

# Value adding in venture capital as a mesh of practices

Value adding practices in venture capital

Norah Almubarak

*Finance Department, School of Business, King Faisal University, Al-Ahsa, Saudi Arabia and*

*School of Management, University of Bath, Bath, UK, and*

Dimo Dimov

*School of Management, University of Bath, Bath, UK and Reykjavik University, Reykjavik, Iceland*

427

Received 19 March 2022  
Revised 15 July 2022  
8 September 2022  
18 October 2022  
Accepted 20 October 2022

## Abstract

**Purpose** – This paper aims to adopt a practice-theory, “site ontology” perspective to understand how venture capitalists (VCs) add value to their portfolio companies (PCs).

**Design/methodology/approach** – The empirical research involves a field ethnographic study of a VC firm in Dubai, focused on revealing what constitutes value and what VCs do to add this value to their PCs.

**Findings** – Value adding is a profoundly social, embedded process interconnected with other ecosystem actors, investment practices and organizations. The value adding threads of VC activity are part of a holistic configuration of practices that span the investment lifecycle and different levels within the firm.

**Originality/value** – This research contributes a rich account of the social, symbolic nature of VC activity, depicting the everyday activities that comprise value adding practices. It is among the first to introduce practice theory to the VC context and open up a new conversation about its social ontology.

**Keywords** Venture capital, Finance, Start-ups, Entrepreneurship

**Paper type** Research paper

## 1. Introduction

The concept of value is fundamental to entrepreneurship and entrepreneurial finance. In the course of an entrepreneurial journey from initial idea to a viable venture (McMullen and Dimov, 2013), as a venture builds traction and achieves milestones, its value increases in that it moves closer to realizing its potential. For companies (ventures) backed by venture capital (hereafter, VC), it has been recognized that venture capitalists (VCs) add value through their involvement in the development of these companies (Gorman and Sahlman, 1989). Indeed, they provide oversight and governance (Lerner, 1995), serve as sounding board (Macmillan *et al.*, 1989), and help professionalize the company (Hellmann and Puri, 2002).

These insights help answer the question of how VC firm add value, in the sense that they provide categories under which to subsume a wide range of VC activities. At the same time, they open up the distinction between formal and substantive conceptions of the question, as outlined originally (Polanyi, 2001) for the term “economic”. In a formal sense, the term enables an understanding of economic decisions as means-ends choices. In a substantive sense, it brings attention to the empirical reality of how people earn their livelihood, an “instituted

© Norah Almubarak and Dimo Dimov. Published by Emerald Publishing Limited. This article is published under the Creative Commons Attribution (CC BY 4.0) licence. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and no commercial purposes), subject to full attribution to the original publication and authors. The full terms of this licence may be seen at <http://creativecommons.org/licences/by/4.0/legalcode>.

This work was supported by the Deanship of Scientific Research, Vice Presidency for Graduate Studies and Scientific Research, King Faisal University, Saudi Arabia [GRANT1641].



International Journal of  
Entrepreneurial Behavior &  
Research  
Vol. 28 No. 9, 2022  
pp. 427-447  
Emerald Publishing Limited  
1355-2554

DOI 10.1108/IJEBR-03-2022-0283

*process of interaction between [people and their] environment, which results in a continuous supply of want satisfying material means*” (Polanyi, 2001, p. 34). This suggests that each time the “value adding” category is deployed there are substantive links through which it manifests itself as a localized practice. Just as “publishing a paper” masks the diversity of practices of individual scholars and scholarly communities, so there is diversity to be unmasked behind the “value adding” role of a VC firm.

This research seeks to provide a substantive answer to the question of how VCs add value. This takes the authors to the realm of practice theory as a holistic account of the meaning of human activity, entwined with the social “site” in which it takes place (Schatzki, 2005). This is a departure from the implicitly formalist focus of current VC research. Fieldwork at a leading VC firm in the Middle East and North Africa (MENA) region shows the complex and vibrant nexus of practices that make up VC activity. Ultimately, it is shown that the value adding threads of this activity are part of a holistic configuration of practices that span the investment lifecycle and different levels within the firm.

This original work contributes to research on VC a rich account of its social, symbolic nature. Specifically, it provides a substantive understanding of VCs’ value-adding practices by depicting the everyday activities that comprise them and the wider social context in which such activities are intelligible. In other words, it opens the “black box” of VC value adding by moving away from its abstract, subsuming category to reveal the specific, multitude of ways in which real concrete practices unfold, rather than looking at the value adding activity as monolithic entities with objective properties. Also, it takes a distinct view, through a practice-based lens, to understand the situated nature of VC practices. As such, this paper is among the first to introduce practice theory to the VC context and open up new conversation about its social ontology.

## 2. Background

In this section, two perspectives on venture capitalist (VC) value adding are brought together to prepare the ground for the empirical work. The first reviews the literature that examines VC value adding from what is considered to be the traditional approach to studying VC activity, namely one that grounds social phenomena in individualist tenets of purposeful action. This perspective provides important language of the category of activities that VCs perform. The second perspective articulates an alternative approach to the study and understanding of VC value adding (i.e. practice theory), which highlights the social nature of human activity and rests on a different core logic of how to understand activities through context.

### 2.1 Nature of venture capital activity

VC represents a specific form of private-equity investment (i.e. in companies not quoted on a stock market) focused on early-stage or expanding businesses with high growth potential and associated high risk (Sahlman, 1990). VC plays a crucial role in the entrepreneurial process by providing funding and managerial support to entrepreneurial firms, with the aim of boosting their growth and global impact (Landström, 2007). The investor’s aim in each case is to obtain a high return on their investment (in the form of capital gain). This entails seeking an exit from the investment after five to seven years through strategic sale to an acquiring firm or an initial public offering (IPO).

The value-adding stage (in the post-investment but pre-exit stages) of the VC investment process is reflected in the differential between the price at which the VC investor acquires their shares in the company and the price at which they sell their shares at exit. To say that a VC investor has added value is to claim that this differential would have been lower without the investor’s involvement or that the company would not have exited at all.

The global spread of VC (NVCA, 2019) invites the authors to develop more contextual understanding of how VCs work in different social settings. This requires a more explicit account of VC investing as a social activity and – to describe it and explain it in such terms – researchers need to consider the basic premises from which they theorize the social.

### *2.2 Traditional approach for studying VCs' value adding*

The value-adding activity of VCs has attracted much interest in the academic literature. Prior research has defined the various activities performed by VCs, the level of involvement, determinants and consequences of VCs' involvement with portfolio companies (PCs), as well as some of the mechanisms through which VCs can add value to these companies. Some studies have played a foundational role in determining what VC investors do by highlighting the nature and level of their involvement with PCs (e.g. Gompers *et al.*, 2020; Proksch *et al.*, 2017). It is well established that VCs play strategic (insight), operational (monitoring), resource acquisition (networking) and interpersonal (mentoring) roles (e.g. Sapienza *et al.*, 1996). Such roles are also played by other early-stage investors such as business angels (Politis, 2008).

Other studies have examined the factors that influence VCs' level of involvement in entrepreneurial companies, paying particular attention to the characteristics of those companies. They consider the level of involvement as related to agency risk (e.g. Sapienza *et al.*, 1996), business risk (e.g. Barney *et al.*, 1989), development stage (e.g. Elango *et al.*, 1995) and innovation level, intensity level and openness of involvement (e.g. Sapienza, 1992). Another stream of literature has addressed the influence of VC characteristics, such as reputation, on the intensity of VC involvement (e.g. Gompers, 1996) and VCs' selection behaviour (e.g. Knockaert and Vanacker, 2013). Researchers have also acknowledged that VCs' level of involvement is contingent not only on PC and VC characteristics, but also on the institutional context in which they operate (e.g. Bruton *et al.*, 2005; Devigne *et al.*, 2013).

A further stream of literature investigates the consequences of VC involvement on the PC, such as access to financial resources (e.g. Vanacker *et al.*, 2014), innovation (e.g. Hellmann and Puri, 2000) and growth (e.g. Quas *et al.*, 2020). Attention has also been paid to the various ways in which value can be added through the VC-entrepreneur relationship by highlighting the importance of commitment and relational capital (e.g. De Clercq and Sapienza, 2006), procedural justice (e.g. Busenitz *et al.*, 2004) and knowledge dynamics (e.g. De Clercq and Dimov, 2003, 2008). The value of VC involvement is higher when a venture pursues a more innovative pathway and when there is harmony in the relationship between the VC and the PC management, as manifested by more frequent contact, more open communication and less conflict (Sapienza, 1992). At the same time, dismissing members of the new venture team may have a negative effect on the venture's performance (Busenitz *et al.*, 2004).

