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# Why Venture Capitalists should invest in Start-up Governance

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In the dynamic world of start-ups, where innovation and disruption are the name of the game, the role of governance might not always be at the forefront of discussions. Venture capitalists (VCs) can play a pivotal role in shaping the corporate governance dynamics of a start-up. VCs wield substantial influence impacting various aspects of the start-up's operations. Start-ups, often characterized by rapid growth and agility, can sometimes find themselves facing critical decisions that require careful consideration. VCs can play a vital role in guiding these decisions. Their deep understanding of the industry and business landscape can help the start-up avoid potential pitfalls and seize opportunities that may not be apparent to others. The goal of this

engagement is to move beyond mere check-the-box governance mandates and quarterly financial metrics towards a more comprehensive understanding of a start-up's long-term prospects.

The relationship between VCs and start-ups is not without its challenges. There is a delicate balance between allowing VCs to influence governance and maintaining the entrepreneurial spirit that drives innovation. Start-up founders and management must strike this balance carefully, ensuring that the valuable input from VCs does not stifle creativity or impede swift decision-making. Additionally, the interests of VCs may not always align perfectly with those of other stakeholders, such as employees or early-stage investors. Managing these competing

interests requires effective communication and negotiation skills, as well as a clear governance framework that defines the roles and responsibilities of all parties involved.

VC's hold start-ups accountable for ethical conduct. Their oversight ensures that the start-up adheres to ethical standards and follows best practices. This vigilance not only safeguards the start-up's reputation but also builds trust among customers, partners, and regulatory bodies. Through their experience and knowledge, VC's can help start-ups identify potential risks and devise strategies to mitigate them. Their emphasis on compliance with laws and regulations promotes a culture of responsibility and risk aversion.

VC's demand transparency in financial reporting and operational performance. This insistence on accurate and timely reporting builds credibility and reinforces the start-up's commitment to accountability. VC's can focus on the start-up's long-term sustainability and discourage over-reliance on short-term performance metrics. The influence of VC's extends well beyond financial backing. Their active participation and oversight significantly contribute to the formulation of robust governance frameworks.

By actively investing in sound governance practices within their portfolio companies, VCs can reduce risk, enhance accountability, attract top talent, secure investor confidence, contribute to long-term success, ensure regulatory compliance, and protect their start-ups' reputations. Ultimately, this proactive approach to governance can lead to more sustainable and prosperous ventures, benefiting both VCs and the start-ups they support. It's not just about financial investment; it's about investing in the future integrity and success of the innovative businesses of these start-ups. In the world of start-ups, good governance is a critical component of success.

*By: Sahil Kanuga, co-head - of international dispute resolution and investigations practice at Nishith Desai Associates*