

CHAPTER 2

METHODOLOGY

This chapter provides an overview of some of the methodological concepts relevant to social sciences and our study. This chapter also describes how this study has been conducted.

Methods are principles that guide researchers in the process of knowledge creation. Truly effective methods have to be consistent with the problems at hand and the researcher's basic understandings (Arbnor & Bjerke 1994).

2.1 *Methodological approach*

2.1.1 Qualitative and quantitative approach

In their research, Holme & Solvang (1997) describe two different methodological approaches that are used in the study of social science: the *qualitative* and the *quantitative* approach.

There are no absolute differences between the two approaches. The two approaches are not exclusive; often researchers combine the two within a research project. The choice between qualitative and quantitative methods should be guided by the formulation of the research problem. (Holme & Solvang 1997).

A quantitative method turns information into digits and numbers, making it possible to analyze statistically. A qualitative method focuses on the researcher's perception and interpretation of the situation and cannot be transformed into numbers. (Holme & Solvang 1997).

Qualitative data and methods have strengths in that they give a holistic view of the situation. A holistic picture increases understanding of social processes and contexts. Using a quantitative method it is possible to draw conclusions about a population based on the results of the sample. (Holme & Solvang 1997).

2.1.2 This paper's methodological approach

As mentioned previously, this thesis focuses on comparing the investment strategies between six firms involved in venture capital investments. A qualitative methodological approach has been chosen for this paper since its goal aim is to achieve a deeper understanding of how different are the investment strategies implemented by those six companies.

Holme & Solvang, 1997 argue that in qualitative methods the purpose is to create a deeper understanding of the problem to be studied. The qualitative method its purpose of knowledge is primary understanding, not explaining.

The point of making qualitative interviews is to increase the information-value and to create a base for deeper and more complete perceptions concerning the phenomena being studied.

2.2 Research Process

2.2.1 Preliminary research

To obtain a better understanding and major insides of the overall industry, an interview with the Taiwan Venture Capital Association (TVCA) was held.

In terms of literature study databases were searched for articles and other literature both in Taiwan and abroad, using resources from the College of Commerce at Cheng Chi University. The Internet was another source of information.

In the preliminary study some Taiwanese researchers, especially university professors were asked if they know of other studies on the subject. Previous research on this topic in Taiwan is actually not vast.

2.2.2 Data collection

For this kind of investigations, there are two different sources of information, primary sources and secondary sources. Significant for primary sources is the closeness between them and the phenomenon they describe; they have personal experience of it. Secondary sources on the other hand provide information that has been gathered from other (primary) sources. (Holme & Solvang 1997).

Secondary data was utilized in the preliminary study to gather background information. The empirical study is based on primary data collected through interviews. In all cases the firms' websites and annual reports were used to acquire additional information about those venture capitalists.

Several past research papers studying venture capital in other countries have submitted questionnaires to each member of a venture capital association list in order to collect as much data as possible. However, according to the Taiwanese Venture Capital Association, this method rarely has a significantly high rate of responses.

Originally, by utilizing referrals from a network linked to the venture capital industry, sixteen firms currently investing in this industry were contacted. Still, only six of them responded to the request of holding an in-depth interview in which a questionnaire was used to identify the core structure of the investment strategy. Here lies the axis of this research paper which main objective is to compare those probably different investment strategies and the main reasons for those differences. The questionnaire designed for the interviews was revised with some researchers and with people in the venture capital industry to confirm that the framework was appropriate to discuss. It was quite satisfying when most of the interviewees gave a positive feedback regarding the questionnaire. Three interviews were carried out in English and the other three were held in Mandarin Chinese. All were recorded upon approval from the interviewee.

In addition, supplementary information from each firm was collected as a complement source of information to feed this investigation. As it will be discussed further, all venture capitalists studied have an impressive background in terms of years of experience and capital under management.

The transcribed interviews with each venture capitalist have not been presented in the appendix of this research paper, due to the fact that some information can be considered sensitive, and companies would then have been less willing to disclose it. However, the questionnaire utilized for the interviews is attached at the appendix.