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More Than Capital: What a Partner Really Brings

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Influential writer Jim Collins, author of *Built to Last* and *Good to Great*, has written that the critical questions in life are who-decisions, not what-decisions. “The primary question is not what mountains to climb but who should be your climbing partner,” he writes. As I mentioned in a previous article, when considering an investment, the entrepreneurial team is of more importance to most venture capital investors than market strategy, technology or financial projections. When evaluating the pros and cons of bringing on an investor as a partner in your business, your considerations should be similarly weighted toward who-decisions.

But how do you objectively evaluate a potential investment partner? Professional investors should provide assistance and value in many areas beyond financial resources. Here are some key areas that can be assessed.

Experienced oversight and strategic guidance are perhaps the most important roles of the professional investor when partnering with entrepreneurs. Typically, venture capitalists are ourselves former entrepreneurs or industry executives with experience and skills to contribute. More importantly, because of our unique perspective, we can often identify key trends, challenges, and lessons learned from other investments that can help our newer companies. While a venture capital investor will never share the same depth of knowledge about a particular market sector that the entrepreneur holds, our breadth of experience can help add objectivity. Exceptional venture investment professionals regularly provide that data and breadth, acting as a “sounding board,” while respecting that the ultimate judgment about specific decisions and operational matters is best trusted to the entrepreneurs themselves.

Venture capital investors should also assist entrepreneurs with additional fundraising. Most venture capitalists prefer not to be the sole source of financing for a company. By helping to improve the company’s positioning and fundraising materials, and ultimately recruiting our venture capital industry colleagues to join us in providing funding for a startup, we help to offload from the entrepreneurial team some of the time-consuming burden of additional fundraising

Assisting entrepreneurial teams with the recruitment of additional talent is another area in which venture capitalists should be expected to contribute. Again, while our relationship networks may not be as deep within a particular industry sector as those of an entrepreneur, most venture capitalists have much broader and more senior-level contacts across a variety of industries. We also have the benefit of simultaneously observing and assessing dozens of entrepreneurs and

management professionals in similar positions across our various portfolio companies. As a result, we can often provide guidance and insight into the performance and proper compensation of a particular team member or the set of criteria to be included in a job description for a new-hire.

The ultimate goal of any venture capital-backed company is to achieve financial liquidity for all shareholders, including the entrepreneurs, employees, venture capital investors, and other investors and shareholders. Rarely do entrepreneurs have a deep base of experience in successfully achieving liquidity, either through initial public offerings or a successful acquisition by a larger buyer. Venture capital investors, on the other hand, develop experience and relationships from multiple portfolio companies' "exit strategies" that allow us to achieve the critical financial liquidity that defines our own success. As a result, entrepreneurs should expect and evaluate the ability of their venture capital partners to assist, when the time comes, in achieving this all-important goal.

Venture capital investors, after all, are much more than financial providers – we are true partners in almost all aspects of the business. Our goals are simple: to assist entrepreneurs in achieving successful growth and financial outcomes for their businesses. Given this, entrepreneurs should give equal consideration to who they bring on as investment partners as they would to any other team member. Audrey MacLean, a well-known Silicon Valley investor, Flywheel Strategic Advisor, and personal mentor, once advised me that "the only decisions that really matter in business are deciding who to trust." As I have gained more experience over the years in working with entrepreneurs, the wisdom of her advice has only resonated further.

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