Book Reviews

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Mohammad Mustafa. *Demystifying Venture Capital: How it Works and How to Get It*, Simon & Schuster India, 2020, 400 pp.

Demystifying Venture Capital: How it Works and How to Get It authored by Mohammad Mustafa is a useful compendium on the venture capital industry with a focus on India, and highlights pertinent issues of venture capital and its mechanism. The book offers a holistic perspective and analyses various processes of the venture capital industry in India. Moreover, this book presents three major themes, 'global best practices and investment framework', 'data, trends and insights on Indian venture capital ecosystem' and 'views of Indian venture capital investors'. This book has eight chapters and case studies on ten leading venture capital investors. It also provides relevant data on start-up funding sources, venture capital industry, private equity funding and other investors that support early-stage entrepreneurship.

Why Know More About Venture Capital?

'Venture Capital has evolved as an important intermediary in financial markets. It is providing capital to firms that might otherwise have difficulty attracting financing' (Gompers & Lerner, 2001). Moreover, venture capital is an important internal factor in the early stages of a start-up (Davila et al., 2003), as these start-ups do not have financial track records, namely cash flows, balance sheets, income statements and, more importantly, asset base. In absence of this critical financial information, when traditional funding is extremely difficult, the venture capital firms support the innovative ventures with funding and expertise to make the venture moving on the path. Also,

> the venture capital firms enable young startup founders to transfer the financial risk in the case of a failure of the business to the venture capital firm. In exchange, the founders give up a part of their equity so that they lose some of the possible returns on a potential exit of their venture. (Breuer & Pinkwart, 2018)

In nutshell, venture capital financing is a funding mechanism to empower early-stage start-ups, companies and entrepreneurs financially; moreover, it often involves early and seed round venture funding.

How Does Venture Capital Facilitate Emerging Start-ups in India?

Indian venture capital market is at the evolution stage. Post-1995, the Indian venture capital industry has started attracting the attention of venture capital firms both from India and abroad. Venture capital funding comes under the class of equity investment where venture capital firms infuse funds in exchange for partial ownership in the venture that apparently yields return. The probability of getting positive returns from an investment in a start-up venture depends upon the uniqueness of the idea and value proposition of the start-up that attracts more buyers. The venture capital firms see the potentiality of future business prospects in a start-up venture before actually investing any single rupee. These firms also assess the opportunity of mentoring the venture founding team so that the start-up could be taken to the next level and more and more returns could be earned. Moreover, the venture capital firms help early-stage venture in not only availing funds at the time of venture scaling-up phase but also with lots of business traits through mentoring and guidance. In India, the venture capital industry has cumulatively raised over US$31 billion in about 3,500 deals during 2006 and 2018, and the most celebrated start-ups, namely Flipkart, Swiggy, Ola and BYJU'S have achieved unicorn status. Propelled by the growth of the venture capital industry, India has become the third-largest start-up nation in the world.

Chapter 1 of this book highlights that venture capital firms were started in the United States of America and timely reached to every ecosystem that empowers early-stage innovative and technology-driven start-ups. In India, the success of venture capital firms can be verified by looking at 2019 figures which highlight that five out of seven big market capitalisations were supported by venture capital firms. Chapters 2 and 3 provide insights on ‘funds’ and ‘role of limited partners and the nuances in the fundraising processes’. The regulatory framework of Indian venture capital funds is highlighted. The Securities Exchange Board of India regulates the venture capital market which is categorised in alternative investment funds, the book says. Chapter 2 further provides a professional profile of venture capital firms’ partners who were approached for this book. Consulting, finance, technology, entrepreneurship and fund management are the leading areas from where the venture capital firm partners generally come. Further, the author provides a distinction between general partners and limited partners, which is more like a technical term in this industry. Very clearly, the author puts forth the mechanism and processes being followed by limited partners in India.

