

## Emerging VC Industry and the Important Role of Marketing Expectations in Project Selection: Evidence on Russian Data

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**Abstract :** Currently, the venture capital becomes more and more advanced and effective source of the innovation project financing, connected with a high-risk level. In the developed countries, it plays a key role in transforming innovation projects into successful businesses and creating prosperity of the modern economy. Actually, in Russia there are many necessary preconditions for creation of the effective venture investment system: the network of the public institutes for innovation financing operates; there is a significant number of the small and medium-sized enterprises, capable to sell production with good market potential. However, the current system does not confirm the necessary level of efficiency in practice that can be substantially explained by the absence of the accurate plan of action to form the national venture model and by the lack of experience of successful venture deals with profitable exits in Russian economy. This paper studies the influence of various factors on the venture industry development by the example of the IT-sector in Russia. The choice of the sector is based on the fact, that this segment is the main driver of the venture capital market growth in Russia, and the necessary set of data exists. The size of investment of the second round is used as the dependent variable. To analyse the influence of the previous round such determinant as the volume of the previous (first) round investments is used. There is also used a dummy variable in regression to examine that the participation of an investor with high reputation and experience in the previous round can influence the size of the next investment round. The regression analysis of short-term interrelations between studied variables reveals prevailing influence of the volume of the first round investments on the venture investments volume of the second round. Because of the research, the participation of investors with first-class reputation has a small impact on an indicator of the value of investment of the second round. The expected positive dependence of the second round investments on the forecasted market growth rate now of the deal is also rejected. So, the most important determinant of the value of the second-round investment is the value of first-round investment, so it means that the most competitive on the Russian market are the start-up teams which can attract more money on the start, and the target market growth is not the factor of crucial importance.

**Keywords :** venture industry, venture investment, determinants of the venture sector development, IT-sector

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