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The Evolving Venture Capital Debate

By Alkarim Jivraj

I read two articles this weekend, “I’m Glad I Did Not Take VC Funding” and “Canada’s Tech Start-up Scene Needs ‘Aggressiveness and Boldness,’” both of which are great examples of how the conversation around funding and growing your business has become highly polarized. It’s a dialogue that deserves much greater nuance than a simple and binary, pro and con judgment. The decision to raise outside capital should encompass a multitude of factors including:

- the founders’ growth aspirations;
- the company’s funding needs relative to internal funding capacity; and
- the willingness to give outsiders a voice in the company’s future direction.

In my view, the prominence venture capital commands in this conversation does everyone a disservice. Venture capital is generally attracted to a particular type of company. It seeks a very high return on investment, and is willing to tolerate great risk in pursuit of that aim. Not all companies will fit the bill, which is why institutional venture capital funded companies account for less than 5 percent of all technology businesses today.

How aggressively you choose to pursue growth is entirely your prerogative. Don’t be goaded by those who claim you are not “aggressive” or “bold” enough. While it’s perfectly okay for a venture capital fund to swing for the fences, the default expectation of failure is unpalatable for most entrepreneurs. In an economy with shrinking corporate employment, entrepreneurship is increasingly becoming an alternative source of livelihood for many. Seeking or obtaining venture capital should not be the default measure of success for all entrepreneurs.

Getting back to the funding debate. Most companies eventually seek outside funding of one type or another to support growth. Venture capital is one source, but there are many other options including friends, family, angels, strategic investors, government assistance, bank debt, venture debt, and in certain circumstances, going public.



All outside investors deserve a duty of care, and some may wish input into the future direction of your business. While having more people at the table increases the potential for dissenting perspectives, I believe the benefits outsiders bring to the table typically outweigh any potential loss of control.

As for venture capital (or other outside investors) being evil, keep in mind that positive outcomes get very little media attention. Just like you don’t see newspapers report on planes that land successfully, you are way more likely to hear about bad experiences than good ones. ■

Alkarim Jivraj is a managing partner at Espresso Capital. He can be contacted at Alkarim@espressocapital.com or 416.562.9426.