

'Sourcing Capital for Change' Venture Capital-Taking & Sharing Risk



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"One day everything will be well, that is our hope. Everything's fine today, that is our illusion"

Voltaire

Venture

*Noun
a risky or daring journey or undertaking - "pioneering ventures into little-known waters"*

*Verb
undertake a risky or daring journey or course of action.
synonyms: journey, go, move, proceed, progress, set out, set forth.*

dare to do or say something that may be considered audacious

1. Status Quo (stay as is) to Status Expoliendum (improving)

Do you wake up to Do.. to Act.. to Make the Change you want to See?

Enterprises that have embarked to transform and chosen to fight a cholesterol-filled state in particular areas, question the *Status Quo* and unleash a *Status Expoliendum* cadence, setting into motion a set of people, practices and processes that accelerate the momentum and drive the escape velocity needed to exit such states. There's a time before you hit escape velocity. The rocket might not take off, might blow up on the launchpad – might not get the trajectory right and fall into the ocean – there's risk involved. The design, build, move to launchpad – a million moving parts and a lot can go wrong – the right shareholders who back the conviction to get to escape velocity is mission critical.

When you seek to *Make the Change you want to see*, it requires each individual in the team to adorn a *Maker vs Taker* hat and become the *Contributor vs Consumer*, waking up every day with a *Bias for Action*.

An enterprise entering a phase to undertake, what is then considered an audacious journey, must attract and *alchemize Stakeholders* around it that have concomitant risk-taking appetite. This would be across its Founders & Management teams, its Customers who seek to adopt new practices, its Supply chain partners and its Financing partners both Equity & Debt.

In managing the time horizon, it might take, for monetization and cash surplus generation, provided by the value realised by its customers, the enterprise needs a matching '**Venture**' capital partners, to fill the time gap between effort and outcome. The prefix describing the capital is crucial as it seeks to match the enterprise's current *Venture state*. i.e. 'undertaking a risky or daring journey or course of action'. The results and outcomes are less predictable, the time it might take for outcomes are elastic, the potential to fail in its endeavour to get customers to adopt is high, it may not yet be 'an idea whose time has come'.

2. Leaving a Dream Beyond dreaming it

Transformative contribution to society

From being takers of existing standards, rules, regulations, protocols, turnaround times to becoming *Makers* of the '*New Norm*', these enterprises seek to make transformative contributions to everyday lives of their customers through effective action. Whilst the urgency and bias are initially dreaming of the change one seeks to make, the deeply satisfying outcome is to execute and leave behind an organization that continues to drive the dream beyond to new levels.

In this path, the simplest yet daunting risk is that of *Time Horizon forecasting & Crossing milestones*. The founders need to seek the right mix of shareholders through each stage of the journey of executing one's dreams. A day trader's objectives, risk and time horizon might be apt for provisioning liquidity and relative price discovery and that varies from that of a Venture Capitalist who can share risk at the early stage where business activity is yet to mature. The definitions for some of the *Selection Criteria* for investors and shareholders in publicly listed companies are classified by liquidity, comparables and capitalization - Micro, Small, Mid or Large Cap. as opposed to the stage the Venture is then at - *Angel, Seed, Early or Late Stage*. These stages of development differ in time periods depending on the expected milestones sought to be achieved at each stage. These could vary from 1-3 Years through to 7-10 years.

The continuing observation during this journey is to see if the transformation happens within a time horizon set by the founder to make the change they wish to see. The product or service might turn out to

be more 'Niche' than thought out or not as 'Next' as it seeks to be. Failure points far exceed success parameters and here is where talent plays a significant part of the emotional capital surpluses required to manage a volatile, uncertain, complex and ambiguous path.

Leadership has been extolled when its *Followership* actually expand the dream to beyond where it all began. While founders push forward the execution of their dreams into reality, they need collaborative partners who understand the *lingua franca* of what it takes to take such risks. The taxonomies used like traction, adoption rates, CAC (cost of acquisition), churn, renewal rates, active users, exit run rates etc., are not a language common to all stakeholders. The surround sound or the echo-chambers these enterprises thrive in are very differently dimensioned.

In this context, venture capitalists have in many an instance been erstwhile enterprise and Institution builders most well known for their prowess in leading teams to successful impact milestones and leaving behind momentum way beyond the time they were at the steering wheel. They have pooled funds sourced from their partners in turn with clarity to invest in 'ventures' that are seeking to transform the status quo. With alignment of purpose, founders get a true 'Sharing' of risk, at the very least on the time dimension.

If it is well done the venture capital providers are assistive in 'Expanding the Dream Beyond' and Expanding the 'Impact at Scale' whilst having shared the risk and reward for their role at that stage.

3. Accountable Institution Building

Not just at founding but a workplace where all Stakeholders reciprocate with a Love Affair for its offerings

An Accountable Institution would have all its stakeholders fall in love with it, just as the founders would have, with all their passion and love, started it.

A workplace:

- Where Customers would endorse the products with 'Lovemarks' not just react to 'Trademarks'
- Where Employees & Associates would thrive in the 'Greatest Place to Work in & with '
- Where Vendors & Partners would drive Engagement in committing their creativity, time and attention to the needs of the enterprise beyond just supplying against a Terms of Contract

- Where Shareholders would attract the 'Next Round' of shareholders most appropriate for the Stage & Risk at which the enterprise is at
- Where Regulators, Environmental & Social organizations seek protocols from to emulate for the greater good

Going beyond 'Timely' execution to delivering at 'Scale' and be done in a financially 'Prudent' way, would be the next big risk to pay attention to.

If the stakeholders have in their past, the operational expertise and experience of initiating, executing and impacting at scale ideas and dreams, such experience is invaluable important for Founders and their Management teams. A smart scaffolding that assists speed and scale of execution is crucial, if we are to see the shift, from just romanticizing to actual executables. The notion of 'Smart Capital' that has alignment to the purpose bringing along sophistication or a 'worldly' experience of 'what it takes' of knowledge, relationships and a 'high touch' can be incredibly powerful to moving ahead from 'A love affair' that most founders start up an organization to focus on impact along with passion.

In creating an Accountable Institution where each of the stakeholders are in love with the Institution and its different offerings to each stakeholder group, it seems impossible, to co-habit *Creativity and Order*. The team skates on thin ice for quite a while from the 'creative' stage to 'order' stage and driving this at Scale, where metrics and mantras for repeatability are as important as heart and happiness. It seems the alternative of *making a choice* between the creative & order is almost a binary process - between the *Do Different or Status Expoliendum* and *Do More of the Same or Status Quo*.

Accountability at the institution needs to ensure the various elements to be embedded from day one of starting up. These include *Transparency*, well-stated *Values* with *Zero Tolerance* guardrails and mechanisms to enforce, *Risk Information* visibility to ensure timely interventions, *Outside-In & Peer reviews* to lead / adopt next best practices.

Institution building would therefore best get done with onboarding all the right stakeholders, in sync with the stage at which the enterprise is at. When it seeks to *Make the Change*, it is important that it sources the right *Change Capital* that backs change. Sourcing capital and the people behind the capital makes a big difference to the Institution you get to build.