

Entrepreneurship and Venture Capital

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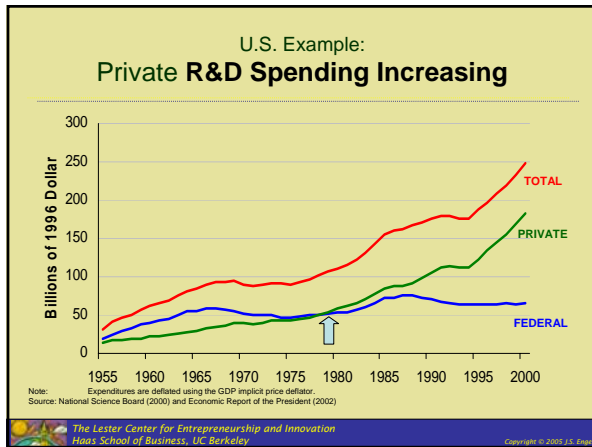


- UC Berkeley
 - Founder and Executive Director of the Lester Center for Entrepreneurship and Innovation
 - Chair: Entrepreneurship Faculty
 - Teach Entrepreneurship, Venture Capital & Private Equity, Technology Commercialization in the MBA and Executive Ed
- Outside of Academe:
 - Venture Capital
 - Monitor Venture Partners, General Partner
 - Co-founded: Kline Hawkes Capital early '90s
 - Entrepreneur
 - Co-Founder: AllBusiness.com, ElectraScan Inc., CardioProfile
 - Angel Investor, Board member, Advisor: Maxis, Leapfrog, MedAmerica
 - Big Company Experience
 - 1980s: Ernst & Young, Managing Partner, Entrepreneurial Services
 - » Clients: Apple, Intel, Genentech, Sun, Autodesk, Fair Isaac, The Learning Company and more..
 - 1970s: KPMG

Entrepreneurship and Venture Capital

- What are the Drivers of Innovation?
- Why are Entrepreneurship and Venture Capital Important?
- What is Entrepreneurship?
- How Does Venture Capital Work
- What are the current trends?
- What does all this mean to me?

Drivers of Innovation in the US High Tech Model



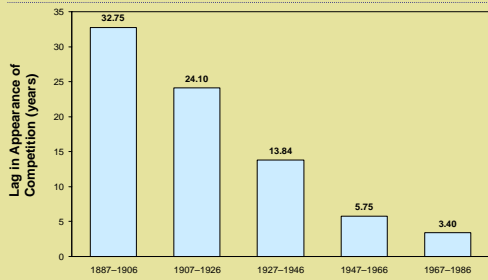
The Proportion of Research Expenditure at Our Largest Corporations is Decreasing

Company Size	1981	1989	1999	2000
→ <1000 employees	4.4%	9.2%	22.5%	22.4%
1,000 - 4,999	6.1%	7.6%	13.6%	15.4%
5,000 - 9,999	5.8%	5.5%	9.0%	8.4%
10,000 - 24,999	13.1%	10.0%	13.6%	14.4%
→ 25,000+	70.7%	67.7%	41.3%	39.5%

Original - H. Chesbrough, 2003. Updated J. Engel 2003
Source: National Science Foundation, Science Resource Studies, Survey of Industrial Research Development, 1991, 1999 and 2000.

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Time to Market Adoption Continues to Decrease



Interval between the introduction of an innovation and competitive entry, 1887-1986. Agarwal and Gort 2001

What is Entrepreneurship ?

- An approach to management that starts with **opportunity**
- Not just small companies
- Not just start ups
- Not simply promoters



Entrepreneurship Bridges the Gap



Entrepreneurship is:

- A process
- Not a person

- About BIG companies that happen to be small
- Not about small business

- Important to BIG business

Entrepreneurship

The pursuit of Opportunity beyond the
Resources you currently control



Prof. Howard Stevenson
Working Definition

Entrepreneurial Process

- **Identify**  *Opportunity*
 - Need
 - Solution
 - 'Unfair Advantage'

- **Acquire**  *Resources*
 - Technology rights
 - People
 - Money

The Entrepreneur's Task....

- Key Resources
 - Technology
 - Money
 - People

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Major Trends.....

