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Balanced Venture Cards : Integrating Information and Venture Nurturing Strategy to Prevent Shock & Awe

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Although the venture development and nurturing strategies are not new, but most of these strategies are prone to shock and awe of unexpected developments while a venture goes through different stages of its life. In most cases the shock and awe of the unexpected developments in the venture is fatal and many ventures go down the drain in early stages of their development leaving a very small percentage of ventures joining the pool of successful ventures. The idea behind the balanced venture cards presented in this paper calls for more accurate as well as multiple layers of nurturing strategy while making the integrated information and value portal as the venture linchpin instead of funds flow. The objective of the balanced venture cards approach is to ensure that maximum possible avenues are brought into consideration that can allow a venture to be nurtured to a stage where it can join the pool of successful ventures.

JEL Classification Numbers : M130
Key Words : Venture Nurturing, Incubation, Alternate Strategies

1. Introduction

The adventurous nature of the equity financing in the newer technologies and newer markets is both challenging as well as a vital learning opportunity in the entrepreneurship. As more and more investors take this path, more we are able to learn newer ways to tackle the venture nurturing business. Venture business nurturing or incubation, or any other process of venture business development, calls for a rigorous outwards as well as inwards information flow as the entrepreneur goes down the road to venture value creation. Monitoring mechanisms, often presented as a way to supplement the entrepreneurial struggle, may be important but not sufficient to ensure a successful venture creation. Static monitoring or one way information flows designed mainly to determine the desirability of keeping the funds flowing, regardless of the potential success or failure of the incubated venture, may very often lead to dead -end decisions. In most cases the outcome may be scrapping the project or continuous funds infusion without regard to the potential success or failure

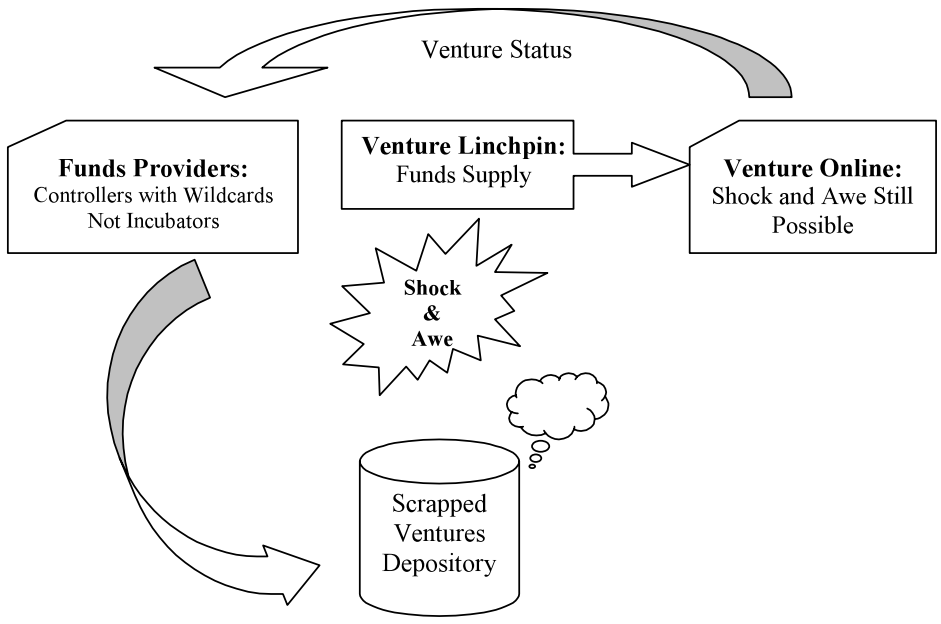
chances. It is because most such dead-end decisions are made under the constraint of presently available set of strategic and tactical plans, and little room is provided for devising alternative strategies and tactics which may affect the decisions in a very significant way. I would call such an approach as using wild cards that are seldom based upon any strategic considerations infused with the spirit of incubation.

The current venture practices mostly maintain one way communication apparatus designed mainly to convey the venture status at predetermined intervals to seek further funding from the funds providers, and in most cases it serves only as a shock and awe to either. Parties to the venture have to face shock & awe when funds are stopped due to sudden negative reports about the venture, and also when the venture fails despite fresh funding provided based upon faulty signals. The wildcard strategy and the use of funds supply as a linchpin of the venture control are the major factors that result in the shock and awe resulting in failed ventures in most cases. It will remain so as long as controlling the venture through wildcards and funds supply remains the focus of the funds providers, as these measures are suitable only from a controller's point of view and cannot fit into a venture incubation strategy.

