

Startup Financing

US and German Approaches Compared

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VC Panel Discussion: Startup Finance - US and German Approaches Compared

Hortense Tarrade: The LMU Entrepreneurship Center (LMU EC), the Center for Digital Technology and Management (CDTM) and the Ludwig Maximilians-Universität München's Institute for Innovation Research, Technology Management and Entrepreneurship (Inno-tec) presented the 2009 edition of the VC Panel Discussion under the theme „Startup Finance - US and German Approaches Compared“ at the Amerika Haus on Tuesday, May 5th.

Stuart Ellman (Founder and Partner of New York-based RRE Ventures) moderated the 1-hour discussion with following speakers:

- Axel Bichara (Partner and Founder, Atlas Ventures Germany)
- Rolf Dienst (Partner and Founder, Wellington Partners; Chairman of the German Private Equity and VC Association)
- Andy Goldstein (Executive Director, LMU Entrepreneurial Center)

- Andreas Odefey (Managing Partner, BPE Private Equity)
- Ralf Schnell (CEO & President, Siemens Venture Capital).

Stuart Ellman (SE): Where do you find the best entrepreneurs in Germany?

Andreas Odefey (AO): Any region in Germany, really. What matters is the entrepreneurial spirit. Then of course, you need the right „infrastructure“, and this is more available in the US.

Rolf Dienst (RD): That's right: unfortunately, the tax and legal context does not support entrepreneurial endeavors in Germany as well as in the US. The survey led by the BVK (German Private Equity and Venture Capital Association) clearly shows this impediment.

SE: Do Germans still have an aversion to failure?

RD: This used to be true, but failing has become more acceptable today.

Andy Goldstein (AG): When I came to Germany in the 80's to establish my software publishing business, there was no Internet but there was still a very strong „Net“: the „Hamma net, Kemma net, Gibts net“ (German for „Forget it, there's just no way“). And this is exactly what the LMU Entrepreneurship center is working in to change once and for all: our goal is to shift this negative and passive mindset to a positive can-do attitude.

SE: What are the most successful deals you've been involved with?

RD: The best investments are those made with little money. For instance, the ImmoScout24 deal was very successful for Wellington. Basically, the best for entrepreneurs is to practice bootstrapping, trying to get along with as little external money as possible. This way, you make sure to spend only on what is strategically essential. To be provocative, one could argue that

VCs only see the bad deals, because the good ones do not need venture capital! But VCs do not only provide money. Take eBay for example. They raised over 5 million dollars from Benchmark Capital although they did not need the money- it was only for their reputation.

Axel Bichara (AB): I agree. Sometimes founders do not absolutely need the money but they need to go through the tough discipline imposed by VCs. Another point is that founders need access to a strong network and to strategic hires. In the earliest stage, a start-up needs people who have done the same and possibly even failed: they are the ones who know all the pitfalls. Then, you need new people when you grow, and working with a VC firm is a tremendous advantage because they have the network and can find these people for you.

SE: What are the fields that will make money in the next 5 years?



Hortense Tarrade, Project Manager at the LMU EC



CDTM students and alumni: Anselm Bauer, Philipp Rösch-Schlenderer, Julia Bösch, Florian Sauter, Maximilian Schütz and guest Heiko Huber

RS: As head of Siemens Venture Capital I am biased, because we invest in ventures of interest to Siemens. But a rule of thumb is that any worthwhile idea must be one that has a long-term sustainable USP.

RD: At Wellington Partners, we like to invest in services that make processes simpler and more efficient. In the end, you need to find the right niches (those the big players do not see or are not interested in), you need a hard-working team and a vision.

AB: One keeps hearing about trendy subjects, such as cloud computing for example. This is not relevant for us. At Atlas, we invest in companies, not in sectors.

SE: How would you compare US and German VCs?

AB: The VC business is more mature in the US, and therefore, American VCs are more sophisticated.

RD: In Europe, there are maybe 10 VC firms that have the same

level of sophistication. But most European VCs still do not have the experience that the Americans have.

Mixed: In the US, the relationship between VCs and the companies they manage is much more collaborative than in Germany. In the US, it is also easier to recruit strategic hires for portfolio companies.

RS: There are indeed more good VCs in the US. But it's only because there are many more VCs in the US than in Germany!

Venture Capitalist Panel

Additional information:

You can watch the **whole discussion as video** on the CDTM website.

Gallery: People at the 2009 Venture Capital Panel in Munich

Philip Mayrhofer: This year's VC panel was co-organized by LMU Entrepreneurship Center and CDTM. We were able to hold the panel at Amerika Haus which is located at Karolinenplatz right next to CDTM's offices.

After the discussion and extensive Q&A, the seven panelists and more than 60 guests exchanged thoughts in the following reception.



Andrew Goldstein, director of LMU EC, listens to fellow-panelist and veteran VC Rolf Dienst



Organizers Philipp Rösch-Schlenderer and Julia Bösch with alumnus Florian Sauter.



Panel moderator and US VC Stuart Elman with Ralf Schnell, CEO of Siemens Venture Capital



Alumnus Julian Propstmeier, CDTM assistant Nikolaus Konrad and alumnus Florian Jell



Panelist Andrew Goldstein chats with a visitor and entrepreneur after the session



Guests exchanging thoughts after the panel which was held at Amerika Haus at Karolinenplatz



Alumnus Florian Jodl during the reception