- Technology
 - Discoveries of large companies and universities commercialized by small companies
- Money
 - From Venture Capitalists: new structures for pooling risk-tolerant investors
- People
 - The rise of the professional entrepreneur and **entrepreneurial teams** as a management process

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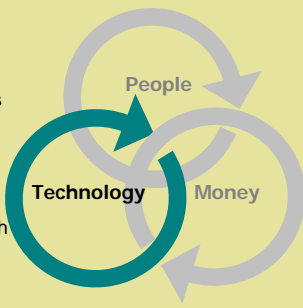
Entrepreneurial Process

- Key Mechanisms:
 - **Mobile** Technology
 - **Mobile** People
 - **Mobile** Money

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Entrepreneurial Process

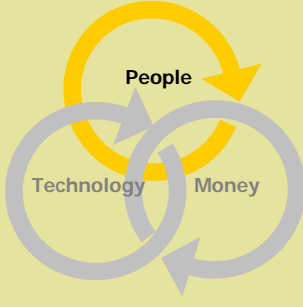
- **Mobile Technology**
 - Transfer of technology from research institutions to commercial application
 - Formal - through licensing
 - Informal - through people



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Entrepreneurial Process

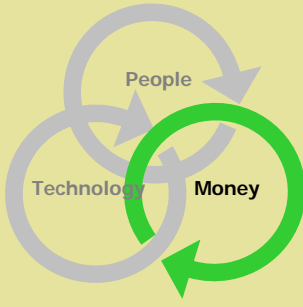
- **Mobile People**
 - The emergence of the “professional” entrepreneurial management team
 - Lifestyle: personal mobility, multiple employers
 - Equity compensation
 - Acceptance of the risk of failure



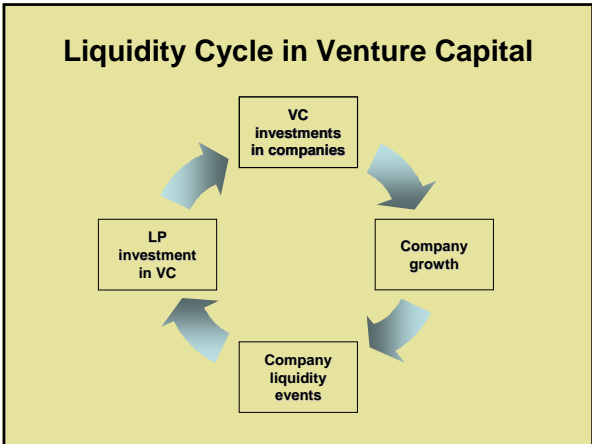
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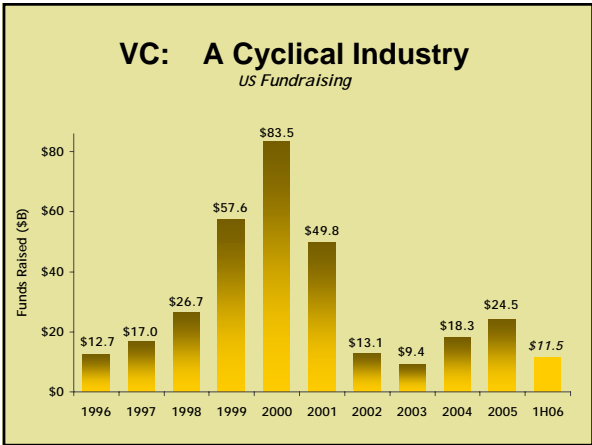
Entrepreneurial Process

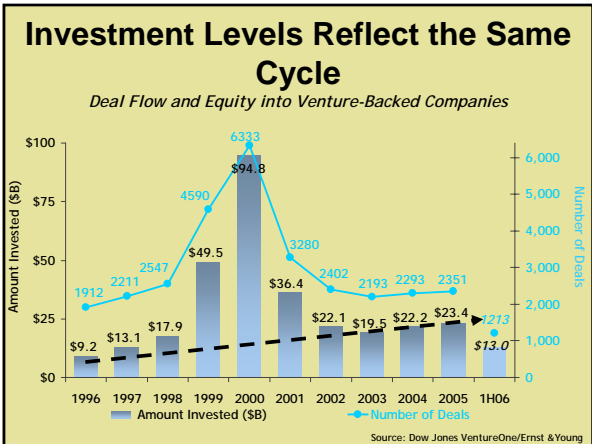
- **Mobile Money**
 - New forms of Private Equity
 - International investments by US Venture Capital
 - Multinational corporations become more active
 - Buy-out funds becoming more active
 - Increased sophistication of the Angel communities

