

Article

Bringing ownership in: a conjunctural approach to venture capital valuations

Nils Peters *

Department of Sociology, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom

*Corresponding author. Department of Sociology, London School of Economics and Political Science, Houghton Street, London WC21 2AE, United Kingdom. E-mail: n.peters1@lse.ac.uk

Abstract

High startup valuations are commonly perceived as expressions of venture capitalists' (VCs) power. This study complicates this view and argues that the valuation process is a struggle for ownership, deepening inequalities within the venture capital sector. Drawing on interviews with 19 early-stage VCs in London, I show that VC funds' ability to obtain ownership stakes has changed in the low interest, expansive monetary policy environment of the 2010s. Late-stage VC funds moved into early-stage investing, increasing competition and upsetting previous alignments. Valuation practices centred on obtaining ownership and led to an antagonistic relationship between early and late-stage VCs. Following this, only a small group of elite funds delivered outsized returns while most funds failed to deliver promised returns. By foregrounding material limitations and conflict in the making of valuations, this study suggests that the business model of many VC funds became increasingly embattled during the 2010s tech boom.

Key words: competition; conflict; finance; political economy; United Kingdom; valuation.

JEL classification: P1—capitalist economies

1. Introduction

During the ascendance of Big Tech in the 2010s, valuations repeatedly gripped public attention. In the digital economy, privately held startups would rival, and often surpass, the valuations of publicly listed legacy companies (Sonnemaker 2020). This development was commonly termed the 'rise of the unicorn' (Kenney and Zysman 2019). Every time a startup sells shares to investors for funding, valuations are set in the process (for a close up view, see Muniesa et al., 2017: Chapter 2). These investors are typically venture capitalists (VCs)

who specialize in high-risk equity investments in young, private and fast-growing companies (Klingler-Vidra 2016; Kampmann 2025). The price VCs pay for a share of equity in the startup implies the overall valuation of the company. Valuation is hence central for funneling cash into the digital economy with immediate effects for startups' spending power and huge symbolic importance (Elder-Vass 2021; Birch 2023). Scholars have read the 2010s digital economy and its sky-high valuations as an era shaped by the power of its financiers (Srnicsek 2016; Langley and Leyshon 2017; Cooman 2023).

However, a closer look at the making of valuations complicates the idea of high valuations being an expression of VCs' power. High valuations do not necessarily equal high returns. They can also be the result of a high price being paid by an investor to acquire shares of the startup. This was increasingly the case in the 2010s as more money flooded into VC, new actors like hedge funds entered the sector and competition increased. In this light, valuations allow us to explore how venture capital is not an easy business to make a return in. To date, attention often centres on the outsized returns of a few outlier funds that drive the performance of VC as a whole, disguising how the rest struggles for returns (Klonowski 2018; Elder 2023). Given this, the study asks: How does startup valuation reflect and reproduce intra-finance struggles and inequalities within the VC sector? And how should this inform our understanding of VCs' capacity to wield power in the digital economy?

This article contends that outsized valuations are not a sign of VCs' strength, but rather an expression of intra-finance conflict and a battle over the venture capital business model. I argue that the valuation process, above all, is a struggle for ownership. The study directs the focus to fund-level economics and shows that the valuation practice of ownership targets greatly matters for VCs' ability to profit, yet these valuation practices are meaningfully impacted by the macroeconomic condition they are embedded in. Venture capital funds' ability to obtain ownership has changed in the ultra-low interest, expansive monetary policy environment of the 2010s. This macro condition emboldened large, late-stage venture capital funds to escalate valuations and move into early-stage investing. As a result, competition and conflict between early and late-stage investors intensified. Across both stages, a small group of top funds with sufficient ownership made outsized returns while most funds failed to deliver promised returns. This study undermines the notion that venture capital's power over the digital economy, firms and valuations originates from a monolithic financial force by setting venture capital in motion and assessing clashing strategies. The fact that only a minority of funds succeed in this system should inform our assessment of VCs' power to shape the digital economy according to their needs.

This study makes an empirical contribution by analysing primary interview data which details VC investors' ownership-orientation when deciding on valuations. The empirical and analytical focus of this study is on UK VC during the tech boom years lasting from 2010 to 2022. I draw on expert interviews with 19 early-stage VC investors in London which I conducted in 2021. I further draw on a review of trade press materials and document analysis of industry reports to triangulate interview data. My argument focuses on valuation practices at early-stage investing, which mostly falls into seed and series A stage.

This case is theoretically significant because it examines the largely neglected intra-finance conflicts in valuation setting. This study makes a conceptual contribution by theorizing the lines of conflict along the early and late-stage divide between venture capital investors. It makes those lines visible through a conjunctural (Ertürk et al., 2010) reading of

valuation, by tying micro interactional processes of valuation to macroeconomic dynamics of the 2010s. The empirical base for this study does not allow for claims about a causal relationship between increased competition and valuation dynamics. This is because other factors might also have contributed to high valuations, like the rise of the asset-light, scalable platform business model. For this reason, I will treat the relationship between VC competition and high valuations as associative rather than causal.

The aim of this study is not to provide a structuralist account, to assume that macroeconomic factors determine micro actions. The aim is to delineate how agents interact with financial constraints that go beyond narrative and the shaping of expectations, which are often cited in the literature on VC valuations. This study focuses on valuations not for the sake of theorizing the creation of value, but to make sense of the larger political economic tensions that venture capital (re)produces through valuations.

The study proceeds as follows: I first review scholarly accounts of how venture capital investors value startups, contrasting macro and micro levels of analysis and their emphasis on ideational or material factors. This review finds that only a theoretical approach that can draw micro and macro dynamics together will be able to tease out the conflictual nature of this process. The following section introduces the framework of ‘conjuncture’ to tie valuation practices to the specific macroeconomic context of the 2010s. After discussing my methodological choices, I outline the effects of the ‘abundance’ conjuncture on the VC sector and explain these effects by working through the economics of VC funds. I then discuss valuation practices employed by early-stage VC investors, highlighting the importance of ‘ownership targets’, which links to a discussion of increasing clashes between early and late-stage VC investors. I conclude with a reflection on the wider implications of these findings for ownership and asset-centred studies of inequality.

2. How do venture capital investors value startups?

Valuation situations are characterized by uncertainty. In venture capital, investors distribute sizable amounts of money based on scarce information and radically uncertain prospects for the startups they invest in. The situation VC investors find themselves in is known among economic sociologists as the ‘futurity paradox’ (Braun 2015: 368): How do rational economic actors make decisions about the inherently uncertain and incalculable future? Beckert (2016) argued that expectations in the economy should be understood as fictions. The narrative techniques and technical devices that create these fictions can then be studied to understand how actors infer causal relations about the future. Scholars have subsequently engaged with this framework to make sense of VC valuations (Geiger 2020; Birch 2023).

Elder-Vass updates the futurity paradox by asking ‘why investors *do* buy assets’ (2021: 15) despite radical uncertainty. Drawing on Beckert (2016: 150) and Bourdieu, he explains that narratives shape collective beliefs, and financial markets depend on collective beliefs about value to function. Power becomes visible when we turn our attention to the market actors producing these narratives, the most successful of which become ‘valuation conventions’ (Elder-Vass 2021: 3). Elder-Vass employs the concept of ‘asset circles’ to highlight that there are two sides to the narrative construction of valuations. VCs create narratives about the companies they invest in but crucially also need to persuade future buyers of these assets. In other words, potential buyers must understand the asset in question in terms of

the valuation convention created by VC investors. Elder-Vass works through the investment process to demonstrate the salience of narratives to build and expand asset circles. He highlights widely publicized valuations once a funding round closes, the capacity of successful venture capital firms to command higher valuations by association with them, and pre-IPO ‘roadshows’ where private companies looking to list on a stock exchange tell potential investors ‘the story behind the numbers’ (Elder-Vass 2021: 13). In sum, VCs’ power to propagate narratives derives from the social and symbolic capital with the wider investment community.

Offering a micro interactional account of valuation, Neff (2012) focuses on the working environment of VCs and startup employees that organize valuation processes. She argues that the dotcom boom changed the cultural and political landscape and thereby enabled a framing of risk as inevitable and, if understood as chance, even beneficial. Precarious working conditions in startups were thus normalized. Employees managed the new risk of work through ‘venture labour’, a reconceptualization of work as investment. Again, narratives play an important role in her analysis of changing modes of valuation. Neff uses these narratives (or ‘frames’) to tie the individualization of risk to the context of the dotcom boom. Importantly, macro changes accompanying the dotcom boom like financialization, the flexibilization of work, and ultimately the changing valuation of work, were a necessary condition for ‘venture labour’ to emerge.

