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Book review: Gavin C. Reid and Julia A. Smith, Risk appraisal and venture capital in high technology new ventures. London and New York: Routledge, 2008. 220 pp.; 9780415373517, £85.00 (hbk)

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Gavin C. Reid and Julia A. Smith, *Risk appraisal and venture capital in high technology new ventures*. London and New York: Routledge, 2008. 220 pp.; 9780415373517, £85.00 (hbk)

The book, *Risk Appraisal and Venture Capital in High Technology New Ventures*, co-authored by Gavin C. Reid and Julia A. Smith, examines the issue of risk in new innovation and technology-based firms from both the investor and the entrepreneur perspective. The book is based on a substantial research project, combining extensive quantitative work with qualitative measures – questionnaires and face-to-face interviews. This latter component is a welcome addition to a literature that has remained relatively sparse in terms of qualitative treatment of venture capitalists' decision-making strategies. The qualitative material adds much needed depth in our understanding of a complex topic where, as the authors note, 'the complexity and novelty of the technological setting may make standard methods of risk appraisal irrelevant or ineffectual' (p. 33). The book focuses on three classes of risk: agency risk, innovation risk, and business risk, and explores how these are managed by both investors and entrepreneurs.

The book is of particular value as it presents its results and main findings in a clear and precise form that will be of use not only to academics, but also to those practitioners and policy makers involved in financing venture capital activities. While it remains an academic publication, the willingness of the authors to make their findings accessible for practitioners is particularly welcome. The general reader will appreciate the summary of the main findings in the preface, the short conclusion section of each chapter and the nine pages of the final conclusion chapter summarizing the contents and discussing the main findings. Specialist readers will be reassured by the rigour displayed in more technical chapters, particularly the review of project methodology in Chapter 3, and detailed statistical and econometric analysis to be found throughout the book. Endorsed by key figures of the British Venture Capital Association, funded and supported by several research foundations, the high level of quality of the book also reflects the impressive peer-review process including much intellectual feedback from venture capital institutions, experts and practitioners, participants at numerous workshops and conferences.

The book's eleven chapters are grouped into six parts. The first part ('Conceptual Framework') introduces the book's purpose and objectives, reviews the literature on risk appraisal, provides insight into the UK venture capital market, explains the policy context and details the three stages of the research approach underpinning this book (Chapter 1, 'Background': determining sampling frames; designing questionnaire schedule for face-to-face interviews with venture capital investors and entrepreneurs; and, the postal questionnaire). The presentation of the methodology is very well done; the reader will appreciate the key concerns for quantitative and qualitative risk assessment structuring the questionnaire and the presentation of the results. The second chapter ('Risk and Uncertainty') provides theoretical and empirical background on risk and uncertainty and focuses

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on the following issues: qualitative and quantitative uncertainty; agency, innovation and business risk; uncertainty and risk assessment; risk and uncertainty in high-technology ventures; and, intellectual property.

Part two ('Sampling and Evidence') explains how samples of venture capital investors and entrepreneurs were collected, how the questionnaires were designed for the interviews, and how the postal questionnaire was constructed. Starting from preliminary fieldwork and selection of investees, the instrument design and interview agenda are detailed, the conduction of interviews is explained, and construction and analysis of the final database is presented (Chapter 3, 'Sampling, Fieldwork and Instrumentation'). The fourth chapter ('Venture Capitalists' and Entrepreneurs' Conduct') investigates how UK venture capitalists and entrepreneurs approach the issue of risk in the high-technology sector. First, exploratory, descriptive results are presented related to risk attitudes, factors in risk appraisal, features of innovation risk, and non-financial factors.

Part three ('Statistical Analysis') provides more sophisticated data treatment and includes a particular focus on first ranking the risk of investment stage, opposing venture capitalists to entrepreneurs and, second, comparing key factors in risk appraisal of both groups (Chapter 5, 'Investor and Entrepreneur'). Findings demonstrate that VC investors focus more on incentives and information systems, as opposed to entrepreneurs focusing more on markets, growth and the local environment. A further positive point of the authors' approach is to include somewhat neglected variables in the venture capital and high-technology literature as illustrated by the 'local environment' (interestingly, this is much more deeply assessed by entrepreneurs than investors). Chapter 6 ('Risk Appraisal by Investors') shifts the focus exclusively to the investor and presents, first, general quantitative evidence and, second, a more detailed focus on perceived riskiness of investment types and the perceived importance of general factors in risk appraisal.

Part four ('Case Study Analysis') develops the empirical content of the book by providing further evidence of investment decision processes. Five cases are presented to illustrate the awareness of three types of risk that have been identified as being important (business risk, agency risk, and innovation risk; cf. Chapter 7, 'Case Study Analysis of Risk Appraisal by Entrepreneurs'). Chapter 8 ('Further Illustrative Case Studies') presents five further illustrative case studies.

Part five ('Reporting and Investment') includes two chapters (entitled 'Reporting, Risk and Intangibles', 'Behavioural Variables and Investment'). The purpose of Chapter 9 is to examine the conduct of UK investors regarding their provision of finance capital. The findings highlight that investors prefer to rely upon their own procedures and processes rather than those of investees in evaluating potential investments in the high-tech industry. Chapter 10 concludes the empirical part of the book, examining the ways in which venture capitalists value new high-tech firms.

The final section ('Concluding Material') presents an excellent conclusion summarizing the contents and the main findings; the discussion opens directions for future research. In addition, the appendices are very well presented and complete and include all relevant information documenting the different steps of the research program (pre-letters, face-to-face questionnaires, and postal questionnaires, for example).

In sum, this is a high quality volume that should be an essential library purchase and recommended reading, not only for scholars and advanced graduate students, but also a highly valuable book for all stakeholders involved in high-tech industry venture capital.

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This post on best Venture Capital Books is to give you a heads up on venture capital & a sneak peek in what they are and their best takeaways.Â However, there is often a higher level of risk involved in these start-ups or small businesses since they revolve around some novel business idea which might or might not work in the real world. On the other hand, they offer the prospect of much higher than average returns on investment, if the business idea clicks. Risk appraisal and venture capital in high technology new ventures 1 copy. The foundations of small business enterprise : an entrepreneurial analysisâ€¦ 1 copy.Â Gavin C. Reid is currently considered a "single author." If one or more works are by a distinct, homonymous authors, go ahead and split the author. Includes. Gavin C. Reid is composed of 2 names. You can examine and separate out names. Reference Risk Appraisal and Venture Capital in High Technology New Ventures, Gavin C Reid and Julia A Smith, Routledge, 2008. 37 Figure 4.3 Most important factors in risk appraisal (venture capitalists) 38 Figure 4.4 Most important factors in risk appraisal (entrepreneurs) 39 Conclusion Differences Between Investors and Entrepreneurs. Investors focus more on management team, motivation, empowerment, and employee capabilities i.e. what make the relationship tick.