

URL: <https://stvp.stanford.edu/blog/videos/using-agents-to-help-raise-money>

Jason Green, Founding Partner at Emergence Capital, suggests that agents are generally not used to help raise funds in an early stage company although they may be helpful in a late-stage private equity deal. Instead, as Tom Friel, Chairman of Heidrick and Struggles, emphasizes early stage entrepreneurs are connected to VCs through informal networks of advisors who make an introduction for the entrepreneur.



Transcript

For early stage companies, does the use of an agent signal that their primary priority is to get the highest possible valuation and does that run the risk of scaring away some good firms from looking at the deal? Yes is the answer to that.. I guess in my history, I don't know, in 40 or 50 investments I'd never invested in a company that an agent brought me.. Again, we're primarily early stage investors.. The relationships and the network is where we get our deal flow.. I'd say at the later stages, in private equity for instance, agents play a very significant role and do provide a lot of validation and information in scouring up these opportunities.. But at the early stages, it's so much a bet on the people.. It's about the resonance with a particular opportunity in your own domain, expertise and background.. There are very few agents that will frankly take the time to really understand what it is that's really important to you as an investor at the early stage and to the company because frankly the economics don't work at the early stages.. At the later stages, they really can be thoughtful and take the time to do it because they can earn those big fees.. So, in general, if it's early stage capital, I would not say that agents have been a tremendous value add..

Oftentimes, there is a, I wouldn't call them agents, but there's an unofficial network of unpaid advisers and people that can help you aim at the right venture capital firms.. They won't show up with you.. They may make a call.. They may broker an introduction usually not for any kind of a fee.. I think this actually can be useful.. It can help avoid what I think is one of the big problems that you alluded to which is having a really good story to tell and going on to tell it to the wrong audience because either they are not interested in that space, they don't understand it, they don't have the ability to make those sized investments either because it's above or below their normal level.. I think you can do yourself and everybody in the process a big favor if you use whatever advice or whatever can help with that, and other people can help with that to help get you aimed at the right places for the highest probability of success and position as well as you can be when you come in there to do a good job...