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Venture Capital Firms' Investment Management Strategy
in China:
A Resource Availability Perspective

在中國的風險投資公司的投資管理策略：
可用資源的影響

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ABSTRACT

The Venture Capital Investment Management model combines the resources of a venture capital firm (VCF) and those of a portfolio company (PC) to render the PC more competitive and to facilitate its growth. VCFs often seek to invest in innovative ventures with novel ideas or technology. They provide the vital financial resources and add values to PCs by their vast range of non-financial resources such as their own reputation and social networks, access to low cost capital, identify suppliers and customers, provide advices and monitor the venture, formulate strategy, and recruit management talent. Through the VCFs non-financial resources, founders of PCs become more responsive to opportunities and develop the abilities to combine intangible and tangible resources to exploit opportunities in a novel fashion. Multiple-case study method was used for this exploratory interpretative research to examine how venture capital firms' available resources influence their pre-investment and post-investment management activities in China.

This research studied eleven participants in Chinese venture capital industry, including a total of eight foreign and domestic venture capital firms, as well as three founders of PCs. The findings indicated that a VCF's investment decision on a PC is significantly influenced by the consideration on how the VCF's resources can add value to a PC. In the post-investment stage, a VCF's strategy to manage its activities and conflicts with a PC is influenced by the extent to which the PC is dependent on the VCFs' resources for success. This dissertation demonstrates that both resource-based theory and resource-dependence theory are applicable to achieve a fuller understanding of VCFs' investment management strategies, and hence this study has important practical implications to enhance VCFs' success in collaborating with PCs.

Key words: venture capital firms, portfolio firms, resource, resources-based theory, resources-dependence theory, China.