A Development Analysis Method for Measuring Business Innovation of High-tech Enterprises after Introducing Venture Capital

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Abstract: As a new form of enterprise financing, venture capital has attracted much attention and has been widely used in the development of high-tech enterprises. However, the impact of venture capital on enterprise development has not been determined so far. Therefore, enterprises and investors need to discuss the impact of venture capital on enterprise development. Based on this, this paper first defines the concept and characteristics of venture capital; Secondly, the impact of venture capital on enterprise development is discussed. Finally, the application of venture capital in an enterprise is analyzed with a practical case. This paper aims to discuss the role of venture capital in the development of enterprises through case analysis and summarize the application of venture capital in enterprises, to provide a reference for enterprises and investors.

Keywords: Business Innovation, Venture Capital, Development Analysis

1. Introduction

Venture capital refers to the investment activities made by professional investment institutions or individuals in startups, start-ups, and other enterprises that have growth potential but lack sufficient financial support [1-3]. In this kind of investment behavior, investors usually provide funds to enterprises in the form of equity investment and purchase of convertible debt to assist them in innovative research [4], product development [5], marketing [6], talent introduction, and other aspects [7].

Venture capital also known as private equity investment is different from the traditional stock exchange market in that its main investment objects are early-stage enterprises or startups in the field of high-tech. Due to the lack of capital, resources, and other support in the early stage of entrepreneurship, these companies tend to grow very slowly. Venture capital is designed to assist these enterprises in the embryonic stage. Make it grow as soon as possible [8]. In addition, venture capital is often faced with high investment risks, because these startups have not proved the feasibility of their business models and the reliability of their profitability to the market. Therefore, venture capital institutions need to master certain investment knowledge and skills and make more accurate judgments when making venture capital decisions [9].

In general, venture capital aims to help startups overcome initial difficulties, promote enterprise development and obtain greater returns through capital injection, professional assistance and market contact, and become an indispensable tool in the era of digital economy [10].

Business innovation is an investment process, from the early Research and Development input to the later Research and Development output are highly dependent on a large amount of capital input, enterprises in different stages of development of capital acquisition are different: In the start-up stage and growth stage, enterprises generally rely on venture capital. With high growth and high risk, enterprises win the favor of venture capital institutions and obtain a large amount of capital input and financial management consulting services. In the expansion stage and maturity stage, they often rely on capital from the capital market and industrial chain [11]. At the same time, the business innovation carried out by enterprises in different stages of development is also different: in the start-up stage and the growth stage, the business innovation of enterprises is generally to meet the investment expectation of venture capital; In the expansion stage and mature stage, the business innovation of enterprises is often to meet
the policy guidance or market demand. Enterprises have different business innovations and capital operations in different development stages. Through collaborative evolution, business innovation and capital operation can promote each other and promote the value growth and stable and sustainable development of enterprises. The collaborative evolution of enterprise business innovation and capital operation is to coordinate and interact with each other in a non-linear way to ensure the orderly and stable development of the two. For enterprises in the start-up stage and growth stage, business innovation can attract venture capital investment, and venture capital can feed business innovation. For enterprises in the expansion stage, business innovation can attract venture capital investment. The integration and expansion of the industrial chain and the collaborative operation of integrated business innovation can ensure the effective allocation of enterprise resources. For enterprises in the mature stage, the construction of a financing system can ensure the continuous business innovation of enterprises. In each development stage, enterprises should ensure the synergistic development and interaction of business innovation and capital operation to promote the rapid development of enterprises.

As a high-risk and high-return investment, venture capital has the following obvious characteristics:

First, high risk: the essence of venture capital is to invest in equity or other equity products with high risk and difficulty in circulation, and these products are located in the industry and market in the early stage of development, and involve greater risks in technology, management, market and other aspects.

Second, the amount of investment is large: venture capital usually requires a large amount of investment to support the development and expansion of the invested enterprise, and balance the relationship between enterprise development and investment returns.

Third, the investment cycle is long: the cycle of venture capital is generally long, and it needs to continue to follow the entire life cycle of the enterprise until it exits the investment, so venture capital needs to have enough patience and capital strength to support it.

Fourth, the investment object is a start-up or growth enterprise: venture capital usually does not invest in mature enterprises, but is more willing to find innovative or growth potential of the start-up or growth enterprises.

