

Venture Capital in an era of disruptive innovations

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Comprehending the current growth of technology

- **Moore's law**
- **Mesmerizing impact of exponential growth**
- **More than 35 doublings since 1958**

Knowledge Obsolescence

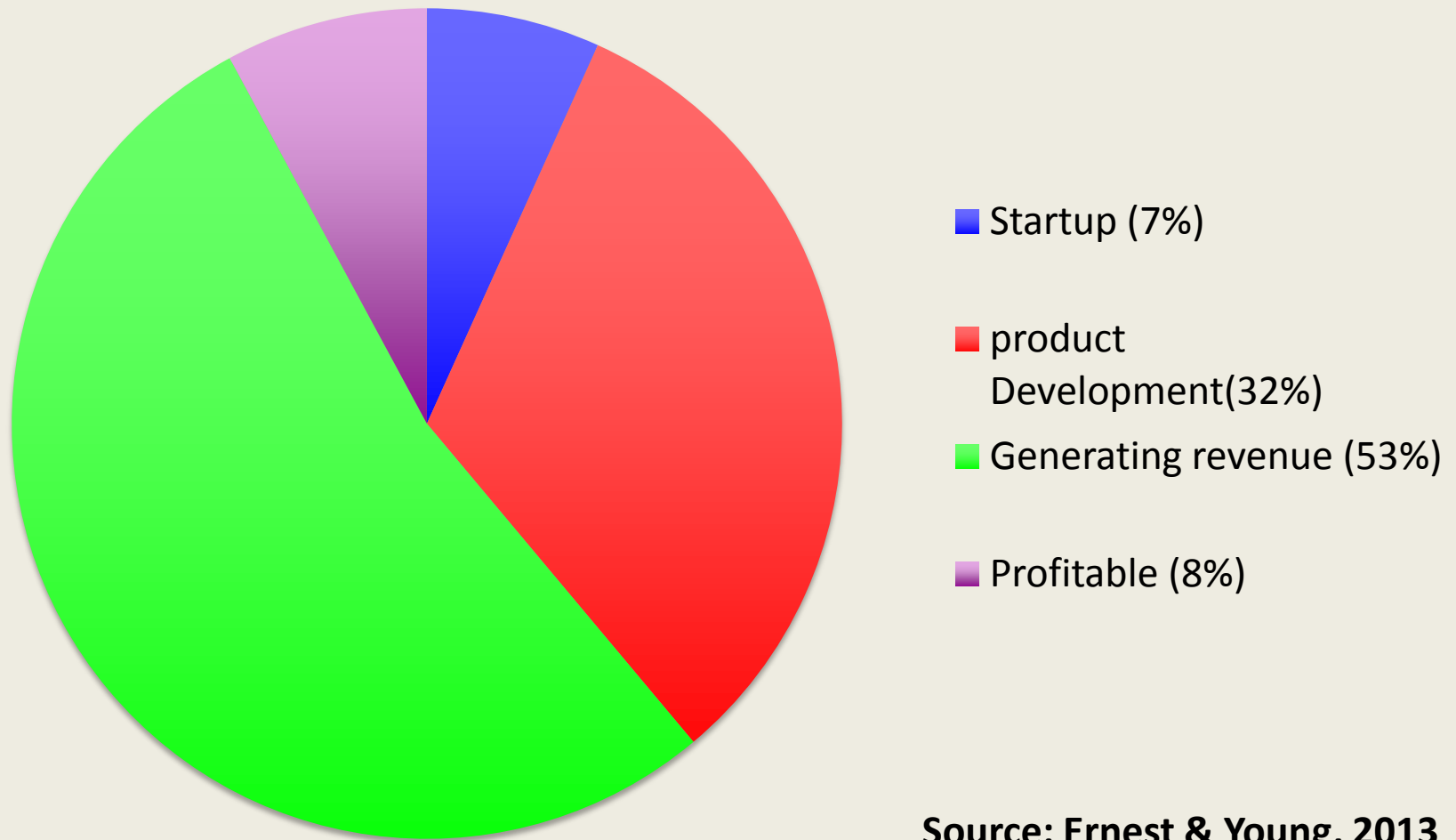
- **High growth and high obsolescence of knowledge**
- **Sony's assessment**
- **Growing need for risk capital**
- **Spread of VC investment**
- **Inadequacy of the prevalent system of VC finance**

