Strategic Analysis of Cooperation between Startups and Venture Capital

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Keywords: Startups; Venture capital; Enterprise development

Abstract: For startups, the biggest problem is a lack of funds, and venture capital, as an effective way to solve these problems, can help them develop rapidly and provide the necessary financial support. At the same time, venture capital is also an effective way for startups and venture capital institutions to understand each other, establish mutual trust, and seek win-win opportunities for cooperation. Therefore, this article mainly focuses on the cooperation between startups and venture capital, analyzing the impact of venture capital institutions on startups, and proposing corresponding strategic suggestions.

1. Introduction

With the development of our country's economy, competition in various industries is becoming increasingly fierce. In the new economic situation, in order to improve the core competitiveness and comprehensive strength of enterprises, enterprises need to continuously carry out technological innovation, product innovation, and management innovation, and also need to introduce more talents. In the process of enterprise development, due to a lack of funds, the enterprise is unable to expand rapidly, affecting its normal operation. To address this issue, companies need to introduce venture capital institutions to address funding issues, but also pay attention to potential issues that may arise in cooperation between the two parties. Therefore, it is necessary to conduct relevant research.

2. The impact of venture capital on startups

2.1 Positive impact

Venture capital institutions can help startups solve their funding problems, reduce their financing costs, improve their financing efficiency, and also help them achieve rapid development, providing more market opportunities for startups. For example, in the process of production and operation, enterprises may encounter problems such as shortage of funds. In this case, startups can solve this problem by introducing venture capital institutions, as they have strong financial strength and can provide sufficient financial support for startups. In addition, in the process of production and operation, startups also need to face market competition and other issues. In this case, enterprises can improve market competitiveness by introducing venture capital institutions. Due to the existence of a certain trust relationship between venture capital institutions and startups, both parties can understand each other's ideas and business plans. Table 1 summarizes the positive impact of venture capital on startups.

Table 1 Summary of the positive impact of venture capital on startups

Serial Number	Positive impact
1	Provide more financial support
2	Helping to improve the market competitiveness of enterprises themselves
3	Improve financing efficiency

  DOI: 10.25236/ieesasm.2023.011

2.2 Negative influence

Venture capital institutions' investment in startups can bring pressure to some extent. If startups cannot adapt well to the requirements of venture capital institutions or market development, it will lead to a certain impact on the survival and development of startups. Table 2 Summary of the negative impact of venture capital on startups.

Table 2 Summary of the negative impact of venture capital on startups

Serial Number	Negative influence
1	Bringing development pressure
2	Interference with independent development of enterprises
3	There may be a risk of fund chain disconnection

3. Strategic Suggestions for Venture Capital Cooperation

3.1 Develop financing plans based on actual scenarios

Before financing, startups must analyze the financial situation of venture capital institutions based on their own situation, and formulate reasonable financing plans based on their own development plans and actual situations. When formulating a financing plan, it is necessary to consider multiple aspects, such as the operating status, market prospects, production technology level, and industry position of the start-up enterprise. In addition, factors such as the development scale and financing amount of startups should also be considered. At the same time, it is also necessary to consider the funding requirements of venture capital institutions.

When determining financing plans, startups should minimize unnecessary costs and expenses as much as possible. When formulating financing plans, startups should ensure that they can meet the funding requirements of venture capital institutions without incurring unnecessary costs and expenses to the enterprise. At the same time, it is also necessary to consider the industry, market prospects, and future development direction of the projects invested by venture capital institutions. For example, for startups, they can raise funds through low-cost means, such as attending small gatherings, promotional activities, etc. In addition, in the financing plan, attention should be paid to the use of funds and not blindly pursue excessive financial support. When choosing investment projects, startups should determine specific plans based on the actual situation to avoid unreasonable use of funds.

3.2 Establish a sound corporate governance structure

Therefore, after investing in venture capital institutions, startups will be subject to certain constraints and supervision. In order to avoid negative impacts, startups must establish a sound governance structure. Firstly, the company's equity can be dispersed among various shareholders, allowing each shareholder to participate in the enterprise. Secondly, equity can be used to establish effective constraint and incentive mechanisms. Once again, it is possible to establish internal audit and supervision institutions for enterprises. Finally, it is necessary to establish a scientific salary management system, performance evaluation system, and incentive and constraint mechanism. Improve the management level and market competitiveness of enterprises by establishing a sound governance structure and internal control mechanism.

