



A Novel Technical Method for Corporation Venture Capital Strategy

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Abstract. With the increase of economic market operation level, the demand of firm development also increase significantly, the born of Venture capital increased the speed of realization for this demand, Venture capital have mutual promotion relationship with high-tech industry and star-up stage industry, which could cause they always development together and they also share the profit. At the same time Venture capital will escorts the growth up of high-tech industry and star-up stage industry. This article use the case of high-tech industry's development to research the characteristics of venture capital's operation in the market, also research the venture capital 's influence for high-tech industry development. Finally summarize the optimal path of venture capital.

Keywords: Venture capital, high- tech industry, optimal path, industrial development.

1 INTRODUCTION

In the background of the vigorous development of modern world and the financial industry, with rapid increase of development need of all the industry. The development of marketization and free trade for the economic are becoming more urgent. under this background venture capital come in to be.

Venture capital provide the equity investment to the newly-established firm with development potential, at same time venture capital's investment give high -tech firm more adequate innovation capital[1], so that the innovation of high-tech firm will be improved[2]. Venture capital is complementary to the development of the economy, according to the national venture capital association, venture association bring up \$24.4 billion of star up firm since 1970s. Venture capital division the risk of high-tech industry's long innovation period and complex market environment[3]. Venture capital also bring more exquisite competition, the degree of economic activity will increase with higher exquisite level. Venture capital also help economic develop and store different Strategic skills[4].

The paper base on the relative between venture industry and high-tech industry to make a comparatively study. The research choice the listed high-tech company between 1990 to 2010 and analyse the venture capital process of them. The paper start from the

development problem for venture capital process usually face and the venture capital requisite resources, after that the paper teased the living example and the data then re-search the venture capital measure come to a conclusion, Take employment as an example. From 1990 to 2000 the employment growth rate supported by venture capital in the United State accounted of 40% of total growth rate, while the other aspect of industry also have different degrees improved. It can be seen the venture capital has positive effect of industry innovation, employment as well as type of resource, quantity resource and the process of management. Combined with the development process of the industry, it is proved that venture capital can be a bridge and accelerator role between the economic and enterprises, speeding up the pace of industrial development[5].

According to the selected research objects and research results, the paper summarizes and proposes the best path of venture capital, for venture capital in this process should provide the research and development fund, the capital also need provided other resource and platform of star-ups. At the same time the capital need pay close attention to the status of enterprises to ensure their normal development during the cooperation period. However the capital should also fully the conduct preliminary investigations and adopt diversified investment portfolios, the capital Invest in batches, supervise and manage the output and operation of the invested enterprises, and make every effort to estimate and avoid risks.

The investor should make sure the research result need be practicable, At the same time the progress development and the management's optimization plan. The investor also should hire more well educated labour improve the productivity, For other aspects investor need prediction of the market situation to make future plan and avoid risk.

Finally, the capital and investor need make the reasonable exit plan to protect the right and profit of both sides[6]. Only though all the process for the preceding part of the text the best path of investment, and lay a good foundation for encouraging the realization of venture capital and maximizing its benefits[7].

2 THE ANALYSIS OF THE OPERATION AND CHARACTERISTIC FOR VENTURE CAPITAL AND HIGH-TECH INDUSTRY

2.1 The Characteristic of Venture Capital Operation

Since it inception at early 20th century, venture capital has targeted the star-up firm with sustainable development potential ability to help them growth to exchange in return for equal value. With the development of a whole century, modern venture capital keep the price principle of high income always with high risk, but the different of it is the venture capital become more professionalization, at the same time the venture change them target to the high-tech industry cause the higher technology content with in[8].

2.2 The Development Characteristic of High-Tech Industry

The high-tech industry usually is technology intensive industry. For the industry with powerful innovate ability, the development of high-tech industry have significant meaning of four major industries' s development. And the cause the high-tech industry's high technology, the high-tech industry also can bring back high profit.

However the long research period also let high-tech industry be classified as the Risk, capital intensive industry. Therefore the high-tech industry are short of bearing risk, mature operating mechanism and the store of human resource When high-tech industry are face of the market with a lot of uncertainly factors. The lack of develop fund also let the development of high-tech industry be more difficult[1].

