MAKING BIG MONEY with VENTURE CAPITALISM

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Foreword

In simple terms, venture capitalists are usually comprised of a group of investors with a lot of funds, ready to invest in any business venture that might present good possibilities of success.

Making Big Money with Venture Capitalism

This form of investment can come in the form of one very wealthy individual or from a group of wealthy individuals, intent on investing into a venture that has promising prospects.

The Basics

There are also companies designed and set up for the purpose of sourcing for and investing in startup businesses and already small successful businesses that may be looking to expand their operation, but lack the financial backing needed. The venture capitalist play a very important role in extending such financial help to those looking for financial backing but don't have the proper credential to approach establishments such as banks, government loan institutions or finance houses.

Besides being noted for their financial capabilities, the venture capitalists can also provide other skills such as managerial and technical expertise. These too may provide invaluable assistance to those lacking in this area but still possess a winning formula for making phenomenal money.

Most venture capitalist financing sources come from a pool of wealthy investors, investments banks and other financial institutions that pool their mainly monetary resources to form investments arms that popularly extend financial assistance to promising business ventures. However because of the nature the extension, there is also what may seem like a disadvantage tagged to such assistance and this would come in the form of the said investors wanting to play an active in the business entity. For most business ventures seeking financial assistance, this form of "interference" would present an ideal situation or solution.

Thus, in addition to actually having some equity in the company, the venture capitalist expects to be involved in some level or another to ensure the investments are going in the direction intended.

Chapter 2:

Questions To Ask When Considering Venture Capital Investment

Synopsis

It is quite normal, in fact very necessary to ask questions before investing into anything, especially when it involves a considerable amount of capital. Venture capital investments, usually entail a substantial amount being lent towards a business endeavor, without the backing of any tangible assets, therefore the questioning exercise is only to be expected.

What To Ask

The following are some of the questions that should be asked before venturing into the capital investment game:

- Perhaps the foremost question to be asked is about the actual business and what it is all about. Facts should be established as to what the business intends to accomplish and within what time frame. As for the individual seeking the funds, there should be a sales pitch that coves all these issues and presented in a confident and powerful manner to grab the attention of the potential capital investor.

- Questioning the level of competitive presence and how the business entity is prepared to tackle this issue should also be done. Ensuring the business owner is aware of the competition and the tactics used by the competitors is something that needs to be explored. This is to ensure there are no unpleasant surprises sometime into the investment program. It would also give the capital investor an idea of just how wholesome the business strategy is for the company that is seeking the funds.

- Through the consideration process, the capital investor should also ensure the business entity intended for the investment is already prepared with a supporting and strong customer base. This is an essential aspect to question, as it will give the investor a projected view of the profits expected.

Chapter 3:

The Venture Capital Boom And The Internet Bubble

Synopsis

It is an established fact that venture capitalists played a significantly important role in the financing of many internet startup companies. Without the assistance of these financing arms, the internet boom may not have had the opportunity to make any form of real impact at the time.

Succeed

Unfortunately it was also a sobering experience due to the negative returns and declining investment levels which was quite the opposite of what was first being expected or projected. The changes brought on by the internet boom were phenomenal and perhaps the excitement caused or added to everyone jumping on the band wagon with the intention of grabbing some of the seeing easy profits, only to find there was very little to be had. However there are some that would disagree with this perceived outcome and the longs term outlook did show the more competent and better players within the internet bubble we able to hold their own. Statistically it was hard to come up with accurate fugues at the time as there were a lot of cases of under declaring losses.

At the time a lot of the internet companies had the innovative ideas but lack the proper management tools and finances to launch their businesses, thus the emergence of the capital venture's role in the equation. Being able to provide the direction, the capital venture boom came about strongly, as it was able to have added value services to help professionalize the entities they chose to finance and to help establish both entities as formidable in the market. Successful companies could grow even faster and those experiencing losses still had the funds to make efforts to improve even if it seemed futile at the time. Venture capitalists platforms are already risky to start with, thus for some there may have been an overreaction to the upside and downside of the boom.

Chapter 4:

How To Make Good Money The Venture Capital Way

Synopsis

Every business foray is started with the main intention of making money. Some business styles require hand on labor while some provide simply the expertise to the business equation. As for the venture capitalist, most of the time the contribution or participation comes in the form of finances.