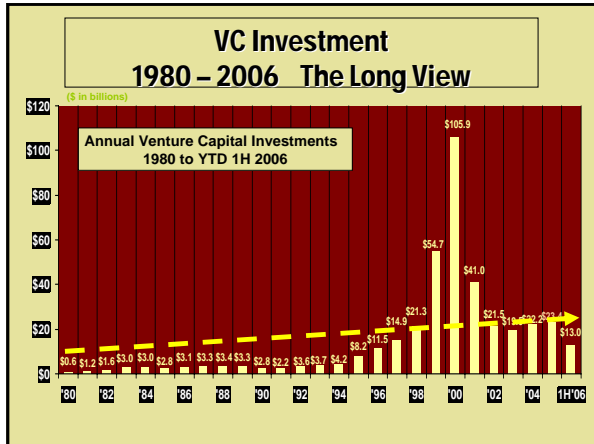


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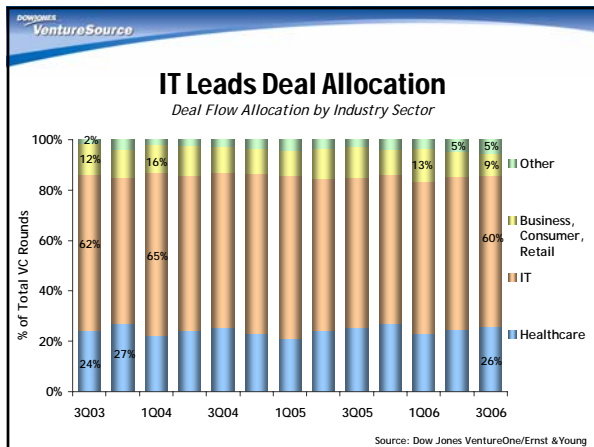


