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Letter from the Editor-in-Chief

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Letter from the Editor-in-Chief

This is among our series of special invited papers which in this case were collected and compiled with an eye to geographical considerations. Accordingly, our first series of offerings in this issue is internationally based, while the latter three papers deal with the domestic entrepreneurial scene. This organization seems appropriate in that countries outside of the U.S. are now beginning to draw upon U.S. entrepreneurial experience in such diverse areas as venture capital, education, and venture formation, among many others.

Our lead article by Bessler and Thies looks to IPO evidence in Germany for the period 1977-1995. The findings show significant empirical evidence that firms raising additional funds subsequent to an IPO through a seasoned equity offering outperformed the market. The next offering by Xu looks to China and the development of venture-backed IPOs in that highly entrepreneurial and growing part of the world along with other related research. This paper examines the venture capital funding and IPO offering details, and the short-run and long-run performance of the U.S.-listed China venture-backed IPOs between 2000 and 2005. Finally, with respect to internationally-based venture capital concerns, Yüksel and Yüksel note that recent evidence from U.S. markets shows that IPO underpricing is associated with high liquidity for issuing firms. Once again, extending evidence from the U.S. to other countries, the authors use data from the Istanbul stock exchange to review this issue. The results do not support the argument that IPO firms use underpricing as a tool to make up the reduction in liquidity caused by higher share retention.

Switching now to the domestic venture capital area, the first paper in this section, written by Shachmurove, looks at U.S. data stratified by both location and industry. This work finds that these factors are important in explaining investment trends in venture capital. Next Coleman examines the theory of capital structure pertaining to small firms is examined with results providing support for prior work dealing with signaling, pecking order, and life cycle theories. However, contrary to some prior work it is found that industrial sector was not a significant determinant of capital structure. Lastly, Liu, Woodlock, Qi and Xie look at the relationship between cash reserves and business venture survival probability. A number of parameters relating to business failure probability are examined and related to cash flow volatility.

I would also like to note that this issue was compiled in order to meet the needs of the annual meeting of our association, the Academy of Entrepreneurial Finance. This meeting is in Austin, Texas and we hope you find the current issue of enjoyment and instruction as you attend this meeting.

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