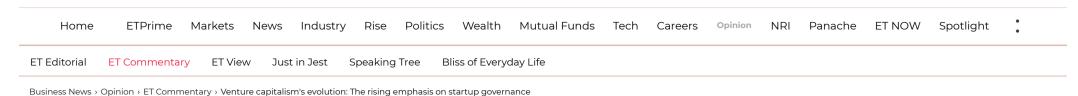
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Venture capitalism's evolution: The rising emphasis on startup governance

ET CONTRIBUTORS Last Updated: Nov 02, 2023, 12:30 AM IST

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Synopsis

In this new era of venture capitalism, success is about more than just the next big idea. It's about the ability to execute that idea effectively and responsibly. VCs are placing their bets on companies that understand the value of governance and, in doing so, they are shaping the future of funding in the startup world.



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Representative image

In the ever-evolving landscape of venture capitalism, one constant remains: pursuit of the next big thing. Venture capitalists (VCs) always seek the next disruptive innovation that promises to yield substantial returns on their investments. Yet, a new trend is emerging that is reshaping the way VCs approach their investments. It places equal emphasis on the groundbreaking technology or idea as well as on the governance structure of a startup. This evolving approach is changing the game and shaping the future of funding in the yenture capital world.

VCs are not your average investors. They are strategic partners who bring much more to the table than just capital. This engagement often materialises through board representation or advisory capacities. By sitting at the table, VCs can influence decision-making processes, provide guidance and ensure the startup is on the right path. Their industry acumen, experiential insights and expansive networks can chart the startup's trajectory and ensure alignment with prevailing market exigencies.

VCs have traditionally focused primarily on the innovation and potential of a startup, often overlooking governance and management. They were driven by the allure of revolutionary ideas and their potential to disrupt markets. However, as the tech world matures, they have embraced the importance of **strong governance**.

Here's why:

The power of governance: Startup governance includes policies, procedures and framework by which a company operates and makes decisions. Strong governance is about establishing transparency, accountability and efficiency. It ensures that a startup operates effectively, remains compliant with laws

and regulations, and mitigates risks. It's about more than checking boxes. It's about setting the stage for long-term success and responsible growth.

One reason VCs are beginning to bet on startup governance is risk mitigation. Early-stage investments are inherently risky, but a well-structured governance model can help minimise risks. It can reduce the chances of mismanagement, legal issues or internal conflicts that can cripple a startup. When VCs invest in companies with strong governance, they not only protect their investments but also increase the likelihood of success.

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Sustainability and long-term growth: Startup governance isn't just about reducing risks. It's also about ensuring sustainable and scalable growth. A solid governance structure encourages a startup to plan for the long term, fostering stability and resilience. When VCs invest in companies with robust governance, they essentially plant seeds for future growth. These companies are better equipped to navigate challenges and adapt to market changes, making them more attractive investment opportunities.

Attracting talent: Another aspect of strong governance is the ability to attract and retain top talent. Employees, especially in the tech sector, are increasingly seeking companies that value transparency, fairness and ethical practices.

Startups with good governance practices are more likely to attract the best minds in the industry, enabling them to innovate and grow faster.

Market reputation and exit strategies: VCs are not just investing in a startup, they are investing in a brand, a vision and a future. A startup with a reputation for strong governance is more likely to earn the trust of customers, partners and potential acquirers. It's an asset in exit strategies, such as acquisitions or IPOs. Companies with good governance are more attractive to larger corporations and public markets.

The bottom line: VCs are increasingly realising that investing in startup governance is not just an ethical choice but also a strategic one. The landscape is shifting towards a focus on sustainability, responsibility and long-term growth. Startups that prioritise governance are more resilient, more attractive to top talent and more appealing to potential exit partners.

In this new era of venture capitalism, success is about more than just the next big idea. It's about the ability to execute that idea effectively and responsibly. VCs are placing their bets on companies that understand the value of governance and, in doing so, they are shaping the future of funding in the startup world. The road to innovation and profit is now paved with transparency, accountability and strong governance. It's time for the investment community to recognise that investing wisely means investing in governance.

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Manipur 35% Note: States not included in the table have not provided salary estimates for 2023-24

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Sahil Kanuga & **Maulin Salvi**

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