

## Google and Yahoo Going VC

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Business is funny sometimes. Massive amounts of capital, planning and commitment can be marshaled, administered and suddenly put to use backing a project or initiative that even surprises close contacts. A funny thing happened in London yesterday. [John Battelle](#), author of "[The Search](#)", blogger extraordinaire, founder of Federated Media Publishing, and suspected confidant of Google founders Larry and Sergey, learned something about Google he didn't know before. Google has established its own venture capital investment fund.

At a conference titled "[Web 2.0, disruption creates opportunity](#)", Yahoo's Managing Director of Corporate Development, Simon Levene, revealed that, in reaction to moves made by Google, Yahoo is entering the venture capital market. The conference was organized by FirstCapital and was targeted to an audience of venture capitalists, strategic investors, business angels and entrepreneurs.

At one point, Levene told the audience, "Folks like Yahoo will be competing with you for deals." Truth be known, they already are.

As reported by Battelle, Yahoo and Google offer entrepreneurs an alternative source of funding to traditional venture capital financing. According to Levene, Google has established a fund to provide development monies to emerging companies before the VC crowd comes along with larger sums and results orientated directives.

"He (Levene) added that entrepreneurs are weighing the risks of having to execute against the exit requirements of a second or third round of financing, vs. the bird in the hand of a deal with a big player like Yahoo, and often, as with [Flickr](#), they are going with the platform." Battelle wrote in [VCS vs. the Platforms](#).

A few examples of Google's quiet fostering of grassroots endeavors might be the arms length relationship Google maintains with the [Mozilla Foundation](#) and the recent \$350K grant Google wrote for a joint project between [Oregon and Portland State Universities](#). Google openly supports other open-source initiatives, maintaining a "place for open source software" at [Google Code](#).

Cyberspace is being redeveloped based on an ever-accelerating conflux of invention, innovation and commercial exploitation. Its evolution is similar to that of the most creative segments of the hip-hop scene in the advent of [mashups](#), which are basically combinations of technologies merged to serve a specific purpose.

The entrance of the major search engines as credible sources of funding for garage-band level inventors could drive an enormous amount of talent to invent, innovate and create the tools that shape the social and business environment. That's a neat note to end the week.