Make Good Profit

The following are some of the ways the venture capitalists can make good money:

- Having the funds to invest is certainly an advantage, and this can prove to be even better when the individual is not savvy enough or disciplined enough, to actually venture into the business arena, to bring the business idea to reality. Therefore the next best option would be to use the funds available to invest in a business entity, which is similar to that of the one the investor would have been interested in starting up personally. In this way the investor would be part of a business entity where personal business “dreams” can be realized without the actual need for participation.

- Money can also be made when the capital investor is able to gain controlling shares with the business entity looking for funds. Not only does this assure the capital investor bigger profit percentages, but it also gives the capital investor the controlling power to dictate the direction the business is to take. If the business idea has phenomenal profit making possibilities, then the risks involved could be measurably lower thus making the exercise of capital investment worth the effort and time. The fast returns would also allow the capital investor to move on to other business opportunities.

- With wise investments made, there is also the probability of heightened visibility for the capital investment entity. This will create the ideal presence for the capitol investor, where prospective businesses will seek out the participation of such strong assisting partnerships.

Chapter 5:

Venture Capital And Its Association With Job Creations

Synopsis

The most obvious assistance would be in creating the finances that helps to form companies that can then exists through the creating of jobs. However this is not the one and only role that the venture capitalist can play is creating jobs.

Provide For Others

With the financial backing, new businesses are set up and these businesses will open the door to employment opportunities for the masses. No matter what industry the venture capitalist venture into the underlying fact remains the same, which is they provide the means and work possibilities for others. This is especially beneficial for a young economy looking for outside investors other than that provided for by the government. With the participation of such capital investors, new businesses can spring up thus contributing to the vibrancy of the young economy. The jobs created by the establishment of such businesses will help to contribute positively to the all parties involved from the investing arm to the end user which is the customer. The opportunities apparent for all levels are not only phenomenal but also immensely beneficial.

If the governing body at the time in interested in establishing a niche market for the country then venture capitalist would be their first choice of fund seeking assistance. With the assistance of such entities the job and expertise can be made available to the masses, and in doing so effectively provide the platform for churning out competency within the niche identified.

Venture capitalists are also considered an ideal source on expertise besides the more obvious financial investment it can provide. This is due to the fact that most capital investors are well versed in the fields of investment chosen, thus bringing along with them the very important training tools that would help to not only create jobs but also create competency within the business entity itself. The expertise brought to the equation, through the venture capitalists participation can include managerial tactical skills, initiatives on growth plans, identifying and solving potential problems and many other positive contributing factors.

Chapter 6:

Risks Of Venture Capital Investment Schemes

Synopsis

The general style in which the venture capitalist base the investments on, is in itself already cause for concern, as predominantly there is no recourse for collection on failed investments, should the entity invested in not perform as expected or according to par.

Watch Out For These Risks

Although extensive studies are usually conducted before deciding to invest in a particular business entity, there is no collateral asked for or given, to provide for any assurance toward the capital invested. This sort of risk is seemingly quite silly but for most investors such risks is heavily weighted against the prospects of considerable profits and controlling participation in the invested business.

Another risk in this type of investment arm is that there is no stability to count on, thus effectively depending entirely on the integrity of those involved to create the intended positive profits churning results. On paper, all the necessary points of the business entity may present very little or no problems at all, however when actual operations are up and running, this seemingly problem free business engine can start to cause unforeseen problems. This then will eventually eat into the finances originally set aside for the business entity, which may then lead to even further unforeseen setbacks. All this will add to the already preexisting risk factors that capital investors are used to.

If the capital venture group is not really savvy in the area chosen then there is also a possibility of making a less than desirable choice in when it comes to identifying viable business prospects. Without the very valuable business background in a particular field taking calculated risks to invest without prior knowledge of the workings that would involve such a choice would be rather disastrous indeed. Being ill advised can also add to the heightened risk ratio for the capital investor.

Wrapping Up

Let’s face it, investing can be scary, especially when investing in businesses blindly with no backing. Investing is a great way to sit back and rack in the profits. Before beginning you should take the time to retain the information and tips that were in this book. If you follow this steps and guidelines you are sure to succeed and make a good living in the process.