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# Trends in Finance and Venture Capital

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## Introduction

The world of Finance and Venture Capital (VC) started to gain relevance decades ago with the rise of Wall Street firms that held a traditional approach towards investments and returns by focusing quite heavily on profitable margins. In recent years, the industry has undergone a transformation that directed it towards new drifts based on the improvement of technology and the increasing concern regarding social and environmental issues. This article aims to discuss trends related to technological advancements across the energy, agriculture, and public policy industries; as well as to inform about gender equality and sustainable development movements.

## Women in Finance

Historically, women have been underrepresented in the field of finance and venture capital. Yet, in recent years, there have been joint efforts from the private equity sector to promote gender equality in the business sphere (McKinsey & Company, 2017, p. 97). This change is sporadically prevalent across the industry but there is a common consensus about the openness and support that

should be shown to women-led enterprises (p.1). A clear action that advocates for this leap forward in gender equality is the creation of financial platforms such as The 51, which is an organization that “aims to make Canada the centre for female-powered capital” (The 51, 2020). In just one year, The 51 has generated \$6.6M and invested in 19 ventures (2020). On a broader spectrum, gender diversity among investors boosts financial performance for VC firms (Chilazi, 2019, p. 2), and venture capitalists have communicated that they were exceedingly impressed by the number of women that have demonstrated their capacity for developing groundbreaking ideas (Sahadi, 2019). It is expected that the capital behind the fortification of this trend will continue to rise in the coming years (Stengel, 2020).

## Agriculture

The future of agriculture lies with Artificial Intelligence (AI). At this point in time, it seems almost impossible to overcome the constraints being faced by the agricultural industry today, including scarce land to grow food for a growing population (Claver, 2019).



With this being said, AI is currently being used to grow healthier crops, to monitor soil and growing conditions, and to improve the agricultural supply chain (Claver, 2019). This could also provide solutions to help optimize the agricultural industry, which could act as an alternative method to help reach our food production goals. AI can be used to create detailed weather models so farmers can track weather patterns months in advance, allowing them to make the right decisions for their crops and their farms (Intel, 2020). Another use of AI, called precision agriculture, is a technique in which farmers can use AI to detect crop disease and pests, and can even allow a farmer to determine which type and volume of herbicide needs to be applied to target a specific weed (Walch, 2019). It is clear that scientists are pioneering technology that is able to completely control the growing environment of crops. This gives scientists, and farmers, the ability to not only determine exactly when crops will be ready for harvest, but when crops mature (Intel, 2020). By controlling factors such as the light the plant is exposed to, the farmer can optimize his harvest and utilize his resources more efficiently.

## Energy

Another issue pertinent to venture capitalism is an increase in the consideration of sustainability in decision-making and value creation. In the present social and economic environment, ESG analysis has also revealed a balance between ethics and profitability which has allowed it to become a much more relevant criterion in asset management (Guest, 2020). The new criteria provide an ethical and responsible way of investing while generating returns, which appeals to investors as sustainable investing and impact investing increase in popularity (Stevens, 2020). Furthermore, large non-profit organizations, such as the Creative Destruction Lab (CDL), are orienting their focus towards start-ups that provide innovative and sustainable solutions to current problems by raising capital and working along with experts in the field of sustainable energy development (CDL, n.d. -a). For instance, the energy stream of CDL has been delivering an objective-based program for companies that have massively scalable products and systems with various purposes such

as reducing the carbon footprint of the oil and gas industry, as well as analyzing disruptive ideas that allow for improved hydrogen production, among others (CDL, n.d. - b). This indicates that there is a growing interest in sustainable initiatives.

## Prime

Startups exist in an intricate environment of regulation and public policy interests. This environment has multiple components with individual yet intersecting laws at the municipal, provincial, and federal levels, all against a backdrop of public and private interests. In an instance where a startup might view an opportunity for disruption in regulated markets, lawyers advise caution. Many regulations exist to encourage legal compliance with certain policies. If we are to take Airbnb and Uber as case studies, each one of these companies has dedicated extensive resources to establishing regulatory, legal, and policy teams; in order to lobby public relations, defend lawsuits, and maintain thorough legal compliance (Epstein, 2018). Thus, it can be safely assumed that regulation in and of itself is a high stakes endeavor for any company, not just a startup. Considering the highly competitive nature of the modern-day business landscape, even if a startup is to absorb fees for non-compliance, the ancillary stress and distraction may represent a serious concern for a company. Another key component of the startup ecosystem is the importance of cybersecurity. Keeping a startup safe from hackers, data theft, and security breaches requires more than simply firewalls and an antivirus software. The global stage has increasingly become aware of the serious threat that hacking poses for the reputations and finances of small business and corporations alike (Sundar, 2017). The consequences of privacy should be considered with caution as they are complicated, time-consuming, a burden on resources, and can ultimately mean the demise of a business.

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