

Thinkers50: The Road Ahead for Venture Capital



By [Katy Scott](#), INSEAD Knowledge

In this Thinkers50 webinar, Claudia Zeisberger provides insights into the state of the venture world in today’s climate of unprecedented uncertainty.

The world of venture capital is weathering a period of global instability. How can we understand the risk and explore the opportunities of this new reality? INSEAD Senior Affiliate Professor of Entrepreneurship and Family Enterprise, [Claudia Zeisberger](#), shared her expert opinion in a recent Thinkers50 webinar.

“From about March this year, the amount of venture capital deployed has dropped,” explained Zeisberger. “VCs are taking the foot off the gas compared to the last two years when the speed of venture investing was fast and furious.” Indeed, global venture funding **fell by 23 percent** to US\$108.5 billion in the second quarter of the year – the second-largest drop

in a decade.

However, Zeisberger pointed out that while venture funds are deploying their money a little slower, they cannot stay on the side lines forever. “I would expect by latest early next year, we will see the VCs come back with a vengeance to deploy the money that they have raised in the last couple of years,” she said.

While venture capital originated in Silicon Valley, there are tremendous venture activities in Europe, Asia and Latin America, where venture capital investment topped **a record-breaking US\$15 billion** last year. “Globally, the mindset towards entrepreneurship and building entrepreneurial ecosystems is becoming increasingly important,” said Zeisberger.

She advised entrepreneurs to get help from advisers, lawyers or seasoned entrepreneurs to find the best possible investor. “Not every venture capital fund invests in every start-up. Every fund has a certain mandate,” she said. “Depending on what kind of company you are... you need to know who to approach based on their vertical and the stage that you are in.”

Trends to keep an eye on

Zeisberger outlined some trends including the rise of corporate venture capital, search funds and **responsible AI solutions**.

Corporate venture capital

One area that’s booming is corporate venturing. Corporate investors offer funding, access to resources such as experienced business unit leaders, marketing and development support, and the halo-effect of an established brand. “We have seen a tremendous explosion of corporate venture dollars entering the market just in the last couple of years,” said Zeisberger.

But entrepreneurs should be aware of the potential drawbacks when deciding whether corporate funding is a good fit for their start-up. “The difficulty is that you're trying to marry the culture of a large corporate with the culture of start-up, and the two couldn't be more different,” said Zeisberger. “The corporates that do it well... and find ways to make the engagement worthwhile for both sides obviously reap tremendous benefits.”

VC and family business

Zeisberger noted an interesting trend in Asia: the rising interest in venture capital among next-generation family business leaders. “There is potentially an opportunity for those family businesses, if they get it right, to encourage the next generation to get more involved in the early-stage ecosystem,” she said. This could ultimately help the original family business stay relevant.

Search funds

Search funds, a staple in the US, are beginning to gain traction in Europe and Asia. “It’s a slightly different segue into entrepreneurship,” said Zeisberger. A search fund is an investment vehicle through which investors back an entrepreneur's efforts to identify, acquire and grow a company. We're looking to find a suitable entrepreneur that would take this business from good to great, she explained.

While acquiring a business already in existence is a lot less risky than starting your own company, there are still some interesting challenges. A lot of these businesses are under-invested and the owner already has their mind on retirement, explained Zeisberger. However, when a new team and innovation is brought in, things can quickly turn around. “The data from the US shows that they [search funds] offer investors really interesting returns.”

Responsible, sustainable start-ups

Since early last year there have been real conversations about **responsible AI**, said Zeisberger. Venture capitalists’ role as funding source and mentor of tech start-ups makes them uniquely placed to help their entrepreneurs build AI solutions that are based on responsible and transparent use of data, she said. “Responsible AI solutions are crucial, and the gatekeepers for these solutions are the VCs.”

Zeisberger also stressed the ever-growing importance of sustainability. Start-ups are experimenting in the alternative energy space and having wider conversations around climate change and the energy transition. These conversations are trickling down to venture capital as well, she said. “I think the solutions that the planet needs in the next two decades to settle and to rebalance Planet Earth... will come from early-stage companies.”

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