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Analysis of the Characteristics, Development and Status Quo of Venture Capital

Kaiyue Jian[1, a]

[1]Department of Economics, Jinan University, China

[a]13535532258@163.com

Abstract

Based on the theory of corporate venture capital and the key success factors theory , according to the operational characteristics of the company's venture capital activities, this paper summarizes the key success factors of five companies' venture capital, including the quality of risk entrepreneurs, management team, product technology factors, and various organizations. Independence and environmental factors. In addition, this paper will discuss the development status of China's state-owned venture capital, and combine the case of shared bicycles to study the status quo and problems of venture capital support in China's shared economic development, and give countermeasures to promote China's shared economic risk investment support.

Keywords

Venture capital, key success factors, sharing economy.

1. INTRODUCTION

Sep 2016, "the State Council on promoting the sustained and healthy development of Venture Capital" (Venture Capital also refers to venture capital) , stressed that venture capital is to promote the "public entrepreneurship and innovation," and an important force for social and economic development. This major policy is promising and is expected to bring the venture capital industry into a new cycle of outbreaks. In the growth of emerging companies such as technology, financing methods have experienced the process of self-funded investment, angel investment, venture capital investment, bank loans, and listing financing. Foreign development experience shows that flexible and diversified equity financing, especially venture capital investment, is an important source of funding for technology-based growth companies and a bridge between high-tech companies that turn potential high-tech companies into reality. As an important form of financing for emerging companies, venture capital has been widely and deeply concerned by the academic community. There are two main reasons: First, R&D and innovation activities of emerging companies are difficult to finance in a freely competitive market, and venture capital is often the only effective way to finance innovative start-ups by investing in start-ups with huge innovation potential and participating. Enterprise management affects the speed and quality of business growth, which in turn affects the rise and fall of a country's economy. Second, the capitalists earned income through the exit of venture capital and launched the next round of investment, and the initial public offering (IPO) is the most common and successful way to exit the venture capital.

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2. LITERATURE REVIEW

2.1. The Impact of Venture Capital on the Ability of Enterprises to Innovate

Fu Leiming et al. (2012) confirmed that institutional investors' shareholdings can significantly increase the innovation investment of enterprises, and venture capital institutions can increase their innovation investment more effectively than ordinary institutional investors; Popov & Roosenboom (2012) Using data from 11 manufacturing industries in 21 European countries , the impact of venture capital on corporate innovation efficiency compared to corporate R&D investment was studied. As a result, it is found that, on the whole, the efficiency of venture capital investment is not significantly higher than that of the company's own R&D investment. In countries with more developed venture capital and countries with less regulation, the efficiency of venture capital for enterprise innovation is significantly higher than that of the company's own R&D investment; Guo & Jiang (2013) is the manufacturing enterprise of China from 1998 to 2007 . As a sample, it was confirmed that venture capital has a significant positive impact on the density of R&D investment. In addition, venture capitalists also participate in the management of the company and promote corporate innovation and commercialization of innovation by influencing corporate R&D decisions.

2.2. Analysis of Key Success Factors of Venture Capital

The key success factor is something that a company or manager must give special and sustained attention to good performance or success, including the current and future factors that affect the success of the company's operations. According to Lu Ping (2007), the key success factors are the few most influential factors that organizations must give special and sustained attention to organizational management; Belassi and Tukel (1996) propose a new project. Key success factor research frameworks, which divide the key success factors of the project into four dimensions: project-related factors, factors related to project team members, organizational-related factors, and factors related to the organization's external environment; Zhang Yuyu (2018) Based on the company's venture capital theory and key success factor theory, 11 key success factors of the company's venture capital are extracted . The risk enterprise factors include risk entrepreneur quality, management team factor and product technology factor. Parent company factors include Investment objectives, senior management support, parent company involvement; corporate venture capital institutional factors include investment management team, organizational independence and the role of intermediary roles; environmental factors include the macro environment and industry environment.

3. THE CHARACTERISTICS OF VENTURE CAPITAL

3.1. The Concept of Venture Capital

Venture capital refers to the equity investment of non-financial enterprises with clear main business activities driven by strategic interests to emerging, rapidly developing external ventures with huge competitive potential and broad market prospects. Large companies can obtain new sources of technological innovation as soon as possible through venture capital investment, master the future trends of technology development, and enhance their core competitiveness.

3.2. Characteristics of Venture Capital

The risk is relatively high. Since venture capital is mainly to support innovative technologies and products , the risks in technology , economy and market are quite large , and the success rate is only about 30% on average .

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It is a portfolio investment. In order to diversify risks , venture capital is usually invested in a project with more than 10 projects , and the high returns obtained from successful projects are used to offset the losses of the failed projects and make a profit .

The period is relatively long. Venture capital generally takes 3 to 7 years to earn revenue through the use of capital , and during this period it is often necessary to continuously increase capital for projects with successful hopes.

It is an equity investment (Equity Investment) . Is a venture capital equity capital, rather than a loan funds, it does not focus its investments in current profit and loss, but rather the development prospects and the value of their assets , so that through the listing or sale and divestment and made High returns .

