

## Survival, longevity, and success of Startups

In the US, the failure rate of new businesses is 90%. They represent 50% of the jobs created every year, which has led to the development of new capitalization strategies, especially venture capital investment strategies.

# VENTURE CAPITAL

Investors in startups value analytical evidence arising from the verification of calculations, comparisons, correlations, and analyses of a company's quantitative traits that determine the probability of success.

On the other hand, other investors look almost exclusively at the qualitative traits of the startup: innovation, probability of success in the market in which they participate and/or intend to participate, and character traits of successful founders that predict survival, among others.

Venture capital investments have increased by 111% in the last two years. More and more founders in more places are raising capital, even as traditional hotspots like Silicon Valley retain much of their historical weight.

In 2020, venture capital investments in the US exceeded

**\$300 billion**

In 2021, venture capital investments in the US exceeded

**\$621 billion**

Like traditional young companies, startups lack the long-term trends used to evaluate older companies.

The question of how to identify and measure a startup's success is a battle in the economic literature, going in two directions:

**1**

Presence of successful financing under the assumption that investment by a competitive source is a strong sign of success. After all, investors do not risk heavy investments in venture capital in companies that do not own or have weak signs of success in their trajectory.

**2**

Standard metrics in the valuation of older ventures, exemplified by studies using company survival, sales growth, turnover or return on equity. Since objective success and funding outcomes are inextricably linked, investor funding can be determined.

The most assertive conclusion about the success of companies is that their founders and CEOs must be familiar with and have knowledge of the area in which the company intends to perform, ensuring what is perhaps the most important thing for outsider investors, the ability to of their controllers about the market in which they intend to participate.

