
MADE TO COACH:

WHY THE BEST VCS ARE FORMER STARTUP CEOS



The venture capital industry has seen a proliferation of new micro funds (under \$100M) over the last decade. Dozens of new funds are serving seed and early stage companies. The individuals running these firms have had multiple jobs, enjoyed wide ranging experiences, and possess a combination of skills and experiences that no doubt led them into this unique profession. That being said, the Venture Capital profession is still relatively new. The expected set of skills that VC's need to possess is still an evolving list, comprising both innate and learned characteristics. From market/technology acuity, fund-raising skills, to sourcing good deal flow, a successful VC needs each of these key ingredients. **However, these skills are not substitutes for having started and run a company.**

A start-up is not a "smaller version of a large, well established company". And by this, we mean that the challenges faced by a start-up, and the strategies required to address those challenges, are uniquely different from the strategies employed by large, well established companies. In this sense, VCs that have been immersed in running a start-up as opposed to having worked only for larger companies, have a

particular set of experiences and perspectives that are much more valuable to offer their portfolio company teams.

It's said that you can try to simulate "live game situations" in practice sessions, but in reality, there is no substitute for "live game experience." And this sport analogy is true for running tech start-ups. Nothing quite compares to having "live start-up experience."

For example, the tech CEO often has to juggle fundraising, supplier negotiations, marketing pivots, financial management and operational decisions. Having to navigate across all of these complex functions simultaneously is very difficult. As former tech CEOs having done this for a number of years ourselves, we have an exceptional empathy to offer our portfolio CEOs who are presently immersed in these types of situations.

Here are just four specific situations where having the seasoned experience of a coach who has "been there, done that" can make all of the difference:



1. NEGOTIATING A COMMERCIAL RELATIONSHIP WITH A GLOBAL 2000 COMPANY

Large companies with established market positions are often quite interested in the technology offerings of start-ups, for a variety of reasons. But navigating the waters of "seeking out and working with the right BigCo" is often fraught with rabbit trails, bureaucracy, motivations that aren't in sync between the two parties, timing delays, and the like. This is where a coach who has deep personal experience in developing relationships with large companies and ultimately negotiating successful agreements – whether a joint development agreement, a sales/distribution agreement, or possibly a licensing agreement – can make all the difference in getting a high quality deal done.

2. DETERMINING WHETHER IT IS THE RIGHT TIME TO MAKE A SIGNIFICANT PIVOT IN STRATEGIC DIRECTION OF THE COMPANY

Early in the commercialization process, a start-up company should be gathering significant amounts of customer feedback on their product/service offering. Sometimes that data may seem to be pointing toward making a meaningful change in the company's strategy – because the results aren't what was expected. But what specifically is the market feedback telling the company and is there a specific new direction being indicated by the data? The answers to these questions can be difficult to discern. This is where a seasoned coach can provide perspective and insight. He or she can come alongside management to evaluate the market feedback and determine if and when a new strategic direction for the company is necessary.

3. ASSESSING THE RIGHT TIMING AND STRATEGY FOR RAISING THE NEXT ROUND OF FINANCING

There is an adage in the start-up world that goes like this: "you should always be raising money, even when you don't need it, or when you're not doing a formal round of financing." In other words, a start-up CEO is always telling the story of the company's vision for the future and illuminating the distinct value proposition it is offering to the marketplace, particularly to potential investors. But when is the right time to prepare for and raise the next formal round of funding? There is perhaps no better person to advise on that question than the VC coach who has experienced the fundraising process from both sides of the table – the position of tech company CEO and the position of venture investor.

4. MAKING THE RIGHT MANAGEMENT-LEVEL HIRES AS THE TEAM TRANSITIONS FROM SINGLE DIGIT HEADCOUNT TO A MUCH LARGER GROUP

Venture investors place an enormous amount of weight on the competency and experience of the start-up team when making their investment decision. Does the company have the right mix of tech talent, business talent and sales/marketing talent to successfully execute on their chosen go-to-market strategy? From the perspective of the tech company CEO, the questions around talent are always top-of-mind. What element of talent are we missing on the team? What functional area should our next critical hire be in? How do we weigh the various trade-offs between one needed position versus another, that are forced by virtue of a limited budget? An advisor who has personally experienced growing a team can provide unique perspective to these questions– something beyond the cold, clinical analysis of an investor who hasn't occupied the chair of CEO.

Having a coach who has been in your shoes as a start-up CEO means that you have a confidant with which to share your most difficult challenges. This kind of coach is more than just a provider of advice and direction. It is someone who comes alongside you in a unique, deeply empathetic way – and provides just the right combination of insight, emotional support, and personal encouragement to make a clear decision in a difficult situation.



Tim Hoerr, Managing Partner of Serra Capital and former CEO of iCyt Mission Technology, shares his story below of how his years as a startup CEO shaped his future in venture capital.

In 2001, my co-founder and I were assembling our team and charting our initial strategy for iCyt Mission Technology, a bio-instrument start-up based at the University of Illinois Research Park in Champaign, Illinois. From the get-go, we engaged with two large companies interested in our technology – one was a global player in the agriculture industry and the other was a multi-billion dollar laboratory instrument manufacturer. The ag company, in particular, was keenly interested in our emerging cell sorting technology and how it might hold promise for a specific product they had in mind.

Our initial discussions with the executives revealed that the company had been working internally on this project for several years, with some degree of frustration and fairly limited results. These were the prime motivators for them in securing a business deal with iCyt. As our relationship with them unfolded, it was crucial for us to better understand this BigCo's ongoing motivations, perspective and specific aspirations – and how each of these fit into our start-up's vision and strategy. We needed to exert considerable effort to achieve alignment between our two organizations – and to put in place a contractual relationship that was fair to both parties. And putting the agreement in place was just the beginning of a successful working relationship. Over several years of our relationship, I learned some key lessons: communicating openly and frequently was a must, timeliness of deliverables was critical, an attitude of win-win had to rule the day, and joint problem solving was often necessary between our two organizations.

This multi-faceted, multi-year journey was a profound and life-changing experience for me as the company's CEO. And it is precisely this experience that grounds me in the proper perspective when working with our current portfolio company CEOs. My iCyt experience with the ag BigCo, and several other large entities over the years, allows me to engage our portfolio CEOs with empathy and understanding, most certainly, but also with deep knowledge for how they should approach their unique opportunities to create successful partnerships with BigCo's that can literally catapult their companies to success.

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