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VC Checklist

Approaching a VC calls for a great deal of preparation. Very often, one has to go to several VCs before the match is made. Entrepreneurs need to look for more than just financial resources when they approach a VC. They must see how the expertise of the VC can contribute to the performance of the company and the degree of control that the VC seeks to exercise over the enterprise.

What are VCs looking for?

- **The product.** Is there a market for the product? Can it be patented and protected? What does the competition look like? What are the forecasts for sales, and have the entrepreneurs stretched the target to make the look impressive? Can the organization create an entry barrier for other players once they have launched? These are some of the questions that VCs want answered in the initial stages of the discussion. If an entrepreneur is unable to convince the VC in this area, he can start looking elsewhere.
- **The leadership skills of the entrepreneur.** This can be ascertained from the track record of the entrepreneur and his expertise in the field. VCs will dig deep to see if the entrepreneur has the marketing and organizational skills to be at the helm of a company.
- **The management team.** The entrepreneur can rarely achieve success on his own. All VCs look at the composition of the management team, their expertise and their track record. Ideally, they want to see that competent people head all functional areas.
- **Infrastructure issues.** Does the company have the administrative systems and offices in place to commence operations? Do they have the systems in place to maintain accounts and handle the day-to-day operations of the firm?
- **The Bottom-lines.** VCs want to know how long it is going to take the company to break even. The entrepreneur has to have schedules in place that show when the company will start generating a positive cash flow.
- **Portfolio.** Is the organization similar to the other companies in the VC's portfolio? Where can the VC add value to the company?
- **Second funding option.** The VC will want to know whether he retains the option of investing in the next round of funding.

VCs normally work with the money of other investors. It is because of this liability that they are very careful when it comes to making an investment. It helps if the entrepreneur can do a bit of research on the VC before he approaches him for a pitch