8 Tips for Entrepreneurs from a Founder Turned VC

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A friend of mine recently asked me a simple question: "After four years as a VC, knowing what you know now, what basic tips do you have for guys like me who are growing venture-backed businesses?" It got me thinking about what I've learned being on the other side of the fence – and though I don't profess to be an expert on how to be the perfect entrepreneur, I thought my own experiences might help some founders out in the trenches today.

1) Keep your options open. The smartest second- and third-time entrepreneurs I see raise capital in a very focused and efficient manner. They preserve option value at each stage of the company's growth and make conscious decisions about how to proceed in each funding round. I learned this the hard way in my first company, where we raised capital at a $250M valuation and essentially priced ourselves out of an attractive M&A opportunity. I can't tell you how many companies I see that would be terrific $50M-100M acquisition targets, but lose that option because they've raised too much capital.

2) Hire the best talent you can find. I really can't say enough about this. The bottom line is A players may cost 50% more than B players, but will add 10X the value. Talent wins. Be proactive and always on the lookout for impact players.

3) Take advantage of the moment, and run like hell. Great entrepreneurs don't wait. When they're onto something, they move aggressively, and don't spend time thinking about Plan B. They realize they have a window of opportunity, and they jump through it. I meet with many companies who are the number two or three player in their space, and the CEO often can't figure out why the number one player is kicking his/her butt. If I'm doing my job as a VC, I will have also met with the number one player. The leader is aggressive, maniacally focused on growth, moving fast, and delivering for customers. The followers are often bogged down by customer/product/board/funding issues. In short, #1 sees speed bumps and jumps them, whereas #2 and #3 see roadblocks and spend time trying to figure out how to go around them.

4) Work with great investors. This doesn't necessarily mean the headline-grabbing VCs you read about on TechCrunch. Ever heard of Dave Strohm, David Cowan, or Jim Goetz? They're three of the most successful early-stage VCs you'll ever meet, but you won't typically read about them on today's hot tech gossip blog. Don't get caught up in the hype. Focus on VCs who have built winners in your space and reference well with entrepreneurs and CEOs. They'll make a difference.

5) Play bigger than you are. Create a market impression that is greater than reality. This has to be done carefully – history is littered with companies that failed to live up to the hype – but done well it can really boost your company's prospects. Artfully tooting your own horn is part marketing, part PR, and part an aggressive approach to today's social platforms. Done right, Twitter, LinkedIn, and Facebook can serve as powerful platforms to amplify you company's position. The key is to not just talk about how amazing your company is, but to show how you're succeeding with key customers, business milestones, analyst and media coverage, and key new hires. Examples of companies that have done a great job building this kind of buzz include Buddy Media, Yammer, Zuora, Betterworks, Square, and Appirio (my firm is an investor in Buddy Media, Square, and Appirio).

6) Find and leverage mentors. There are many amazing CEOs in Silicon Valley who love nothing more than to help young entrepreneurs build great companies – you just have to ask for their help. It's one of the truly unique aspects of Silicon Valley. Ask your investors for introductions. And don't just reach out to a mentor in times of crisis; build an ongoing relationship with him or her. You'll be amazed and the nuggets of wisdom you pick up from CEOs who have "been there, done that."

7) Be honest and transparent. The most successful entrepreneurs I know are transparent with their team and with their board. They stay in regular communication with their board members and treat board meetings as an opportunity to have a meaningful discussion around core issues – not as a sales pitch. Your board and investors are "in the boat" with you, and fully invested in helping you build a winning company. If you have to constantly "sell" your company to your board members, you've got the wrong board members. Brad Feld and Fred Wilson have covered the topic of board meetings well.

8) Enjoy the ride. I started my first company when I was 25, and by the time I was 30 we had raised more than $100M and hired 400 employees. It was awesome, but I was immensely stressed. The second time around, I surrounded myself with better talent, raised less capital, and had a lot more fun (and a better outcome). Great entrepreneurs have that unique DNA that makes them relentlessly focused on building something great, and it's a 24×7 thought process. However, the difference I see between first-time entrepreneurs and second-time entrepreneurs is that veterans are typically enjoying the ride. They've figured out how to make time to have fun, spend time with family and friends, and still build a great company.

I look forward to hearing from entrepreneurs in the trenches. What did I miss? What kind of advice have you valued from your mentors and investors?

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