2.3 The Mutual Benefit Relationship between Venture Capital and High-Tech Industry

The Positive Impact of High Tech Industry and Venture Capital Each Other. The investment from venture capital provide a lot of resource include research fund the cost of labour resource and the cost of operating cost All the investment are provide the initial power to the high-tech industry[9]. At the same time venture capital can use the mature resource build up the stable development platform the venture capital also will provide high skill labour resource and high-tech industry, these measures will bedding for the high-tech industry's productivity improve, so that the e profit of the high-tech industry will be create higher[10]. And the venture capital will share responsibility for risk of the development process[11], so that all the mature resource from venture capital provided will be the most stable protect for the complex situation that high-tech industry need too dispose[12].

And for the venture capital firm can exchange profit for shareholding, exit strategy, capital appreciation and dividends or other plan[13].

Market participate between 1990 to 2000. Take Google of IT industry for an example. Google founded in later 1990s, they take the venture capital at 1999 and received 25 million from venture capital investment, then pass though the development of few years they become to the leader corporation. At the same time the venture capital corporation also obtained corresponding income. For example the venture capital corporation Kleiner Perkin, earned 1 million dollars by selling a part of its equity when it went public at 2004[14].

3 THE OPTIMAL PATH OF VENTURE CAPITAL

3.1 Insight into the Future of Innovative Technology

Venture capital corporation need have the forward-looking for future technology demand, venture capital need base on the understanding of the previous market direction and make the plan of strategies investment. And venture capital need make conduct

comprehensive inspection and status tracking of high-tech firm with potential development ability when the demand for skills have change for early phase, the venture capital also need get involved for the industry to make sure the revenue, market share and the competitiveness of investment.

3.2 Prediction and Analysis of Future User Consumption Pattern

Venture capital enterprises need to have a sensitive awareness of the future consumption pattern of consumers, the change of consumption pattern means the demand's change, And the subsequent reallocation of resources also means that the profit direction of venture capital enterprises needs to be changed.

Venture capital enterprises' keen insight into the future changes in consumer income distribution will help venture capital enterprises to obtain more profits, and at the same time, they can make a sound exit mechanism to avoid risks to the greatest extent.

3.3 Adequate Background Checks

Venture capital's high revenue always exist with the high risk, in the process of venture capital the firm will face a lot risk such as the pressure of market competition or the uncertainly of consumer's demand, the improve of skill can not achieve the expectation, the damage of litigation and legal issues also include the loss cause of The exit mechanism is not sound. Adequate due diligence can identify most of the investee's problems and avoid risks to the greatest extent. High tech industry's venture capital investment need consider the size of the market and the possibility of technology research and development, the period of return and other risk factor. At the same time, in the face of such industries, we should also consider the input-output ratio and then make choices in combination with the comprehensive market environment to ensure the return on investment[15].

3.4 Portfolio Investment of Industrial Chain

Portfolio investment of various products in various industries can help venture capital enterprises to share risks. Venture capital enterprises should grasp the development prospects of various industries and make reasonable resource segmentation and allocation. On the basis of the above, venture capital also needs to be dominated by leading enterprises, because such enterprises have good and stable development prospects and mature technology development, so the venture capital of leading enterprises will have more considerable income and sustainable development prospects.

4 REVIEW OF RELATED LITERATURE

In the article of [4], the author make base situation for venture capital industry's macroscopic view, and shows the subsidiarity for venture capital to the middle and small-sized enterprises' s development at the same time the article also described the current

situation of venture capital. On this base the article analyzed the problem with the venture capital industry for nowadays, corresponding solutions are also proposed.

Similarly, the article [7] also describes the necessity of improving the financial investment management mechanism, explains the current financial management problems from four aspects, and puts forward the improvement process, which provides new ideas for today's financial management system.

The article [5] is based on the concept of enterprise niche. This paper analyzes the timing decision and choice of Corporate Venture Capital (CVC) made by enterprises under the influence of multiple factors such as niche width and transition. Finally, by combining the cases of Bilibili and Alibaba, it is concluded that the timing node of Corporate Venture Capital is the result of matching demand and resource allocation of both sides. Moreover, [16] also describes the timing of venture capital and the help of venture capital to new technology. The innovation of new technology cannot be separated from the injection of venture capital fund and the development space and platform created by it. At the same time, the paper also shows that venture capital occupies a crucial position in the economic market, and the success or failure of venture capital is closely related to the macro-economic development. Based on the above two points, the paper analyzes the selection of key factors that determine the outcome of venture capital, such as the timing and path of venture capital. In the article [13], the main investment types of Corporate Venture Capital (CVC) are listed in detail, most of which cover the characteristics of high technology value, high return, and low potential risk. At the same time, the paper also analyzes the optimization and selection of portfolio investment, and points out that the selection of portfolio investment should follow the pattern of multi-field and multi-industry investment, and carry out risk diversification and return estimation according to their own needs. In the article [14], the development path of American venture capital is combined with the international economic situation in different periods to state the benefits of venture capital in different times, including: objective returns, technology sharing, and the rapid development of enterprises on both sides brought about by the expansion of available resources. Based on the above analysis, the article also fully explains the characteristics and benefits of venture capital to reduce risk, improve technology and high return rate.

