

URL: <https://stvp.stanford.edu/clips/complete-openness-with-investors>

Lew Cirne, founder and CEO of New Relic, says that entrepreneurs should ask themselves if they can be completely open and honest with their investors before formally agreeing to terms with them. In conversation with Stanford Engineering Professor Tom Byers, Cirne also says the ideal investors are the ones who inspire and can serve as collaborators.



Transcript

And my litmus test for working with investors is if you're lucky enough to have term sheets from a few investors, what's more important than the terms are the likelihood that you're going to have a really open and honest relationship and a high trust relationship with that investor.. And so if you're looking at a term sheet, what I'd recommend you do is give yourself a gut check and ask, is this individual someone that I feel I could come to very comfortably with bad news because you will, no doubt, have bad days, bad weeks, bad news to share with your investors if you are going through the startup right.. Everybody does.. So the question is, are you going to feel like hesitant, are you going to like kind of shape the message to make sure that they don't overreact or whatever, are they going to get too just difficult to work with or are they going to be collaborative and help you solve whatever problem needs to be solved.. That gut check, Peter, resonates very well with that and I am also blessed to have like Dan Scholnick as another great board member on my team.. I mean I've just got great investors, but.... They almost feel like co-founders, I mean given that you were a solo founder.... Yeah.. ...which is unusual, in the data.. Well, they certainly....

...they almost become, I mean you say he's the best friend, that almost sounds like a co-founder.. They feel like deep partners that I can be completely open and vulnerable with.. So.... Yeah.. ...and the interesting thing about it is I feel like it works better for their relationship with me too because I - you can - people are smart, they know when they are being played or managed or like someone's trying to represent themselves as being someone they are not.. And there is temptation to do that when you feel like you've - you got to defend yourself or you don't have that level of trust with a person.. When you are completely open and vulnerable with your investors, they draw themselves in and really want to help you too and to help you grow and your company succeed.. So it has this kind of symbiotic relationship.. And I'd say the same thing with how you work with your senior team as well..