While this literature provides a clear sense that there is involvement and it matters, it says little about what VCs substantively do in adding value. As result, this unexamined territory is referred to by Manigart and Wright (2013) as the "black box" of value adding. This has led De Clercq and Manigart (2007) and Manigart and Wright (2013) to call for more specific attention to this area, to prise open the "black box" of how VCs add value to their PCs. Large and Muegge (2008) echo this view in their conclusion of little consensus over the most important aspects of value adding and advocate closer observation of the value-adding inputs by VC firms. A particular example of this is that, where scholars recognize the role of institutional context, they tend to focus on whether broad institutional factors (e.g. social, cultural and environmental) can help explain variations in VC activity across different geographical contexts. This says little about the specific mechanisms involved.

VC activity is inherently social. In seeking to understand it, scholars adopt particular, implicit conceptions of the social as core premises of their reasoning. They do this to gain

insights into, for instance, the value-adding roles as well as the drivers and outcomes of VC investment. In this study it is argued that the vast majority of VC work has been grounded in individualism (Schatzki, 2005) or a purpose-oriented theory of action, which situates the social in “*the level of the intended or unintended product of subjective interests – a common will or distribution of values on ‘markets’*” (Reckwitz, 2002, p. 246). A major blindspot of this model is its overlooking of the sense in which seemingly individual, subjective premises for action are in fact inter-subjective, socially situated and culturally defined. These include the actual doings by VCs, the norms and values underpinning them, the artefacts at play in these doings (e.g. computer software, meeting rooms) and the social, cultural and institutional premises that give certain doings their meaning. As an example of what a different social theoretical lens might provide, Champenois *et al.* (2018) offer a closer look inside a VC firm and show that the organization of the VC firm’s work practices enable then to develop closer relationships with the entrepreneurs they back. In this regard, the monitoring they exert is a constellation of more specific practices.

Furthermore, the cursory review of VC research exposes a reliance on explaining and predicting relationships between variables through statistical analyses. As Sandberg and Tsoukas (2011) highlight, this reflects a predominant framework of scientific rationality which fails to capture the logic of practice. Sandberg and Tsoukas (2011) outline three issues with scientific rationality that readily apply to research in the VC context. Specifically, (1) it conceptualizes VC activity as distinct entities with objective properties, ignoring the “*meaningful relational totality*” that VCs are immersed in; (2) it provides broad-brush propositions, ignoring or, at least underestimating, the situational uniqueness of what VCs do; and, (3) it excludes from its analysis the practitioner’s experience of time.

The purpose of this paper is to gain a closer understanding of how VCs’ value-adding activity unfolds in practice. Therefore, its authors seek to apply a different lens, one better attuned to the contextual nature of the value-adding phenomenon. With social theories of practice offering novel viewpoints into understanding VC processes, the next section focuses on a particular practice theory formulated by Theodore Schatzki.

### *2.3 Alternative approach for studying VC value adding*

Schatzki (2005) proposes to examine social life through a theory of site ontology. A focus on site ontology implies that social phenomena need to be analysed and explained in their social sites (contexts) because human coexistence retains a natural link to the kind of context (the site) it originates from. By “site” Schatzki (2005, pp. 467–468) means “*arenas or broader sets of phenomena as part of which something — a building, an institution, an event — exists or occurs*”. Examples of sites in Schatzki’s work include the National Association of Securities Dealers Automated Quotations (NASDAQ) market and Shaker medicinal herbs.

Schatzki (2005, p. 471) describes the social site as “*nexuses of practices and material arrangements*”. He emphasizes three important tasks to be undertaken in order to understand a site. The first task is to identify the actions that comprise a site, the second is to identify “*practice-arrangement bundles*” to which these actions belong and investigate whether the bundles cohere or compete. The third and final task is to identify other nexuses of practice-arrangement bundles, to which the nexuses composing the site studied, is closely tied.

Schatzki (2002, p. 72) defined practices as an “*open-ended spatial-temporal manifold of actions*”. The doings and sayings that comprise each practice are linked and held together through (1) practical understanding or intelligibility, i.e. knowledge of what to do and say and knowing how to do an activity, (2) rules, i.e. procedures and instructions on how things are done, (3) teleoaffective structures as the range of ends, tasks and beliefs that make the activity meaningful and (4) general understandings as “*abstract senses . . . They are not ends for which people strive but senses of the worth, value, nature, or place of things, which infuse and are*

*expressed in people's doings and sayings*" (Schatzki, 2012, p. 16). Examples include educational and trading practices. In Schatzki's words, practice constitutes "*a set of doings and sayings organized by a pool of understandings, a set of rules, and a teleoaffective structure*" (Schatzki et al., 2001, p. 61). At a basic level, a practice is a set of doings and sayings (e.g. looking at potential investment's financial model and looking up information on competitors). Such a set of doings and sayings can, in turn, be part of a task (e.g. evaluating a prospective company). The several tasks, in turn, are usually involved in the accomplishment of a project (e.g. screening an initial venture).

In this paper, Schatzki's practice theory is chosen over other prominent practice theories, such as those of Bourdieu (1990) or Giddens (1986), for three reasons. First, the authors concur with Nicolini (2017, p. 15), that Schatzki's is "*one of the strongest and far-reaching versions of practice theories available to date*". Second, Schatzki adds analytic categories (i.e. understandings, rules and teleoaffective structures), which help unpack and understand what lies behind practices, provides more detailed articulation and makes it more tractable. Consequently, Schatzki's theory is more intuitive in its language and structure than the monolithic analytical categories of habitus and structuration proposed by Bourdieu and Giddens. Third, Schatzki made the practices' *teloi* a main component of the practice organization. Thus, in this paper, Schatzki's practice theory is used as a sense-making tool to gain a distinctive and holistic understanding of VCs' value adding work. Rather than seeing such work as a fixed entity with objective properties, the authors see it as the unfolding of daily practices.

Our use of practice theory is as a foundational description of social reality and thus as a source of basic conceptual categories with which to describe and analyse the phenomenon of interest. In this regard, the link between this theory and the results is one of grounding rather than correspondence. The results relate to the theory in the sense that they are expressed in the language of the theory and it is that language that enables a more meaningful discussion of VC value adding.

### 3. Methods

To answer the research question, the first author conducted a five-week case study at a leading VC firm in Dubai, focusing on what VCs do in practice to add value to their PCs. The VC firm is anonymized in this study as "Horizon Venture". Studying practices through ethnographic-inspired research allowed the authors to engage with the details of the value-adding activity. Particularly, it allowed the authors to observe what the participants were doing, interact with them and attempt to learn the actual value-adding practices (Schatzki, 2005).

#### 3.1 Research site

A VC firm in the (MENA) [1] region was considered as an appropriate empirical site for the authors' research interest. The choice was driven by various factors. As Landström (2007) highlights, while much is known about the VC practices in dynamic regions (e.g. Silicon Valley and Boston), little is known about what happens in other regions. A further influential reason was the familiarity of the first author with the context, language and culture of the region that help her to better understand the site and recognize the participants' implicit meanings and feelings.

The research site is Horizon Venture, an institutional VC firm with headquarters in Dubai and offices in Amman and Riyadh. Horizon Venture was selected for this study because (1) it is ranked among the top 50 active VC firm in MENA (Forbes Middle East List, 2017), (2) it has a dedicated value creation team (VCT) to assist its PCs with their post-investment expansion

and growth, (3) it has Horizon Enabler, which supports the development of the MENA start-ups ecosystem and (4) the founder of Horizon, HV, is considered one of the pioneer entrepreneurs in the region, and a successful angel investor.

Horizon Venture was founded in the 2010s with the aim to fill the emerging equity funding gap and support the growth of the MENA region's start-up ecosystem. At the time of data collection, Horizon Venture had deployed most of its first fund's ("Fund I") investment capital, investing in over 20 companies, and it was in the process of launching its second fund ("Fund II"). It invests in seed to growth stage technology and technology-enabled companies with a focus on companies operating in the MENA region.