The article [6] also describes the positive impact of venture capital on smes' technological development, management style and innovation output. The article points out that venture capital has improved the degree of enterprise development, investment in research and development, and the quantity and quality of products of small and medium-sized enterprises, so venture capital has become one of the important paths for the development of small and medium-sized enterprises.

Based on the positive impact of venture capital on the economy, the paper [10] discusses the inseparable causal relationship between venture capital and venture capital exit mechanism, and studies the impact of the exit mechanism on venture capital. Based on the above discussion, this paper summarizes a more perfect exit mechanism by combining comprehensive factors, so as to encourage venture capital to a greater extent and ensure its return and normal operation.

The development of small and medium-sized enterprises under the influence of the venture capital industry will be optimized. And it will help the development of the

economy. In the article [9], it is also concluded that venture capital has a positive impact on corporate financing. The intervention of venture capital provides enterprises with more development space and resources, lays a good foundation for the growth of enterprises, and opens up a better vision. Similar to the above article, there is also an article on [1], which indicates that venture capital is of great significance to the development of enterprises, the existence of venture capital will reduce the difficulty of financing for enterprises, and expand the development and profit scale of enterprises. In [11], it is also told that venture capital fills the capital gap for the development of enterprises and has certain help for the development of enterprises.

However, venture capital is also of great significance to the innovation and development of enterprises. It is mentioned in [12] that venture capital provides other additional services for the development of enterprises in case of capital accident. At the same time, venture capital also helps enterprises to maintain innovation in terms of capital, management system and risk sharing. In such conditions, it helps that venture capital is lower than the firm's output. The same view is also expressed in the article [15]. Venture capital has a significant positive correlation with the innovation and development of high-paying enterprises, and venture capital provides all-round help for the development of high-paying enterprises, thus accelerating the growth of enterprises. [2] shows that venture capital is of great significance to the innovation ability of high-paying enterprises and small and medium-sized enterprises.

In the article [8], it is shown that venture capital will improve the value of enterprises, and has different effects in different latitudes, which is one of the ways to promote the economic development of market environment. The article [3] indicates that the existence of venture capital will help enterprises better break the barriers in the initial stage of development, and help enterprises in the subsequent development, which is a very appropriate auxiliary way for enterprises to grow.

5 THE ANALYSIS AND STATISTICS OF THE DATA

The total value of venture capital are rising freight for recent five years, the Table 1 shows the venture capital's rising percentage for 2017 compare with 2016 has increasing by 42 %, the total value of Venture capital investment for worldwide rose to \$140 billion, By 2022, the total value of venture capital investment will reach \$290 billion. The size of venture capital industry are build up at the same time the economic benefit for economic are increasing too. We can see the same situation of Figure 1.

Table 1. Total venture capital investment.

Invest men scale (billions of dollars)		Increase percentage (%)	
2017	1400	2017	42.00
2018	1800	2018	28.00
2019	2000	2019	11.00
2020	2200	2020	10.00
2021	2500	2021	14.00
2022	2900	2022	16.00

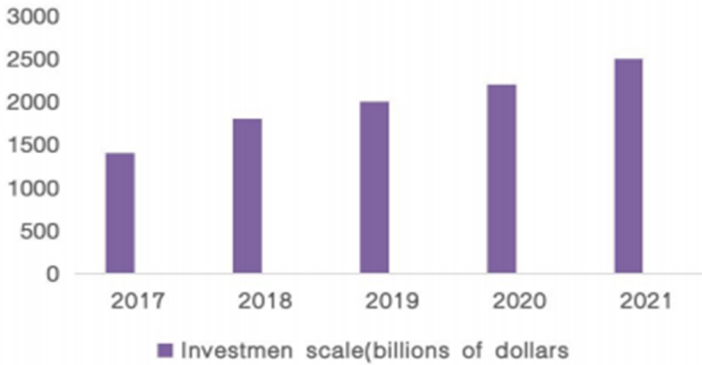


Fig. 1. Bar graph of total venture capital investment.

