

The industrial and regional patterns of startup financing transactions

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Based on a proprietary database of 967 Swiss start-up companies, 531 venture capital investors and 1,138 early-stage financing transactions we find that between 1999 and 2009, over CHF 4.5bn had been invested in Swiss early-stage firms. First of all, these investments turn out to be highly cyclical both regarding the number and the total amount of financing transactions. This is, to a large extent, due to the availability of venture capital and hence a result of the particular investor structure. Furthermore, we find that start-ups build regional clusters around universities and economic centers providing them with knowledge, networking opportunities, financial and entrepreneurial expertise and an ample customer base. This is in fact a key factor for the third aspect, namely the change in the industrial profile of the startup landscape. Precisely, we observe that after 2001, Life Sciences overtook ICT and today account for more than 70 percent of total early-stage investments. Life sciences now display the largest average and absolute investment amounts, the highest R&D investments and significant capital expenditures. Moreover, the industry pattern of early-stage firms mirrors the specializations of the local industry. These findings are generally relevant since they not only document how startup firms develop but also how the industrial and regional patterns of startup clusters evolve over time. Finally, some important conclusions regarding the relevance of venture capital can be derived.

Biography

Pascal Gantenbein, MRICS, is the Henri-B.-Meier full professor of Financial Management at University of Basel's Center of Economic Sciences. Pascal Gantenbein is author and co-author of several books and papers. His major publications are about fixed income instruments, portfolio theory, capital markets, real estate markets, corporate portfolio management, and venture finance. During the past decade, he has been involved with many academic institutions worldwide.

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