Horizon Venture has a sister company called Horizon Enabler [2], an ecosystem-building firm. The Enabler was launched in the beginning of the 2010s as a comprehensive value-adding platform to support the development of the MENA entrepreneurship ecosystem. It sought to achieve this through media content, community-building programs and events, research and corporate and government advisory services. Horizon Venture and Horizon Enabler are collectively called the Horizon Conglomerate.

### *3.2 Data collection*

As the study takes a practice perspective and practices are socially shared, it is important to study the phenomena from multiple angles and with reference to multiple data sources. Therefore, the data combined participant observation, semi-structured interviews and informal talks, other primary data and archival material. Twelve interviews were conducted, and twelve meetings attended. The collected data covers 176 pages of transcription, 70 pages of field and meeting notes, 27 pages of other primary data, as well as an extensive collection of the VC firm's related documents. [Table 1](#) describes the data sources accessed and how they were used.

Over five weeks, beginning the 19th February 2018, the first author spent five days per week from 9:00 to 18:00 each day at Horizon Venture attending meetings, conducting interviews, attending social events and having informal conversations. She was allocated a desk at the center of the office, which she shared with the analyst and two longer-term interns. The workspace was open plan with glass partitions. The layout made communication easy and optimized teamwork and collaboration, while also offering a level of privacy to employees when required. With few physical barriers between team members, open communication was facilitated between the senior and junior team members. This allowed her to clearly observe team interactions: see what they were doing, listen to their talk and observe who was coming and going. As they set up a new account for her in the firm's email system, that also allowed her to understand how they communicate and how they work. At the beginning, the team were uncomfortable with her presence in the firm and would ask questions about her observations and notes. After the first week, however, they became more comfortable, increased her involvement in meetings and gave her access to the firm's database.

### *3.3 Data analysis*

The authors followed [Schatzki's \(1996, 2002\)](#) practice theory framework in their data interpretation, as it was found to be particularly suitable, given its prior application in the context of NASDAQ securities dealers. Although the aim is to unpack a particular VC investment practice (value adding practice) using Schatzki's practice theory, it is crucial to analyse and explain a social phenomenon within its site. This is because the social – as human coexistence – inherently transpires as part of its site ([Schatzki, 2005](#)). In other words, this indicates that human coexistence is inherently tied to the "mesh" of orders (arrangements of artefacts) and practices (doings and sayings) in which it transpires.

Data source	Type of data	Use in the analysis
Observations (70 pages single-spaced)	<p><i>Field notes from observations and meetings:</i> detailed record of activities, social interactions, conversations, key phrases and events</p> <p><i>Informal conversations:</i> informal discussions with partners and employees during work breaks, before and after meetings</p> <p><i>Pictures:</i> visual documentation of material arrangements created during meetings (taking photos)</p>	<p>To capture what VCs are saying and doing and to identify the VCs actions and the value adding practices and material arrangements</p> <p>To familiarize myself with the firm's context and terminology, to gain trust of the team, to discuss insights and to clarify interpretations from observations</p> <p>To keep a record of the practices that the members engage in during the meetings</p>
Interviews (176 pages single-spaced)	<p><i>Semi-structured interviews (12)</i> with Horizon Venture, from partners to the analyst. The authors asked the VCs detailed questions about what they do and how they work. For instance, what do you do in a typical day? And what forms of assistance do you give your PCs?</p>	<p>To capture what they are saying, to explore the organization of practices (rules, understanding, and teleoaffective structure), to yield explanations and insights unavailable from other sources and to triangulate evidence from observations</p>
Other primary data (27 pages single-spaced)	<p><i>VCT calendar (7 pages single-spaced):</i> record of the VCT daily activities</p> <p><i>Database content (20 pages single-spaced):</i> record of the content of the firm's database</p>	<p>To keep a record of the VCT's daily activities, to help in asking specific questions during the interviews/informal conversations and to triangulate evidence from observations and interview data</p> <p>To familiarize myself with the firm's context, organizational practices and terminology, to understand how it retains its knowledge in the database and to identify important archival materials</p>
Archival material	<p><i>Firm-related documents:</i> e.g. fund administration, LPs reports, auditor reports, meeting minutes, presentations, investment process map, research, valuation policy</p> <p><i>Portfolio company-related documents:</i> e.g. term sheets, commercial, legal, and financial due diligence, pitch deck, financial and business model, PCs' updates, meeting minutes, PCs' monthly reports, 100-day plan</p>	<p>To familiarize myself with the firm's context, and terminology, to identify the VCs actions and the value adding practices and material arrangements and to support, integrate and triangulate evidence from observations and interview data</p> <p>To familiarize myself with the PCs' contexts and terminology, to identify the VCs' actions and the value adding practices and material arrangements, and to support, integrate and triangulate evidence from observations and interview data</p>

**Table 1.**  
Data sources and use

The analysis began by identifying and labelling the VC value-adding activities. To consider bundles of such activities as distinct practices, the authors had to consider whether and how these activities were held together by the four pillars outlined by Schatzki, namely: practical understanding, rules and teleoaffective structure [3], and general understanding. This was done in two rounds of coding, moving from specific, first-order categories to broader, second-order categories. It is important to note that, in the analysis, the authors could draw meaningful distinctions among activities only in terms of their teleoaffective structure that

is in terms of the specific projects, purposes or ends of which they were part. In this regard, the other three elements of Schatzki's analytical framework – practical understanding, rules and general understanding – were shared elements of the field context and respondents in the sense that they constituted what it means to be a VC firm, to be part of Horizon Venture and to operate in the MENA region. In other words, these other practice elements are something the respondents take for granted and are thus less explicit in the interviews and observations. For instance, the VC practitioners do not dwell on the fact that being a VC entails taking equity stakes in companies and seeking to sell those stakes at a later point – this practical understanding and associated rules of buying and selling equity stakes are implicit in everything they say and do. Similarly, they do not dwell on what it means to be doing business in the MENA region and on how the people in the MENA region generally see the world through a distinct cultural lens. In this sense, these were not things to be readily recorded as data to be analysed but implicit meaning that informs the narrative of the results. They were “present” in the shared background between the researcher and Horizon Capital in regard to what venture capital is and the culture of the MENA region.

To illustrate, the analysis consisted of a series of five steps. The authors first familiarized themselves with the datasets and identified items of interest to gain a comprehensive understanding of the meanings of the data (Corbin and Strauss, 2008). Then, starting with the field notes and interviews as the main data for the analysis, they focused on what VCs do to add value (identifying and labelling the VC activities) and coded these on the basis of informants' *in vivo* words. The terms, sentences, actions, opinions and descriptions offered by respondents formed the first rounds of coding, i.e. first order categories.

The next round of coding combined the specific first order categories into broader and theoretically relevant second order categories (see Corbin and Strauss, 2008; Miles and Huberman, 1994). Important concepts, patterns, themes and relationships were identified among the codes. At this stage, the authors reflected on the data by asking questions and thinking about them, such as whether and how they differ from existing knowledge.

Next, both the archival data and the calendar data were both used to support and refine the categories emerging from the field notes and the interviews. Also, the field notes, the interviews, the calendar and the archival data were combined to map the value-adding practices and explore how the value-adding activities were held together as part of the different projects (i.e. teleoaffective structure).

Finally, after the emergence of core categories, it became clear that different practices were used at different times, were associated with different individuals and/or groups, and entities. This finding led the authors to organize their interpretations into a multi-level framework of value adding, which is discussed in the next section.

#### 4. Findings

Value adding practices at Horizon Venture took place at three levels: PC, portfolio and VC firm. The value-adding practice at PC level relate to direct practices that the VCs enact to add value to their PCs, whereas value adding at portfolio level relates to the indirect practices that the VCs conduct to enhance their overall ability to add value to their PCs. Value adding at VC firm level relates to how the Horizon Conglomerate enhances the activity of the VCs. In the remainder of this section, the practices of each level are unpacked and discussed.