Take China as an example, the growth of venture capital increases in proportion to the growth of GDP. Figure 2 shows that since 2013, GDP has increased by 6.8 percent over the previous year, and the total GDP has reached 13 trillion US dollars until the total GDP has risen to 16.8 trillion in 2022. The total value of venture capital in China has also increased from \$69 billion in 2017 to \$48.9 billion in 2022. The growth of venture capital is complementary to the growth of the economy, for Table 2 and Fig3 the increase in total venture capital has brought more industrial output and greater economic growth, and the development of the economy has also created a better operating environment[13] and more opportunities for the venture capital industry.

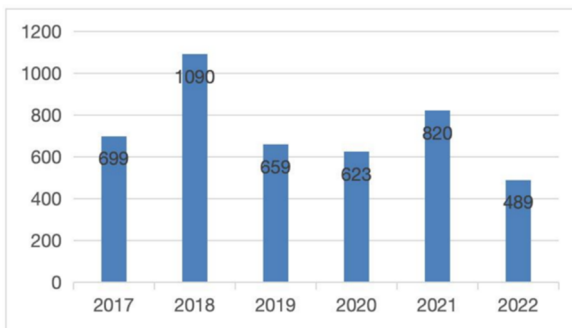


Fig. 2. Total venture capital investment in China.

Table 2. Total GDP and growth rate.

GDP (trillion)		Increase percentage (%)	
2017	13	2017	6.8
2018	13.6	2018	6.6
2019	13.7	2019	6.1
2020	14.1	2020	2.3
2021	15.9	2021	8.1

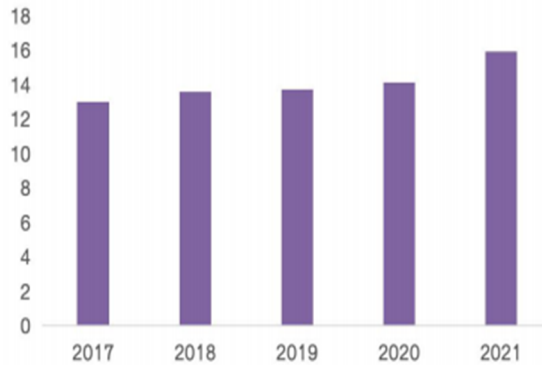


Fig. 3. GDP bar chart.

Take China's high-tech industry as an example. In Table 3, the total output value of high-tech industry reached 2.21 trillion US dollars in 2017, and by 2020, the output value of high-tech industry will rise to 2.42 trillion US dollars. The overall output value of high-tech industry is on the rise, and venture capital also plays an important role in promoting its development. Venture capital increases the R&D investment of high-tech industry. Meanwhile, the shortcomings of long R&D cycle and high development risk of high-tech industry can be solved with the help of venture capital. The addition of venture capital shares the pressure for high-tech enterprises, and the good development prospects of high-tech enterprises will also bring more benefits to venture capital enterprises. Therefore, the development of industry and the growth of venture capital complement each other, and in this mode, the benefits and production capacity of both will be maximized.

Table 3. Total revenue of China's high-tech industry.

Revenue (trillion dollars)	
2017	2.1
2018	2.18
2019	2.20
2020	2.42

To sum up, the development of venture capital has played a mutual role in the economy or the industry. Its existence has brought capital injection to the industries with incubation or long research and development cycle and reduced the risks of industrial development, thus breaking the development barriers of such industries. Venture capital makes the development of the industry more stable and faster, thus driving the overall development of the economy. So the development of venture capital is extremely necessary.

6 CONCLUSION

The development of venture capital is still an inevitable part of the development of today's economy, but the returns and risks often coexist in the process of venture capital. Therefore, venture capital should follow the correct investment path, and the implementation of venture capital should focus on the background investigation of components, the establishment of a perfect exit mechanism, and the establishment of a correct investment portfolio. And insight into future market needs. Background investigation and prediction of future market demand will help venture capital enterprises correctly estimate the future investment direction and income, and perfect exit mechanism is the guarantee for venture capital income, and correct investment portfolio will help venture capital enterprises to share risks. Venture capital for the industry and the economy is undoubtedly complementary to each other, the development of the industry and the development of the economy should seize the opportunity of venture capital, in order to seek the maximum benefit of production capacity and economic growth.

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