



Should I Pursue A Career In Venture Capital?

Venture Capital (VC) ranks as one of the most adventurous professions for students from the mathematics, statistics, finance, economics, or accounting background. Not only is it one of the best-paid professions for new graduates, it also offers you a broad range of experiences; the opportunity to travel domestically and internationally, and work with a diverse range of companies and industries. Venture Capitalists also strategize on some of the most important issues faced by the companies they have invested in by providing support through advice, human resource management, etc. It also promises a structured career path for growth and development.

However, venture capital can also be a high-pressure job. The competition is high, and both breaking into and maintaining your position in venture capital can be rigorous. So before entering the industry it's important to understand not only do you have the appropriate skill sets, but also how well it fits your personality.

What is Venture Capital?

A venture capitalist is an investor who either provides capital to startup ventures or supports small companies that wish to expand but do not have access to equity markets. Venture capitalists are willing to invest in such organizations because they can earn a massive return on their investments if these companies are a success.

Typically a venture capitalist engages in the following activities:

- **Research.** You need to compile data and gather information on the startup/company your firm is looking to invest in.
- **Reporting.** You need to document your work in a report and present it to your firm in a logical and convincing manner. They will then decide on whether they want to invest in the company or not.
- **Financial Valuation.** Once you find the right startup to invest in, you need to evaluate the financial position of the startup to get information on current market valuation. Also you need to figure out the right amount of investment needed for the company.
- **Negotiation.** Venture capitals invest in early-stage companies in exchange for equity (an ownership stake). You need to calculate and negotiate the amount of equity your firm should target for a particular investment.
- **Solving basic problems of the firm.** Once you have all the necessary input, and your firm has invested in a company, you need to work on diagnosing and solving the problem they are facing.
- **Recommendations.** There may be a number of solutions available to the company. Based on the circumstances and restrictions, you need to identify the optimal path forward.





Industries Where Venture Capitalists Are Found

Venture Capital firms provide risky capital infusions to early-stage or companies that wish to expand but do not have access to equities markets. Whereas private equity (PE) firms, in general, tend to gravitate to the established companies, whether small or large, venture capital firms do financing for start-ups and smaller companies who do not have access to the capital markets. For the purpose of this guide, we are focusing on venture capitalists. Let's look into some of the types of Venture Capitalists.

- **Early Stage Startup VC.** Venture capitalists are willing to invest in early stage startups because they can earn a massive return on their investments if these companies are a success. They also experience major losses when their picks fail. VC firms that concentrate on early-stage financing do much more sourcing and very limited due diligence and modeling
- **Private and Public Sector VC.** Venture capital is also a way in which the private and public sectors can construct an institution that systematically creates business networks for the new firms and industries, so that they can progress. This institution helps identify promising new firms and provide them with finance, technical expertise, marketing and business models. Firms that concentrate on late-stage financing do more of the traditional diligence, modeling, and execution
- **Newly Established Company VC.** Venture capital is attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering. Venture capitalists contribute more than financing to these firms; they also often provide strategic advice to the firm's executives on its business model and marketing strategies.

Skills & Talents Required

As you grow and evolve within your organization, the skills required will also change. We are focusing on entry-level requirements and skills that firms are focusing on when hiring venture capitalists.

- **Ability to Multi-Task.** You may be staffed on multiple assignments at the same time, or within the same assignment you may be working on different areas at the same time from analysis to research to presentation to evaluation. You need to be able to juggle these various tasks well.
- **Team Player.** You need to be able to connect with people. You will be interacting and working with other venture capitalists in your firm. You will be focusing on several companies in a particular industry





- **Strong Communication Skills.** Do you like interacting with people? Are you comfortable presenting and defending your research to a group? As a venture capitalist you will be required to explain your viewpoints and justify your expectations and figures.
- **Academic Strength.** Venture Capital companies look to hire students who are at the top of their class. Math skills are especially important as venture capitalists are always engaged in calculating and estimating figures. Firms will probe into your analytical skills, and ability to process and apply information. They will especially try gauge your market research skills and ability to predict the future scope.
- **Open to Travel.** As you work with a number of companies and industries spread across the country or even the globe, you consistently travel to company offices. You should be comfortable being away from the home environment for an extended period of time.
- **Work Long Hours.** Venture capitalists are known to work 60-70 hour weeks. You need to do a thorough research of a number of companies across varying sectors and that too within deadlines.
- **Open to change.** As a venture capitalist you will be working with a range of industries, companies and ideas which brings a lot of excitement and learning to the job. In some instances you may be hired from step one i.e. to research about the current market situation and in others you are given the responsibility of working with a startup to solve usual problems. Your strategy and approach needs to be tailored to the situation at hand.

A combination of both quantitative and qualitative skills will provide the right balance to excel in a job as a venture capitalist - number crunching, data analysis, forecasting and so on will help you assess the issue, but you also need to convey and implement the solutions within the organization in hand with your team.

Is It Right For Me?

Before you jump into recruitment phase, take your time and consider these factors:

1. **Internal Evaluation.** Take a step back and identify your strengths and weaknesses. Does your personal situation allow you to travel extensively? Are you comfortable with excel or exploring different ideas in which the startups are working? Look at the expectations the firm has and truthfully answer if those are a match for you.





2. **Do Your Homework.** Even though you believe you have the required skills, aptitude, attitude that venture capital firms are looking for, dig deeper. Research the companies that you are targeting, as each company has its own ethos and working style. What are their core competencies and policies? For example, the investment model for some firms is that they fund in early stage startups. Whereas others work in public sector firms. Identify firms which are the ideal fit for you.
3. **Speak to people in the Industry.** If you have friends or family members who are venture capitalists, talk to them about their experiences. Ask them about both the positive and negative elements they have faced. Understand what their career trajectory and if possible spend a few days shadowing them to get a complete understanding of the work.
4. **Summer Internship.** If you are still in college or school, then spend a summer interning at an investment banking firm. This is an ideal way for you to understand the true dynamics of a venture capital.

Venture Capitalist as a career provides you broad based exposure; it hones in on both your analytical and communication skills, provides a platform to work with a range of business issues, industries and companies, and the opportunity to travel to a number of new locations. However, due to the diversity and intensity of the role, it can also be a very challenging career. It's important to thoroughly do your research and ideally an internship, before making your career choice.