3.3 Improve the quality of enterprise management personnel and strengthen management

In the management of modern enterprises, venture capital institutions have increasingly high requirements for the quality of management personnel in start-up enterprises, in order to improve the level of enterprise management and promote the rapid development of the enterprise. In this situation, startups can improve the quality of their management personnel through various means. Firstly, it is necessary to actively cultivate and select enterprise management personnel, develop a reasonable talent training plan, and formulate corresponding incentive policies to encourage them to actively participate in enterprise management and enhance their enthusiasm and creativity.

Secondly, it is necessary to actively carry out training for employees of start-up enterprises. For startup employees, it is important to make them aware of their importance in the company and to improve and improve on their work shortcomings. Finally, it is necessary to establish and improve an assessment system for employees of start-up enterprises. Rewards and commendations can be given to employees who perform well in the assessment, enhancing their enthusiasm and creativity. Employees who fail the assessment should be criticized and educated. Promote the rapid development of startups by continuously improving the quality and abilities of management personnel.

3.4 Establish and improve relevant legal and regulatory systems

The essence of venture capital is an investment behavior, and it is essential to invest in startups during the investment process. Therefore, the government should regulate the operation of venture capital through laws and regulations, so that venture capital can operate in an orderly and legal manner. For example, the provisions on limited liability companies in the current Company Law of the People's Republic of China are not clear enough, resulting in many problems in specific operations. The Company Law of our country stipulates that limited liability companies can increase their capital and shares, but there is no clear regulation on the specific proportion and method of capital and share increase, which leaves a lot of operational space for venture capital institutions when conducting venture capital. Therefore, in order to better promote the development of start-up enterprises, the government should supplement and improve the relevant provisions on limited liability companies in the Company Law, so that shareholders of limited liability companies can reasonably increase capital and expand shares within the framework of laws and regulations, in order to maximize the role of venture capital institutions in entrepreneurial investment activities. At the same time, the government also needs to regulate the role of venture capital institutions in the process of venture capital through laws and regulations. The government should strengthen the construction of laws and regulations on information communication, resource integration, and knowledge sharing between venture capital institutions and startups, in order to ensure that venture capital institutions can assist startups in effective financing activities under information asymmetry.

3.5 Improve the exit mechanism of venture capital institutions

When making venture capital investments, startups should prioritize exit and choose appropriate exit methods. Firstly, choosing the appropriate exit timing and timing can prevent the capital chain of startups from breaking down. Secondly, it is necessary to make reasonable use of "shell resources". Once again, some companies may increase their capital and shares multiple times before going public, and at this time, they can transfer or exchange their shares to achieve higher returns. Finally, we need to fully utilize the capital market. For example, the ChiNext and New Third Board markets are all one of the exit channels for venture capital institutions.

With the continuous deepening of China's economic system reform and the continuous improvement of relevant laws and regulations, China's capital market will gradually develop and mature. In this situation, startups should fully utilize the development opportunities of China's capital market and choose appropriate opportunities for financing, listing, or mergers and acquisitions to exit. At the same time, we need to strengthen the supervision of venture capital institutions. At present, many domestic venture capital institutions do not have clear exit mechanisms or channels when conducting venture capital. Therefore, in the early stages of development, it is necessary to strengthen regulatory efforts and regulatory construction to provide a good environment for the exit of venture capital institutions in China.

3.6 Strengthen information communication and establish a good corporate reputation

Corporate reputation is the foundation of enterprise development and also an important reference factor for venture capital institutions to choose investment targets. A good reputation can bring more cooperation opportunities for enterprises, while also promoting the rapid development of startups. At the same time, venture capital institutions will be more willing to cooperate with reputable and highly reputable enterprises. Therefore, in the process of cooperation, startups must strengthen communication and connections with venture capital institutions in order to gain their favor. Startups need to develop a comprehensive development plan based on their own development status and the requirements of venture capital institutions, and actively introduce their products or services to venture capital institutions, in order to deepen their understanding of themselves and lay a solid foundation for smooth cooperation.

4. Conclusion

Venture capital is a new type of investment method that plays an important role in promoting the rapid development of startups, and also provides new development opportunities for startups. It is conducive to helping startups obtain more financial support and promoting their rapid development. However, while providing financial support for startups, venture capital also carries some risks. Therefore, when making venture capital investments in startups, it is necessary to fully understand the impact of venture capital on startups, and develop reasonable solutions based on specific circumstances to provide better services for startups and promote their rapid development.

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