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## Note on Using the Venture Quotient to Manage Early-Stage Business Risk: What's Your VQ?

### Introducing the VQ

Nobody denies that starting up a new business venture is tremendously risky. Whether you're an entrepreneurial team launching a new stand-alone venture, an established company releasing an entirely new product or entering a novel market, or a research lab looking to commercialize your invention, building a brand new business from scratch is fraught with peril.

Yet ironically (and contrary to popular belief), the most successful entrepreneurs and venture investors are remarkably risk-averse people. It's not that they shy away from risk. (Hardly... if they did, they wouldn't be in the business-building business in the first place!) Rather, they're simply very good at *managing* risk and *mitigating* risk. In fact, many will tell you that the key to building value in a new venture at each stage of development has to do with how good you are at controlling and steadily reducing business risk. While some of the pros have systems for doing this, most do it intuitively.

Fortunately for the rest of us, the tricks the best startup folks use for navigating new-venture risk can, as with so many things, be reduced to patterns and systems. This article provides you with a straightforward tool for understanding and effectively managing the risks inherent in any new business.

We call this tool the VQ, or Venture Quotient.

The VQ is based on a simple principle: that the myriad pitfalls a startup can encounter on the road to success can be placed into four "buckets" of venture risk:

- Management risk
- Product risk
- Market risk
- Financial risk



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