2. Venture Control-The Wildcard Approach

Control in its current form is working only as an off-on switch for the funds supply and has little to offer in terms of venture nurturing. All that is

Figure 1 ：Venture Overseeing-Wildcard Approach



needed is to minimize the adventurous factors of the venturing business and subject it to a strategy that is more predictable and manageable. As depicted in the Figure 1 , most venture development strategies at present are built around the funds supply linchpin.

If the venture status report provided by the venture managers is found satisfactory, funds providers may go ahead with extending additional funds ; alternatively, if the report is not upto the expectations, then the venture is doomed to be scrapped. Hence, it is more of a shock and awe environment in which both venture funds providers as well as the venture managers are working. The venture status report is instrumental in determining what future course of action will be of the funds providers which will consequently determine whether the venture gets a lifeline or is scrapped. Most funds providers tend to hold off or turn on the funds flow switch rather than moving on to alternate therapies that would allow the distress signals given by the venture status report to be harnessed towards the venture success. This is exactly what makes the wildcard approach unsuitable in venture development, as it needs nurturing and incubation through alternate strategies and tactics geared towards the success.

3. The Venture Nurturing Strategy

The idea is to replace or at the least supplement the venture control behavior with the venture incubation and nurturing strategy.[1)] The wildcards need be replaced with balancing cards ; as the purpose is to avoid the shock and awe to achieve the goal of successful venture development. The Balanced Venture Cards (BVC) aim to layout the venture nurturing strategy in humanly possible details in advance and chart out the alternate courses of action in case one or the other course taken proves to be unrealistic. It calls for bit-by-bit piecing out of the venture nurturing strategy into smaller tactical moves that are all geared towards implementing the strategy. The concept is that both venture investors as well as the managers work in close coordination and unison ; as mission linchpin in this case is not the funds flow from the investors to the venture rather a success geared venture nourishment strategy. Venture will not in this case die as the funds flow is stopped, rather commitment towards the venture development will determine the venture's destiny.

The key to this balancing card approach lays in close coordination between the funds providers and the venture operators. The close coordination is

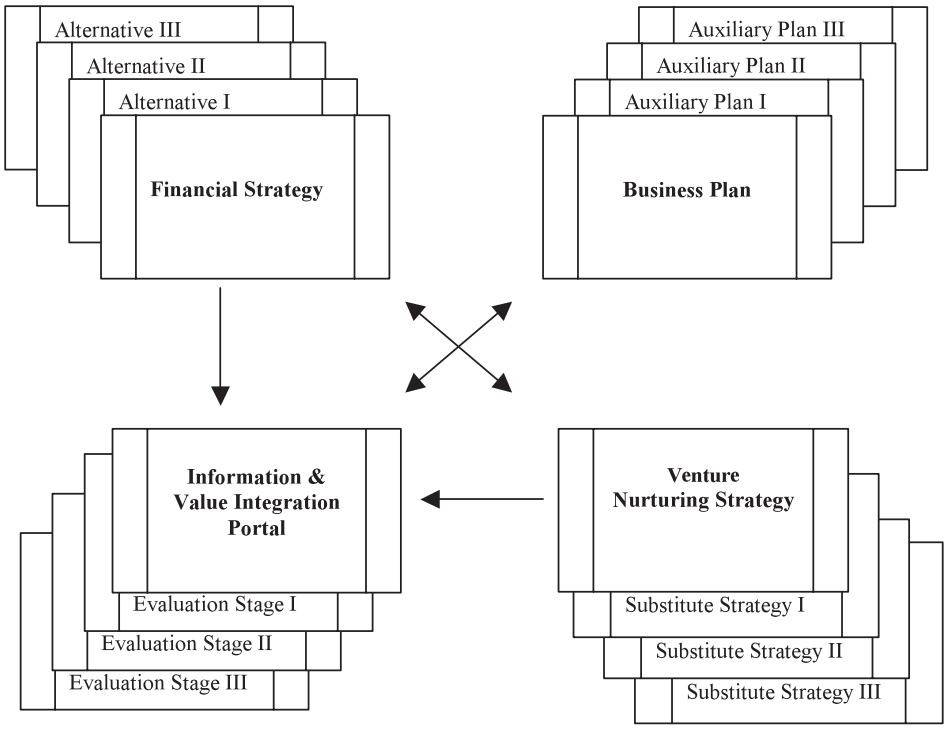
1) Nurturing strategy in the venture development background is certainly a knowledge based strategy designed to reap certain pre-established goals that in BVC scenario means a successful venture. Luczkiw (1997) has presented an excellent explanation of the role nurturing can play in enterprise development in a knowledge based business environment. For further reading see *Global Enterprise : Creating and Nurturing an Entrepreneurial Culture on the Edge of Existing Structures by* Gene Luczkiw (1997).

