



In March we set out to the Silicon Valley, the global hub for technology, innovation and venture capital. We had been lucky enough to receive the Sten A Olsson Scholarship, allowing us to expand the ambitions for our master's thesis in entrepreneurial financing. On the 6th of March we entered our less than cosy airbnb, where we, alongside a tiny mouse we decided to call Mickey, would spend the upcoming three weeks.

The aim of our study was to investigate “mixed syndicates” within the venture capital industry. In venture capital there are two main types of investors. The first and most common one being the independent venture firms (IVCs) and the second being the corporate investors (CVCs). The main difference between these actors are their incentives for investing, with IVCs solely focusing on financial gains for their limited partners, while CVCs invest with their corporate strategy in mind, trying to build on their current business model. The vast majority of venture capital investments happen through syndication, that is the collaborations between different investment firms. Historically IVCs have been somewhat hesitant to include CVCs in their syndicates due to their strategic incentives potentially creating conflicts. However, as the percentage of both invested capital and amount of investments being made by corporate actors have increased substantially the last few years (with it being over 20% in 2017), CVCs are being included in an increasing amount of syndicates.

Early on in the process we established that this topic lacked research from the point of view of the independent firms. We therefore posed the research question “*How do independent venture capital firms evaluate corporate venture capital arms as investment partners?*” and before leaving Sweden we emailed and called the offices of around 300 IVCs in the San Francisco Bay Area, ending up with 10 interviews with general partners from 10 different firms in The Valley.

Silicon Valley is situated about half an hour outside of San Francisco in a city called Palo Alto. To the naked eye Palo Alto appears to be a nice upper middle class suburb, with rows of cute houses and tidily kept gardens. But rarely has the saying “do not judge a book by its cover” been so fitting. Palo Alto is the home of over 7000 companies with a total of almost a 100 000 employees, and soon upon arrival in the small city we found ourselves going from one astounding office to the next, during busy days only stopping for a quick (extremely overpriced) coffee.

What we found when interviewing the general partners of the IVCs were insights that some non-scientific articles had alluded to, but few of the more research-based papers had grasped. Most IVCs generally avoid investing alongside CVCs as their strategic nature make them unpredictable as investment partners. If IVCs are to include CVCs in their syndicates, insuring predictability and that the CVCs stay on during the following investment rounds is the major concern. Even though much of the answers we were provided by the general partners showed a unanimous hesitance towards corporate investors, their different degrees of concern shone

through. Some laughingly called the CVCs tourist that would elop the industry as soon as the economy stumbled into a recession, while others more mildly stated that maybe corporations were better cut out at being the IVCs customers.

The Sten A Olsson Scholarship provided us the opportunity to enter the bubble that is The Silicon Valley. By getting close and personal interviews with general partners of major investment firms, we were able to get a better understanding of the inner workings of the venture capital industry than we could have ever hoped for. So much of the research done in this field is focused on providing definitive, generalizable results. However, what we found was an industry where all decisions are situation based, and a business culture that centers around trust and the ability to predict the behaviors of those you choose to invest your time and money alongside.

We got three weeks we will never forget.

/Philip Steen and Sebastian Misurák