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The Future of Venture Capital (Part 2)

My last post was about some recent trends in the venture capital industry and my predictions about how it will change. In this post I wanted to highlight three companies taking a new approach to starting and funding technology startups: Betaworks, Casual Corp, and Innovation Endeavours.

The underlying themes are 1) the view of a startup as a search for a repeatable and scalable business and a focus on top-notch teams who can execute that search instead of a focus on ideas, 2) a focus on a designed and repeatable process for searching and scaling, 3) providing more than just financing -- young entrepreneurs need operating expertise and education (and not a business school education!) as well as a community of people who can help, and 4) investing outside of the common venture capital criteria -- identifying under-funded opportunities where valuations are more appropriate.

Betaworks

Betaworks is a hybrid investment fund and incubator. According to their website, "We are not a fund and we are not an incubator; we are betaworks. We are makers. Creating companies, scaling germs of ideas, crafting the future of the social web."

Investments have included OMGPop, GroupMe and Groupon. The company recently acquired deeply distressed, Digg. Once valued at over \$160 million, Betaworks acquired it at a price of about \$500,000 with the objective of a turnaround. Bitly was started within Betaworks out of a need that their companies had. Bitly recently raised \$15 million funding.

John Borthwick, Founder and CEO of Betaworks described its unique approach: "The venture capital structure is banking on finding that one super-duper winner, and there's nothing wrong with that, But our goal is to create a network of companies with lots of connections between them that increases the likelihood of success between all of them."

Casual Corp

Casual Corp is a social product studio that builds companies out of a series of "little bets" and rapid iteration.

"We use our expertise of driving social engagement at scale along with a shared technology platform and repeatable product development patterns to validate new product concepts very rapidly." - Thor Ernstsson, Founder of Casual Corp

Once a concept is demonstrably viable and a path to scale is validated, independent resources and management team grow it as a company separate from Casual Corp.

Products are developed internally via Casual Corp's Entrepreneur in Residence program and through co-development partnerships with Fortune 500 companies. We enable corporate and aspirational entrepreneurs to leverage the Casual model and platform to identify and solve a problem.

The first generation of products on the Casual platform are Send Your Best, Mogo, Momental, and Giftorious, with more in development.

Innovation Endeavours

Founded in 2010 by Google Chairman Eric Schmidt and Dror Berman, Innovation Endeavors invests in and supports companies at the earliest stage. Runway Program is a nine-month "venture creation" program. "Runway is pre-team and pre-idea. We lower the barrier to high-impact entrepreneurship by helping you form a multi-disciplinary team and giving you a structured exploration process to challenge existing business models, discover future market needs, and prototype solutions in areas of your choice."

When teams start the Runway Program, they go through a three-week kick-off focused on building a solid process and team foundation. They then incorporate their company and Innovation Endeavors invests in them with a convertible note.

More

Additional companies to check out include Science Inc, Soho Tech Labs, and 500 Startups and K2 Media Labs (as described in part 1).

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