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Note on the Venture Value Chain: A Conceptual Framework for Building Successful New Businesses

Introduction

Few fields of business endeavor are more fascinating or more laden with mystique and legend than those of entrepreneurship and venture finance. As a wide variety of startup executives, corporate new-business-development professionals, service providers, venture capitalists and aspiring entrepreneurs wrestle with issues pertaining to planning, launching and building new businesses, confusion and miscommunication are common. It seems clear that everyone involved could benefit from using a common conceptual framework and a shared language of commonly-understood terminology.

Formally or informally, every successful new business venture – whether it's a standalone startup or an established corporation's new-product or new-market initiative – goes through a series of identifiable steps requiring significant and deliberate effort. Those steps are captured in a conceptual framework we call the *Venture Value Chain™*. The VVC model applies the paradigm of the value chain, well-accepted in other industries, to the process of conceptualizing, funding and building new technology-based businesses.

The VVC builds on a detailed understanding of the various stages and sub-stages of the new-business-development process, the business objectives at each stage, and the specific, value-added activities required at each juncture from the various business functions (e.g., strategy and planning vs. product development vs. finance and administration vs. marketing and sales). Executives can apply this framework to help bring clarity of thought, communication and action to the process of starting successful ventures. By removing some of the startup mystique and offering a rigorous conceptual model for corporate new-business-development professionals and entrepreneurs, it is hoped that this tool helps to improve the chances of new-venture success.

Overview of the Venture Value Chain

The backbone of the Venture Value Chain lies in the sequence of stages that virtually every new technology-based business eventually goes through (if it doesn't die along the way): Shape, Launch, Scale, Refine, and Harvest. **Exhibit 1** provides a graphic representation of the VVC's five stages. In this section, we will define the major stages in the chain. In subsequent sections, we will drill down on each stage separately,

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