Chapter 4

A Systematic and Bibliometric Analysis of Venture Capital Exit Strategies

Poonam Singh
https://orcid.org/0000-0003-1113-6096
Manav Rachna International Institute of Research and Studies, India

Nupur Mishra
Galgotias University, India

Mohd Shamshad
Galgotias University, India

ABSTRACT

the study aimed to explore and synthesize the current knowledge clusters in the venture capital exit strategies or routes. The paper adopted a robust and scientific protocol to retrieve the 436 journal articles published in the Scopus-indexed journals from 2002-2022. Then, bibliometric analysis is carried out using the VOS viewer, Science of Science (Sci2), and Gephi. Keyword co-occurrence, prestige analysis, bibliographic coupling, and citation analysis are performed to merge knowledge clusters. The results of keyword co-occurrence and co-citation analysis suggest that there exist

DOI: 10.4018/979-8-3693-9193-8.ch004

mainly two prominent exit strategies in venture capital which are Initial public offering (IPO) and M&A. These clusters have significant relation with other parameters but limited research observed on them. The findings also indicate that, of all the tactics employed, secondary sales and strategic sale are the technique that has received the least research. Also, at the same time IPO and Merges and acquisitions are the most prevailed exit tactics of venture capitalists to retain investment.

1. INTRODUCTION

The worldwide growth and opportunities on account of globalization enabled the venture capital (VC) sector to gain significant importance. Many developed nations may witness the advantages of VC financing in the form of significant industrial growth, improved employment possibilities, higher turnover, and revenue creation for the government. However, VC finance initially rose due to liberalization but then began to decline (Torres J, 2020). The venture capital investment has been greatly admired and received preference in the United States during the period 2016-2021. However, research by IVCA-EY, highlights India's performance "Investment by Private Equity and Venture Capital Firms in Indian Companies Touch High of $77 billion in 2021, over 60% greater than 2020,".

The long-term relationships between business owners and their investors are governed by venture capital (VC) contracts, which define cash flow and control rights. The long-term nature of VC-entrepreneur partnerships leaves VCs exposed to expropriation by entrepreneurs (Gompers, 1998; Casamatta, 2003) and entrepreneurs subject to exploitation by VCs (Fried and Ganor, 2006). As a result, it is only natural for contracts to be influenced by the entrepreneurs' and venture capitalists' negotiating positions as well as the legal framework that oversees their interactions. Furthermore, contracts are set up so that control rights are distributed over exit decisions because high-tech start-up entrepreneurial firms lack the cash flows to pay interest on debt or dividends on equity (Sahlman 1990; Schwienbacher, 2007).