

Case Candice Cake

Preparation

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1 Key differences between the 3 investment options in terms of knowledge, network and financial capital

1.1 Knowledge

The business angel doesn't have any prior experience in the dessert industry. Similarly, the case doesn't mention any prior food related experience of the incubator program. This makes the venture capitalist the most attractive in terms of knowledge.

1.2 Network

The BA had a large network in the California area and connections to several key players in the dessert industry. The incubator also has opportunities inside its network for Martianova, since they've worked with a research team at Cambridge that was developing a cheap alternative to sugar. This could give her a competitive advantage. The VC doesn't really have a network, except the investors and industry experts within the VC itself.

1.3 Financial capital

In terms of financial capital, the VC will probably be able to offer the most financing at the cost of a majority ownership. As mentioned in the case, the incubator track only offers seed capital, that might not be enough for the big investments that Martianova is planning.

2 Criteria to evaluate the risk of investing in Candice Cake

I would use the three factors mentioned in the case, namely: financial risk, growth expectations and operations control. Since these are the factors which differentiate the three investing options the most, it would be most helpful to compare them on these factors.

3 Extend to which the wealth-control dilemma applies to each type of investor considered by Martianova

The BA will want equity in exchange for his capital, but this will most likely not be a majority stake. This type of investor will leave Martianova in control but will bring less money to the table.

The incubator track won't want any equity of Candice cake and would still offer guidance, but the capital that they provide is limited. Martianova will thus stay in control, but will only receive very little money.

The VC can bring a big sum of money to the table, but they'll demand a majority stake. This means Martianova will lose control of her business.