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HARVARD RESEARCH CONFIRMS THAT THE ARRIVAL OF VENTURE CAPITAL TO MEXICO SPARKS INNOVATION

Can Mexico's New Venture Capital Industry Accelerate Economic Activity?

Monterrey, Mexico – April 21, 2010 – New research from Josh Lerner of the Harvard Business School and National Bureau of Economic Research concludes that venture capital is a catalyst for innovation and job growth in a region. These and other key findings were published today in the “Mexico Venture Capital Review” research report released at the Monterrey Venture Capital Conference. “No matter how one looks at the numbers, venture capital clearly serves as an important source industry for economic development, wealth and job creation, and innovation,” says Lerner in his latest analysis on Mexico in [The Mexico Venture Capital Review](#).

If key elements are in place, venture capital can accelerate innovation and drive positive outcomes. For example, key elements include, research universities, significant entrepreneurial activity, an educated workforce, secure property rights that can be judicially enforced in a timely manner, etc... The injection of venture capital can be a catalyst that brings these elements together. In the United States, many well-known and highly successful companies were created with venture financing including: Microsoft, Cisco Systems, Apple Computer, Compaq, Intel and Sun Microsystems. “Venture capital exerts a powerful effect on innovation,” says Lerner and can mean the creation of new products or new service models, like Starbucks and FedEx.

Lerner defines venture capital as “Independently managed, dedicated pools of capital that focus on equity or equity-linked investments in privately held, high-growth companies.” Venture capitalists provide a variety of services to startup businesses: They protect intellectual property, provide guidance to entrepreneurs, monitor the new company, influence strategy, help find management and shape boards, create high-salaried and skilled positions, and create company checks and balances by sharing investments with other investors.

Their influence is deeply felt, according to Lerner. Venture capital acts as a business accelerator and a standard bearer for the market. Venture capital speeds company growth and reduces the time for research, market development and a go-to-market strategy. Venture-backed firms are typically younger when they IPO and produce higher quality patents than businesses financed in other ways.

Government efforts can also stimulate growth, according to Lerner, but they must proceed with caution. Countries that have succeeded with governmental support have balanced accountability and independence for the funds in which they invest and have co-invested into funds with private investors.

About Dr. Josh Lerner:

Dr. Josh Lerner is the Jacob H. Schiff Professor of Investment Banking at Harvard Business School, with a joint appointment in the Finance and Entrepreneurial Management Units. He graduated from Yale College with a Special Divisional Major that combined physics with the history of technology. He worked for several years on issues concerning technological innovation and public policy, at the Brookings Institution, for a public-private task force in Chicago, and on Capitol Hill. He then obtained a Ph.D. from Harvard's Economics Department.

Much of his focus is on the world of alternative investments, with a particular emphasis on venture capital and private equity. (This work is collected in two books: The Venture Capital Cycle and The Money of Invention.) Recent studies have examined the experiences of university endowments and sovereign wealth funds in these markets. He also examines how public policies can boost entrepreneurship and technological innovation. (These topics are explored in Innovation and Its Discontents and the recent Boulevard of Broken Dreams.) He founded, raised funding for, and organized two groups at the National Bureau of Economic Research: Entrepreneurship and Innovation Policy and The Economy. His work has been published in a variety of top academic journals.

About the Monterrey Venture Capital Conference:

The Monterrey Venture Capital Conference (MVCC) April 20-22, 2010 at the EGADE business school. For more information see www.mvcc.mx.

For a full version of the The Mexico Venture Capital Review , please see <http://www.mvcc.mx/wp-content/uploads/2010/04/Mexico-VC-Report-2010.pdf>

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