Fifth, participate in the operation and management: venture capital institutions usually establish in-depth cooperative relations with the operators of the invested enterprises, actively participate in the operation and management of the enterprises, and provide strategic guidance.

Sixth, the exit mechanism is flexible: venture capital is a very flexible way of investment, which can be withdrawn from investment through IPO, equity transfer, acquisition, and other ways to obtain the maximum return.

Therefore, risk and opportunity coexist in venture capital, which requires investors to find the best investment object under the premise of risk control, so as to obtain satisfactory returns.

2. The path for enterprises to introduce venture capital investment

The classification of venture capital introduced by enterprises can be divided from many angles, such as investment stage, Investment object, Investment industry, etc. The following specific analysis from these three points.

Firstly, according to the development stage of enterprises, venture capital can be divided into four stages: seed stage, initial stage, growth stage, and maturity stage. Seed stage investment refers to the focus of resources on those newly starting enterprises, through the investment in their early ideas and theories. Help them develop into a company with real market influence. It means investing in start-ups that already do business. The risk is higher. Growth-term investment refers to the enterprises facing market opportunities and challenges that have had a certain market competitiveness. But it can still grow further stronger. The mature investment is for the companies that have become the leading enterprises in the industry, emphasizing the optimization of stability, income, and other aspects, and paying more attention to the exploration of the innovation potential of the enterprises. In addition, according to the different investment objects, venture capital institutions can divide their investment projects into enterprises and institutions, high-tech enterprises, new energy industries, etc. Enterprises and public institutions are relatively common investment objects in the early stage, and the main purpose of investment is to promote the sustainable development of enterprises by helping enterprises absorb external resources, solve internal management bottlenecks, and promote the transformation and upgrading of enterprises. High-tech enterprises usually have more advanced technology and research and
development capabilities are large enterprises with optimistic market prospects, and have higher requirements for investors’ risk tolerance. The new energy industry is an investment field emerging in recent years, and related enterprises have unique advantages in technology and market penetration. Third, by the investment industry classification. According to the different industries of the enterprise, venture capital can be divided into information technology and Internet, life and health, new energy, consumer goods, etc. Information technology and the Internet sector have always been the focus of venture capital, especially in mobile applications, cloud computing, big data, artificial intelligence, and other new technologies, with a global market demand and user base. The life and health sector has a relatively high rate of return for investors, but due to the core areas such as life and health, the robustness of its investors is also a high requirement. At present, the new energy field is facing greater opportunities, and the investment brings considerable benefits to enterprises; The consumer goods sector is dominated by innovative enterprises, among which the most concerned investment areas include chain catering, health food, Internet home decoration, aerospace, high-speed rail and other fields. The development of a high-end manufacturing industry will drive the upgrading of the entire industrial chain, and improve the scientific and technological strength and industrial competitiveness. According to the above classification, it can be summarized that the classification of venture capital is multidimensional, and the different classification methods reflect the different aspects of the investment object, investment purpose, and investment industry. Venture capital institutions should choose and combine different classification methods according to their needs to better make venture capital investments.

3. Impact analysis after the introduction of venture capital

Venture capital is a new financing method, which is increasingly widely used in enterprise financing. Compared with traditional bank loans, enterprises’ financing through venture capital can avoid high interest rate loan interest and complicated mortgage guarantee procedures and do not have to bear too high financing risks. Venture capital can not only provide sufficient funds for enterprises, but also help enterprises to acquire strategic partners, expand markets, and improve the management level of enterprises.

After the introduction of venture capital, it will have an impact on the strategy, mode, and use structure of financial funds. For enterprise innovation, venture capital not only provides financial support for enterprises, but also helps them to promote industrial transformation and technological upgrading, improve the core competitiveness of enterprises, and then improve the success rate of enterprise development.

The following is analyzed from three aspects:

Venture capital not only provides financial support for the enterprise, but more importantly, it also brings strategic partners, market resources, and management level improvement. By cooperating with venture capital institutions, enterprises can obtain more business wisdom and resources, which are the key for enterprises to gain advantages in the market competition. At the same time, venture capital can also help enterprises expand the market more quickly and improve their core competitiveness.

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After the introduction of venture capital, the business strategy, mode, and the use structure of financial funds will change. The introduction of venture capital not only provides financial support for enterprises, but more importantly, it can help enterprises promote industrial transformation and technological upgrading. In this process, the core competitiveness of the enterprise will be improved, and then improve the success rate of the enterprise development.