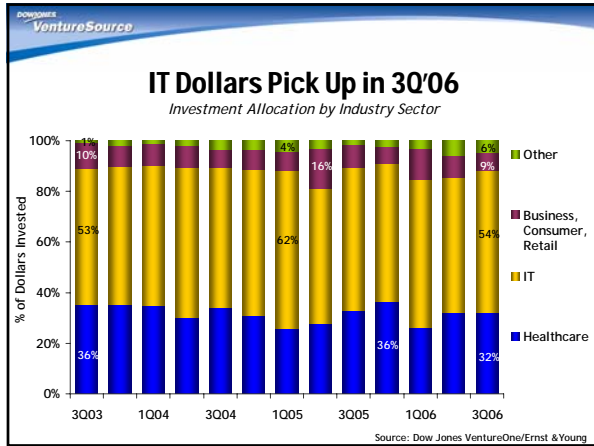


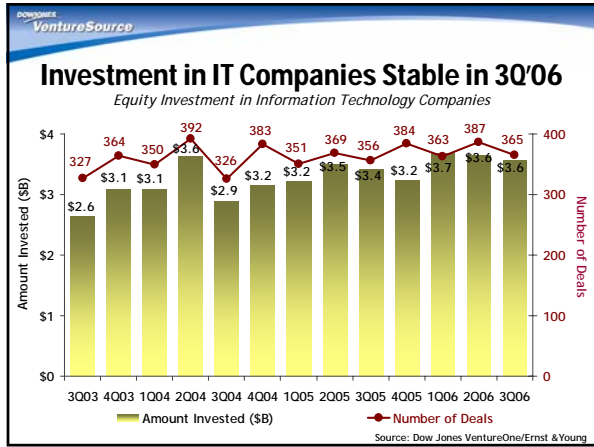


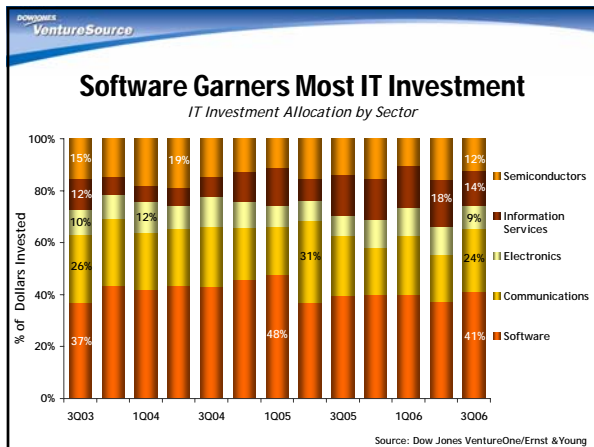


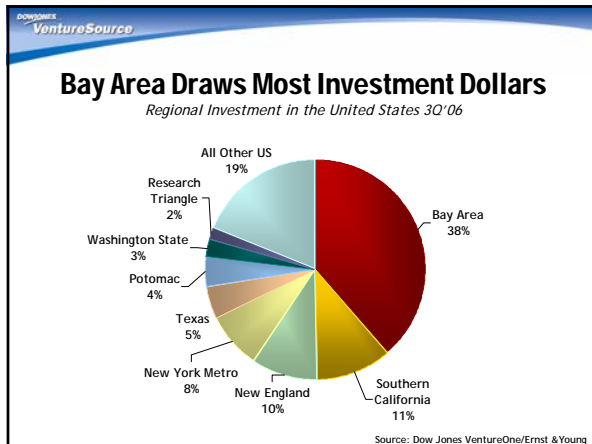
U.S. Investment: Overall

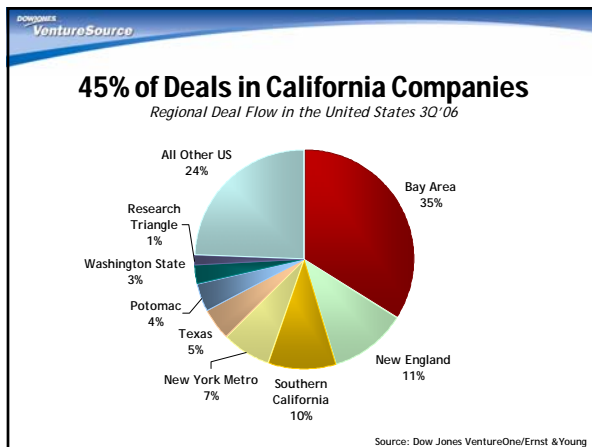




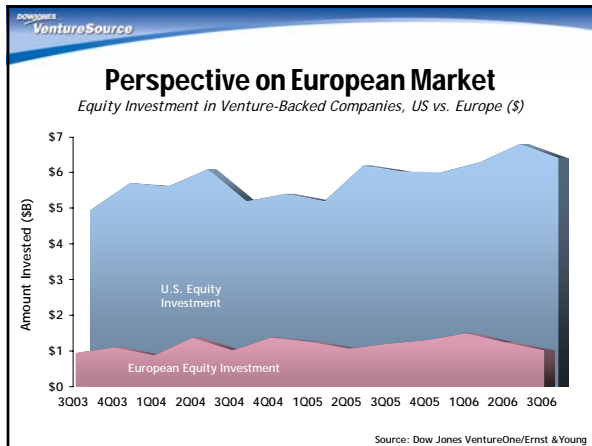


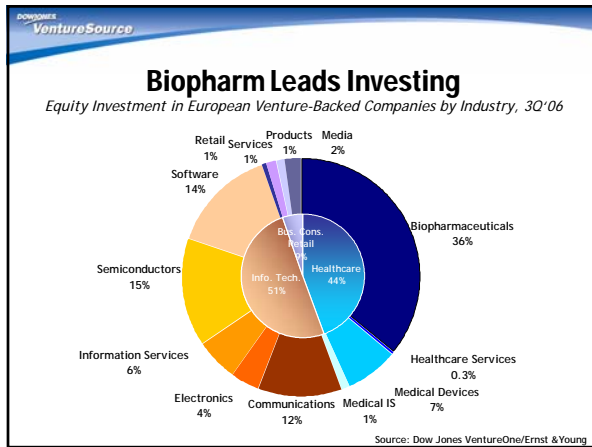


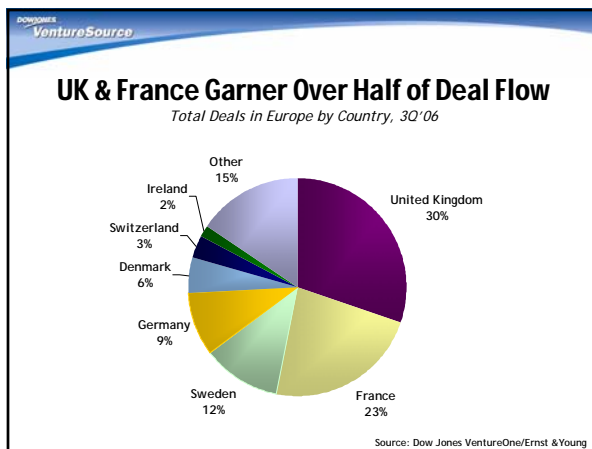




**European Investment:
 Overview**





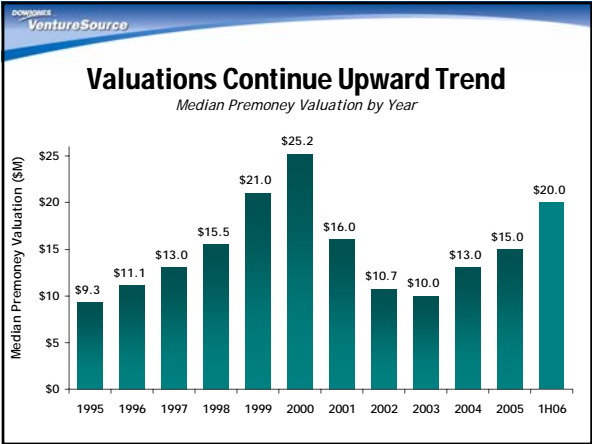


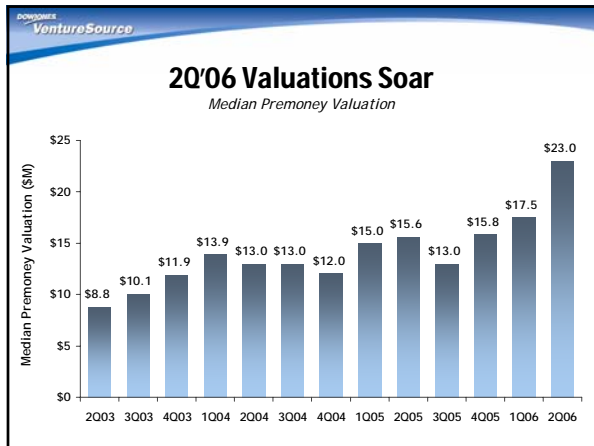
Valuation of the Venture Capital Funded Venture

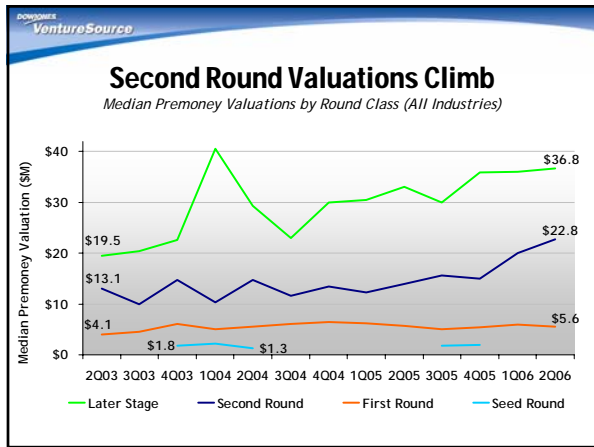
DOUGLASS
VentureSource

