Venture Capital: Guidance. Growth. Governance. – Risk Adjusted

Leveraging the Venture Capital Ecosystem to Help Startups Scale

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Founders need more than capital alone to build a great company. It takes a partner who understands the entrepreneurial journey and knows what it takes to succeed. Venture Capital firms specialize in supporting bold founders within deep tech–the technological engine that powers our modern world. Our firm, Celesta Capital, for example, comprises a team of technologists and business executives with extensive operating experience, and invests early in disruptive technologies and innovative businesses, by mentoring young companies to create long-term value for our investors. We specialize in scale. Here's how we do it.

ecosystem
/ˈiːkəʊsɪstəm/
noun   a complex network or interconnected systems.

*"While the range of **people, organizations, resources,** and conditions involved in an entrepreneurial ecosystem are useful to understand, they are not the most critical construct. Instead, the **interaction** between each of the components is what **matters.**"*

– Brad Feld, The Startup Community Way: Evolving an Entrepreneurial Ecosystem

A. **GUIDANCE** - 'Open' Networks for Partnerships & Interchange

A startup's success is dependent on the founding team's network. As the company matures, the people that support it from the outside are in many ways a big part of its ability to move to each stage by optimizing resources. Some startups' ecosystems are able to drive extraordinary scale in shorter periods of time thanks to the overall guidance that minimizes energy and resources.

An underpinning tenet to a successful ecosystem is the open architecture it embraces. Similar to an urban transport network, interchange is pivotal to crossing distances, which otherwise on single tracks would be impossible.

Founding Teams should leverage each of these external inputs as appropriate:

a. External Service, Technology & People Infrastructure
- Sharing Customers, Processes & Technology with existing large and early stage companies
  - In India, the example of using the infrastructure of UPI and the forthcoming ONDC will alleviate the need to build payments and eCommerce infrastructure
- Ex Founders / Founding Teams
  - Reaching out to exFounders as Angel investors can be very helpful to avoid early mistakes in building teams, product management, go to market planning etc.
- Corporate Board members / CXOs for leadership difficulties
  - Constructing Advisory boards and an Independent Board early on will provide for advice required to traverse through early stage
- Alumni – Academic institutions / Large enterprises / VC funded enterprises
  - Leaning in on one's alumni network from different disciplines can help in recruiting the right talent

b. Collaboration with Larger, Peer and Younger enterprises - CoCreate, CoScale, CoImpact
- A number of Corporate Venture Capital arms, Accelerators and Incubators are already well established to access grants, co-working space, and most importantly to better define product-market fit with real life problems that the market seeks to solve. Being part of these environments can shapeshift the founding teams' efforts considerably.

c. Catalyst Services - Legal, Financial, Audit, Talent management firms
- An early incorporation of the right frameworks for commercial contracts, shareholder negotiations, employee agreements etc. are critical.
- Getting the right set of financial advisory support and an audit process helps harness capital management and governance right at the beginning.
- A strong talent management firm to help in framing the policies and recruiting the right talent to build complementary and robust teams is probably the most important part to success.

Get as much as you can from the external ecosystem !
As Virginia Satir – author of '*Peoplemaking*' and a renowned 'family therapist' who espoused building networks of people who can be assistive wrote :

We need 4 hugs a day for survival. We need 8 hugs a day for maintenance. We need 12 hugs a day for growth." – Virginia Satir

B. GROWTH – Building and Conserving the Risk Appetite for Change

It's hard to define growth given the nature of a 'venture.' In fact, most critics call these companies 'adventure' and each failure even more quickly gets defined as a 'misadventure.'

Many a genius has been slow of growth. Oaks that 'flourish for a thousand years do not spring up to beauty like a reed." – George Henry Lewes

Given the journey is *unknown* to start with, it's critical to have complementary talent to get the collective to a *known* direction. This is made by engaging the ecosystem to get "*Outside-In*" talent, even if it's a part-time outside advisor, to complement the teams within. As Isaac Newton said, "If I have seen further, it is by standing on the shoulders of giants."

And to absorb the Outside In talent while striving for each growth milestone and facing the myriad harmonics of growth (never an S curve), an organization must be flexible. It must accept what it does not know – a courageous feat in itself – while not diminishing the collective wisdom, experience, competencies and skills that it has, in spades.

The complex organizational structure that must run flexibly whilst it goes through multiple pulls and pushes on its journey is dependent on an inter-dependent web of talent that carries the raw courage of ignorance alongside wisdom, experience, knowledge, competence, and skills… all soft and hard.

If a startup pursues growth for growth's sake, the kinetics of the organization will often dissipate energy with no measurable outcomes. However, if a startup is laser focused toward outcomes, there's a good chance it will succeed.

As the modern stoic, author and independent bookstore owner Ron Holiday writes:

Growth hacking is a mindset, and those who have it 'will reap incredible gains" – Ryan Holiday

C. GOVERNANCE – Framework infrastructure

In the urgency for growth, we often miss governance.

What does it take the teams at an aeronautical space agency? Is the dream good enough? Does the urgency to be there first override being objective about being fail-safe, as there's no pit-stops for repair or re-fueling? What might be the reliability considerations on self-correcting structures like triplicated structures with majority voting with redundancy codes?

Given that growth often leaves behind a lot of debris and could often disregard its environment, it's poignant to think of Edward Abbey, the environmental activist who said, "*Growth for the sake of growth is the ideology of the cancer cell.*"

Mature organizations have offered their expertise to the startup world by provisioning their services, experience, and guardrails for building self-governance and accountable organizations. The infrastructure support assists early-stage orbiters to get the much-required space stations and rocket launchers to allow for them to make the next space telescope or satellites.

As the founder of Zoom, the app that's connected everyone to stay in touch during the pandemic says:

Empathy, humanity and support for each other is 'more important than revenue and growth" – Eric Yuan

In conclusion, it's the bringing together of the external forces to assist startups that are already available in the ecosystem to the benefit of it. A lot of collaborative effort not just within the enterprise but the extended networks available that are helpful to its growth.

Leveraging guidance and governance that is well understood by the ecosystem propels the enterprise along its growth trajectory, accounting for risks, that need to be mitigated.