation improvement; role of trustee	4	40%
Assistance in solution to crises and operative routine problems; help with recruitment of key technical staff	3	30%
Establishment of contacts with the CEOs and managers of department of research and development included in the portfolio; participation in negotiating of employment contracts; support in grant acquisition (grants, subsidies); supervision (feedback) of operative business	2	20%
Consultancy – selection of suppliers and equipment	0	0%

Source: own research.

3 Discussion of Results of the Empirical Research

To say a few words by way of introduction, a statement can be made – on the basis of achieved results of the research carried-out by the author – that venture capital investors with registered seats of their companies situated in the territory of the Czech Republic do provide non-financial value added to domestic companies.

The results of various research projects, aiming at the issue of the existence of non-financial value added in the financing of companies by venture capital and their analysis, represent the point of departure for the following debate.

Works of MacMillan (1987), Sapienza, Timmons (1989), Rosenstein et al. (1993), Ehrlich et al. (1994), Boué (2005) are frequently mentioned studies presented in the expert literature, and also part of the studies, being the starting points of the research of value added financing by venture capital funding.

In the results of his analysis MacMillan (1987) asserts that most frequently provided form of the investor's support, or role of the investor in the company, is the so-called "Sounding Board". The help with alternative acquisition of equity capital, establishment of contacts with investment group, monitoring of financial development, monitoring of company development and active assistance in acquisition of alternative foreign funds are the key domains of support provided to companies.

Sapienza, Timmons (1989) identify the Sounding Board, advisor and coach as the most important forms of the company support, provided by venture capital investors. Afterwards, their roles of the so-called financier, friend or trustee and establishment of contacts follow.

Rosenstein et al. (1993), consistently with the findings of Sapienza, Timmons (1989), monitors the support offered to companies as regards know-how transfer in the form of the so-called Sounding Board, establishment of contact with investment groups, operative supervision of company development, appointment or removal of company management and help of investor with solution to short-term, operative problems.

According to Ehrlich et al. (1994), the most important types of support, given by venture capital investors to company management, are the establishment of contacts with investment groups, advisory role in acquiring of alternative equity capital, supervision of financial development, Sounding Board, operative supervision of company development and business strategy formulation.

As regards the non-financial value added, Boué (2005) publishes that domains and forms of support, most frequently provided by investors, are monitoring of company development and supervision of strategic planning application, rendering of consultancy services, access to information, establishment of contacts and coaching.

A comprehensive analysis of foreign studies indicates that the support, provided by foreign venture capital investors, is often received in the domains of the so-called Sounding Board, establishment of contacts, financial management, strategic and operative management and consultancy services.

A summary of results of selected foreign studies – see Table 3.

Table 3: Most Frequently Provided Forms of Managerial Support - Outcomes of Selected Foreign Studies

Identification of authors	MacMillan (1987)	Sapienza, Timmons (1989)	Rosenstein et al. (1993)	Ehrlich et al. (1994)	Boué (2005)
Return rate	18%	24%	26%	Addressed 12 investors - return rate 100%	Interview with 20 investors – quorum 100%
Forms of professional help as regards their significance	Sounding Board	Sounding Board	Sounding Board	Contact with investment group	Monitoring of company development and supervision of strat. plan implementation
	Help with alternative own equity funding acquisition	Financier	Contact with investment group	Arrangement of acquisition of alternative own equity funding	Consultancy services
	Contact with investment group	Friend, trustee	Operative supervision of company development	Supervision of company financial development	Providing of information
	Monitoring of financial development	Establishment of contacts	Appointment or removal of management	Sounding Board	Maintaining of contacts
	Monitoring of company development	x	Help with solution to short-term, operative problems	Operative supervision of company development	Coaching
	Help with acquisition of external foreign funds	x	x	Formulation of company strategy	x

Source: own research.

Subsequently, on the basis of analyses of outcomes, confirmed by foreign studies, we can come to the logical conclusion that the role in the post of the so-called Sounding Board, contacts with other investors, support in search for alternative equity capital and external funds and monitoring – operative control function are the forms of support offered by venture capital investors to company management most commonly.

The results of research, undertaken by the author, give evidence of different situation existing in the providing of non-financial value-added as regards company venture capital financing in the territory of the Czech Republic.

The research suggests that most frequently provided domains of managerial support offered in the Czech Republic are:

- strategic management,
- financial management,
- communication management.