3.3. How Venture Capital Works

According to the law of operation, the company's venture capital mainly involves three main bodies: large enterprises, namely parent companies, venture companies, and company venture capital institutions. As a venture capital investment enterprise of a large enterprise, a venture company's own business success or whether its technology has sufficient market competitiveness will determine the success or failure of the investment. The parent company, as a large company in the industry, will greatly improve the probability of success of the company's venture capital project if it can provide sufficient support for the company's venture capital projects. As a direct executor of investment activities, the company's venture capital institution is a bridge between the venture company and the parent company. If it can play a good role in intermediary transfer, it will contribute to the success of the company's venture capital project. In addition, venture capital organizations mainly include three forms: corporate, partnership, and trust . The limited partnership is the most common form in the United States.

4. FACTORS OF SUCCESS OF VENTURE CAPITAL

4.1. Risk Entrepreneur Quality

As the leader of the enterprise, venture entrepreneurs should have strategic thinking ability, be able to effectively control various uncertain factors, and bear the risks and pressures to make correct decisions in a timely manner. There is information asymmetry between venture capitalists and venture entrepreneurs. Risk entrepreneurs have good reputation and honest quality, which is a guarantee to reduce the moral hazard of venture capital investment.

4.2. Risk Enterprise Management Team

The management team of the risk enterprise is the organization that assists the risk entrepreneurs to achieve their entrepreneurial goals. They are the actual performers of the daily work of the risk enterprise. The integrity of the management team structure, the cohesiveness and loyalty of its members directly affect the operation of the risk enterprise. . On the other hand, the values of team members should be highly consistent, so that team members can form high cohesiveness and team loyalty, and in the future can work together to overcome various difficulties in the entrepreneurial process.

4.3. Product Technical Factors of Venture Companies

Large companies regard corporate venture capital as an external extension or supplement to their internal R & D , or to control R & D costs such as manpower and material resources, and strengthen internal R & D considerations. Therefore, the technology of venture companies is the choice of venture capital institutions. Focus on the investment project. At the same time, advanced technology can create obstacles for other competitors to enter the market, thereby enhancing the competitive advantage of enterprises. The risk enterprise product technology

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must be strategically related to the parent company, and such company venture capital can achieve the synergy between the parent company and the risk enterprise.

4.4. Independence Between Organizations

Independence of the parent company and venture capital institutions in the organization is essential, venture capital companies should have their own independent organization, when making decisions can be independent of the parent company and not be affected. Therefore, on the one hand, it is necessary to ensure that the invested entrepreneurs can produce close technical cooperation with their parent companies; on the other hand, they must ensure that the company's venture capital institutions have certain autonomy in decision-making.

4.5. Environmental Factors

The macroeconomic environment and policy environment are the main environmental factors that affect the success or failure of investment. The company's venture capital investment is a kind of long-term investment. In the process of investment, the change of national industrial policy and investment orientation will bring certain risks to the investment. Analysis of risky companies by industry

The extent of policy support, in addition to possible changes in national taxation policies and monetary and financial policies, should also be noted.

5. THE DEVELOPMENT OF VENTURE CAPITAL IN CHINA

5.1. State-Owned Venture Capital

As an emerging market, China's venture capital and capital market development has a unique shape and path, which makes China's state-owned venture investment behavior show different characteristics. First, state-owned venture capital still occupies an extremely important position in the existing venture capital market and is diversified in organizational form. Of both direct investment and financial management investment company, but also create investment guide fund; both state-owned institutions as a limited partner of the venture capital fund has its own investment management company. Second, the state-owned venture capital and governments at all levels with between thousands of silk with Wanlv system, its selection of investment projects, the investment management and exit brings many conveniences and advantages. The “10-year-old sword ” and several suspensions of the GEM have had a major impact on many venture capital institutions, but state-owned venture capital has made it easier to survive by using its government background.

5.2. Countermeasures to Promote China's Sharing of Economic Risk Investment

5.2.1Solid insight into the need for consumption, looking for real value

Business under the fog of the Internet, to identify the need for authenticity, not everything applies to the principle of sharing. Between the rigid demand and the early adopter demand, the service provider should have a solid insight into the consumer demand and look for a model that truly creates value for the owner and the renter, avoiding excessive accumulation of risk capital in the pseudo-demand field and increasing investment risk.

5.2.2Strengthening the degree of disclosure of individual information in the sharing economy

The emergence of Internet finance reflects the convenience of its free economy, in order to achieve information.It is said that a strong technology platform is bound to be a guarantee, making it a "connector" that connects everything, and thus obtains information, and the low transparency of information is an important reason that hinders venture capital from supporting the development of the shared economy. Strengthening the information disclosure degree of the sharing economy individual, reducing the degree of information asymmetry

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between it and users and venture investors, is conducive to reducing investment risks and thus promoting investment expenditure.

5.2.3The government promptly issued corresponding management policies and regulations

As a shared bicycle that shares the economic emerging things, its corresponding laws and regulations and supporting policies have not been perfected. The emergence and operation of shared bicycles and the contents of the city management regulations have also caused great conflicts. Unclear responsibility leads to legal disputes. The transportation industry and urban construction will have a great impact. The government's macro-control and supervision of shared bicycles still needs to be strengthened.

6. CONCLUSION

When conducting large-scale ventures, large companies should clearly identify the key success factors in the investment process based on the specific conditions of the company, so as to successfully screen out high-quality projects and successfully manage the projects after investment. Venture companies successfully develop innovative technologies and can play a synergistic effect with their parent companies, ultimately achieving the strategic value of the company's venture capital and achieving a win-win situation for both large and risky companies.

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