Connecting macro and micro dynamics of valuation, Cooiman (2024) linked VC valuations to an overarching ‘asset logic’. This means that VCs make investments work in line with their financial imperatives. VCs’ ability to make returns hinges on rapid growth of the startups they are invested in (‘hypergrowth’), as well as modalities of ownership and dilution. Investors purchase shares of an investee company in successive funding rounds which bears the danger of shrinking founders and employees’ equity share (‘dilution’) to a point where they lose the motivation to grow the company at the required pace. Cooiman argues that if an acceptable founder and employee ownership share is to be maintained while also raising enough money for the startup’s operations, the valuation necessarily needs to go up. VCs further drive high valuations by creating a ‘fear of missing out’ in investment rounds. As gatekeepers for the provision of capital to startups, VCs exercise considerable power over their functioning. In Cooiman’s (2024: 10) words, they are ‘able to control startups to make them follow their asset logic’. Conceptually speaking, VCs exercise power as financiers by ‘imprinting’ their logic onto businesses.

Shestakofsky (2024) examines how the logic of VC investors structured the operations within a fast-growing startup, which can be read as an empirically rich account of Cooiman’s ‘imprinting’ in action. Much like Cooiman, he observes that startups’ activities are set in motion by the ‘valuation lag’, ‘a temporal and imaginative gap between a venture capital firm’s investment in a company and its ability to realize returns’ (Shestakofsky 2024: 17). As the startup grows rapidly, investors impose demands that generate organizational problems or ‘drags’ on expansion. These problems can never be resolved at the pace of development, leading to a dynamic where finance continually introduces pressure. The startup at the centre of Shestakofsky’s research attempted to solve the ‘valuation lag’ by ‘combining labour processes that emphasized experimentation with symbolic practices that encouraged speculation’ (Shestakofsky 2024: 24), allowing the company to obtain more funding and enhance its perceived value to investors. However, this introduced strife between the different sites of work and types of workers in the startup as continued experimentation ran

counter to the needs of each group. VC valuations here have a direct effect on the nature of work, broadening Neff's notion of 'venture labour' beyond the highly remunerated and stock options-endowed core team.

While the existing literature has shown the precise and delicate ways in which VCs construct valuations, three points remain underexplored: First, the two-way relationship between specific valuation practice and its political economic context is not always convincingly established. VCs' power to 'imprint' or recruit 'asset circles' necessarily changes throughout time and with different macroeconomic regimes. Neff, building on Beck's (2006) 'risk society' offers the most detailed account of a macro development linking to specific changes in the valuation of work. However, other broad periodizations referenced in the literature like 'techno-scientific capitalism' (Birch 2023) or 'financialization' (Neff 2012; Shestakofsky 2024) would benefit from a more detailed elaboration of their links to valuation practices.

Second, the narrative focus excels at showing how investor sentiment changes but offers less convincing explanations as to *why* the sentiment changes. We can observe that it did, but I contend that the explanations for this lie beyond the specific valuation setting. This points to the limits of a Bourdieusian conception of VC valuations: Beyond symbolic and cultural capital, the material allocation of capital and associated mechanisms of asset appreciation are highly consequential for valuations. Neglecting the hard macroeconomic limits to investment practices is problematic because it leads to a study of VC focused almost entirely on upward trajectories, hype cycles and investment successes. The uniform focus on 'unicorns' in the literature more broadly bears testament to this.

Third, scholars incorporate competition, pressures and conflict into the analysis, yet conflict relating specifically to valuation remains underexplored. VC is treated as a monolithic category without much contrasting of different profiles and strategies within the sector. We are missing a study of counterfactuals that could meaningfully change something about the valuation theory put forward. I therefore propose to direct the focus to conflicts and tensions involved in setting VC valuations. Teasing out intra-finance struggles in the VC sector will only succeed if we consider both the macroeconomic environment and the micro interactional dimension of valuation practices. Our analysis must discern what is specific about the 2010s, particularly in contrast with earlier VC hype cycles, and how this impacted valuations and their effects.

3. A conjunctural approach to valuations

To situate VCs' valuation decisions within the context of 2010s private funding market, I will draw on the notion of 'conjuncture'. Scholars in cultural studies, first and foremost Stuart Hall (Gilbert 2019; Hall 2021), and Marxist theorists like Louis Althusser and Nicos Poulantzas (Sotiris 2014; Gallas 2017) popularized the concept. For the purposes of this study, its more recent use to make sense of financial innovations and their connection to the Global Financial Crisis of 2008 is most relevant (Ertürk et al., 2008, 2010; Engelen et al., 2010). Here, 'conjuncture' aims to highlight the improvisatory nature of these innovations and seeks to undermine an epochalist reading of financialization as emanating from the 1970s. The concrete conjunctures identified by the authors were the New Economy period (1996–2000) and the excess liquidity period (2000–2007). A conjuncture brings together a quantitative economic aspect and its socio-cultural support. The former incorporates

central bank policy, capital market configurations of asset prices and the availability and flow of funds, interacting or competing financial intermediaries, and broader patterns of saving and consumption. The socio-cultural support shows in form of narratives ‘produced and circulated by practitioners, consultants, commentators in the media as well as academics who all variously rationalise the trajectory of the economy’ (Ertürk et al., 2010: 17).

Paraphrasing Engelen et al., conjuncture, then, is an important condition of valuation because it structures the immediate possibilities for and limitations of valuation by making sense of competing financial intermediaries and the conflictual nature of investing. Moving from a unifying view of VC towards one that highlights operational differences, VC can be made sense of as an ‘irregular force, whose strategies and performance respond to changing conjunctural opportunities and threats’ (Ertürk et al., 2010: 15). Importantly, the authors complement their conjunctural approach with the concept of ‘war machine’ (Deleuze and Guattari 2007) moving the focus from tools to weapons. The concept aids in analysing how hedge funds use ‘deception, power, threat and tactical alliance’ to not merely take positions but ‘make their positions work’ (Ertürk et al., 2010: 10). This is useful for fleshing out the tactics and strategies that VC funds deploy to obtain ownership and ‘make their valuations work’. Concretely, VC funds have the weapons of escalating valuations in competition with other VCs in the same investment stage (overpaying), moving into earlier stages for investments (pricing out) and fending off dilution over the long-term at their disposal. We should think of these strategies as weapons because they can be directly detrimental to the performance of other VC funds.

Historically, VCs have sought to specialize in a funding stage, industry or geography to maximize their investment returns. In a landmark survey of 681 VC firms, Gompers et al. (2020) found that 62% have funds specialized in a specific stage. In this study, I contrast early-stage and late-stage VCs (see Table 1) to analyse the conflictual nature of making valuations work in VC. Gompers et al. (2020) observe key differences between early and late-stage in the domains of deal sourcing, investment selection, valuation and ‘value-add’ activities.

Early-stage VCs are more likely to source deals from their personal networks and in somewhat less competitive environment because of the greater required knowledge of technology and development timelines of startups. Late-stage VCs typically need more initiative to create investment opportunities and do so in a more competitive environment (Gompers et al., 2020: 176). In the selection of investments, early-stage VCs put large importance on the founding team as there are few other tangible indicators of future success. Late-stage VCs, being able to evaluate a longer trajectory of the startup care more about the business model and valuation (Gompers et al., 2020: 177).

At both stages, VCs spend considerable time conducting due diligence, on average 118 hours over 83 days with 10 references called (Gompers et al., 2020: 177). Likewise, when it comes to ‘value-add’ activities on behalf of VCs after the investment, both early and late-stage investors remain involved with startups through operational and strategic guidance. However, early-stage VCs are more involved with hiring employees and connecting startups to investors (Gompers et al., 2020: 185).

Following their specialization and typical round size, early-stage VC funds tend to be smaller and late-stage VC funds tend to be larger. This is because the median deal size in early-stage is much smaller than in late-stage (see Table 1)—there is only so much money that can be reasonably spent on an early-stage company (i.e. one still building towards a

Table 1. Funding round typology drawing on BVCA (2024) materials.