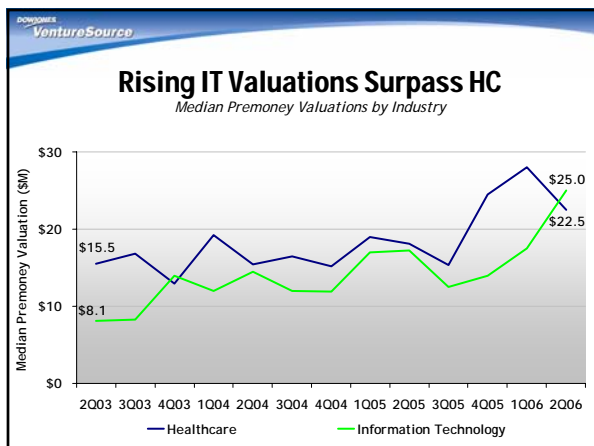
U.S. Investment: Valuations

This section will be updated in December.



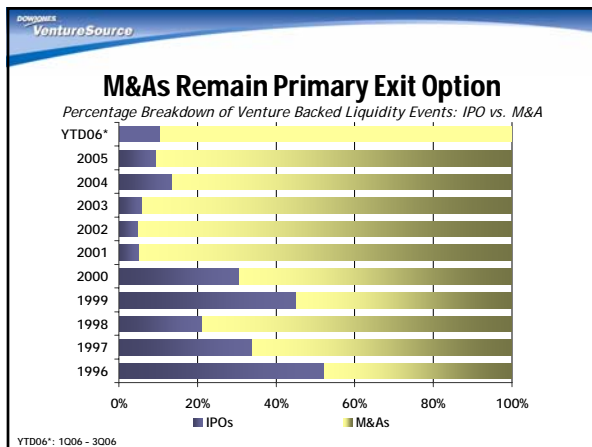






DOUGLASS
VentureSource

U.S. Liquidity



What are the Trends we have Observed?

- Venture Capital is a very special and unique category of PE
- It is highly concentrated in a few unique locations and industries
- Cyclical and uncertainty are key factors
- There are surprising consistencies given these factors
- UC Berkeley, right here, right now – is a unique and great place to study VC!

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Thank You