##### 4.1 Value adding at portfolio company level

Horizon Venture has a systematic value-adding approach, which consists of five practices: (1) familiarizing, (2) assessing, (3) planning, (4) providing support and (5) monitoring. These practices are employed to develop a better understanding of the company's challenges,



strengths and processes and, therefore, identify how they add value. It was found that a value-adding approach is not a one-time approach (at the point Horizon Venture invested in the company), but a continuous approach of reviewing, assessing, planning and evaluating to ensure that the PC is on course to succeed.

The value-adding approach shares some of the components of existing management that is, consulting practice. For example, BT (Head of VCT) explains that *“there is a consulting aspect, which is generally at the beginning of the process and then it moves into execution, which is kind of a temporary integration into the team”*. This explanation highlights where the VC shares similar practice with management consulting (at the outset) and how it differs by participating in the *“execution”*. Next, the value adding approach is described, that is, its five practices and the sub practices housed within each.

*4.1.1 Familiarizing practice.* In order to get to know the company business and collect data and information, the VCT *“starts with an overall familiarization with the company. It’s by no means an auditor. We just want to understand the moving parts of the business”*, as BT (Head of VCT) explains. The VCT familiarizes itself with the PCs indirectly, by reviewing the company’s materials and pre-investment documents, and directly, by meeting the founder and the employees as well as visiting the company offices.

*4.1.2 Assessing practice.* After understanding the company’s business and collecting data, the VCT assesses its performance, financial situation and processes. The VCT also evaluates company strategies and plans, and evaluates its resources and management team. The *“purpose”* of assessing practice is to isolate and prioritize the areas that need further support.

The assessing practice is linked and depends on other practices and understandings. It is linked to the due diligence practice, where the investment deal team and the VCT assessed company performance, analysed key matrices, potential risks and issues, and flagged potential areas of improvement, resulting in *“a deep understanding of the challenges facing companies”* (HC Investment Process Document, p. 6). Furthermore, it is linked through the understanding of *“how to do”* certain things, some of which are: to analyse and assess financial statements, to perform a valuation analysis and to analyse the business plan. Also, because the companies are part of other systems (market, industry, country), there is a need to analyse the company market, the market transitions and the industry trends, and to assess competitors’ offerings.

*4.1.3 Planning practice.* Based on the understanding that emerges from familiarizing and assessing practice, the VCT collaborates with the PCs’ senior executives to develop and formulate action plans, set targets and benchmarks, and define expectations. The *“ends”* of planning practice is to identify the required actions, resources, measurements and timeline to reach the company goal and improve company efficiency; ZA (Investment Associate) describes it as, *“building a roadmap to see where they can go”*. For example, the VCT developed execution plans for *“PC8”*, and *“PC19”* as roadmaps to guide them (International Finance Corporation (IFC) Portfolio Report). Also, it helped *“PC14”* in setting up financial and non-financial key performance indicators (KPIs) as a way to reach a critical mass (IFC Portfolio Report).

The authors also found that the VCT prioritizes the action plan item based on two factors: impact on value versus ease of implementation. BT (Head of the VCT) indicates in his interview, *“that’s usually the decision matrix. We prioritize action items based on those two variables ease of implementation or timeline to see results versus economic impact”*. Initiatives that have high impact and are easy to implement get the high priority. This is an example of a *“rule”* in the Schatzki framework.

Not only does the VCT prioritize action plans for its PCs, but also it needs to manage its time and allocate its resources effectively among its companies. The VCT was found to use four criteria to help determine its level of engagement with its PCs: investment amount, urgency of support, the stage of the company and its potential to grow. However, the decision

for each individual company is explicitly decided over time within the team and is normally based on the investment amount and the potential impact. This is another example of a “rule” in the Schatzki framework.

*4.1.4 Providing support practice.* Practices providing support are those employed to improve the company’s performance, accelerate its growth and help it realize its potential. Horizon Venture provides support either directly, by imparting team knowledge, experience and connections, or indirectly, by connecting the PC with people, companies or organization who can support it as and when necessary.

The VCT engages, collaborates and integrates with the PC team to help it execute the action plan and achieve its targets. TF (Director of Operation and Customer Experience) explains how close co-working of the VCT with the PC team creates a kind of peer relationship, “*You integrate. You play part of the team. You become a part of their team. But you become invisible to them. But we are effective at the same time*”. Providing support practice is also linked to the due diligence practice and the familiarizing, assessing and planning practices, where the investment team and the VCT identified issues, areas of improvement and opportunities to grow around the PCs.

It is important to highlight that support provision may evolve during the term of the fund, depending on the sector, stage, environment, the specific situation of the company and other considerations. The authors draw distinctions within “providing support practice” based on the value-adding roles outlined by [Sapienza et al. \(1994\)](#) in terms of the following three theoretical categories: (1) a strategic role as a financier, a business advisor or as a sounding board for strategic initiatives, (2) an operational role in recruiting management and providing network supports and (3) a personal role as mentors and confidants to CEOs. Based on their observations, the authors added a fourth, cultural role. It helps in building and helping PCs to adopt a set of practices to achieve their objectives, increase their productivity, promote efficiency and drive the growth of companies.

*4.1.5 Monitoring practice.* The VCT and partners closely track the company and the management team’s performance by reviewing company reports, by conducting regular meetings and visits, and by holding quarterly board meetings. The “purposes” of the monitoring practice is to ensure that the chief executive officer (CEO) acts in the company’s best interests, to protect their investments, to ensure the companies are in line with their post-investment strategy and as highlighted by BT (Head of VCT), “*to ensure that all resources are focused on the right initiatives*”. Monitoring plays a strategic role in the company’s development because it helps the VCT and the partners ensure that the PC continues to achieve its goals while allowing it to recognize areas for improvement and opportunities to add value (through continuous improvement and active board engagement).

Interestingly, the VCT and partners have highlighted that the monitoring practice not only benefits them as investors, to oversee their investments, but it also teaches the company’s executives about the importance of adopting good corporate governance practices. It is acknowledged that these practices create value: “*The Fund actively supports the long-term financial health of its [PCs] by helping them adopt corporate governance standards and best practices, including the use of appropriate reporting and accounting procedures*” (Horizon Venture Investment Process Document, p. 6).

Overall, the monitoring practice is closely linked to the assessing practice in that they both focus ultimately on identifying red flags, areas of improvement and opportunities for development. While assessing is focused on defining priorities for a PC, monitoring is focused on holding the PC managers accountable in the light of such priorities. In that regard, assessing practice is a periodic activity, whereas monitoring practice is an on-going and organized process of overseeing and governing. As the PCs grow and their processes evolve, there is always space for improvement. Therefore, as necessary, the VCT engages with its

---

PCs to update its strategy, action or execution plans against new conditions or opportunities, to make other adjustments or to reduce risks. In this sense, the two practices work together on an on-going basis.

#### 4.2 Value adding at portfolio level

Value adding at portfolio level comes from the understanding that for the partners and the VCT to add value at PC level, it is important to first build its knowledge and connections. It can later leverage these to enhance its PC's performance. Value adding at portfolio level was found to consist of two practices: building connections and learning.

**4.2.1 Building connections.** Horizon Venture executives understand the important role of the network and, therefore, encourage its VCs to invest their time and effort in building beneficial connections. These are sought with individuals (e.g. investors and strategic buyers), with companies (e.g. service providers), with organizations (e.g. industry bodies) and with countries. TS, Horizon Venture's Partner, described the purpose of his job in this way: *"my job, specifically, is really to . . . make as many connections as possible that could be valuable to the startups"*.

At country level, TS, Horizon Capita's Partner and CEO of Horizon Enabler, reflects on how he spent an entire year, from February 2017 to February 2018, in Saudi Arabia to scale Horizon Conglomerate there, to build connections with key stakeholders, to unlock investment opportunities, to understand and gain insights on the rules and regulations of the country, and, most importantly, to facilitate the PCs' entrance to the Saudi market. Regarding scaling the Horizon Conglomerate, FZ and the Enabler team built an activation proposal for King Abdullah Economic City to drive the entrepreneurship and employment agenda in Saudi Arabia. In terms of facilitating PC access to the Saudi market, TS helped achieve this for "PC2", from getting a licence to open in Saudi Arabia to setting up a regional hub, by leveraging his connections and knowledge.

