



# HOW DO VENTURE CAPITAL MAKE DECISIONS?

A COMPREHENSIVE GUIDE FOR ENTREPRENEURS AND INVESTORS AHEAD



Entrepreneurship  
The Entrepreneurship Institute of the  
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## Team First

The management team's capability is the most critical factor in investment decisions, as venture capitalists believe the team's skills, passion, and industry experience directly influence the project's success or failure. This factor is emphasized due to its significant impact on achieving business milestones and the team's ability to adapt and respond to market changes.



# 2

## Market Size

The market size and its growth potential are vital considerations, as they determine the scalability and potential return on investment. Venture capitalists seek out markets that are not only large but also growing or expected to grow significantly, ensuring that there is ample opportunity for the company to capture and sustain a substantial market share over time.



## Business Model

Investors and public business models avoid for various capitalists when assessing potential investments. The model must demonstrate clear revenue streams, cost structures, and profit margins that are sustainable. The emphasis on models that can efficiently scale without proportional increases in costs, thereby maximizing profitability and return on investment.





## Product Edge

Products or services that offer a unique value proposition or significant technological advancement are highly valued. Blockchains capable of handling products that not only meet current market needs but also have the potential to disrupt or create new markets, providing a competitive edge that is difficult for others to replicate quickly.



# Exit Strategy

Potential exit strategies are critically evaluated to ensure profitable and worthwhile exits through operations or initial public offerings (IPOs). This planning includes assessing the industry's exit landscape, understanding exit success, aiming to secure investment that would allow venture capitalists to make their investment with a calculated risk.

# 06 Industry Dynamics

Understanding the dynamics of the industry, including its regulatory environment, competitive landscape, and technological advancements, is essential for devising a viable business plan. Industries that show promise of innovation and growth, with favorable regulations that align with business operations, are better suited to support expansion and scaling.



# Valuation

Accurate valuations are essential for structuring investments and determining the equity stake. Factors influencing valuations include projected company growth, industry trends, and financial performance. The goal is to agree on a valuation that balances risk and reward, ensuring that both parties obtain sufficient equity to justify the investment.





# 8 Syndication

Recruiting investors with other firms can mitigate risk and leverage additional expertise. This approach allows venture capitalists to share insights, spread financial exposure, and collaborate on nurturing the portfolio company after funding to more closely monitor human support for the business.



## Risk management

Effective risk management strategies include structured risk terms designed to protect the investment. These terms often include specific conditions or requirements related to and financial returns, ensuring that the investment is safeguarded against undue business and market volatility.





# Fund Fit

Each fundamental asset aligns with the various capital funds' overall fund strategy which may specify focus areas such as stage of fundement, industry specialisation, and geographic focus. This alignment ensures that the portfolio remains balanced and adheres to the funds' risk and return objectives.





## Board Role

Member capabilities allow various positions on the board of directors that invest in, allowing them to influence critical business decisions and strategic direction actively. This involvement is vital for guiding the company towards growth opportunities that align with pre-defined goals, strategies, and value propositions.



# 12

## Cap Structure

Analysing and understanding the capital structure is vital to ensure it supports business growth without excessive dilution of equity. Investors typically look for structures that provide sufficient capital for growth while maintaining adequate control and incentive mechanisms for founders and key management.



## Tech Impact

Investments in companies that leverage technology to drive market penetration or efficiency gains are particularly attractive. This class is an technology of low business class, has the potential to scale rapidly with competitors, lower incremental costs, thus offering high returns potentials.





## Portfolio Mix

Maintaining a diverse portfolio across different stages, industries, and geographies helps mitigate risk and stabilize returns. Venture capitalists strategically select investments to complement and enhance their existing portfolio to optimize overall fund performance.





# 5 Timing

The timing of the fundamental relation is critical and technological trends can significantly impact it. In recent, high-growth capabilities allow us enter at an optimal time when the company is poised for growth but before it becomes overvalued, before facing increased competition.







## Team Depth

Evaluating the skills and breadth of the team beyond the top management is essential, focusing on their ability to execute the business plan effectively. A well-rounded team with diverse skills and experiences is more likely to overcome challenges and drive the company's growth.





## Global Reach

Companies with potential for international expansion or those already operating in multiple markets are viewed favorably due to their broader growth opportunities. Venture capitalists consider global reach an indicator of scalability and market leadership potential.



# 8

## Legal Aspects

Ensuring that the company adheres to all relevant legal and regulatory requirements is crucial to prevent potential future complications that could undermine the business. This includes intellectual property rights, compliance with industry-specific regulations, and general corporate governance.





# Due Diligence

Thorough diligence is essential to verify all aspects of the potential investment, including financial audits, market analysis, and legal checks. This comprehensive review is crucial to uncover any potential issues that could affect the stability or valuation of the investment.





# Deal Flow

The quality and volume of investment opportunities that come through the venture capitalist network. Effective deal flow generation is essential for maintaining a pipeline of viable investment opportunities, which is crucial for continuous portfolio growth and diversification.