Round type	Preseed	Seed	Series A	Series B	Series C	Series D+
Description	First round of funding of a newly formed company.	Company has been operational for a few months.	Product-market fit achieved, preprofit.	Scaling of operations. No to small profits.	International expansion, stabilized customer or base.	Established management, stabilized cashflow.
Investor	Preproduct, prerevenue. Friends and family, 'angel' investors	Minimum viable product, small revenues. 'Angel' investors, incubators, dedicated VC funds	Early stage VC funds	Early stage VC funds	Late stage/growth VC fund; Private equity funds	Late stage/growth VC fund; Private equity funds
Median deal size in Europe (US\$)	N/A	1.4 million	6.8 million	19.3 million	36 million	77.3 million

Median deal size in Europe according to data from KPMG (2020: 59).

product, customers, a complete team or meaningful revenue). Following the categorization of the [British Private Equity & Venture Capital Association \(2024: 4\)](#), seed funds range between £10 and £100 million and make 20+ investments per fund, early-stage (series A and B) funds range between £100 and £300 million and make 10–30 investments per fund, and late-stage (series C+) fund have a size of £300 million or more and make 8–20 investments.

In terms of socio-economic support, there is no shortage of narrative explanations of valuations as I showed in the literature review. Narratives do matter and the concept of conjuncture opens the door to incorporate them into the analysis of VC valuations. However, it is important to highlight that narratives *support* hype cycles, they do not cause or end them. My analysis shows that beyond narratives there is ample scope to tell a social story of valuations without falling back on crude structuralist explanations. With the framework in place to focus on a specific period, I will now introduce the case of UK venture capital and the methods I used to generate interview data to tell this social story of VC valuations.

4. Methods

Venture capital in London is a significant case to study valuations because of its dominant position in Europe. Within Europe, the United Kingdom has the highest value of VC investments, more than double than runner-up Germany ([Statista 2022](#)). Within the United Kingdom, London has by far the highest concentration of VC capital. In 2019, total digital tech investment in London was £6.6 billion, making up the lion's share of the total £10.1 billion digital tech investments in the United Kingdom ([Tech Nation 2020](#)). The United Kingdom has followed the overall trend of skyrocketing valuations, with the number of 'unicorns' rising from 10 in 2010 to 80 in 2020 ([Tech Nation 2021: 26](#)).

My primary source of data are interviews I conducted in 2021 with 19 venture capital investors in London. To identify interviewees, I mapped the venture capital landscape in London with a particular focus on early-stage funds. I was interested in the capacity of VCs to shape the operations of startups in the platform economy, in particular valuation techniques used during funding rounds, and decided to interview early-stage investors because startups are at their most malleable in this stage. Using the databases Crunchbase and PitchBook, I compiled a spreadsheet of 50 VC firms and listed all investors employed at these firms, their job titles and contact information which I retrieved from the firms' websites. This yielded a sample of 435 early-stage VC investors in London. My sampling strategy was to interview predominantly seed and series A investors with a smaller number of preseed and series B+ investors to contextualize claims. I further aimed to speak to investors at different levels of seniority, as job tasks vary significantly within firms (see [Table A.1](#) in the [Appendix](#)). Out of 104 invitations, 65 were met with no reply, 18 declined to be interviewed and 21 accepted the invitation. This includes two pilot interviews which were either not recorded or based on a different questionnaire, for which reason I decided not to include them in the data for this study. I arranged these interviews between February and June 2021, a time affected by Covid-19 lockdowns in the United Kingdom, and conducted all interviews via Zoom or phone call. Interviews typically lasted between 30 and 45 minutes, were semistructured and covered interviewees' professional background, their investment focus and philosophy, and deals and valuation. I explicitly addressed how and by whom valuations are generated and how they fit in the broader macroeconomic environment.

I analysed interview transcripts with NVivo 12 using thematic coding, that is, identifying common descriptive ideas and concepts that interviewees discussed. I chose to forego the use of a theoretical framework in my coding strategy in favour of an inductive approach. This approach is aligned with the aims of grounded theory (Glaser and Strauss 2017), even though my emphasis is on data analysis rather than the generation of foundational new theory. The analysis proceeded in three steps. First, I created nodes based on the interview questionnaire to minimize the influence of preconceived ideas on my analysis. Second, I systematically read through all transcripts using the 'questionnaire' nodes and created subnodes further detailing themes. I also annotated interview data which I later fed into the interview memos. Third, I reviewed all data excerpts within each node, grouping nodes and adding new nodes where necessary. This yielded the two key themes of valuation (with nodes: company valuation, fund model and mechanics, excess liquidity, round size, speed, a new 'bubble') and industry dynamics (with nodes: competition between VCs, US VCs vs European VCs).

Upholding the sampling strategy was a key challenge. VC investors are high-paid finance professionals with little spare time during their working days. This made it difficult to arrange an interview in the first place but also meant that all the essential questions needed to be covered during the allotted time. This sometimes led to a more structured interview process, rather than a free flowing one. Maintaining an equal distribution of seniority was difficult because junior investors were more likely to accept invitations than partners at a fund.

Given the limitations outlined above, I triangulate this interview data with quantitative data from industry bodies, in particular the British Private Equity & Venture Capital Association's *Performance Measurement Survey*, the British Business Bank's *UK Venture Capital Financial Returns* reports and the trade press (PitchBook, Dealroom, Crunchbase and Beauhurst). The British Private Equity & Venture Capital Association publishes the *Performance Measurement Survey* alongside an Excel spreadsheet with disaggregated data, which is the most detailed publicly available data on VC performance in the United Kingdom. Because of its relatively small sample size ($n = 134$), I consider this data alongside the (aggregated) British Business Bank data ($n = 169$). Financial data are voluntarily reported by VC funds for both samples, which might lead to an oversampling of more successful funds eager to share data.

The triangulation process is imperfect as it remains difficult to get comprehensive data on VC performance (Kaplan and Lerner 2016), and industry bodies publish numbers with a commercial interest in mind. However, verifying interviewee claims with industry data and, vice versa, contextualizing macro-level dynamics with personal investor accounts forms a formidable foundation for exploring VC valuations. I will begin by drawing on this data to outline the conjuncture at which interviewees made their statements about VC valuations.

5. The abundance conjuncture 2010–2022

After the Global Financial Crisis of 2008, a new policy paradigm emerged with the aim to reignite investment, spur economic growth and increase employment. Central banks enacted a combination of ultra-low interest rates and expansive monetary policy, supplying cheap credit and driving down yields on bonds. In turn, this led to a capital market configuration in which more and more capital was chasing returns in equities. Based on the consistency of this monetary regime and the following dynamics, this period is slightly longer

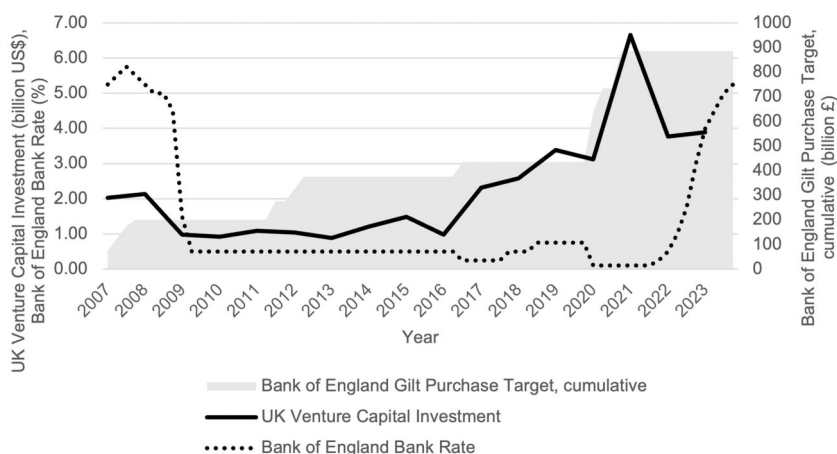


Figure 1. The abundance conjuncture (Busetto et al., 2022; Bank of England 2024; OECD 2024).

than the typical 4–7-year period proposed for conjunctures (Engelen et al., 2010: 50; Ertürk et al., 2010: 17). For the conjunctural study of VC valuations, I propose the ‘abundance’ period (2010–2022).

As depicted in Fig. 1 above, during this time span the Bank of England engaged in several rounds of purchasing UK government bonds (‘gilts’) and set interest rates (‘inter bank rate’) at record lows for much of the 2010s. As a result, alternative asset classes like venture capital saw a huge influx of capital. In the first instance, this led to a rapid increase in VC fund sizes. Between 2006 and 2012, the total capital raised annually by VC funds was £1.9 billion. This increased to £3.1 billion annually between 2013 and 2020 (British Business Bank 2021: 16). Accurate data on fund size increases for the United Kingdom is difficult to obtain. As a proxy, median fund size in Europe increased from €32.5 million in 2018 to €69 million in 2022 (Warnock 2022) while total capital raised by VCs in Europe increased from \$5 billion to roughly \$24 billion between 2014 and 2022 (Atomico 2023: 196).