**4.2.2 Learning.** Horizon Venture executives understood that establishing a VC firm in the MENA region would not be easy, and that they would have to build the necessary team skills and knowledge internally, as TS, Horizon Venture's Partner, acknowledges: *"In the Middle East we really had to build our own kind of knowledge base and capacity"*. Learning at Horizon Venture is achieved by self-study, by learning from others and learning from past experience. The following subsections explain how learning is achieved, with empirical evidence as support.

**4.2.2.1 Learning by self-directed study.** The VC team learns by self-directed study and by monitoring trends. In this way, the team seeks to broaden its perspective and align with the VC team's knowledge. Its goal is also to understand the PC's business, its industry or sector, its markets and countries. Learning in the VC context is vital because the field is always evolving, and the rate of technological change is rapid. As TS, Horizon Venture's Partner, explains, *"we constantly have to educate ourselves and be on the cutting edge of what's happening in technology to understand the start-up around us and what they're doing and how they are doing it"*.

**4.2.2.2 Learning from others.** To build team talent, Horizon Venture encourages participation in internal as well as external training. It runs in-house sessions designed to introduce, educate and enrich specific team skillsets. For instance, a "Venture Terms, Term Sheets and Shareholder Agreements" was seen to be scheduled in the VCT calendar.

Another way to build team talent is by sharing relevant materials (books, reports and studies). For instance, TF forwarded ZA (Investment Associate) an email from Delta Groups containing an annual report titled, "State of Tech: 2017 Review". This report gave a high-level summary of most relevant trends in VC investing, and their implications for investors and investees. RS, Horizon Venture's Partner, also recommended the book, "Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist", to the investment associates, analysts and interns at Horizon Venture.

In addition to learning from the VC team, Horizon Venture employees learn from the experiences and best practices of pioneer VC firm in the world, from VC and private equity (PE) associations and from their investors, among others. For instance, Horizon Venture has adopted the philosophy of Andreessen Horowitz (having a dedicated VCT to help their PCs). HV explains the reason for this:

It's a global trend. All the big VCs now look at Andreessen Horowitz, they have a massive team for value adding . . . We want to be something like that for the region (HV, CEO, Horizon Venture).

In regard to learning from investors, Horizon Venture has built its understanding on the environmental, social and corporate governance (ESG) standards from the [CDC Group \(2010\)](#) toolkit. The toolkit provides practical recommendations for fund managers investing in emerging markets in developing countries to manage risk, identify opportunities and implement ESG standards. It also helps fund managers to identify the questions that they should ask and the documents that they need to collect from their PCs. Horizon Venture complies with the ESG standards because, as BM, Horizon Venture's Managing Partner, highlights, *"IFC is one of our largest investors. They stipulate that we are to be compliant with environment social and government guideline, which is ESG toolkit"*.

Furthermore, Horizon Venture has adopted some of the best practices advocated by the Institutional Limited Partners Association (ILPA) which were established to improve the PE industry. These best practices promote both the general partner (GP)-limited partner (LP) partnership and standards in the PE industry, including ILPA Private Equity Principles [4] and Quarterly Reporting Standards [5]. From the ILPA Private Equity Principles, the VC team learned the importance of the three principles (alignment of interest, governance and transparency) in maintaining the LP-GP partnership. They also learned about the GP reporting best practices to update their LPs about a PC's performance. For the Quarterly Reporting Standards, the VC team has benefited from the reporting guidelines, sample quarterly packages and sample supplement management reports. For instance, it has used the Quarterly Reporting Standards PC update sample to build its own LPs Report template [6]. In the Recent Events & Key Initiatives section of the LPs Report, the VCT provides information on what is going well and less well, upcoming investment needs (the company's emerging needs), and how much it is able to fund. This information helps the LPs to keep on top of the PC's performance, but it also helps the VCT to learn from reflecting on and assessing its PC's performance, and ensures that the PC continues to achieve its target and investment thesis.

4.2.2.3 Learning from past experience. Horizon Venture's team have learned tremendously from their past experience of managing two funds (CD Fund and in Fund I). For instance, investing in the CD Fund:

has brought forth valuable knowledge, expertise and insight into the VC world and using best practices for sourcing, negotiating, structuring, and transactions as well as taking seed /startup companies throughout the entire growth business cycle to exit (Horizon Venture PPM Document, p. 64).

The team reviews, assesses and records the lessons they learned from investing in Fund I. There is a "Lesson Learned" section in the IFC Portfolio Report, where the team identifies what it has learned and gained from investing in each of the PCs. For example: From "PC7" they gained insights into the regional dynamic of the sharing economy and from "PC12" they gained exposure to a new geographical area (East Africa).

Furthermore, Horizon Venture takes advantage of the huge amount of data and information amassed from previous investing to understand, predict and gain some analytics of new and current markets, VC activity and start-up behaviours, with which to help their PCs. This is highlighted by BM:

---

Aggregating our knowledge. Because we see a lot of companies. We have a lot of data and a lot of information, as I am sure you have seen. So, it is finding good ways to take learnings from the data so that we can use it in our [PCs]. (BM, Managing Partner, Horizon Venture).

#### 4.3 Value adding at VC firm level

Value adding at VC firm level comes from the understanding that the VCs need to add value through other means (building reputation, conducting PC events, and offering online and offline support and engaging entrepreneurs, relevant stakeholders and key players in the ecosystem). This section focuses also on the indirect practices, that is, value adding at the VC firm level that both Horizon Venture and Enabler team conduct to build the group reputation, to build the knowledge and network of their PCs, and to build and grow the MENA entrepreneurship ecosystem.

*4.3.1 Building reputation.* Aware that a positive reputation draws further business, Horizon Venture executives engage in practices to build and maintain its reputation. One way to build reputation is by highlighting the healthy financial performance of its PCs. For instance, the PPM Document highlights the aggregate value and aggregate revenue of its PCs and shows, numerically, how the value of each PC has been increased by calculating the multiple of capital contributed.

Reputation is also built by taking on board member roles for organizations and participating in conferences. For instance, the CEO of Horizon is a member of the advisory council at the Massachusetts Institute of Technology (MIT) media lab and a founding board member of Endeavor Jordan. It is important to highlight that the VC team attend conferences for multiple reasons, including to source deals, build connections, gain recognition and disseminate the firm's name across the region. The VC team improves the firm's reputation by conducting and participating in corporate social responsibility activities (CSR). For instance, the VCT has coached university students in the process of building their social impact startups. By conducting such social activities, Horizon aims to build its name and reputation in the community.

Horizon Venture's reputation plays a key role in supporting its PCs. On a personal note, HV highlights how some PCs use his name as a gateway for them:

They use me as their front line because I'm a known figure. . . . my job is to act like the elder statesman in the company that helps them get [what they want]. Sometimes startups do not get the respect that they need. (HV, CEO, Horizon Venture).

*4.3.2 Running portfolio companies' events.* Horizon Venture organizes regular events for its PCs, in the form of educational workshops or social and networking gatherings, to facilitate information exchange and learn from each other's experience in an informal setting, as RS describes:

If someone we know in our wider network is coming to Dubai, we introduce them. . . . We just bring them in to mingle . . . it is just valuable. Bringing portfolio together is valuable. They benefit from each other more than they benefit from us sometimes, so we do that (RS, Partner, Horizon Venture).

Educational workshops work well to fill knowledge gaps common in PCs. For instance, having discovered a common lack of financial modelling knowledge across PCs' teams, the VC team offered a "Do's and Don'ts of Financial Modelling" session to develop PC team understanding of the subject by sharing best practice. The VC team also hosts talks by business leaders, seasoned investors and prominent entrepreneurs (e.g. Mike Arrington, founder of TechCrunch), which gave their PCs a valuable opportunity to gather insights from experts.

*4.3.3 Offering online and offline support.* Horizon executives understood that in order to grow and nurture the region's entrepreneurship ecosystem, there was a need to offer online

and offline help to support and engage entrepreneurs, relevant stakeholders and key players in the ecosystem (e.g. governments and corporates), as TS highlights:

We understand that if we want to invest in technology in the Middle East, in the political turmoil that we are living in, we must do a lot of work. . . . we had to get the community on board as well. Because if you're trying to grow something but everything around it [is not supportive,] it's not going to succeed and it's not going to scale. (TS, Partner at Horizon Venture and CEO of Horizon Enabler).

