

# *The Journal of* **PRIVATE EQUITY**

Strategies and Techniques for Venture Investing

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**T**ake a step back from the day-to-day fluctuations in the stock market and examine this series of articles about the bigger picture and the longer term. While it is both exhilarating and consuming to be caught up in the market and technology changes of the moment, a good look back and off to either side often presents opportunities not currently in view.

The venture capital world is based on taking risks, getting capital into the hands of individuals starting new companies, and commercializing their projects. The venture capital (VC) process funnels the concentration of new ideas away from large companies and into small ones. An intriguing question arises about the concentration within venture capital firms themselves: Do the top few VC firms tend to have better returns than the rest? Do they raise more capital than the others? By how wide a margin? What are the trends? Our first article, by David J. BenDaniel, Jesse E. Reyes, and Michael R. D'Angelo, provides thought-provoking answers and sheds an interesting light on the high level of concentration that exists.

The late-stage leveraged buyout market in the United States is a mature business, with many recognized players and plenty of new entrants. This makes it hard to grow here in the U.S. But Europe is a different situation, and our next article, by Lien De Leenheer and Melissa Wong, discusses the state of the market on the Continent. Is there a "skills gap" between U.S. and European LBO funds? What is the trend for capital commitments? What types of returns are reasonable to expect? This article will sharpen your thinking about what is happening across the Atlantic.

Taking one giant step away from Europe, Dawn Sylvester and Fuad Egeli guide us to Sub-Saharan Africa, which they characterize as "a virgin emerging market" and "one of the last frontiers for private equity investors." How should we view Africa? As one giant continent, or as a collection of fifty diverse countries? How many funds are active in Africa today? Which countries stand out as the best places to invest? You may be surprised at the level of activity.

Corporate venture capital funds have been around for many years, yet we don't see much organized data on how well they perform. Chandra S. Mishra and David H. Gobeli examine the impact

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of brand equity and technology equity on overall firm value, as leveraged through corporate ventures. They also review the interplay between corporate venturing and free cash flow. Their results help us understand how and why a corporate venturing program works.

What country has the most efficient health care system? This is a tricky question to answer, as it isn't just about cost, but actually about effectiveness — which is far harder to measure. If you are like me, you immediately thought of the U.S., with its vibrant, market-based healthcare solutions, as clearly the most efficient in the world. Be prepared for an eye-opener from authors Carl M. Kjellstrand, Carl Kovithavongs, and Erika Szabo. When looking at dollars spent versus unavoidable and avoidable deaths, they rank the U.S. as the least efficient healthcare system on Earth. While I find it hard to agree with their outcome, their contribution to the debate is worth understanding.

Our final article is a Commentary by Burt Alimansky — one that we hope many of you will offer to those who appear at your door with business plan in hand. Loaded with insights, this brief piece will help potential entrepreneurs get a better handle on how to prepare and present a successful funding proposal.

**James E. Schrager**  
Editor