The inflow of money and increase in fund sizes did not have a uniform effect on early- and late-stage funds. Investment spending at early-stage increased moderately but rose rapidly at late-stage. While in 2012, early-stage made up 62% of VC deals and late-stage 38%, this inverted to 33% and 67% respectively in 2021 (PitchBook 2022: 5). By 2022, late-stage deal value at £4.72 billion had far outpaced early-stage at £2.62 billion (Beauhurst 2022a: 4).

While this suggests that disposable funds at late-stage increased more quickly than at early-stage, it is unlikely that the quantity and quality of startups increased at the same rate. More competition for viable investments at late-stage led to the consequential development of late-stage VC funds and even hedge funds moving into relatively cheaper, early-stage investing (Hussey 2021; Sheth et al., 2022). In other words, much larger funds deployed money in early stages with traditionally smaller deal sizes. One investor working at a pre-seed to series A fund expressed their concern about this development:

That money is just being pumped in and, if we look at it [...] we’ve got larger funds being raised at the top end. So we’ve got bigger series B, series C funds and more competition at that stage.

What does that mean? Everyone's looking for the earlier deals. They want to get into the hotter deals earlier. So actually they start investing at [series] A. And that pushes everything down the food chain. (Investor Q).

This quote shows how late-stage funds crossing into earlier funds' territory upsets the previous alignment of large late-stage funds investing in late-stage rounds and small early-stage funds investing in early rounds. On the global stage, SoftBank's Vision Fund with a volume of \$100 billion became emblematic for this development, as it closed unprecedentedly large funding rounds (an infamous example is the Vision Fund's \$200 million investment in WeWork, [Edgecliffe-Johnson, 2022](#)). Tiger Global, the VC wing of the hedge fund Tiger Management, likewise became notorious for aggressively moving into VC investing by making very fast funding decisions, often distributing tens of millions within a couple of days ([Carson 2021](#); [Randle 2021](#); [Ren 2022](#))—a stark departure from established investment practices ([Gompers et al., 2020](#): 177). Interviewees saw this as a step change in VC investing in the late 2010s and as a potential threat to established ways of doing early-stage investing:

One also needs to understand the VC landscape, because you've got guys like Softbank that came in, even guys like Tiger Global now have come in and are almost, I wouldn't like to use the word disrupting, but at least kind of changing the narrative model because, you know, they have huge, deep, deep pockets and are able to just throw it, throw whatever they need to at the problem. (Investor E)

They are hedge funds so they don't think like VCs. So they don't take board seats [...] they do way more deals. Tiger Global is doing a deal every two, three days. A VC maybe one a month, so it's like ten times faster. (Investor P)

In sum, the macroeconomic shift towards expansive monetary policy and cheap credit led to an influx of money into venture capital. Practitioners saw SoftBank and Tiger Global as heralds of the abundance conjuncture, emboldened by this influx and emblematic for a broader reorientation in late-stage VC investing towards earlier investment stages that created pressures for VC investors 'further down the food chain', as Investor Q put it. In the next section, I will take a detailed look at the mechanisms that led traditional late-stage investors to invest in earlier funding rounds. To understand these mechanisms, we need to examine VC fund economics.

6. Venture capital fund economics

The economics of VC funds can be divided into expected returns, return distributions, and ownership stakes. In terms of expected returns, VC firms promise outsized returns to limited partners (LPs) in the fund, to *their* investors. This usually means returning at least three times (3x) the money they collected from LPs ([Klonowski 2018](#): 201). At early-stage investing, the expected returns can be even higher (Investor P). [Gompers et al. \(2020](#): 183) found that VCs on average market 3.5x returns to their LPs, with early-stage VCs (3.8x) promising more than late-stage VCs (2.8x). The returns VCs require from their startup investments are even higher: 7.5x for early-stage and 3.2x for late-stage ([Gompers et al., 2020](#): 179).

VCs are in the business of making equity investments that increase rapidly in value, and their investment strategies differ markedly from other forms of investing to achieve 3x

returns. VC investing is not about acquiring a diversified portfolio for returns but rather about getting into one or two deals that will return the entire fund multiple times. Interviewees have called this the ‘power law’ distribution of VC returns (Investor A, Investor H) or the ‘Babe Ruth effect’ (Investor M). Academic publications have picked up this terminology (Mallaby 2022) and alternatively conceptualized it as ‘long tail’ investing (Nicholas 2019). The power law states that a small number of investments will generate the bulk of returns in the portfolio of a VC firm. While this ‘law’ is near universally accepted by VC investors, empirical data is sparse due to the private nature of VC investing. In a rare instance, Horsley Bridge, a long-standing LP in US VC funds, has made data available on the distribution of their returns since 1985 (Dixon 2008). This showed that 4.5% of dollars invested generated roughly 60% of total returns.

Given the highly skewed distribution of returns, returning 3x to LPs remains illusory unless VCs obtain ownership stakes in the breakout success companies. Obtaining equity typically faces three hurdles: identifying the right investment, managing to get into a competitive deal during a funding round, and within that deal to get *sufficient* ownership in the investee company. The investor below stresses the importance of *sufficient* ownership, and what a difference holding 5% versus 15% of equity in an investee company makes.

If you raise a 700 million fund, you [...] need to return 2.1 billion. And if that's the case, you back 20, 25 companies, you start off trying to get 15 percent [ownership] on average. By the time these companies exit, really there's a distribution of what those returns look like [...]. Really one or two of those businesses will drive the bulk of the returns in the portfolio. So if you at the end exit, you have five percent and the company, well, in order for you to return your, you know, let's say your 700 million fund, I mean, you can work out what that means. And then answer is overall, VC is a very, very, very hard job to actually get a return in. (Investor A)

In this light, I argue that the politics of valuation may hinge as much on material factors and the ability to gain ownership as on narrative and ideational authority. The VC fund would be expected to return 3x paid-in capital (2.1 billion). At the desired 15% ownership of one highly successful company that will drive the bulk of returns, this startup would have to IPO or be acquired at a 14 billion valuations. At the suboptimal 5% ownership, this number rises to 42 billion. To put this into perspective, the biggest VC-backed exit in the United Kingdom was Wise at an IPO market capitalization of £7.96 billion, followed by The Hut Group (£4.85 billion) and FarFetch (£4.44 billion) (Beauhurst 2022b). This is why investor A stresses that it is ‘very hard’ to make a return in VC investing. This represents the often-overlooked flipside of power law investing: Not only are the returns on VC investments highly skewed, but the distribution of returns for investors in VC funds follows a similarly unequal pattern.

Across the abundance conjuncture, VC funds at first benefitted from the influx of money as it allowed funds to make more investments and prices for startup shares had not inflated yet. There are two common measures for money multiples, distributions to paid-in capital (DPI) and total value to paid-in capital (TVPI). The former is a ratio of money returned by a VC fund to its investors over the money they collected from investors. The latter is the same ratio but includes the value of unrealized assets if they were sold at their current valuation. Importantly, both ignore the time value of money: Multiples don't reflect whether they have been generated over a 5 or 15 year timespan (British Business Bank 2021: 49). In Fig. 2, we can see a steady increase of multiples for funds which started to deploy their

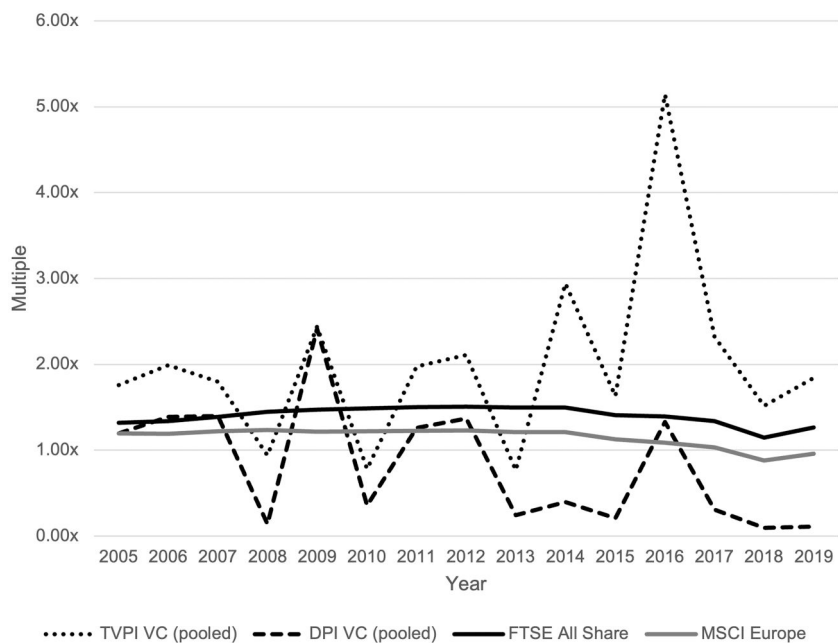


Figure 2. UK venture capital TVPI and DPI multiples, compared to public market benchmarks (Gillespie et al., 2024). The multiples showcase the returns for funds who first deployed their capital in the respective year ('vintage').

