Venture Capital or Human Capital
Who wins the race?

As per the changing times, the venture capital (VC) business appears to be shaping the path toward increased diversity between gender, race, and culture. There has been some success in increasing the representation of women in leadership roles, particularly among investment professionals. Furthermore, according to a survey conducted by the National Venture Capital Association (NVCA), more VC firms are embracing diversity and inclusion policies than ever before.

However, development has been volatile across diversity categories, with a slight rise in the entire industry and leadership roles for Black employees. In addition, few organizations studied employee surveys to measure their progress toward building a more inclusive workplace. While the improvements show a positive trend, the data shows that the industry still has to work to create a long-term diverse workforce.

How Investors Help Clear the Fog

Investors provide enormous value to a startup by not only funding and financial aid but also strategic planning, significant mentorship, and a long-term vision. The early years of a startup's growth are critical. An experienced investor can provide deep industry insights and guidance, which will help fill the gaps in understanding customers' problems and their satisfaction and cost-effectiveness, which is frequently overlooked in a rush to scale business.

Startups expand their contact networks, whereas investors devote significant time to assisting new businesses in developing their concepts and teams.

When well-known venture capital firms associates with startups, it grabs significant attention and resources for their portfolio. Such reputation spillovers are especially valuable when young companies have yet to develop their reputations.

A new report from INSEAD and Harvard investigated how founders obtain the capital (in all forms) they require to prosper. The research examined at approximately 150 previously published articles to identify clearly defined trends, and a three-step procedure emerged.

1. Hunt for Resources:

The studies discovered that human capital is far more essential than finance. This frequently refers to co-founders or staff, but it can also refer to partners, customers, and other stakeholders who can help the firm expand.

Given the task's complexity, this can overwhelm entrepreneurs, many of whom may have excellent technical talents but lack the network or competencies to begin. This frequently leads to entrepreneurs becoming stuck in their comfort zone rather than moving outside of it. If that describes you, you'll need to take action and become an active networker to widen your social network and obtain access to the human resources you'll need to grow.

2. Collaborate with others:

Once you've recognized your strength & flaws, leverage them to collaborate with appropriate resources to fill those gaps to accompany you on the en-route of business. While much information exists on how startups can obtain financial resources, much less is discussed on how to attract human talent. This is critical because you will need the right personnel, government sponsors, and various other stakeholder groups to help your firm flourish.

If you are backed by a VC fund, an accelerator, a corporate partner, or a government body, this can somewhat be easier. Your board of directors might be a vital entry point into such channels, so choose wisely. It may appear to be a pointless skill, but being able to construct and then convey an engaging story about yourself and your company is critical in getting the human resources you require.

3. Deploy the resources:

The final stage is to utilize the help you've gathered. This appears to be the simple conclusion to all hard work, but it is not always as simple as we would want. The functional structure of startups, in fact, creates a power imbalance that favours the resource holder over the entrepreneur.

This can develop an innate sense of vulnerability, mainly if the resource holder is from a related sector. As a result, we've seen tech leaders' keen interest in any company operating within their gravitational field.

The Verdict

Data shows that an idea is only a small fraction of any successful business. The capacity to mobilize resources to execute the opportunity is far more critical. The growth of the unicorns has given the idea that collecting large sums of venture capital funding is the ultimate aim of any firm, but statistics do not support that assertion.

Indeed, over 90% of firms that raised $1 billion in revenue and valuation have done so with no venture funding.