The Enabler offers support via four arms: media content, community-building programs and events, research, and corporate and government advisory services. The aim in building the Enabler was to raise awareness about the importance of entrepreneurship in the MENA region, to develop an environment in which MENA entrepreneurs could thrive, and to create and share knowledge in the ecosystem. It sought to educate, inspire and empower MENA's entrepreneurs and to connect them with relevant stakeholders.

#### *4.4 Overview of value adding*

On the basis of the key practices that emerged from the study discussed above (Table 2), a dynamic visual representation of the value-adding is presented (Figure 1) to capture how the value-adding is enmeshed practice. A key aspect of the figure is the mesh-like, interlinked configuration of practices.

The value-adding model of a VC firm illustrates, on the left side, the two indirect practices that VCs undertake to build their network and knowledge (4.2), and that the Venture and Enabler teams conduct to build the group reputation, knowledge and network of their PCs, and the MENA entrepreneurship ecosystem (4.3). The outcome of these practices is interconnected with the value-adding approach (4.1). To illustrate, it shows how the relationships VCs build helped the partners and the VCT in providing support to their PCs (e.g. finding a strategic buyer, identifying key people for hiring). In other words, it shows how the outcome of value-adding practices at portfolio level becomes the input for providing support practices. The findings also show how several practices and a number of interrelated projects and tasks were employed by Horizon Venture to support VCs in providing support.

The right side of Figure 1 illustrates the value-adding approach in its unfolding, substantive sense. That is, it shows the on-going value-adding activities that the VC firm undertakes with each PC. Familiarizing (4.1.1), assessing (4.1.2) and planning (4.1.3) are three early-stage practices adding value at the PC level, while providing support (4.1.4) and monitoring (4.1.5) are later-stage, on-going practices for adding value. It is worth highlighting that the value-adding approach is iterative rather than linear and can incorporate many back-and-forth moves. For instance, if the VCT identifies issues or areas for improvement in the monitoring practice, they might re-engage in assessing, planning and providing support practices to make adjustments or update its strategy, action or execution plans against new conditions and opportunities, or to reduce risks.

The value-adding approach demonstrates how the value adding practices are interconnected at the PC level. To highlight, it illustrates how planning practice is based on the understanding that emerges from familiarizing and assessing practice and how the outcome of planning practice is interconnected with providing support practice and in turn with monitoring practice. Furthermore, it shows how providing support is linked not only with familiarizing, assessing and planning practices but also with due diligence practice and highlights how the outcome of providing support practice is closely linked to monitoring practice. This reinforces the mesh-like nature of practices.

Overall, these value-adding practices demonstrate that Horizon Venture has a unique approach to adding value. This approach is affected by various elements, especially the MENA entrepreneurship ecosystem and the business culture. Interestingly, the findings

Category	Practices	Practice purpose	Data example
4.1 Value Adding at Portfolio Company Level (Value Adding Approach)	4.1.1. Familiarizing	To get to know the company business and to collect data	<i>"Would be a discussion with them as well to see what they really need our help with, and what they're lacking in terms of the support that they need to make sure they're meeting their target"</i> (ZA, Investment Associate)
	4.1.2. Assessing	To isolate and prioritize the area that need support	The VCT judged the strengths of "PC1" in the following way: <i>"Positive industry trends: rapid growth in analytics and social monitoring, strong growth for SaaS products and integrated solutions, strong growth for consultative insights and briefings across all markets"</i> (IFC Portfolio Report, slide. 2)
	4.1.3. Planning	To identify the required actions, resources and timeline to reach the company's goal of improving company efficiency	the action plan for "PC11" included <i>"looking to improve their private label selection through joint ventures with smaller designers, setting up return services for European markets and expanding "PC11"'s operating basis: New central warehouse and opening of logistics centers in key regions"</i> (IFC Portfolio Report, Slide. 33)
	4.1.4. Providing Support	To improve the company's performance, accelerate the company growth and help them realize its potential	<i>"[We] open doors, introduce them, open networks . . . They learn the language of the business . . . And then they are able to fly without us . . . And then we hope that we're able to make these companies well, run . . . because it's always about the entrepreneur, we're just supports"</i> (HV, CEO, Horizon Venture)
	4.1.5. Monitoring	To ensure that the CEO acts in the company's best interests, to protect their investments, to ensure the companies are in line with their post-investment strategy and to ensure that all resources are focused on the right initiatives	Companies reports help them to <i>"see what they've done, what they're initially set up to do, how they're doing, what challenges are facing, if there are some things specifically that we need to help them with etc"</i> (ZA, Investment Associate)
4.2 Value Adding at Portfolio Level	4.2.1. Building Connections	To build VC team connections	<i>"I was in Saudi for the last year building connections there and working on how Horizon can scale to Saudi Arabia . . . by building your connection you came back to one of your PCs and you help them to expand to Saudi for instance"</i> (TS, Partner)
	4.2.2. Learning	To build VC team knowledge	<i>"I did some studies [before going] to the company that we invested in "PC12", it's all about banana growing. I spent some time understanding bananas, and I talked to some companies here who are dealing with banana transportation. (TF, Director of Operation and Customer Experience, Horizon Venture)</i>

(continued)

**Table 2.**  
Data structure and findings

Category	Practices	Practice purpose	Data example
4.3 Value Adding at VC Firm Level	4.3.1. Building Reputation	To build the conglomerate reputation	<i>"the investment team is actively engaged through mentorship with deal originating initiatives such as incubators"</i> (HC Investment Process document, p. 2)
	4.3.2. Running PCs' Events	To build the knowledge and network of their PCs	<i>"Another event we did is GITEX, was back in August . . . was more focus on SMEs and larger companies. But they did have start-up section where myself and NB went and listened to pitches and companies come speak to us and tell us about their company</i> (SB, Investment Associate, Horizon Venture)
	4.3.3. Offering Online and Offline Support	To build and grow the MENA entrepreneurship ecosystem	<i>"When you actually have a start-up that's started, even if it just newly born, to have them featured on [Horizon] was for them a badge of honour. Someone can read about it. An investor might say"</i> (TS, Partner)

Table 2.

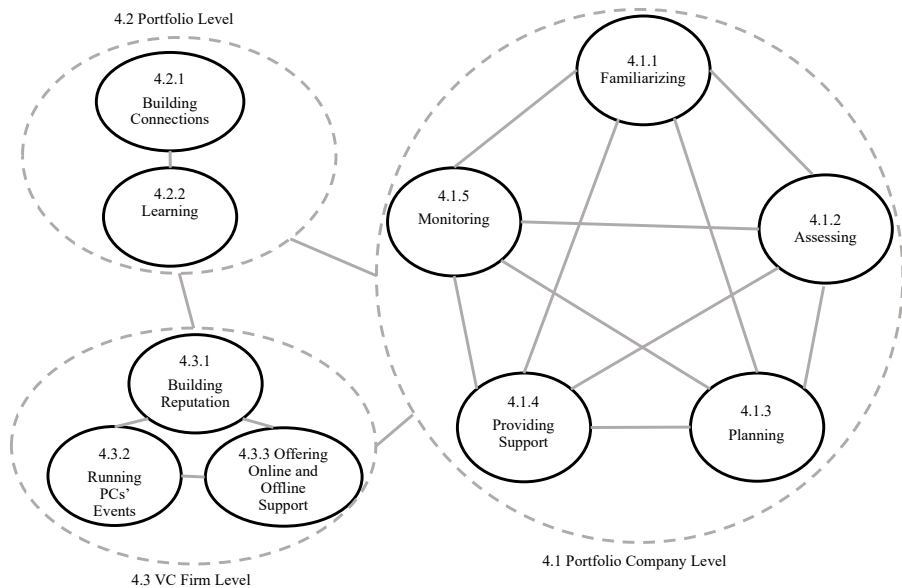


Figure 1.  
Visual representation  
of Horizon Venture's  
value adding Practice

show value-adding to be a profoundly socially-embedded process connected to (or forming a network with) various people (e.g. VCs, investors, advisors), other practices (e.g. pre-investment) and other entities or organizations. Value adding is not about individual actions, but a variety of different actions taken by the VCs, their team members and other individuals that eventually fed into one another. This demonstrates that, in this case study at least, VCs' value-adding is not an isolated activity but rather one entwined with relational practices and aligned with the preferences of different stakeholders. Nevertheless, the findings show that, while the nature and content of practices vary, they are united through their teleoaffactive structure.