money after 2010, peaking in 2016. In these years, VC outperformed the generic investment in publicly listed stocks, depicted here by the FTSE All Shares and MSCI Europe. However, as VC became saturated in the mid-2010s, prices inflated and competition to get into rounds intensified. After 2016 TVPI declined sharply. DPI cannot be usefully read past the year 2015 but is still included for sake of completeness. This is because, if we assume a 10-year fund lifetime, these funds did not have the opportunity yet to fully realize their profits before liquidating their funds. For TVPI we would likewise expect returns to decline closer to the present day because funds may not have deployed all their money or realized all their gains yet. However, even accounting for this, the decline is drastic. We can triangulate this with data from the British Business Bank which uses a larger sample. Here TVPI rises between 2010 and 2015 from 2.13x to 2.35x and then declines to 1.38x in the following 6 years (British Business Bank 2024: 55). This is consistent with findings by Harris et al. (2016: 35), who show that ‘VC performance in the last two decades seems highly related to the sector’s difficulties in absorbing large amounts of capital’, lowering returns by as much as 0.83x. This data further resonates with the interviewee sentiment that the influx of large amounts of money into VC led to profound changes in investment dynamics.

Returning to the question raised in the previous section of why late-stage funds have moved into earlier rounds amid the influx of money into venture capital, we have seen that it became increasingly difficult to make a return in VC during the abundance conjuncture. Having raised larger funds and outpacing their early-stage counterparts, late-stage VCs faced the problem of returning even larger sums of money in absolute terms. The tendency

to invest in earlier rounds needs to be understood as an attempt to deal with these new pressures, to ‘get into the hotter deals earlier’ for sufficient ownership. We further saw that VC-specific return structures mean that sufficient ownership in companies is crucial to deliver on promised profits, and that the abundance conjuncture saw an intensification of competition for ownership likely resulting in declining returns for many funds. The following section will zoom into how pressures produced by this macro dynamic materialized in the making of valuations at early-stage.

7. Valuation in action

The making of valuations begins with a startup’s need to raise funding. In these funding rounds investors exchange money for equity (shares) in the startup company. Whenever a funding round closes, the valuation of the startup is set: The price at which the startup gives up a certain amount of equity determines the overall valuation of the company. To be precise, this is the premoney valuation, that is, postmoney valuation minus the amount to be invested. When a VC fund buys a 20% equity stake for £5 million in a series A round, 100% of the company’s equity is worth £25 million. Startups typically aim to raise enough funding for a 12 to 18 month ‘runway’ before they run out of money and must raise the next round. As shown in [Table 1](#), funding rounds differ markedly in terms of amounts of money raised and types of investors involved. The median number of rounds raised before exiting differs between industries, with software companies on average raising four, social media companies five, and marketplaces six rounds ([Abdullah 2019](#)).

Even though the future is radically uncertain, investors operate within well-known industry parameters for most of the valuation decisions they make. As outlined above, there is certainty about the economic targets the fund needs to hit. This is expressed in ‘ownership targets’ or ‘equity percentages’, which describe the share of an investee company the VC firm aims to acquire in a funding deal:

We have ownership targets we’re looking for. We never really invest below five percent ownership, we aim for ten or a bit more. And, you know, the kind of ownership target we have versus the size of the round implies a valuation. (Investor J)

I’d say we focus on equity percentages because that’s really the important thing. If a company is worth 100 million or one billion, and you’ve got 20 percent equity stake, that’s what matters. (Investor Q)

Most venture capital firms manage several funds with different investment foci and volumes, and targets differ with each fund. Interview data suggests that for seed funds the target is 10%–15% and for series A funds 20%. Interviewees also indicated that there are acceptable ranges, that is, that they never go below a certain percentage. At preseed and seed stage, in the absence of any reliable financial data about the startup, one investment director specialized in this stage argued that target stakes and round size more or less ‘dictate’ the valuation (Investor G). Even though valuations might increase wildly when rounds get competitive or when specific characteristics are met that warrant a ‘valuation premium’, the ownership target represents the central point of reference for investors.

Data on realized ownership in the United Kingdom is not available. In the United States, the median percentage VC funds acquired across funding rounds in 2017 was 22.2% for

angel/seed rounds and 26.7% at series A. Ownership percentage then steadily falls for later rounds to 23.5% at series B, 16.7% at series C and 12.5% for series D+ (PitchBook 2018: 9). Comparing VC in the United States and United Kingdom is difficult because the overall volume of capital flowing through VC is much higher in the United States. These numbers can therefore only serve as an approximation. It is reasonable to expect that ownership percentages are a few percentage points lower in the United Kingdom because smaller funds can make desired returns with lower ownership targets.

Ownership targets take on the first important structuring function for the valuations the VC firm sets. This gets coupled with a second: the amount of money that the startup is looking to raise:

Ultimately, what really drives a valuation often tends to be very correlated to the round size that someone's looking to raise, and that sort of then ties back to the amount of burn or runway that they need or what they want to achieve and how much money they need for that. [...] And then I would say, particularly at our stage, the ballpark figure is sort of that whatever round they raise tends to hover around, sort of, they have to give up 20 percent of equity for that. (Investor D)

Having a more, you know, financial background and consulting background, I'm not super proud of that I'd say (laughs) but the reality is that there is this sense of the magic box, is that there is also a kind of ownership target on both sides, from the entrepreneur and the fund. And that drives a bit the valuation as well, because if you raise X amount of money and you have this ownership target, by default it means that the valuation is agreed basically. (Investor F)

Investor D's quote underlines how far away this valuation practice is from discounted cash flow techniques used for valuation in other forms of equity investing. The latter are built on the idea that expected earnings form the base for valuation. The quote however indicates that expected *spending* across the next funding period is the starting point. As outlined in Table 1, funding rounds correspond with a typical range of money distributed at each stage. Data from Dealroom, Atomico, and Local Globe (2019: 5) further shows that deals are most pronounced around the median deal value. Hence, with a set ownership target and an established range within which companies raise in each round, valuations are considerably narrowed already. Investor F highlights that the simplicity of this valuation process, far from elaborate calculation that you would expect from other types of private equity financing, almost inspires a sense of embarrassment for some VC investors.

Projected spending is an exercise in figuring out how much money will be needed by thinking back from the future. In a very similar manner, investors reverse-engineer envisioned exits back to the moment of investment to triangulate valuations. A VC firm 'exits' when it realizes the gains from its investment in a company. There are two main ways to exit: Either the investee company gets acquired (M&A) or goes public through listing at a stock exchange (IPO). The concrete techniques employed differ from fund to fund. However, the guiding question is: What returns can be expected in a best case investment scenario? The following quotes show that target ownership remains a central reference point and how it is linked to potential exits:

And the way also we check those valuations is again thinking about how big or what we believe is the base case and best case for the company in the next four to five years, basically, or even more. [...] Let's say we own 20 percent of that value. And so to make, you know, X times our initial investment, which is what we sold to our LPs, what does that mean in terms of valuation at the entry price, basically. So we kind of work backwards. (Investor F)

What do we think the market size could be in five, 10 years? And what percentage do we think this company could claw out of it and almost work from a top down perspective. (Investor B)

So we basically we create four or five scenarios. So one would be a business moves to a hundred million dollars of revenue and gets acquired by a large software company for a billion dollars. And they only do that by raising only one further round, for example. So our dilution is, we basically factor in dilution with the exit price and we do a weighted probability of all of the potential exits. (Investor C)

The efforts of VC investors to reverse engineer exits need to be understood in the context of, and pressures associated with, the expected returns in VC as an asset class and the temporal dimension of VC investing. Regarding the former, Investor F raises the issue of ‘what they sold to LPs’—as mentioned earlier, this is typically returning three times the capital they collected from LPs.

The fund lifetime explains why investors attempt to predict a startup’s trajectory 5 years or more into the future. VC firms need to generate outsized returns within that period, and this will only be possible if investee companies grow rapidly and acquire considerable share of their respective market. As mentioned above, [Cooiman \(2024\)](#) calls this the ‘hypergrowth’ principle and [Langley and Leyshon \(2017: 14\)](#) conceptualized it as a performative temporal element of VC. Investor C’s example of exiting at a 1 billion valuation might seem very ambitious, but this is the dimension investors must aim for to generate outsized returns. In this particular case, Investor C works for a VC firm that raised a \$300 million series A fund. To deliver 3x, the fund would need to realize at the very least \$900 million from their investment portfolio. ‘Unicorns’ become a necessity under these pressures.

