

## Vulture Capital and Venture Strategy

By Daniel Wolf



Investment in new and evolving ventures brings together a special blend of vision, intention and risk. While the mutual intent of VCs and entrepreneurs is to create new strategic and economic value, there are some challenges. One challenge is to preserve the proprietary assets of the

venture. This challenge opens with the original pitch and it continues along the journey of development.

### The Creation of Value

Entreship<sup>1</sup> is the creation of new strategic and economic value. Entreship can take place in a garage or corporate R&D center and it can forge new products and new business models.

There are two main areas of work in entreship. First, people combine ideas, resources and energy to develop platforms that have some commercial promise. Second, they connect capital to the development, launch and growth scheme of the venture. VC sources can undermine the venture in each of these areas of work, framing the "spector" of vulture capital.

Beyond the moral and legal concerns is the more basic notion that strategic and economic value is jeopardized. It also reveals an array of relationship risks to entreship, impairing the prospects for VC and venture collaboration.

### What Can Be Done

There are three issues that need to be addressed by the venture group.

#### 1. Have a Focused Strategic Agenda

A strategic agenda is a clear and disciplined plan for a new venture and its development and evolution. A strategic agenda is realistic about the prospects for the venture and it rests on a well deliberated set of goals, foundations and ideas. A strategic agenda is thorough in terms of:

- Strategy Direction...choices and focus
- Strategy Integration...resources and processes
- Strategy Execution...actions and metrics

The more focused the strategic agenda, the more secure and persuasive the deal and the more effective "edge" for collaboration.

#### 2. Know How Partners Serve Best

Venture capital partners bring more than money to a deal. They bring management, leadership, organization and contacts. When these partnership assets are infused in a collaborative manner, they reshape the quality, risk and success of the venture. Our research on Entreship and Collaboration reveals four keys to successful venture development.

- Common Goals and Values...
- Coordination Structures...
- Engagement Practices...
- Partner Roles and Actions...

In a strong venture relationship, these collaborative themes are well established and VC partners are fully engaged in the strategic agenda.

### 3. Always Have an Alternate Course

Entreship is not a perfect game. Competing deals, VC preferences, timing factors, the depth of the venture team and the phase of the moon shape the front-end of a venture. They expose a venture to vulture risks.

We advise our venture clients to have a strong alternate plan in each area of work – the definition process and the development process. This kind of preparation forces better plans and it protects the venture.

Vulture capital feeds on the remains of deals that stumbled and squandered their value. Better strategy develops and preserves value and better collaboration supports value creation. Vulture capital feeds on the carcasses of entreship failures.//

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**1**Entreship is the process of creating new strategic and economic value. It reflects the efforts of individual and collaborative teams in developing new products, business models and services, and quite often, the mechanics and behaviors of Entreship extend beyond the venture founder to external partners. These partners share ideas, risks, plans and action in the pathway to new venture planning and development. Hence the importance of higher level.

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