

The human face of Venture Capital

Venture capital has long been a driving force behind innovation and entrepreneurial success, fuelling the growth of promising startups and small businesses. While the VC landscape is often associated with vast sums of money and high-stakes deals, it is crucial to recognise the human element that lies at the core of this industry.

Temps de lecture : minute

6 July 2023

Prioritising the product and the financials over the people behind an organisation is a critique often levied against investment firms. Even the very best ideas will fail if a founder is not surrounded by a high-performing team. The role of investors in providing non-financial support to early-stage businesses can make the difference between success and failure.

As investors we are looking for well-run businesses to invest in but we also aim to match our specialist expertise, network and current portfolio businesses with new investee companies. Understanding how we do this should be helpful for founders when considering how best to present themselves to an investor. We also hope this will give you an advantageous insight into the added value an investment fund can offer.

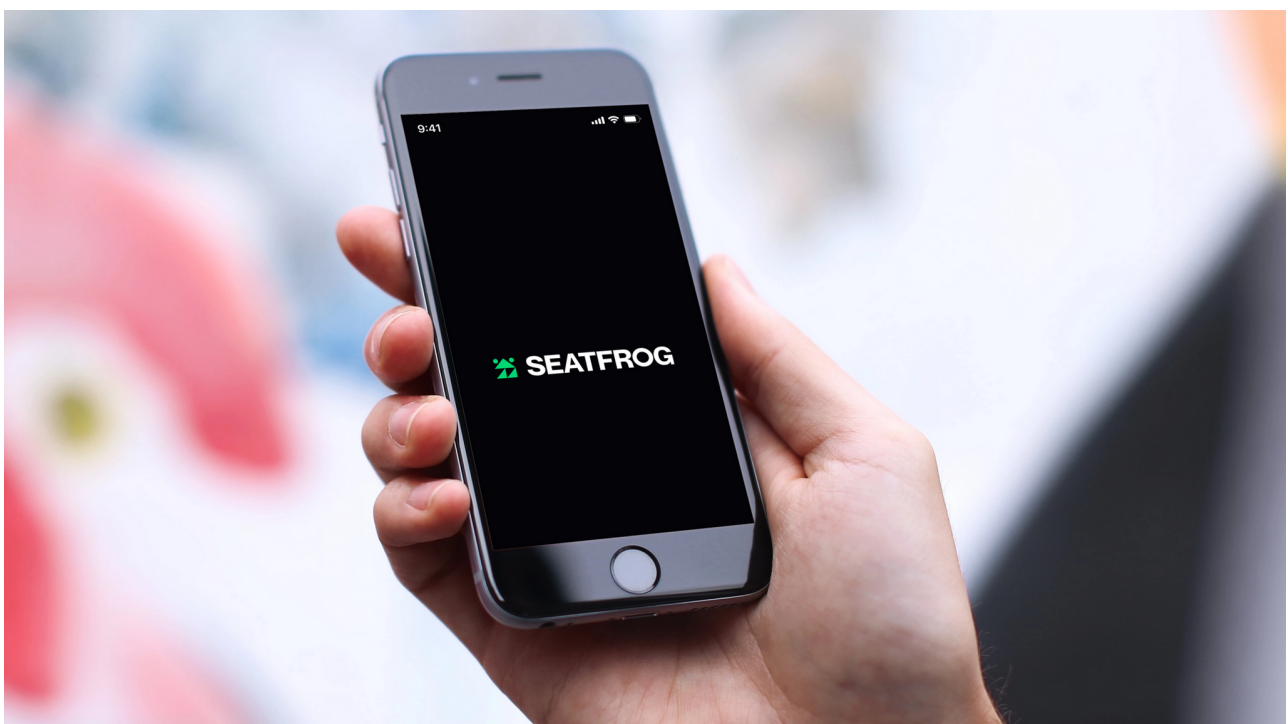
Finding investable businesses

Investors actively seek out exceptional individuals to invest in, just as much as they seek out exceptional products and services. At Pembroke,

our investment process begins meeting the founder to evaluate whether investing in their business is viable. It is only after this that we assess the financials in detail and analyse the product or service. This is because what truly catches our attention are individuals who possess the qualities that make them investable.

This is particularly true in challenging economic times. A good founder can identify opportunities in the face of adversity and take advantage of a business landscape with less competition.

For example, our recent investment into SeatFrog, a rail ticketing app providing a win-win solution for both passengers and train operators, serves as a testament to this principle. Despite some of our team having experienced the product seeking to revolutionise train ticketing, it was only during our meeting with the founders and their exceptional world-class team that we truly believed in their business. Their ability to identify the sector's challenges and the unwavering determination to offer a disruptive solution to the rail industry, stood out during these face-to-face interactions.



The importance of motivated founders also influences our approach to our financial investment. We do not merely support startups, rather we invest in well established businesses that have strong revenue streams. When we make such investments, we prioritise allocating a substantial amount of equity to the founders. This intentional decision is aimed at empowering them to maintain their entrepreneurial spirit and remain concentrated in driving their businesses towards profitability.

A human face to venture capital

Pembroke is an investment firm led by entrepreneurs. Our team can empathise with founders and management teams, understanding what makes them tick. A successful investment is rarely just financial; it works best when both sides see it as a partnership. We aim to build strong relationships with founders, speaking to them on a weekly basis to help solve any challenges and offer advice and support with our dedicated investment portfolio team.

The other human face that founders can benefit from when they receive institutional investment is that of other founders in the current portfolio. Through Pembroke, a new business joins a network of 50+ startups; often in similar sectors and facing similar challenges. We host events, workshops and have messaging channels where our portfolio of founders can connect and share experiences, tips, and contacts.

Expertise and access

An investment fund should be able to offer a founder a combination of practical advice and support in developing fruitful relationships to help scale the business.

One thing we prioritise is putting in place good governance. We usually take a seat on the Board and ensure that there are Board Meetings and

monthly management accounts. This can sometimes feel onerous for a very small business, but it sets the business up for success because this framework gives future investors confidence and increases the likelihood of a lucrative exit for the founders and their investors.

Additionally, we will prioritise support with recruitment. Finding a strong CFO is often one of the most challenging appointments for a small business and identifying the right person is something we have helped many of our portfolio companies with. As well as sharing our own networks of connections with companies in our portfolio, we also make introductions to potential Non-Executive Directors who can open new doors and networks.

The partnership between a startup and their investors can be the difference between success and failure. A savvy investor looks beyond the business idea to the person behind the business. However, the investor must play their part too, building supportive, human relationships and ensuring their portfolio companies benefit from more than just a financial injection.

Andrew Wolfson is CEO of *Pembroke VCT*.

Article by Andrew Wolfson