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Do You Really Want to Raise Venture Capital?

You think your small business has the potential to become a leader in its segment and experience tremendous growth. You also keep hearing about these young entrepreneurs who raise ridiculous amounts of money from eager venture capitalists for barely shaped business ideas, and make a fortune building large companies or selling out to major industry players. But are you really ready to take on the VC model and all its constraints? Here are some things to consider:

A new risk-reward equation. If you raise venture capital money, you are implicitly buying into an aggressive growth model, which generally entails more risk. The comfort of having a stable and profitable business is no longer an option since stability does not create high value. If you seek only to fund a comfortable business lifestyle, talk to your local bank instead.

The boardroom. The venture-funded company boardroom is not a place for periodic reporting. Instead it is a working relationship between the entrepreneur, the executive team, and the venture capital investors. You must be ready to have your strategic and operational views challenged, and be willing to communicate openly about every aspect of your business. If such collaborative board dynamics concern you, you may not want a venture board.

Sharing or loss of influence. While venture capitalists have no intention of running the company on your behalf, their money comes with two expectations: that you build a team combining the expertise needed for growth and that you perform as a leading executive. If you are unable or unwilling to share management influence or if you no longer perform well in the view of the board, you must be open to a change in leadership if the board determines new skills are required.

Once you understand and are ready to buy into the venture capital model, look your VC in the eyes and ask yourself whether you could picture him or her as a co-founder of the next stage of your business. If the answer is yes, then go build your company together!

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