In sum, early-stage VCs have agency when they set valuations but the attainable ownership stake that comes with the valuation-defining price per share is of utmost importance. Building on my previous discussion of macroeconomic pressures (‘money pushing down the food chain’), and their further intensification by VC fund economics, I argue that the decisive influence on ownership arrangements comes from *outside* the investor-investee relationship. [Cooiman \(2024: 9\)](#) argues that investors manage the ownership structure’, but the central contention of this study is that the ownership structure really manages *them*. Under these constraints, the politics of valuation can be read as a struggle for ownership.

8. The struggle for ownership

VCs employ strategies (‘weapons’) to obtain sufficient ownership, which set in motion a broader ideational struggle over how VC investing should be done. VC funds pursue three different strategies to ‘make their positions work’ ([Ertürk et al., 2010](#)). These are based on their capacity to overpay, their capacity to price smaller funds out, and their capacity to defend ownership throughout multiple funding rounds. First, VCs escalate the valuation and pay more for the target stake than others in the round. In terms of VC competition, this can also mean pushing other VCs out of the funding round. In competitive rounds, as the quote below shows, the valuation at times becomes secondary to getting sufficient ownership for the firm:

If it gets competitive, you’ll start to flex that valuation or just be competitive. So things that people do is they’ll try and get you to take more money for slightly higher valuations so we keep a

stake or you might increase the valuation if you really want to get a cheque in. Obviously afterwards you'll start to assess, so how many X times revenue is that? (Investor M)

The downside of this is that if funds consistently overpay, their overall model to make returns will fall through (Investor L). This motivates the second strategy, where later stage funds move into earlier rounds, which was mentioned earlier already. Here, later stage funds can get sufficient ownership relatively 'cheaper'. One investor was incredulous in face of the prices that some late-stage funds are willing to pay in early rounds:

[Money] also flows into series A, [and] companies looking for seed deals where you are actually going from, we had an example of a company who raised off, literally off no traction, no revenue, great product, granted, they spent a while on the product, but they raised a five million pound straight-, five million pound round straightaway. (Investor Q)

The key difference between the strategies of 'overpaying' and 'pricing out' is that the former relates to actions in a VC funds' designated investment stage, and the latter relates to VC funds crossing into a different (earlier) investment stage.

Third, once an investment has been made, some VC funds can afford to participate in following rounds to defend their share. Since most startups go through multiple rounds of funding, a 20% stake acquired at seed stage will be diluted (i.e. become a smaller stake) in later stages unless the VC firm decides to 'follow their money' and invest in later rounds as well. Since VC firms are usually specialized for funding stages (seed, series A, etc) and their fund sizes correspond with these respective stages, a VC firm's capacity to defend their stake upwards is therefore limited. The power of bigger funds over smaller funds in terms of ownership targets shows in their ability to fend off dilution, as explained by an investor from one of the largest VC funds in the United Kingdom:

A big factor in VC returns is stake. Because 90 percent of your companies will fail. So it's important to get a good stake in early-stage because you're likely going to get diluted along the way. So, again, the question is, if you are a fund with deep pockets you can probably build your stake throughout different rounds. We would probably be able to do it pro rata and therefore for us we would seek to get at least a 10 percent stake and again that starts to back the form of valuation we're willing to give. (Investor M)

Hitting the ownership target is not a question of making one investment. It takes prolonged commitment and capital to maintain an ownership stake. Building the stake 'pro rata' means that an investor has the ability (e.g. through contractual rights from previous funding rounds) to participate in the following round to maintain their stake in the company. 'Deep pockets', that is, a large fund volume, then make a real difference. Crucially, if you have enough capital at hand, the quote also emphasizes that ownership stake matters *more* than valuation to investors.

At the abundance conjuncture, funds' capacity to get into funding rounds and close deals increased with the amount of money at their disposal. This has led to plenty of antagonism between VC investors. I argue that a division of early-stage VCs on the one side, and late-stage VCs on the other deepened as a result. During interviews, early-stage VCs directly criticized their late-stage counterparts. The quotes by Investor D and Investor B illustrate the dissatisfaction of early-stage VCs:

There's countless stories out there of someone flying into Berlin, putting a term sheet on someone's table before they've even spoken to them [the startup]. I think that is very tough. And I don't think that those decisions are very informed. I think those are people saying we believe something is going to happen in sub-segment XYZ and we're going to make ten bets. And some of them will play out and some of them won't. (Investor D)

Not all capital is the same. We ... You get VCs who ... will literally just throw money and let it ride. You know purely financial investors that don't get involved in the day to day activity of the company at all. That's not us. And in fact those are the investors, I think, which are struggling to get into competitive deals in today's market because founders are looking for more than just cash, essentially. They're looking for guidance and advisory expertise as well. (Investor B)

Investor D and B are criticizing the 'spray and pray' attitude towards VC investing, where investors with large amounts of capital available can make more bets and hope that one of them generates outsized returns. This contrasts with this statement made by a late-stage VC:

You know, this is what the private markets are like, people have VCs and they make bets. So businesses start and fail all the time. People are right and wrong all the time. And that's just the product of that. [...] You can say, you know, an X amount of years ago a company like Uber probably would not have been backed, maybe because there wasn't much money in the market. But the fact of the matter is, the more capital the better. Because then there are fantastic businesses that are still able to get funded. Like a good business doesn't always have to be a profitable business, particularly early-stage. (Investor A)

Investor A argues from the other side of the spectrum. Distributing capital liberally increases the chance of funding an exceptional company that would have otherwise slipped through the cracks. This marks a departure from previous conceptions of how late-stage investors approach investments, which highlighted longer due diligence processes and fewer investments than at early-stage (Gompers et al., 2020). The two opposed approaches again become visible in Investor A and B's approaches to capital: Not all capital 'being the same' underlines the conviction that startups need investors' support and expertise to succeed beyond money. A 'spray and pray' attitude is seen as violation of this ethos. In contrast, the fungible approach of 'the more capital the better' sees VC investing as gambling ('making bets'). Their contrasting views underline that only by looking at VC as a dynamic field, where differing interests play out, we can understand the broader effects of VC and valuations in particular.

Fund size plays an important role in VCs' ability to carry out the strategies of overpaying, pricing out and fending off dilution, to obtain sufficient ownership in startups and 'make positions work' (Ertürk et al., 2010). As I have demonstrated above, this follows from the macroeconomic regime that has played out over the abundance conjuncture. Early-stage funds are still getting into deals and seek to make their strategy a selling point as Investor B highlighted, but more money pushing into their typical funding round focus makes it more difficult to obtain ownership at an acceptable price. Making positions work means intensified competition and conflict between early-stage and late-stage VCs. Valuations might be driven up because of this struggle, yet we would be wrong to assume that this is a show of strength for the sector as a whole. Rather, it reflects the difficulties VCs faced trying to make returns at the abundance conjuncture.

It would be a mistake to conclude that large late-stage funds are consistently winning at the expense of small early-stage funds. On the contrary, the picture that emerges is one of VCs caught in a competitive compulsion pitting them against each other and putting pressure on returns since the 2016 peak. Within this, only a small group of top funds has

managed to keep making outsized returns. Out of 241 VC funds which started deploying their capital between 2002 and 2022, 10% achieved 3x+ and the top 1% of funds achieved 5.95x (British Business Bank 2024: 19–20). The overall TVPI distribution shows that returns in VC are driven by outlier funds in the top decile or even percentile, whereas the most funds realize much more modest returns: 15% return 2–3x whereas the bulk of funds, 45%, return 1–2x. 26% return 0–1x, that is fewer money than they collected to their LPs. 90% of funds fall short of the 3x target for returns. While the ‘rise of unicorns’ absorbed most attention, pressures on the VC business model are becoming harder to ignore.