Chapter 4 presents the role and importance of a clear investment strategy of a fund. The chapter concludes that the venture capital industry is primarily driven by macroeconomic conditions, technology readiness and the focus of venture capital players in any economy. ‘Deal techniques across the lifestyle of the fund’, Chapter 5, emphasises on deal generation techniques such as inbound, outbound, referrals, investment banks and brokers. The author highlights that deal diligence is followed by deal structuring that involves the development of terms and conditions of investment, the degree of control, management rights, board rights, exit triggers, clauses, dilution implications, pricing and others. This chapter provides ample opportunities for a reader to understand the nitty-gritty of deals as also some of the nuances of deal structuring. Chapter 6 ‘Performance measurement of venture capitals’ discusses various performance metrics adopted in the venture capital industry, the data challenges in the industry, and highlights ‘how venture capital firms safeguard their money when most of the startups fail in generating any return?’. Very aptly the author describes the mechanism of the venture capital industry, its assumptions on which venture capital firms operate and create wealth for investors.

‘Where venture capitals falter-operational, behavioural and ethical issues’, Chapter 7 of this book, highlights that sometimes due to a high number of deals evaluated, the venture capital firms may miss some of the great deals, which is called origination failure. In fact, lack of focus on portfolio management and risk management may also be a reason sometimes. The final chapter, ‘The road ahead’ provides lots of connecting dots on ‘how to improve the venture capital industry in India?’

that could support early-stage start-ups in achieving their vision. The author summarises that some of the major trends that will keep driving the start-up ecosystem and venture capital funds are macro trends, start-up trends, capital trends, ecosystem trends and government-supported trends.

Part two of this book is a unique compilation of cases on 10 venture capital firms, that is, Accel, Blume Ventures, Chiratae Ventures, India Quotient, Kae Capital, Kallari Capital, Matrix Partners India, Nexus India Capital and Eventures India, Omidyar Networks India and Sequoia Capital India. These cases provide a factual picture of the venture capital industry in India. In nutshell, these firms opine that identifying a successful or wining start-up is difficult and that is why most of the venture capital firms concentrate on start-up teams and their vision. Absence or low market needs, inexperienced start-up team, unscientific pricing, lack of value proposition, ordinary customer focus and product market timing are the reasons why start-ups generally fail in India. The venture capital firm partners say that anyone or a combination of these issues leads to start-up failure and each of the venture capital firms has a differentiated strategy to deal with these issues and convert their investments into winners.

In totality, this book portrays various facts and figures of the venture capital industry and its role in building an ecosystem for new-gen entrepreneurship. The author provides an overview of various initiatives and their appropriateness concerning venture capital in India. Moreover, this book aims at describing 'why the approach and mechanism of venture capital need clarity' and 'how the interpretation of venture capital concept and practice, through this book, would help emerging start-ups in achieving sustainability'. Overall, we find this book to be a guide for every stakeholder in the start-up ecosystem, namely founders/entrepreneurs, investors, policymakers, researchers, practitioners and key government officials. Also, this is a must-read for those who are aspiring for a new-gen venture and aiming for more knowledge in the field of venture capital and entrepreneurial finance.

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John Chambers and Diane Brady. *Connecting the Dots: Lessons for Leadership in a Start-up World*, Harper Collins Publishers, 2018, 320 pp.
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With 85% of internet traffic travelling across its systems, Cisco justifiably lays its claim of heritage on the global networking industry by being a developer, manufacturer and seller of networking hardware, software, telecommunications equipment and other high-tech services. Headquartered in Silicon Valley, Cisco owes its transformation to the visionary John Chambers, who led its evolution from a single-product company with 400 employees and revenues of about $70 million in 1991 to a $47 billion tech giant that became the backbone of the internet and a leader in areas from cybersecurity to data centre convergence, at the time of his stepping down as Chief Executive Officer (CEO) in 2015. This book chronicles his early lessons and struggles with dyslexia to bold bets and battles with some of the biggest names in tech. Written in a cogent manner, *Connecting the Dots* is sure to become a business classic, providing immense insights to professionals, entrepreneurs, academicians, researchers and thinkers seeking to be successful in the midst of accelerating disruption in this digital age.

The book is divided into 13 chapters, organised into four sections and for the benefit of the readers, a replicable innovation playbook is captured at the end of each chapter which presents a set of suggested action items—inspired by the playbooks developed by Cisco for everything from how it acquired companies to how it managed people, how it dealt with customers and how it digitised countries.