A guide to venturing your capital

There is much discussion and much debate about the role of venture capitalists. Chris Golis is not only an industry practitioner but also a recognised author on the subject. PAUL DAVIS reviews his latest book.

I was pleasantly surprised to be asked to review Chris Golis’ latest edition of Enterprise & Venture Capital. This is the fourth edition of this practitioners’ guide written for both sides of the venture capital industry, and the first edition played a key role in my initial Australian startup experience.

Chris Golis is the co-founder and Executive Chairman of Nanyang Ventures (www.nanyang.com.au), an Australian venture capital fund manager based in Sydney with $150 million under management. Chris has been working in the Australian venture capital industry since May 1984, has examined over 3000 business proposals and has been responsible for investments in forty. Besides his wide experience in venture capital, he has extensive experience in general management with GEC and TNT, information technology with IBM and ICL, and merchant banking with BT Australia.

I came to Australia in 1990 after studying engineering and participating in founding the entrepreneurship programme at Stanford University in the early 80s, and by way of a stint in London heading up a small venture holding company and in Silicon Valley running a venture-funded start-up. So I was familiar with both sides of “the game” as Chris calls it, but both unclear as to the “Australian Rules” version and faced with the formidable task of communicating with two technically astute but financially innocent partners.

The E&VC handbook served this purpose admirably, acting as both a textbook for all of us and a blueprint for our early business development. Happily, the investment return on that maiden investment was around 40x in two years.

In keeping with the extremely practical nature of E&VC I read it on an airplane. In my experience that is the most likely venue for any promising entrepreneur or investor to have the time to do so. I found that despite my familiarity with the earlier text and the decade of experience I’ve since had on both sides of the venture table in Australia, the updated version provides an entertaining, interesting and informative read.

The handbook is roughly divided between advice directed at those interested in starting businesses and raising money; and those interested in funding these businesses, running a fund or investing in a fund. For either group there is good value to be found in their designated sections, but just as importantly some insight into what the concerns of the other parties in a VC transaction are likely to be. I recommend reading the lot, with a focus on the section most applicable to your role in a prospective transaction.

The book summarises the best theoretical and empirical research on venture capital investing from around the world, and compares this with the Australian experience. Points are fleshed out with Australian examples drawn from both investors and investees, and a good collection of local information sources is provided for further investigation.

While the venture capital philosophy has not changed much since the first edition, the industry in Australia is now much larger and more comprehensive. The industry has also now experienced the dot.com boom and bust, and this is well covered in the statistics and examples. Also, secondary information sources are now on the Internet and the references to these are very helpful. Finally, there is an overview of the tax and regulatory changes since earlier editions, which determine the optimal structuring of vehicles and transactions.

Clearly Chris Golis has been one of the fixtures in the venture capital market in Australia since its inception; but instead of hoarding the wealth of specialist knowledge and practical experience that his career has engendered he seems determined to make as much as he can available to anyone interested enough in the subject to study this manual.

While his personal experience is central to the narrative, the commercial ambitions of the book are balanced by the genuine contribution to prospective participants. If, as Chris argues, quickly growing companies are the best source of jobs, exports and economic growth, then this is also a worthwhile public service.

One of Chris’s requirements of entrepreneurs is that they are able to communicate plainly and he follows his own advice to the extent of being somewhat blunt. For instance, he states that success as a venture capital manager requires intelligence, energy and a certain rat-like cunning.

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