needed to ensure that every step taken is contributing or adding value to the venture directly or indirectly. The venture needs be put on interactive management platform where, on one hand, operators with their hands-on experience with the incubated venture can provide real time feedback and, on the other hand, funds providers with a broader investment experience and perspective come close to maximize their efforts to ensure venture success. The interaction in this process is immensely important to ensure the agility of the venture nurturing strategy to adopt alternate courses of action and multiple business tactics devised as the venture goes ahead. The details will be quite important in understanding and implementation of the venture nurturing strategy. Balanced venture cards stress on spelling out the business plan, the product or service lineup, the financial and the marketing plans in intricate details, with alternates left open at every stage of implementation that may be available in case one or the other turns out to be unable to contribute positive value to the venture. As the approach suggested here is geared towards value creation, hence it is crucial to evaluate and revaluate the impact of any actions undertaken, in the light of the plans laid out, upon the value of the venture. If at any step it is ascertained that a certain segment of the plan is not contributing towards the venture value a correctional surgery will be needed. It sounds quite a precision oriented strategy which may sometimes be hard to come up with in real life, but a closer look at the way the strategic cards are laid out, and balanced as the need arises during the course of action, it will appear that it is very much possible ; still ensuring that the venture goes ahead while adding value to itself.

The nurturing strategy for the venture development by means of balancing cards is a rigorous effort right from the time various plans are laid out all the way to the execution and continual revaluation and readjustment of the plans. All this is done in combination with a very comprehensive information and evaluative system that allows both investors as well the venture operators to stay in close touch with each other. The interactive information flow makes the timely evaluation possible, so that any adjustment either tactical or strategic that is needed to keep the value creation process keep on moving ahead is done in time.

The strategy has been named as balanced venture cards, as it allows the replacement of one venture strategy, represented by a venture card（Figure 2）with an alternative option in case that strategy is not helping in adding value to the venture. This evaluation process is done at the information and evaluation integration portal that is operational at various stages of the venture. The number of cards as shown in the figure is not representative or limited to three or four, rather venture planners can have any number of alterna-

Figure 2 ：The Balancing Venture Cards



tive strategies and plans to be included in this design as are available either at the start or during the life of the venture. Furthermore, the multiplicity of the plans available and the alternative strategies make it possible for the venture operators to take out any imbalances in their approach towards the venture incubation ; and nothing is done in an abrupt style that creates shock and awe and the venture is not left to go down the drain as easily as it would be in case of wildcard strategy.

3. 1 BVC-The Business Plan

The interplay of alternative options in financial, business, marketing as well as information plans is necessary so that flexibility needed for the lateral revisions in the venture operations could be provided.[2)] This flexibility is possible only when both investor and investee have a close interaction and coordination while the business plans are being devised well as when these plans are being executed. It is highly important that business and all other plans are

2) Laying out the business plan in detail is certainly instrumental to setting out the investor criteria ; but here business plan is open to discussion in both *pre and post* investment scenarios by parties to the venture. The openness of the business plan as well as its agility is instrumental to the successful venture creation. For further readings see 'Your First Business Plan,' by Covello Joseph and Brian Hazelgren. Naperville, IL : Sourcebooks, Inc. , 1998.

devised in greater detail and length. Regarding business plan it will be advisable to :

* Prioritize key functions that are vital to the venture
* Hint the strongest and weakest aspects of your business plan
* Put forward alternative strategies for strengths and weaknesses
* Inconsistencies in the business plan must be explained
* Present a positive criticism of the business plan
* Suggest ways to advance the potential for success

It will be noted however that the idea of balanced venture cards is very much a knowledge based approach that relies upon analyzing and dealing with the strengths weakness, opportunities and threats（SWOT）of the venture.[3] However, it is only when SWOT analysis is clubbed together with multiple strategic routings for the business plan that the venture cards start taking shape. Also, a similar multiple strategy approach will be needed in other aspects of the planning as well. Certain areas of vital importance will be :

* The venture's cutting edge
* Innovative technology that may benefit or threaten our business plan
* Requirement for or loss of vital human resources
* Access or lack of access to vital materials
* Availability or otherwise of funds
* Entry of new competitors
* Changes in the economy
* Changes in regime policies or regulations
* Transport and communication changes
* Social or environmental changes

Given above is a not an exhaustive list, rather only an indicator of various aspects of the venture plans that will have to be considered on multiple options basis and be communicated between the parties to the venture.

