In today’s modern economy a country’s or region’s competitiveness lies in its capability to innovate. Whilst earlier old and established companies were reliable producers of innovation as well as jobs, that is changing. The big corporations are outsourcing and downsizing, and the new technologies are emerging from companies that did not exist 20 years ago. Governments have come to realize that in order to sustain economic growth and create jobs they must have a policy that facilitates entrepreneurship. One of the important components in this policy is the supply of venture capital. Nowadays there are few fast-growing high technology companies that have not been financed by venture capital at some stage. If they haven’t obtained venture capital, they probably tried to obtain it. Governments all around the world are creating schemes and policies that will facilitate the supply of venture capital.

The increased attention given to venture capital from policy makers is also evident within the research. The amount of research and literature on venture capital is enormous. There are several academic journals devoted solely to venture capital, and venture capital research is occurring in a large number of journals; numerous books on venture capital are published yearly. Though the venture capital phenomenon is not new, it generates an increasingly large amount of research.

We are at a stage when it is suitable to synthesize the research findings and see what we know and what we do not know about venture capital. This volume presents the state of the art in venture capital research. It includes writing from the elite of the venture capital researchers around the world and covers the most central aspects of venture capital research. This volume gives the reader a unique opportunity to understand what venture capital is and how it works.

The Swedish Institute for Growth Policy Studies (ITPS), Swedish Foundation of Small Business Research (FSF), and Swedish Agency for Economic and Regional Growth (NUTEK) have as their mission to improve the entrepreneurial climate and the economic growth in Sweden. We see the supply of venture capital as one of the crucial factors to unleash the growth potential in the economy. We are proud to sponsor this handbook, and we are convinced that it will be a frequently read resource for anyone interested in venture capital and in fostering economic growth – as well as those who want to understand the modern economy.

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