9. Conclusion

This study explored VC valuations in the 2010s, emphasizing that high valuations are not straight-forwardly indicative of VCs’ ability to shape the digital economy towards their aims and gains, but signify intra-finance conflict. This contrasted with existing literature focused on VC’s cultural power as a driver for startup valuations. While this might hold true for some VC funds at the very top, I argued that for the sector as a whole the valuation process is fundamentally a struggle for ownership that put most VC funds under increasing financial pressure. Valuations are shaped significantly by the broader macroeconomic environment. This macroeconomic environment, which I called the ‘abundance conjuncture’, was defined by ultra-low interest rates and expansive monetary policies which led to an influx of money into venture capital, inflating fund volumes in the sector. This led later stage funds to move into earlier funding rounds, upsetting a previous alignment of smaller and larger funds with early and late-stage investing. I explained this development at the level of VC fund economics, demonstrating the central importance of obtaining sufficient ownership for VCs to make promised returns. Investing in earlier rounds is a strategy to obtain ownership earlier at a lower price. This informed my analysis of early-stage VCs setting valuations, which showed that valuations are a triangulation of ownership requirements, the money needed by the investee company and reverse-engineering exits. This, at times, made the actual valuation a secondary concern. Macroeconomic factors and ownership structure constrain VCs and put funds under increasing pressure. This deepened the divide between early and late-stage VCs trying to make their positions work in the form of strategies to overpay, price out and fend off dilution. In this struggle valuations might be driven up, but this is a result of increasingly desperate strategies to obtain sufficient ownership.

How generalizable is this case beyond UK venture capital? This study has highlighted the specificity of the abundance conjuncture and geographical extrapolations should likewise be handled with care. The two biggest VC markets in the world, the United States and China, saw a similar influx of capital (Xu 2024). However, this does not mean that we would automatically expect the same intensification of competition and conflict. US VC operates in a different order of magnitude in terms of funding distributed and ‘exits’, and might soften some of the effects described above through the depths of its markets. Further, the major VC markets do not operate in isolation from each other. US VCs might be able to benefit from relatively cheaper investments in the United Kingdom, and further benefit from United Kingdom companies exiting at higher valuations in the United States. How exactly the abundance conjuncture affected these international relationships presents an intriguing avenue for future research. In addition, this United Kingdom-specific study was limited by interviewee data coming primarily from early-stage investors and by returns data still not

being finalized for the second half of the 2010s and beyond. Future studies might expand findings through access to additional data sources.

The above analysis of VC valuation ties into the perennial question of how investor sentiment changes. As [Braun \(2016: 263\)](#) observes, the ‘dynamics of capitalist economies are governed, above all, by the investment decisions of capitalists’, Thinking about this often remains tied to the notion of business cycles with little emphasis on specificity and the social relations between investors. This study has emphasized the specificity of the abundance conjuncture for producing valuations by grounding it in its material limitations. The study makes a case to take ownership, and the conditions that enable and foreclose it, more seriously, and thereby links to a longer history of asset-driven inequality ([Adkins et al., 2020](#)).

Modalities of ownership matter as part of a longer history of asset appreciation and how exposure to it was engineered by financiers. The findings of this study caution us not to subsume VC under broader frameworks like ‘asset manager capitalism’ ([Braun 2021](#)). As the fund level analysis showed, VC functions very differently from asset managers like BlackRock, particularly in terms of generating returns. BlackRock is the epitome of a diversified portfolio, having contributed to the popularity of exchange traded funds that index entire stock markets. As pointed out above, VCs cannot meaningfully diversify—their returns are driven by one or two companies in the portfolio. Tiger Global famously tried to merge the two and adopt this indexing strategy for private markets towards the end of the abundance conjuncture. After a sharp downturn in its portfolio’s value, the company liquidated its portfolio ([Temkin 2023](#)).

Notional profiteers undermining their own existence is not without precedent. This has been noted in literature focusing on finance and global inequalities, which has argued that the savings glut of the rich has led to overall lower interest rates and hence returns [[Ranciere and Kumhof 2010](#); summarized by [Sgambati \(2022\)](#)]. VCs pushed against similar limits at the abundance conjuncture. For now, a narrow share of elite funds has maintained outsized returns. It remains to be seen whether in the long run, inequality and concentration of capital among a select group of people reaches a point where it induces their gradual demise, and capitalism undermines itself through the tensions it produces.

Acknowledgements

I am grateful for the valuable feedback from Sahil Dutta, Will Davies, Paul Langley, Daniel Beunza, Ian Lovering, Megan Tobias Neely, Nhat An Trinh, and Marta Pagnini.

Conflict of interest statement. None declared.

Funding

This research was supported through a Consortium for the Humanities & the Arts South-East England (CHASE) studentship from the Arts and Humanities Research Council (AHRC).

Data availability

The interview data underlying this article cannot be shared publicly due to confidentiality agreements with the individuals who participated in the study. The data will be shared on reasonable request to the corresponding author.

References

- Abdullah, S. (2019) 'How Many Rounds of Funding Do Companies Raise Before Exiting?', *Crunchbase*, <https://about.crunchbase.com/blog/how-many-rounds-of-funding-do-companies-raise-before-exiting/>, accessed 5 Nov. 2021.
- Adkins, L., Konings, M., and Cooper, M. (2020) *The Asset Economy: Property Ownership and the New Logic of Inequality*. Medford: Polity Press.
- Atomico (2023) *State of European Tech 23*. London, England: Atomico.
- Bank of England (2024) Bank Rate History and Data. Bank of England. <https://www.bankofengland.co.uk/boeapps/database/Bank-Rate>, accessed 29 Jul. 2024.
- Beauhurst (2022a) *Equity Investment Market Update*. London: Beauhurst.
- Beauhurst (2022b) 'The UK's Most Successful VC-Backed Exits', *Beauhurst*, <https://www.beauhurst.com/blog/most-successful-vc-exits/>, accessed 16 Nov. 2023.
- Beck, U. (2006) 'Living in the World Risk Society', *Economy and Society*, 35: 329–45.
- Beckert, J. (2016) *Imagined Futures: Fictional Expectations and Capitalist Dynamics*. Cambridge, MA: Harvard University Press.
- Birch, K. (2023) 'Reflexive Expectations in Innovation Financing: An Analysis of Venture Capital as a Mode of Valuation', *Social Studies of Science*, 53: 29–48.
- Braun, B. (2015) 'Governing the Future: The European Central Bank's Expectation Management during the Great Moderation', *Economy and Society*, 44: 367–91.
- Braun, B. (2016) 'From Performativity to Political Economy: Index Investing, ETFs and Asset Manager Capitalism', *New Political Economy*, 21: 257–73.
- Braun, B. (2021) 'Asset Manager Capitalism as a Corporate Governance Regime'. In: Hertel-Fernandez, A. et al. (eds) *The American Political Economy: Politics, Markets, and Power*, pp. 270–94. Cambridge: Cambridge University Press
- British Business Bank (2021) *UK Venture Capital Financial Returns 2021*. Sheffield: British Business Bank.
- British Business Bank (2024) *UK Venture Capital Financial Returns 2024*. Sheffield: British Business Bank.
- British Business Bank, Ipsos MORI and Barrett G. (2021) *Enterprise Capital Funds: Interim Evaluation*. Sheffield: British Business Bank.
- British Private Equity & Venture Capital Association (2024) *Venture Capital in the UK*. London: British Private Equity & Venture Capital Association.
- Busetto, F., Chavaz, M., Froemel, M., Joyce, M., Kaminska, I., and Worlidge, J. (2022) 'QE at the Bank of England: A Perspective on Its Functioning and Effectiveness', *Quarterly Bulletin 2022 Q1*. London: Bank of England.
- Carson, B. (2021) 'SoftBank Rewrote the VC Rules. Now It's Tiger's Turn', *Protocol*. <https://www.protocol.com/tiger-global-softbank-vision-fund>, accessed 8 Aug. 2022.
- Cooiman, F. (2023) 'Veni Vidi VC—The Backend of the Digital Economy and Its Political Making', *Review of International Political Economy*, 30: 229–51.
- Cooiman, F. (2024) 'Imprinting the Economy: The Structural Power of Venture Capital', *Environment and Planning A: Economy and Space*, 56: 586–602.
- Dealroom, Atomico, and Local Globe (2019) *The Journey to Series A in Europe*. London: Dealroom.
- Deleuze, G., and Guattari, F. (2007) *A Thousand Plateaus: Capitalism and Schizophrenia*. Minneapolis: Minn., Univ. of Minnesota Press.
- Dixon, A. D. (2008) 'The Rise of Pension Fund Capitalism in Europe: An Unseen Revolution?', *New Political Economy*, 13: 249–70.
- Edgecliffe-Johnson, A. (2022) 'We Work's Adam Neumann on Investing, Startups, Surfing and Masayoshi Son', *Financial Times*. <https://www.ft.com/content/42c8644e-240e-45a8-954d-31d58e036dec>, accessed 11 Mar. 2022.

