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Relationships with Angels and Venture Capitalists

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"Raising venture capital is worse than marriage," says investor and serial entrepreneur Mark Suster, noting that you can at least get divorced when it comes to marriage. Suster expresses surprise that a startup team would be willing to accept a funding partnership, without taking the time to truly get to know the angel or VC. This business relationship is long, intimate, and permanent, so both parties should carefully choose their partners.

Transcript

Raising venture capital is worse than marriage.. The reason I say that, I'm very happily married and I've only been married to one woman in my whole life and I hope that always is the case.. But in marriage, if things don't work in this country you can get divorced.. You can't get divorced from your venture capitalist.. People want to come to me.. They've never met me before.. They want to come in and in two weeks or a week, they want to decide whether or not to take money from me.. I'm like, why would you do that? You don't know me and you don't know what it's like to work with me.. I mean, don't you want to get to know me if you're going to marry me because I could bury you? I could make your life miserable as a VC.. I've done six investments in the three years I've been a VC..

I've done nine angel deals.. I think those 15 people would say that there are some positive and there are some negative.. I hope they would say the positive outweighs the negative, but all that's discoverable.. Spend time getting to know these people and don't rush into it.. I always say to you every VC, and I'm off topic here a little bit, is going to give you the list of the five portfolio companies you should call and of course you have to call them, but make sure you call the other five that they didn't give you.. I mean I'm sure they've taught you here about selective bias.. If they give you five CEOs and they don't all say this is the best firm I've ever worked with then definitely don't work with that firm.. It's not that hard to research who else they worked with and that's where you ought to put your effort in the due diligence.. I think it's a false dichotomy.. If you want to raise small amounts of money and preserve options, focus on angels..

If you really want to build something big, there are pros and cons of angels and VCs.. Angels in a bad market tap out really quickly and are not able to follow on as easily.. VCs who put in money and you don't prove what you were supposed to prove for your first 500k, writing the next 500k is not that painful.. It's different with angels.. Sometimes VCs get involved very early and then they don't spend time with you and if they decide not to fund you, there's this thing called signaling that we need to worry about, and it's true.. If they don't support you, life becomes harder to raise capital.. There are pros and cons of both these.. It's not that easy...