
WHY VENTURE LEADERSHIP IS MORE IMPORTANT THAN VENTURE CAPITAL

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INTRODUCTION: Many areas want to develop high-growth ventures to create jobs and develop their economy. Based on Silicon Valley's success, other areas and governments imitate its capital-intensive, venture-capital (VC) strategy based on the assumption that VC is needed to build companies and that it works everywhere. They allocate scarce resources to offer high-risk VC, and hope that the VCs can build corporations. But VC has not done well outside Silicon Valley. Governments and universities should seek lower-risk (for the investor in the VC funds), venture leadership (VL) strategies to create jobs and wealth.

FINDINGS: Based on an analysis of the strategies of 85 billion-dollar entrepreneurs, and interviews with 30 billion-dollar entrepreneurs (who built a business from startup to over \$1 billion in sales and valuation) and hundred-million dollar entrepreneurs from three countries, this paper shows the following:

- **Most billion-dollar entrepreneurs grew with venture leadership, not venture capital:** Only 6% of billion-dollar entrepreneurs were VC-Traditionalists who got VC early and lost control of their venture to the VCs. The rest grew with venture leadership. 18% were VC-Delayers who got VC after Aha and built their venture – but kept control of the venture by being better venture leaders. 76% were VC-Avoiders who built their business with better venture leadership, not VC. Entrepreneurs everywhere, and especially outside Silicon Valley, can do better by becoming better venture leaders than seeking VC.
- **Venture capital has done well in Silicon Valley; but not outside:** 88% of billion-dollar entrepreneurs in Silicon Valley used VC. But outside Silicon Valley, 91% of billion-dollar entrepreneurs did not use VC – they became better venture leaders.
- **And venture capital has done well only when high-potential industries are emerging:** At other times, the VC strategy has shown poor results.

CONCLUSION: The study shows that 99.997% of entrepreneurs should grow, not with venture capital, but with venture leadership. In Silicon Valley, entrepreneurs need to delay VC to keep control of the venture and the wealth they create. Outside Silicon Valley, entrepreneurs need to build stronger businesses with venture leadership because most will never get VC. And the few who qualify will need to build their venture to Aha with venture leadership before the sophisticated VCs fund them. By becoming better leaders, entrepreneurs can also build stronger, more competitive, and capital-efficient businesses. Governments and economic developers around the world, especially outside Silicon Valley, should focus on improving venture-leadership skills rather than promoting venture capital.