Stage-wise Risks of VCF

Stage	Funding Period (years)	Risk Perception	Activities financed
Start up (Seed Money)	7-10	Extreme	For supporting a concept or idea or R&D for prototype development
Product development (Start Up)	5-9	Very High	Early stage firms that need funding for expenses associated with marketing and product development
Revenue generation (First Stage)	3-7	High	Early stage manufacturing and marketing funds

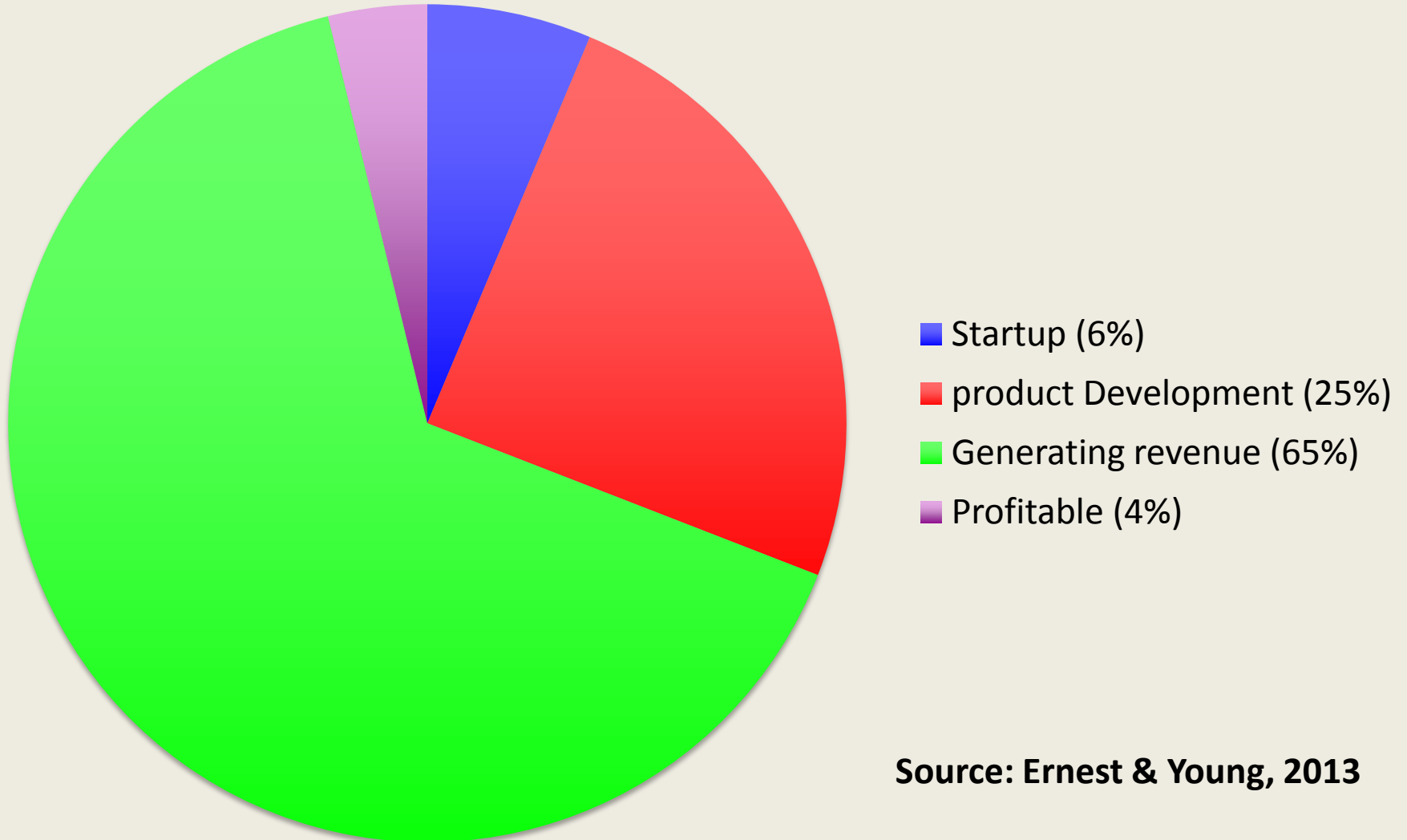
Financial Stage	Period (Funds locked in years)	Risk Perception	Activity to be financed
Revenue generation (Second Stage)	3-5	Sufficiently high	Working capital for early stage companies that are selling products, but not yet turning a profit
Revenue generation (Third Stage)	1-3	Medium	Expansion money for a newly profitable company
Profitable (Fourth Stage)	1-3	Low	Facilitating Exit (public issue, strategic exit through M&A, PE, etc.)

