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A Few Good Companies: Raising Venture Capital in 2003

Believe it or not, there is still venture capital to be had. In fact, VCs are looking harder than ever for a “few good companies.” They have no choice—their limited partners demand that they invest and invest wisely. As always, good companies with real market-driven solutions, revenues (preferably profits), and a track record of solid leadership are getting meetings and getting capital.

As a leader, you have the best chance of joining these lucky companies if you know how to sell your company and tell your story. What follows are Ten “Dos and Don’ts” for developing and facilitating the elements of an effective VC meeting (not a pitch, not a presentation) that can help move potential investors toward term sheets and ultimately convince them to write a big check.

1. **Do: Know exactly what you want from the meeting.**

Identify one, single outcome for each meeting. Yes, you want capital at the end of the journey but there may be a number of steps to take before getting there. Plan what you say based on that result. For example: you may need another meeting so you can demo your product, or have the VC conduct some initial due diligence, or ask your investors to become referral sources. You can’t plan a journey without a destination.

2. **Do: Your homework on the VC.**

If you don’t know specifically what they need right now—what makes them want to invest—you can’t identify what you need in order to move them in your desired direction. Of course they need return for their limited partners, but you can go deeper than that. What have they invested in and why? How does your business fit their portfolio? Do your homework.

3. **Don’t: Pitch.**

Pitches are for baseball players and used car salesmen. You are the senior leader of a dynamic, growing company. Act like one. If you want your company and your plan to look and sound like every other “pitch” that VC has heard that day, sit down, open PowerPoint and narrate your “presentation.” Otherwise, facilitate a business meeting that creates value for both parties.

4. **Do: Look and sound like a world-class leader.**

Like all of us, VCs are influenced by leaders with real vision, power, passion and a willingness to reach out to others. If you don’t look and sound like a world-class leader now, learn how to look like one.

5. **Do: Get comfortable with silence.**

The more you talk, the less insight you can gain from the other people in the room. Simply pausing (silently, no “uhms” and “Ahhs”) at the end of an idea makes room for questions, objections (see next tip), and makes you look more comfortable and confident.



6. **Do: Listen for “Closing Signals.”**

If you ever—even after only five minutes—hear a VC say “I want to bring in a couple of partners on this” and that was the result you had in mind...consider the meeting over and get the next one on the calendar. You don’t get brownie points for finishing your prepared remarks. You win when you achieve the objective you established at the beginning of the process.

7. **Do: Listen for and work to overcome objections.**

If they are telling you why they won’t invest and don’t hear the objection, you have gained nothing—no capital and no insight. If you hear the objection and the VC acknowledges that “Yes, this is what doesn’t work for us,” ask if fixing the perceived problem would increase the likelihood of investment. If so, get another meeting after you fix the problem. If not, find out the real reason and act accordingly. If they are not investing no matter what, end the meeting and find another potential investor.

8. **Don’t: Sell your product.**

Smart investors are only interested in your product’s functionality out of intellectual curiosity. Other than that, functionality is the last thing on their minds; they are more interested in knowing if your product can drive huge returns. If they are not interested in your business they will not invest. If they are not going to invest, you don’t want them to know too much about your product.

9. **Do: Sell your company.**

Like it or not, selling your company is why you’re there. If all goes well, at the end of this process some investor will own 40 to 80% of your company. Your job is to sell it to them based on the return of that equity investment.

10. **Do: Close them on something.**

A great way to waste everyone’s time is to close the meeting by saying “thank you for your time.” Everything you say and do should be leading to this point. Now you have to ask that investor to do what you want them to do (step 1). Even if all you get is a commitment for a post mortem on the meeting, move the process forward.

It won’t be easy. It is not supposed to be easy. But thinking, planning and communicating strategically puts you in the driver’s seat. Let the result you want and the needs of the people with whom you speak drive your choices—and you are already way ahead of the pack. Good fortune and go get `em.