From Software Consulting to Venture Building

In today's business landscape, startups play a crucial role in driving sustainable innovation. However, a significant number of startups face an unfortunate fate, failing within just a few years. As a result, a new startup support actor, the venture studio, has emerged. This thesis paper has, through an extensive case study, produced a structured presentation of the venture studio business model.

By supporting startups in software and business development, venture studios aim to make startups thrive, while simultaneously making consulting scalable by acquiring equity in customers. Venture studios range from large enterprises to companies with a single employee, all employing a systematic and concurrent process to build new companies, either internally or by supporting external startup founders.

Key aspects of venture building have in this case study been extracted through interviews with executives from six Swedish venture studios. Among these, VNTRS, Levels, Entire all conduct corporate software consulting to finance their venture building efforts. They engage in various activities, including estimating venture value, ideation, software development, marketing, growth, and providing investment and recruitment support to help their ventures. For these services, they are compensated through a combination of equity and monetary means, typically split around 50/50. Our results showed that venture studios employ professionals with expertise in product development, business development, marketing, project management, and venture management and they also utilize a broad network of partners. Venture studios further aim to establish partnerships with ventures, characterized by open communication and a co-founder mentality where they actively support ventures until self-sufficient and thereafter transition to an advisory role.

A comparative study between the researched venture studios and a software consulting firm, Backtick Technologies AB was conducted to provide an understanding of what might be needed for a software consulting firm to become a venture studio. This study highlighted the fact that the two business models are in many ways similar, however, to succeed with venture building, strengthened competence in necessary areas such as business development, recruitment, and investment is key.

Although engaging in opportunistic venture building by exploring both internal and external business ideas has the potential for significant rewards, it is crucial to acknowledge the equally high risks associated with this novel business model. Venture building is a speculative business that requires substantial capital investment, and its future success hinges on the ability to sell shares, which has been identified as a potential challenge due to investor reluctancy in supporting venture studio startups.

It is not unreasonable to think that the emerging trend of venture studios will increasingly occupy a central position in the startup ecosystem in the years to come. This research aims to contribute to this transition by mapping out the business model and in turn enhancing our understanding of venture studios, guiding any actor interested in unlocking the true potential of venture studios.

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