VC Investment in USA - 2006



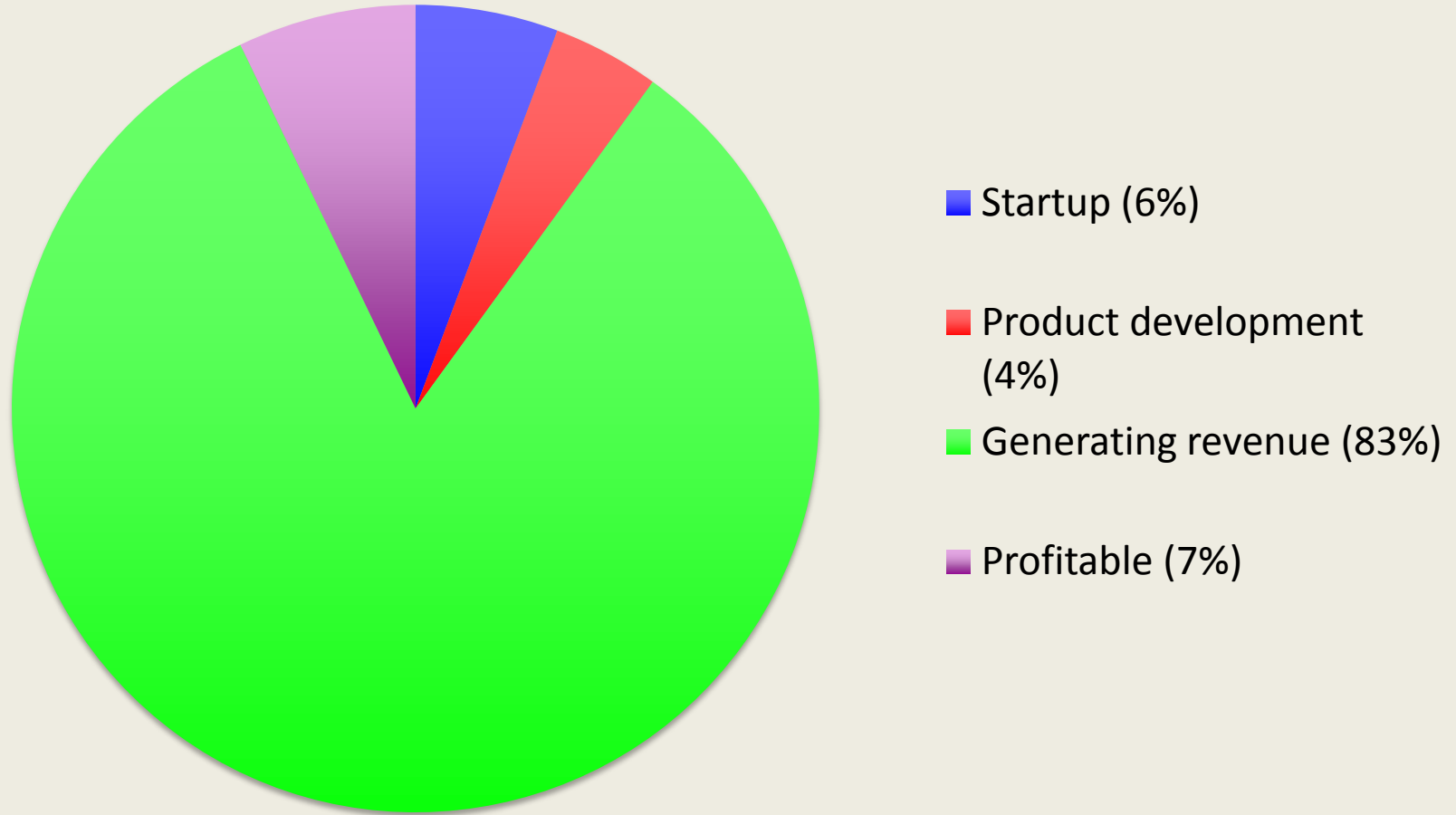
Source: Ernest & Young, 2013

VC Investment in USA - 2012



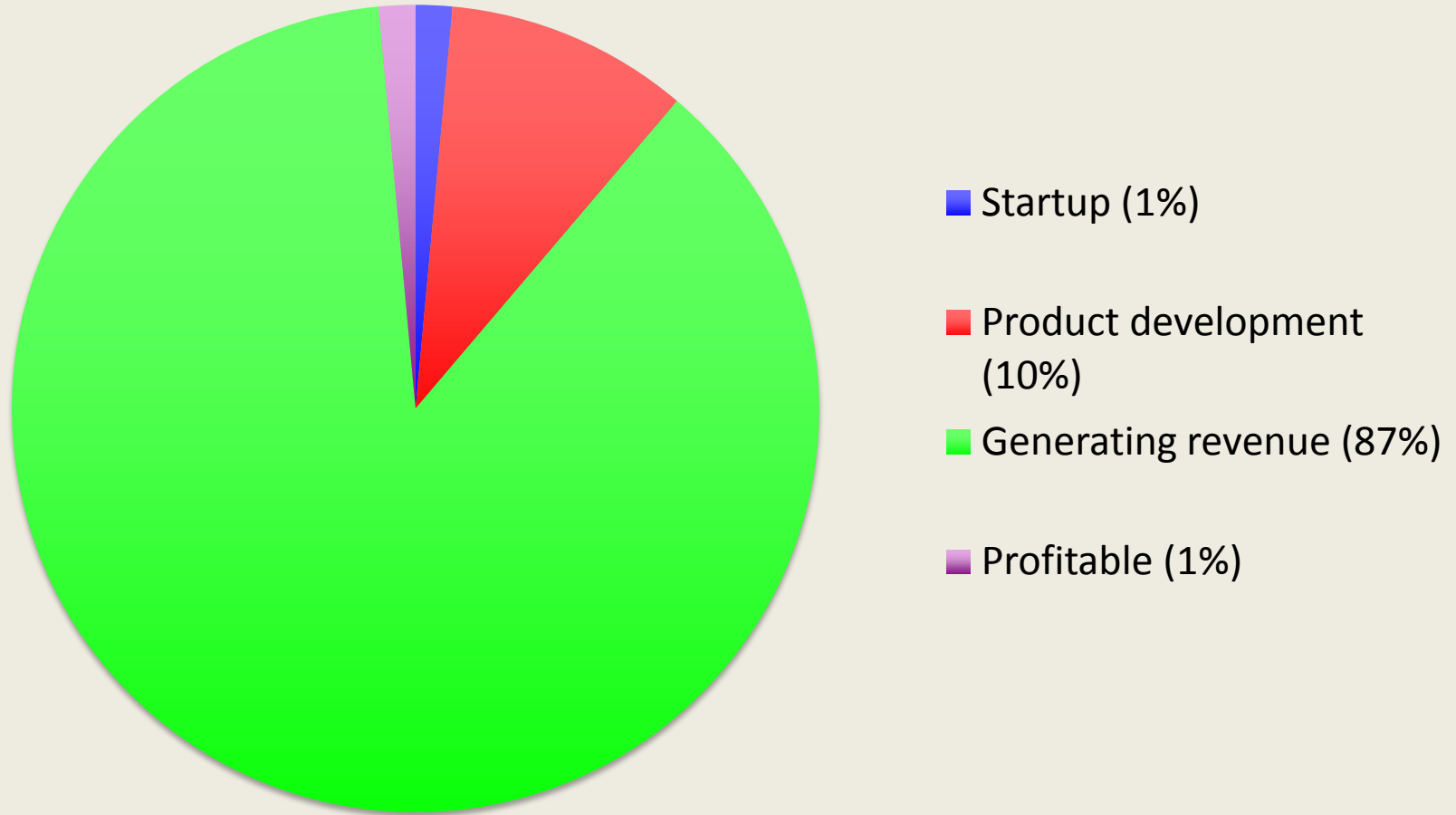
Source: Ernest & Young, 2013

VC Investment in India - 2006



Source: Ernest & Young, 2013

VC Investment in India - 2012



Source: Ernest & Young, 2013

From idea-selection to exit : The need for a shift in focus

Generating continuous pipeline of proposals

↓
Screening

↓
Detailed evaluation (Due diligence)

↓
Deal structuring

↓
Post investment activities

↓
Exit plan

Attributes that can drive growth of an innovation-driven firm

- Ability to create
- Ability to feel comfortable with ambiguity
- Ability to go to the market with speed
- Ability to use heuristics
- Ability to collaborate
- Ability to co-create with customers

Success of the VC industry in today's economy will solely depend upon the industry's ability to measure and manage intangibles

THANK YOU !