

**VENTURE CAPITAL – A RESOURCE FOR FINANCING RESEARCH AND
INNOVATION.**

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1. INTRODUCTION.

The venture capital origin is founded in the early organization of Spanish expeditions. In that time, the venture and entrepreneur navigators had, only, the navigation art and sailors skillfulness. They were searching “sponsors” (venture capitalists) for financing the expedition aimed to bring treasures from the new world.

The basic idea of financing that kind of expedition is still maintained in modern venture capital understanding, with the difference of smaller risks.

The Boston and Silicon Valley companies’ success, in the period of 1970-1980, showed that the industry had an evolutionary trend, the small companies were creating wealth and financing might follows that evolution.

2. VENTURE CAPITAL DEFINITIONS.

As terminology, venture capital is provided by the American expression of “venture capital” [1]. The same terminology is used in French literature, respectively “Le capital-risque”, without an explanation to exist, how the “venture” was transformed in “risque”.

Pierre Battini proposed the following venture capital definition:

“Venture capital is a special financing source which is offered to the new and in development unquoted companies” [1].

Venture capital is a special financing source due some characteristics:

- this financing source is out of the traditional bank circuit;
- the decision method of this financiers is based upon other criteria than traditional ones;
- the shear owners of the venture capital are not simply spectators, but associates;

Venture capital is a financial supply of funds, which is effectuated by institutions which, less or more, have an implication in the company activity, with the aim of obtaining some profit by the price of their shares. This aim explains the orientation of these institutions to good business dossiers. By difference of classical banker, which claims patrimonial guarantees, the venture capital investor appears more like a partner which action on a larger an uncertain horizon.

From these aspects [2], also, it could state another venture capital definition:

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“Venture capital assures a financing supply on long term, for the supporting the unquoted companies, in the aim of their growing and development”.

The venture capital is invested into a part of company and the investors profit is dependent on business growing and development.

3. VENTURE CAPITAL AND INVESTORS TYPES.

By criteria of the existence stage company, in which the venture capital is inserted, there are [1]:

- start-up capital, for financing the company in the first years of existence;
- development capital, for the participation to the existing developing companies;
- transmission capital, which is dedicated to the power transmission operations, inside of the society, to the most motivated owners or to a managers' team.

The principles for establish venture capital investors types are:

- a) Low and fiscal state:
 - venture capital company (VCC)
 - innovation financial society (IFS)
 - public risk funds (PRF)
- b) Investment specialization by intervention type: start-up capital, development capital or transmission capital.
- c) Sectorial specialization in different areas: informatics, biotechnology, etc.
- d) Regional dimension: venture capital of the financial regional institutions.
- e) Funds origins:
 - public power or local community
 - industrial groups
 - banks and other financial institutions groups
 - independent teams

This classification is useful for those which offer projects, for optimizing the financial partner choice.

The venture capital financing is an associating partnership, on a medium term, between a managers' team and a financiers' team.

The initiation and the realization of this associating partnership suppose the following stages:

- preliminary contact
- financial tools choice
- active partnership
- partnership end.

4. REFERENCES.

1. Battini, Pierre -Le Guide Pratique du Capital Risque, InterEdition, Paris, 1988
2. x x x - An Introduction to Venture Capital, BVCA, England, 1999
3. x x x - Guide to Best Practice for Business Incubators in Eastern Europe, UNIDO, Ernst & Young, 1991.