- Elder, B. (2023) 'Venture Capital Funds Are Mostly Just Wasting Their Time and Your Money', *Financial Times*. <https://www.ft.com/content/2099d3c1-65ba-4c20-a50c-f730fd258f42>, accessed 17 Aug. 2023.
- Elder-Vass, D. (2021) 'Assets Need Audiences: How Venture Capitalists Boost Valuations by Recruiting Investors to Asset Circles', *Finance and Society*, 7: 1–19.
- Engelen, E. et al. (2010) 'Reconceptualizing Financial Innovation: Frame, Conjuncture and Bricolage', *Economy and Society*, 39: 33–63.
- Ertürk, I., Froud, J., Sukhdev, J., Leaver, A. and Williams, K. eds. (2008) *Financialization at Work: Key Texts and Commentary*. London: New York, Routledge.
- Ertürk, I., Leaver, A., and Williams, K. (2010) 'Hedge Funds as "War Machine": Making the Positions Work', *New Political Economy*, 15: 9–28.
- Gallas, A. (2017) 'Revisiting Conjunctural Marxism: Althusser and Poulantzas on the State', *Rethinking Marxism*, 29: 256–80.
- Geiger, S. (2020) 'Silicon Valley, Disruption, and the End of Uncertainty', *Journal of Cultural Economy*, 13: 169–84.
- Gilbert, J. (2019) 'This Conjuncture: For Stuart Hall', *Journal of Capital Markets Studies*, 96: 5–37.
- Glaser, B., and Strauss, A. (2017) *Discovery of Grounded Theory: Strategies for Qualitative Research*, New York: Routledge.
- Gompers, P. A., Gornall, W., Kaplan, S. N. and Strebulaev, I. A. (2020) 'How Do Venture Capitalists Make Decisions?', *Journal of Financial Economics*, 135: 169–90.
- Hall, S. (2021) *The Hard Road to Renewal: Thatcherism and the Crisis of the Left*. New York (N.Y.): Verso.
- Harris, R. S., Jenkinson, T., and Kaplan, S. N. (2016) 'How Do Private Equity Investments Perform Compared to Public Equity?', *Journal of Investment Management*, 14: 14–37.
- Hussey, C. (2021) 'How VCs Can Beat the Giants That Are Dominating Late-Stage Deals', *Venture Capital Journal*. <https://www.venturecapitaljournal.com/how-vcs-can-beat-the-giants-that-are-dominating-late-stage-deals/>, accessed 6 Mar. 2025.
- Kampmann, D. (2025) 'The Political Economy of Venture Capital: Winners-Take-All and Founder Control', *Socio-Economic Review*, mwaf065.
- Kaplan, S. N., and Lerner, J. (2016) *Venture Capital Data: Opportunities and Challenges*, Working paper, Massachusetts: Harvard Business School.
- Kenney, M., and Zysman, J. (2019) 'Unicorns, Cheshire Cats, and the New Dilemmas of Entrepreneurial Finance', *Venture Capital*, 21: 35–50.
- Klingler-Vidra, R. (2016) 'When Venture Capital Is Patient Capital: Seed Funding as a Source of Patient Capital for High-Growth Companies', *Socio-Economic Review*, 14: 691–708.
- Klonowski, D. (2018) *The Venture Capital Deformation*. Cham: Springer International Publishing.
- Langley, P., and Leyshon, A. (2017) 'Platform Capitalism: The Intermediation and Capitalization of Digital Economic Circulation', *Finance and Society*, 3: 11–31.
- Mallaby, S. (2022) *The Power Law: Venture Capital and the Art of Disruption*. London: Allen Lane.
- Muniesa, F. et al. (2017) *Capitalization: A Cultural Guide*. Paris: Mines ParisTech.
- Neff, G. (2012) *Venture Labor: Work and the Burden of Risk in Innovative Industries*. Cambridge, Mass. London: MIT Press.
- Nicholas, T. (2019) *VC: An American History*. Cambridge, MA: Harvard University Press.
- OECD (2024) *Venture Capital Investments (Market Statistics)*. OECD Data Explorer. <https://data-explorer.oecd.org>, accessed 29 Jul. 2024.
- PitchBook (2018) *VC Valuations 1Q*. Seattle: PitchBook.
- PitchBook (2022) *UK & Ireland Private Capital Breakdown*. Seattle: PitchBook.
- Ranciere, R., and Kumhof, M. (2010) *Inequality, Leverage and Crises*. Washington: International Monetary Fund.

- Randle, E. (2021) *Playing Different Games*. The Valley of Dunning-Kruger. <https://randle.substack.com/p/playing-different-games>, accessed 8 Aug. 2022.
- Ren, S. (2022) 'Tiger Global's Day of Reckoning May Never Come', *Bloomberg*. <https://www.bloomberg.com/opinion/articles/2022-06-28/tiger-global-is-smart-to-pivot-to-venture-capital-investing>, accessed 8 Aug. 2022.
- Sgambati, S. (2022) 'Who Owes? Class Struggle, Inequality and the Political Economy of Leverage in the Twenty-First Century', *Finance and Society*, 8: 1–21.
- Shestakofsky, B. (2024) *Behind the Startup: How Venture Capital Shapes Work, Innovation, and Inequality*. University of California Press.
- Sheth, A., Akhtar, U., and Halloran, B. (2022) *Chasing Disruption: The Brave New World of Growth Investing*. Bain & Company. <https://www.bain.com/insights/growth-investing-global-private-equity-report-2022/>, accessed 6 Mar. 2025.
- Sonnemaker, T. (2020) 'Airbnb Is Worth More than the 3 Largest Hotel Chains Combined after Its Stock Popped 143% on Its First Day of Trading', *Business Insider*. <https://www.businessinsider.com/airbnb-ipo-valuation-tops-three-hotel-chains-combined-opening-day-2020-12>. Date accessed 17 November 2021.
- Sotiris, P. (2014) 'Rethinking Structure and Conjuncture in Althusser', *Historical Materialism*, 22: 5–51.
- Snicek, N. (2016) *Platform Capitalism*. Cambridge, UK; Malden, MA: Polity Press.
- Statista (2022) 'Europe: Value of Venture Capital Investments by Country 2021', *Statista*, <https://www.statista.com/statistics/879080/value-of-investments-by-venture-capital-europe/> Date accessed 25 July 2022.
- Tech Nation (2020) *UK Tech for a Changing World—Tech Nation Report 2020*. Tech Nation.
- Tech Nation (2021) *The Future UK Tech Built—Tech Nation Report 2021*. Tech Nation.
- Temkin, M. (2023) 'Exclusive: Tiger Global Opens Full Portfolio to Individual Bids in Search of Liquidity', *PitchBook*, <https://pitchbook.com/news/articles/tiger-global-secondaries-direct-stakes-sales> Date accessed 29 April 2024.
- Warnock, E. (2022) 'Europe's VC Funds Are Getting Bigger. But How Big Is Too Big?', *Sifted*.
- Xu, Y. (2024) 'Harnessing Venture Capital in China', *Socio-Economic Review*, 22: 349–71.

Appendix

Table A.1. List of interviewees.

Anonymized name	Job title	Investment stage	Sector focus	Fund model
Investor A	Vice President	Series A to B	Generalist	Traditional LP/GP
Investor B	Analyst	Seed to Series A	Deep tech	Traditional LP/GP
Investor C	Associate	Series A	Generalist	Not clear
Investor D	Senior Associate	Series A	Consumer	Traditional LP/GP
Investor E	Venture Associate	Preseed to Series A	Fintech, Media	Multi-LP discretionary, single-LP non-discretionary
Investor F	Investor	Series A	Consumer	Traditional LP/GP
Investor G	Investment Director	Preseed to Seed	Impact, Fintech	EIS, SEIS, Institutional
Investor H	Principal	Not clear	Generalist	EIS, VCT
Investor I	Investor	Seed to Series A	Consumer	‘Family Office’
Investor J	Investor	Preseed to Seed	E-commerce, Marketplaces, Applied AI	Traditional LP/GP
Investor K	Investor	Series B to pre-IPO	Impact, Tech-for-good	Not clear
Investor L	Investment Analyst	Preseed to Series A	Data-centred, Deep Tech	Traditional LP/GP, EIS
Investor M	Investor	Seed to Series A	Fintech	VCT, small institutional
Investor N	Partner	Seed to Series A	Generalist	Traditional LP/GP
Investor O	Investor	Series A to C	Software	Traditional LP/GP
Investor P	Associate	Series A to D	Generalist	Publicly listed
Investor Q	Investment Manager	Preseed to Series A	Marketplaces, Platforms, SaaS	EIS (main), SEIS
Investor R	Associate	Series A to B	B2B SaaS	Not clear
Investor S	Investor	Series B	Software, consumer, Fintech, Healthtech	Not clear