## 5. Discussion

This paper poses the question of VC value adding in a substantive sense. While value adding offers a ready description of what a VC firm does, such a description gives no vivid account of what actually happens in a VC setting. The aim of this paper has thus been to identify and describe the everyday and socially situated nature of VCs' value adding. The authors considered VC activities as the performance of certain social practices and studied these practices in the context in which they take place, using the logic of practice theory and associated site ontology [Schatzki \(1996, 2002\)](#). In this sense, practice theory offers a holistic account of human activity, entwined with the social "site" in which it takes place ([Schatzki, 2005](#)).

Our fieldwork at a leading VC firm in the MENA region shows VC activity as a complex and vibrant nexus of practices. Threads of value adding were found across the entire range of activities by the VC firm. The findings thus highlight that value adding is something that takes place at the level of individual PCs, at the level of the entire portfolio of investments, and at the level of the VC firm overall. Therefore, to speak of value adding is to reveal a holistic configuration of practices that span the investment lifecycle and different levels within the firm. The findings offer a rich account of the social and symbolic nature of VC activity, opening its "black box" and situating it in the wider social context.

In the light of the current literature on VCs' value-adding activities (see [Section 2.2](#)), the authors show that the concepts with which they describe VC activities are, in fact, highly generic and determinable (as opposed to specific and determinate) in that they signify the doing of things that are not of one unique kind but of many different kinds ([Ryle, 2009](#)). Thus, the authors have shown that VC value adding is manifested through the various practices as outlined in the findings (see [Section 4](#)). In other words, the paper has given the abstract concepts of value adding a more practical sense.

### 5.1 Research contribution

The theoretical value of the work lies not in its ability to codify abstract regularities but to make thick description possible, to achieve clinical inference by generalizing within cases ([Geertz, 1973](#)). As [Geertz \(1973\)](#) articulates, "*Rather than beginning with a set of observations and attempting to subsume them under a governing law, such inference begins with a set of (presumptive) signifiers and attempts to place them within an intelligible frame*". The paper's intelligible frame is contained in [Figure 1](#), which provides a visual representation of the value adding practices at the three levels.

The paper contributes to an emerging literature that seeks to open the "black box" of how VCs add value to their PCs by offering a shift in perspective from "value adding" as a monolithic object to "value-adding" as a practice. By considering VC practices as social phenomena, the paper has been able to address some of the limitations of an individualist ontology of the social, while retaining the central role of actions. This enables the authors to understand the continuous nature of day-to-day VC activity as enacted within a culturally defined space of meaning. Specifically, the paper identifies the everyday, socially-situated nature of VCs' value-adding that reflects not only the broader logic of VC practice (i.e. invest in start-ups with a view to exit the investment down the line) but also the specific nature and associated challenges of operating in the MENA context. This paper takes into account a site of meaning that includes aspects such as actual VCs' doings, the norms and values that underpin them and the artefacts at play in these doings (e.g. computer software, meeting rooms), as well as the social, cultural and institutional contexts in which these doings are immersed.

Overall, the study indicates that value-adding is not something that exists independent of the context in which it is practiced and of the broader activity of a VC firm. Value-adding

arises as VCs are engaged, in real time and over time, with various people (e.g. VCs, investors and advisors), other practices (e.g. pre-investment) and other entities or organizations, and, as a result, add impetus to VCs' on-going efforts. The question about value is important because it shows that to understand value; scholars have to understand what VCs are doing. To understand what VCs are doing, scholars need to understand their social site; and to understand their social site, scholars need to understand other things (e.g. artefacts, and the norms and values that underpin the actual doings) first. This shows that everything is interrelated. Value becomes similar to meaning, that is, it is contextual and embedded in human activity. Thus, it becomes clear that value adding is, by nature, contextual, social and practice-related. Although some of the value adding practices can be considered global and more widely shared among VC firms (e.g. monitoring and assessing), the paper reveals that Horizon Venture has a unique way of adding value (i.e. its explicit value-adding approach) and it does so via different levels (i.e. PC, portfolio and VC firm). To highlight, the paper showed how Horizon executives understand that in order to stimulate the MENA entrepreneurship ecosystem, there is a need to have an entity (Horizon Enabler) that acts as an ecosystem enabler. The Enabler was devised to spotlight entrepreneurship in the MENA region and to provide a fertile environment for MENA entrepreneurial growth and knowledge exchange.

### *5.2 Limitations and future research*

Having field access to a VC firm for five weeks was useful but a longer immersion in the field could have provided even deeper insights into VC value-adding phenomena. Whilst the quality measures of transferability and dependability are absent from this paper, and might, therefore, be viewed as a limitation, an explanation of this might be timely here. Transferability and dependability measures were not relevant to this paper because the aim of this research was to provide a rich understanding of the VC's value-adding phenomena by adopting the practice-based perspective. Practice perspective is ultimately a holistic approach through which activity can only be understood by understanding the role it plays in its context.

To understand a VC's actions, it is necessary to understand their contexts because these actions make sense in the context of what the organization does. For these reasons, future researchers might usefully conduct a comparative study to understand how VCs practices vary across different contexts to investigate in what senses they are similar and dissimilar, and thus provide insights into the various blends of practices that exist in these locations. Equally, a further study could be conducted to compare the VC's value-adding activity across two different time frames to investigate whether VCs conduct the same practices or to what extent they differ. This would add insights on the importance of what [Sandberg and Tsoukas \(2011\)](#) refer to as the practitioner's experience of time.

## **6. Conclusion**

This work aimed not to refine existing perspectives of VC but to open new theoretical and philosophical vistas. By revisiting the fundamental conceptions of the social, on which the current understanding of VC implicitly rests, the paper provides new ways of describing and conceptualizing value adding. Diverse activities – from boardroom meetings, through strategic reviews, to external networking and reputation building – can be seen as connected through the different ways in which they interact with and contribute to value creation. In this sense, the practice-based approach offers a more dynamic paradigm that appreciates both the individual activity and the broader social system that makes such activity meaningful ([Whittington, 2006](#)). As VC activity becomes global, the spread of its practices

---

calls for deeper consideration of context and the source of meaning of human activity in the shared sociality of its practices.

## Notes

1. The MENA region comprises the following jurisdictions: Algeria, Bahrain, Djibouti, Egypt, Iraq, Iran, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, the UAE and Yemen.
2. Anonymized.
3. In the analysis, the term “ends” or “purposes” is used to capture what Schatzki refers to as teleoaffective structure.
4. [Institutional Limited Partners Association \(2011a\)](#)
5. [Institutional Limited Partners Association \(2011b\)](#)
6. LPs require reports on the progress of their investment.

## References

- Barney, J., Busenitz, L., Fiet, J. and Moesel, D. (1989), “The structure of venture capital governance: an organizational economic analysis of relations between venture capital firms and new ventures”, *Academy of Management Proceedings*, Vol. 8 No. 1, pp. 64-68.
- Bourdieu, P. (1990), *The Logic of Practice*, Polity, Cambridge.
- Bruton, G., Fried, V. and Manigart, S. (2005), “Institutional influences on the worldwide expansion of venture capital”, *Entrepreneurship Theory and Practice*, Vol. 29 No. 6, pp. 737-760.
- Busenitz, L.W., Fiet, J.O. and Moesel, D.D. (2004), “Reconsidering the venture capitalists’ value added’ proposition: an interorganizational learning perspective”, *Journal of Business Venturing*, Vol. 19 No. 6, pp. 787-807.
- Cdc Group (2010), *Toolkit on ESG for Fund Managers*, CDC Group plc and Rosencrantz & Co, London.
- Champenois, C., Devigne, M. and Puyou, F.-R. (2018), “Lerôle de l’organisation du travail des capital investisseurs dans la construction de relations interpersonnelles avec les entrepreneurs”, *Revue Finance, Contrôle, Stratégie : FCS*, No. 20-4.
- Corbin, J. and Strauss, A. (2008), *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*, SAGE Publications, Thousand Oaks, CA.
- De Clercq, D. and Dimov, D. (2003), “A knowledge-based view of venture capital firms portfolio investment specialization and syndication”, *Frontiers of Entrepreneurship Research*, Babson College, Boston.
- De Clercq, D. and Dimov, D. (2008), “Internal knowledge development and external knowledge access in venture capital investment performance”, *Journal of Management Studies*, Vol. 45 No. 3, pp. 585-612.
- De Clercq, D. and Manigart, S. (2007), “The venture capital post-investment phase: opening the black box of involvement”, in Landström, H. (Ed.), *Handbook of Research on Venture Capital*, Edward Elgar Publishing, Cheltenham.
- De Clercq, D. and Sapienza, H. (2006), “Effects of relational capital and commitment on venture capitalists’ perception of portfolio company performance”, *Journal of Business Venturing*, Vol. 21 No. 3, pp. 326-347.
- Devigne, D., Vanacker, T., Manigart, S. and Paeleman, I. (2013), “The role of domestic and cross-border venture capital investors in the growth of portfolio companies”, *Small Business Economics*, Vol. 40 No. 3, pp. 553-574.
- Elango, B., Fried, V., Hisrich, R. and Polonchek, A. (1995), “How venture capital firms differ”, *Journal of Business Venturing*, Vol. 10 No. 2, pp. 157-179.