3. 2 BVC-The Financial Strategy

Financial strategy development is a vital activity for every business irrespective of its age and size. For new enterprises, the preparation of financial projections is integral to the business planning process.[4] Central to the task of

3）Here caution is advisable as SWOT analysis can be very subjective ; that is why though it comes as a major ingredient of any business plan, our BVC does not rely too much on it. Two people rarely come-up with the same final version of SWOT. Here SWOT analysis is intended only to ascertain that we should distinguish between where the venture management is today, and where it could be in the future.

4）When preparing financial estimates, one should be conscious of the pitfalls and dangers that can arise as the result of a lack of foresight or insight, or because of excessive optimism. This can lead to under-estimation of the resources required to develop a venture with potentially disastrous consequences, at the same time it can be counter-productive to overstate its potential.

preparing a set of projections is the construction of a numerical model to reflect the finances and activities that are ensued with a business plan or its alternate plans. Financial plans need be developed in much greater detail as they must accommodate several time periods (months, quarters and years) and handle a multiplicity of variables relating to sales, costs etc. The volume of data mounts up very quickly when each variable is multiplied by the time horizon, for example, by twelve months. Financial models will be needed to compile forecasts and budgets ; to assess possible funding necessities ; and to explore the likely financial consequences of alternative funding, marketing or operational strategies. A detailed financial strategy will also be needed for business planning, raising finance, investment or funding appraisals, financial analysis, corporate planning etc.

However, most crucial point in this is the ability of this financial strategy to cope with the frequent or possible changes in the business circumstances when original business plans are altered or alternate business plans are executed. The changed circumstances are very much likely to change the financial composure as well as the value of the venture, hence it will be pertinent to look into the continual financial viability of the venture. While many alternate or supplemental investment appraisal methods can be applied to serve this purpose, however, for the purpose of the venture investment evaluation use of adjusted present value (APV) is advisable. Adjusted present value due to its flexibility and easier assimilative qualities is very much suitable to the venture nurturing strategy where more elements are likely to change value over the time than in any other valuation scenario. Again, APV is commensurate with the managerial concept of planning and control as it allows pausing at desirable intervals to have a feedback, and then adjust the strategy and consequent financial implications to have updated value of the venture as business plans are executed and venture passes through its various stages.[5)]

3. 3 BVC-The Information and Value Integration Portal

This aspect of the venture nurturing strategy through the BVC approach is effectively nerve centre of the whole of the scheme. It is here that all the information is gathered, all plans are reviewed, feedback is taken and the future course of action is decided to ensure that the goal of a successful venture creation stays in sight. This is the interactive platform where all the parties to the venture gather and information about the venture is reviewed on regular or continuous basis ; and based on the information gathered about the venture

5) APV with a piece-meal approach towards venture investment evaluation is especially suitable when a venture's value is prone to frequent changes in early stages of the nurturing. See APV-Planning and Control Perspective by S.N.Jehan, Journal of Japan Society for Applied Management, 2003.

operations any tactical or strategic changes in the business or financial plan are considered.

The design of the information and value integration portal may differ from venture to venture and also is dependent on the nature of relationship between the parties to the venture. An ideal information and value integration portal would allow a steady stream of information to flow both to and from the venture while up-to-date value estimates of the venture are prepared under changing circumstances. The mechanism for making such an information flow may be different ranging from rudimentary financial and operational reports about the venture to the development of some highly integrated enterprise wide system. However, the fund providers as well as an effective venture nurturing mechanism cannot overstate the importance of the portal as an interactive mechanism that allows both overseeing as well as nurturing of the venture. Without this portal, the whole idea of nurturing and readjusting the venture development strategy will not be executable.

4. Conclusion

The paper presents a new multilayered venture nurturing approach where funds providers and investees come closer than ever and take up the task of venture development right from the beginning till the venture is able to sustain. The concept is to put maximum possible scenarios into black and white that a venture may have to face through many stages of its development. The development and execution of multiple business & financial strategies and integration of information and venture valuation is sought in order to minimize the possibility of any fatal shock and awe to the venture. The balanced venture card approach is designed to bring maximum uncertainties and possible outcomes into calculation before they happen out of blue and blow a fatal shock to the venture development efforts. The approach emphasizes the value of interactive relationship between the funds providers and the venture investees and brings the fund providers into the fold of venture parenthood, as they are no more passive capitalists waiting the fate of the venture that is not very much in their hands. At the same, the balanced venture cards emphasize the role of information and interaction for the purpose of venture value creation as venture linchpin instead of mere funds flow. In short, it is a knowledge based venture nourishment approach whereby the sole objective is to minimize the uncertain and fatal outcomes ensuring that the venture gets maximum chances to be groomed and developed into a successful venture.

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