The following is analyzed from three aspects:

3.1. Analysis of the influence of enterprise operation and management decisions after the introduction of venture capital

Enterprise strategic planning is a crucial task, which determines the position of enterprises in the market competition and the future development direction. As an important way of enterprise financing,
the influence of venture capital on enterprise strategic planning cannot be ignored. Venture capital not only provides financial support for enterprises but also helps enterprises to implement specific strategies in specific fields or markets, to better maximize the interests of both sides.

Firstly, venture capital can bring financial support to enterprises and relieve the financial pressure of enterprises. For many start-ups, a funding shortage is a major obstacle. The capital injection of venture capital institutions can help these enterprises solve their capital problems, and use their rich market experience and resources to help enterprises expand the market and business scope, to be more competitive.

Secondly, venture capital will put forward higher requirements on the management, operation, and finance of enterprises to ensure the safety and sustainability of venture capital. Venture capital institutions usually send professionals to supervise and manage the enterprises they invest in, and provide various management consulting and training services to help enterprises improve their management level and operational efficiency. At the same time, venture capital institutions will also help enterprises to establish a sound financial system and risk control mechanism, to ensure the financial security and sustainable development of enterprises.

In addition, venture capital can provide market research and development capabilities. Venture capital institutions usually have rich market experience and resources, which can provide enterprises with market research, product development, and marketing support, to help enterprises better adapt to market demand and changes. At the same time, venture capital institutions can also provide the support of competitive advantage for enterprises, to help enterprises to have a more competitive position in the market competition.

To sum up, the impact of venture capital on enterprise strategic planning is multifaceted. Corporate decision-makers need to think deeply about the relationship between venture capital and corporate strategic planning and understand what investors are concerned about. At the same time, we should clarify our own needs and goals, to maximize the long-term development and sustainability of the enterprise.

3.2. The introduction of venture capital investment by enterprises to promote the improvement of enterprise innovation level

As a key means of enterprise financing, venture capital is also an important force to promote the innovation and development of enterprises. It plays a more and more important role in the modern economy. By injecting venture capital investment, enterprises can obtain more financial support, and then improve the R&D capital investment and innovation ability, and inject new vitality into the development of enterprises.

The practice has proved that the participation of venture capital can stimulate the improvement of enterprises' innovation ability, accelerate the promotion of new technologies and new products, and the improvement of market adaptability. This point has been proven in many successful enterprise cases, such as Alibaba, Tencent, JD, and other well-known enterprises, they were both supported by venture capital in their early years, thus achieving rapid growth.

In the process of venture capital decision-making, investors need to make a detailed analysis of the research and development level, technology level, market development, and operation management level of the enterprise, to find emerging enterprises with investment value. Traditional enterprises are often at a disadvantage in this process, because their old enterprise process, mechanism, and culture make it difficult to achieve innovation breakthroughs. On the contrary, emerging start-ups have shown greater development potential and innovation ability due to their vitality and new thinking.

A large number of empirical studies at home and abroad show that venture capital has greatly improved China's entrepreneurial ability and promoted the sustainable development of enterprises. Under the incentive of venture capital, enterprises have created new business models, new products, and new markets in the industry, making positive contributions to promoting economic development and industry innovation and upgrading.

In addition to providing financial support for enterprises, venture capital institutions can also provide other aspects of support for enterprises. These institutions usually have rich industry experience and resource networks that can help companies acquire more market opportunities and partners. In addition, venture capital institutions can also provide management consulting, talent introduction, and other support to improve the operation level and comprehensive strength of enterprises.
Through the introduction of venture capital, enterprises can obtain more capital and technical support, and improve their own innovation ability and market competitiveness. At the same time, venture capital also promotes the development of enterprises and the upgrading of the industry, injecting new impetus into the sustainable development of the economy.

3.3. The impact of introducing venture capital on the financial structure of enterprises

The impact of venture capital on the financial structure of enterprises is mainly manifested in the following aspects:

First, venture capital will significantly change the financing structure of enterprises. Venture capital firms often ask companies to raise equity in exchange for more shares. This financing method can not only bring more funds for enterprises, help enterprises expand scale, but also help enterprises reduce financial risks in the financing process. Because the funding sources of this financing method have become more balanced and diversified, there are not only loans from traditional financial institutions such as banks but also investments from individuals and enterprises, which makes the funding sources of enterprises more stable and reliable.