- Forbes Middle East List (2017), *The 50 Most Active Investors in the Arab World*, Forbes Middle East, Abu Dhabi.
- Geertz, C. (1973), *The Interpretation of Cultures: Selected Essays*, Basic Books, New York.
- Giddens, A. (1986), *The Constitution of Society: Outline of the Theory of Structuration*, Polity Press, Cambridge, Malden, MA.
- Gompers, P. (1996), "Grandstanding in the venture capital industry", *Journal of Financial Economics*, Vol. 42 No. 1, pp. 133-157.
- Gompers, P., Gornall, W., Kaplan, S. and Strebulaev, I. (2020), "How do venture capitalists make decisions?", *Journal of Financial Economics*, Vol. 135 No. 1, pp. 169-190.
- Gorman, M. and Sahlman, W. (1989), "What do venture capitalists do?", *Journal of Business Venturing*, Vol. 4 No. 4, pp. 231-248.
- Hellmann, T. and Puri, M. (2000), "The interaction between product market and financing strategy: the role of venture capital", *Review of Financial Studies*, Vol. 13 No. 4, pp. 959-984.
- Hellmann, T. and Puri, M. (2002), "Venture capital and the professionalization of start-up firms: empirical evidence", *Journal of Finance*, Vol. 57 No. 1, pp. 169-197.
- Institutional Limited Partners Association (2011a), *Private Equity Principles*, Toronto.
- Institutional Limited Partners Association (2011b), *Quarterly Reporting Standards Best Practices*, Toronto.
- Knockaert, M. and Vanacker, T. (2013), "The association between venture capitalists' selection and value adding behavior: evidence from early stage high tech venture capitalists", *Small Business Economics*, Vol. 40 No. 3, pp. 493-510.
- Landström, H. (2007), "Pioneers in venture capital research", in Landström, H. (Ed.), *Handbook of Research on Venture Capital*, Edward Elgar Publishing, Cheltenham.
- Large, D. and Muegge, S. (2008), "Venture capitalists' non-financial value-added: an evaluation of the evidence and implications for research", *Venture Capital*, Vol. 10 No. 1, pp. 21-53.
- Lerner, J. (1995), "Venture capitalists and the oversight of private firms", *Journal of Finance*, Vol. 50 No. 1, pp. 301-318.
- Macmillan, I., Kulow, D. and Khoylian, R. (1989), "Venture capitalists' involvement in their investments: extent and performance", *Journal of Business Venturing*, Vol. 4 No. 1, pp. 27-47.
- Manigart, S. and Wright, M. (2013), "Venture capital investors and portfolio firms", *Foundations and Trends in Entrepreneurship*, Vol. 9 Nos 4-5, pp. 365-570.
- McMullen, J. and Dimov, D. (2013), "Time and the entrepreneurial journey: the problems and promise of studying entrepreneurship as a process: time and the entrepreneurial journey", *Journal of Management Studies*, Vol. 50 No. 8, pp. 1481-1512.
- Miles, M. and Huberman, A. (1994), *Qualitative Data Analysis: An Expanded Sourcebook*, Sage Publications, Thousand Oaks, CA.
- Nicolini, D. (2017), "Practice theory as a package of theory, method and vocabulary: affordances and limitations", in Jonas, M., Littig, B. and Wroblewski, A. (Eds), *Methodological Reflections on Practice Oriented Theories*, Springer, Cham.
- Nvca (2019), *2019 Yearbook*, National Venture Capital Association, Washington, DC.
- Polanyi, K. (2001), *Great Transformation: The Political and Economic Origins of Our Time*, Beacon Press, Boston.
- Politis, D. (2008), "Business angels and value added: what do we know and where do we go?", *Venture Capital (London)*, Vol. 10 No. 2, pp. 127-147.
- Proksch, D., Stranz, W., Röhr, N., Ernst, C., Pinkwart, A. and Schefczyk, M. (2017), "Value-adding activities of venture capital companies: a content analysis of investor's original documents in Germany", *Venture Capital*, Vol. 19 No. 3, pp. 129-146.

- 
- Quas, A., Martí, J. and Reverte, C. (2020), "What money cannot buy: a new approach to measure venture capital ability to add non-financial resources", *Small Business Economics*, Vol. 1 No. 1, pp. 1361-1382.
- Reckwitz, A. (2002), "Toward a theory of social practices: a development in culturalist theorizing", *European Journal of Social Theory*, Vol. 5 No. 2, pp. 243-263.
- Ryle, G. (2009), *The Concept of Mind*, Routledge, London.
- Sahlman, W. (1990), "The structure and governance of venture-capital organizations", *Journal of Financial Economics*, Vol. 27 No. 2, pp. 473-521.
- Sandberg, J. and Tsoukas, H. (2011), "Grasping the logic of practice: theorizing through practical rationality", *The Academy of Management Review*, Vol. 36 No. 2, pp. 338-360.
- Sapienza, H. (1992), "When do venture capitalists add value?", *Journal of Business Venturing*, Vol. 7 No. 1, pp. 9-27.
- Sapienza, H., Amason, A. and Manigart, S. (1994), "The level and nature of venture capitalist involvement in their portfolio companies: a study of three European countries", *Managerial Finance*, Vol. 20 No. 1, pp. 3-17.
- Sapienza, H., Manigart, S. and Vermeir, W. (1996), "Venture capitalist governance and value added in four countries", *Journal of Business Venturing*, Vol. 11 No. 6, pp. 439-469.
- Schatzki, T. (1996), *Social Practices: A Wittgensteinian Approach to Human Activity and the Social*, Cambridge University Press, Cambridge.
- Schatzki, T. (2002), *The Site of the Social: A Philosophical Account of the Constitution of Social Life Change*, Penn State University Press, Pennsylvania.
- Schatzki, T. (2005), "The sites of organizations", *Organization Studies*, Vol. 26 No. 3, pp. 465-484.
- Schatzki, T. (2012), "A primer on practices: theory and research", in Higgs, J., Barnett, R., Billett, S., Hutchings, M. and Trede, F. (Eds), *Practice-based Education: Perspectives and Strategies*, Sense Publishers, Rotterdam.
- Schatzki, T., Knorr-Cetina, K. and Savigny, E. (2001), *The Practice Turn in Contemporary Theory*, Routledge, London.
- Vanacker, T., Manigart, S. and Meuleman, M. (2014), "Path-dependent evolution versus intentional management of investment ties in science-based entrepreneurial firms", *Entrepreneurship Theory and Practice*, Vol. 38 No. 3, pp. 671-690.
- Whittington, R. (2006), "Completing the practice turn in strategy research", *Organization Studies*, Vol. 27 No. 5, pp. 613-634.

### Corresponding author

Norah Almubarak can be contacted at: [nmmubarak@kfu.edu.sa](mailto:nmmubarak@kfu.edu.sa)

---

For instructions on how to order reprints of this article, please visit our website:

[www.emeraldgrouppublishing.com/licensing/reprints.htm](http://www.emeraldgrouppublishing.com/licensing/reprints.htm)

Or contact us for further details: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)