

Private vs. Public Venture Capital

Why Government Fails In Venture Capital.

Wrong Goals

- Social, geographical or technological goals.
- General growth goals.

Private VC Goals

- Invest in individual firms.
- Grow fast by better serving customers.
- Exit profitably.

Wrong Controls

- Tight control over investments via contract.
- Bureaucratic restrictions.

Private VC Trust

- Trust firm founders to implement.
- Loose control via special contracts.
- Limited role for limited partners.

Wrong Incentives

- Below market salaries for fund management.
- No carry no success incentives.
- Gloomy bonuses.

Private VC Incentives

- High salaries and bonuses.
- Success incentive in 20% carry.

Wrong Human Capital

- Bureaucracy
- Can't recruit top candidates.

Private Human Capital

- Superstar general partners.
- Recruit top grads from top schools.
- Compete for position through performance.



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