Second, venture capital brings a more flexible capital structure. Compared with traditional equity financing, venture capital institutions usually require enterprises to adopt more flexible financing methods, such as convertible bonds, convertible equity, equity investment, etc. These financing methods can not only ensure the control of the enterprise in the shares, but also adjust the financing methods according to the actual situation in different economic environments, so as to better deal with financial risks. These flexible capital structures not only help enterprises to better manage their financial situation but also provide enterprises with more opportunities and options to adapt to the changing market environment.

In the process of accepting venture capital, enterprises need to pay attention to the following points: First, reasonable planning and arrangement of financing methods should be made to avoid the occurrence of financial risks; Secondly, to maintain a good financial credit record in order to better attract and retain investors; Finally, to fully consider their own business conditions and development strategy, choose their own investment institutions and investment methods.

4. The impact of the introduction of venture capital on the innovation and development of enterprise business: empirical analysis

According to statistics, the 100 technology companies listed in the United States were funded by venture capital in the early stage to help them carry out research and development activities and successfully develop competitive new products, thus expanding a wide range of market users. In China, the top 10 Internet companies by market capitalization also received financial support from various venture capital institutions at the very beginning. These institutions not only provided venture capital, but also provided rich resources and interpersonal support to help entrepreneurs overcome the difficulties of the initial stage smoothly.

Venture capital has played a positive role in promoting product development, patent application, software copyright acquisition, and system online operation of Internet enterprises. They not only provide financial support for enterprises, but also bring rich business experience and professional technical support for enterprises. Therefore, venture capital has played a positive role in promoting business development, technological progress, product innovation, and other aspects of Internet enterprises. This has also further lowered the threshold of entrepreneurship, promoted the prosperity of entrepreneurship and innovation activities, and greatly improved the success rate of Internet enterprises.

In addition, venture capital also provides Internet enterprises with a broad network of contacts and social relations. These resources can not only help companies understand market dynamics and industry trends, but also provide valuable opportunities to build relationships with partners, government agencies, and other stakeholders. With the support of venture capital, Internet enterprises can more smoothly carry out business cooperation, expand market channels, and obtain policy support and other benefits.

Venture capital institutions usually have rich experience and expertise that can help Internet companies develop strategic planning, market positioning, and product development plans. They can provide professional guidance and advice to help enterprises overcome various obstacles and challenges to achieve business goals more quickly.
In the initial stage, the corporate governance structure is often not perfect, from the perspective of the principal agent can pursue the maximization of corporate management. Secondly, the intervention of venture capital can also promote innovative enterprises to improve their own technology and innovation ability. Venture capital generally provides professional technical guidance and management experience while investing in the project. This way is convenient to help enterprises in technological innovation, marketing, and product design to facilitate the rapid accumulation of experience and knowledge, to improve the overall development of enterprises.

Venture capital relies on mature management, thus through design terms, sending managers and other ways can bring supervision, monitoring, incentives, and constraints for the operation of enterprises, to reduce the operational risks of enterprises, and to promote the operation efficiency of enterprises. Therefore, the introduction of venture capital institutions to the development of enterprises is a multi-dimensional promoting effect.

Additionally, venture capital can offer brand promotion and support to internet enterprises. Venture capital institutions often possess significant resources and industry influence, which can aid in expanding brand awareness, establishing a positive image, and attracting potential customers and partners.

Venture capital provides various support for Internet enterprises. It not only provides financial support but also provides enterprises with business experience, professional technology, network resources, brand publicity, and other support. These supports play a crucial role in the success and development of Internet companies.

5. Conclusion

This paper studies the influence of venture capital on business innovation in the process of enterprise development. Research shows that venture capital promotes the early stage, development stage, and maturity stage of enterprises, especially when the enterprise starts up, the support of venture capital funds greatly improves the probability of success. This paper investigates the representative samples of innovative enterprises in listed companies. Through analyzing the operation behavior, market sales behavior, innovative behavior, and business model of enterprises, we can conclude that venture capital plays a key role in promoting the listing of enterprises. At the same time, the risk investment also has certain negative effects, but for enterprise innovation activities, if there is risk investment capital blessing, enterprise business innovation, technology innovation, and model innovation activities will be more frequent, so that enterprises to better adapt to the needs of market customers, also for the future development of the enterprise and further bigger and better has played a positive role.

References