Specifically, these are the forms of managerial support¹ within the meaning of the:

- co-operation in business strategy formulation,
- supervision of company financial development,
- advisory services connected with company expansion,
- consultancy or (as the case may be) participation in formulation of marketing or production strategy of company,
- assistance in drawing up budgets or financial plans,
- support in collecting of external funds,
- support in establishment of company organizational structure,
- consultancy dealing with planning for internationalization,
- support in selection of company management staff,
- arrangement of contacts with companies included in the portfolio of investors,
- contacts with lawyers or advisors.

Five out of ten investors highlighted the activities within the meaning of the Sounding Board (i.e. coaching, mentoring) along with the liaison between investors (investment group), thus not ranking among most frequently offered activities. Investors marked their supervision of operative activity resp. activities in the field of operative management, with the least frequency, compared with results of mentioned studies.

Hence, differences can be noticed in the transfer of non-financial value added provided by the Czech investors. They focus on strategic management, financial management and activities undertaken in the sphere of communication management, in contrast with foreign investors, who emphasize their roles of coach, mentor and more usually are involved in operative management (compared with the Czech investors). An agreement can be traced in the support aiming at the acquisition of external, ev. alternative equity capital.

The assumption on differences in the providing of non-financial added value, offered by domestic venture capital investors, can be accepted on the grounds of above described acquired knowledge.

Moreover, the research conclusions support the findings of facts that venture capital investors do not substitute professional managements of the companies; as appears from the personal experience of the author, operative management of company is the domain where domestic investors are not involved.

On the contrary, company owners as well as company managements frequently do not want the investors to take-over direct management of their companies.

¹ A minimal limit (80% of respondents) was established to determine most frequently provided form of the support.

An investor joining agreement modifies investor's authority in the company. The Sounding Board, within the meaning of coaching and mentoring, is the domain which cannot be included in such agreement easily. Can such finding mean greater openness of professional management towards investors? Formulation of such answer would demand more in-depth investigation of such phenomenon.

Nevertheless, the fact must be underlined that reported results of presented research monitor the situation and specific features in the venture capital market in the Czech Republic; the ambition is not to notify venture capital investors of different aiming of their activities in the companies by following the examples from abroad.

Divergences in the results of foreign studies and the results of domestic research should be perceived rather as the survey of situation existing in the venture capital market in the Czech Republic, not as a guideline suggesting venture capital investors to direct their activities differently, using the examples from abroad. The results of presented research should be supported by obtained results of subsequent research, identifying in what way the intensity of support of any venture capital investor would be reflected in company development and whether just between the intensity of his support and company development would exist any link in our conditions.

Conclusions

The result of empirical research, based on the questionnaire survey undertaken among domestic venture capital investors, identified domains of managerial support provided by venture capital investors most frequently, and forms of managerial support offered most frequently.

Strategic, financial and communication managements rank among domains with the highest rate of support provision. Co-operation on business strategy formulation, supervision of company financial development, advisory services connected with company expansion, consultancy or (as the case may be) participation in formulation of marketing or production strategy of particular company, assistance in drawing up budgets or financial plans, support in collection of external funds, support in establishment of company organizational structure, consultancy dealing with planning for internationalization, support in selection of company management staff, contacts with companies included in the portfolio of investors and mediation of contacts with lawyers or advisors are the forms offered most frequently.

The analysis of conclusions of foreign studies showed that managerial support, provided by foreign venture capital investors, often focused on the so-called "Sounding Board", building contacts, financial management, strategic management, operative management and consultancy.

Thus, an agreement can be found in the strategic management, financial management and communication management. The results of the research indicate that domains of the Sounding Board and operative management are negligible as regards the managerial support offered by investors. Thus, expressed assumption of the author on the existence

of variances in providing of non-financial added value, as offered by domestic venture capital investors, has been proved.

Especially owners and company managements, considering serious possibilities of funding for their corporations' activities, can exploit effectively the outcomes of research. Venture capital itself represents the so-called "smart money"; an investor is personally involved in good development of his company and allocates not only his financial funds, but also his knowledge, contacts, information. In the sphere of theory, science and research we can talk about the clearing up the grey areas in the sphere of the investigation of company funding, specifically broadening of the knowledge of alternative funding methods as represented by venture capital.

The field studying the professional help offered by venture capital investors demands an in-depth survey, especially in relation to the intensity of transfer of non-financial value added and degree of company development.

Acknowledgement

The paper is the output of the specific research "Effective Economic Management of Company with Respect to Development of Global Markets" of the internal grant agency of the Brno University of Technology, registration number FP-S-12-1.

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Contact address

Ing. Jaroslava Rajchlová, Ph.D.

Brno University of Technology / Vysoké učení technické v Brně
Faculty of Business and Management / Fakulta podnikatelská
(rajchlova@fbm.vutbr.cz)