

When entrepreneurs start thinking about launching a business, the first thing that usually comes to mind is raising capital. After all, everything from incorporation to product development costs money, and without some cash in the bank it's difficult to get a company out of the starting blocks. Unfortunately, however, investors don't write checks to support good ideas - they fund companies that have clear business plans, credible management and business traction. Most entrepreneurs find it very difficult to raise money because they don't have these key elements in place. That's where venture management comes into play.

Simply put, venture management is the process of helping entrepreneurs and innovators achieve early business results and develop credibility in order to get funding and transform their ideas, technologies and products into sustainable, successful businesses. It requires a different mindset than other kinds of management because it is based on setting and meeting short-term goals that demonstrate a company's potential for success.

In most start-up situations, a founder has a particular product or technology background and doesn't necessarily know how to structure a company, how to raise capital, how to go to market with a product or how to optimize production. Unfortunately, decisions about these important considerations in the earliest stages of a company determine whether or not a business will ultimately be successful. A typical later-stage company has experienced personnel assigned to each discipline who focus full-time on specific issues such as accounting, sales or HR. When it comes to start-up ventures, however, the founder is supposed to "do it all," without experience and most often with few resources at the most critical point in the company's life.

Venture management has always been an important part of the funding process for start-up companies, but prior to the technology crash in 2000 early-stage investors played a much larger role in helping entrepreneurs get started. Venture capital funds and angel investors often invested in nothing more than a business plan, and proceeds were used to build teams and acquire first customers. In today's business climate, investors don't want to write checks to support companies with no track record, and although there is as much risk capital available as there ever has been, there is far less institutional money focused on true early-stage investing. Angel investors, who used to step in where VCs feared to tread, have either pulled back or have organized into "buying groups" that have adopted many of the same rigid criteria as institutional funds, including the need for their portfolio companies to have a full management team, a complete product and reference customers.

As a result of this change in the nature of funding, today's early-stage entrepreneurs face a terrible dilemma. They can't raise capital without a complete team, finished product and customers and they won't be able to recruit a team, complete products and attract customers without capital. In short, two guys coding software in their garage in Los Angeles aren't going to get funded without a complete business infrastructure and they won't know how to put that infrastructure together without help. This is where venture managers can play a critical role for a young company with great vision but few resources. Venture managers are advisors and interim executives who can help early-stage companies get business traction and attract capital. Most often, a venture manager has extensive experience building early-stage companies, knows how to structure a company, raise capital, attract strategic partners and first customers. While there is no single characteristic that makes a venture manager great, there are several key factors that are important to consider:



1. **Track record:** More than anything else, track records matter in early-stage situations. A history of actually operating in similar situations and raising capital is critical, as investors and first customers will look for executive experience and credibility to make up for a company's lack of history.
2. **Business model:** Entrepreneurs are often singularly focused on raising money or getting help raising money, and when they look for help they sometimes turn to investment bankers, finders and brokers. While these professionals are helpful in later stages, their model does not work for early-stage companies because they are focused on the wrong issues. Raising money is actually the easy part of running an early stage business! It is hard to build a viable plan of action, present a credible management team and demonstrate early business traction. If a company does these things, it will have all the money it needs. If it does not do these things, no matter how elegant the pitch, the company will not raise capital and is unlikely to achieve early success even if it does raise capital.
3. **Process:** Is the venture manager interesting in performing initial due diligence on your company or just interested in getting to work? It is possible that he or she can add some value by jumping right in, but it is unlikely that he or she will be able to sustain value-add, speak credibly to others about your company or go at risk with their compensation unless they perform the type of diligence that you'd expect of an investor. The best venture managers are those that carefully evaluate companies and then invest their valuable time by working with the likely winners.
4. **Goal alignment:** Given the difficulty in launching a new company, if venture managers can help achieve critical milestones, they should be well compensated. On the other hand, if they can't deliver results, they should be at risk. A venture manager's willingness to "go at risk" alongside the entrepreneur is a clear sign of confidence in the company and in his or her ability to make a difference.

The stage from start up through the first round of raising capital and into the first few million dollars in sales is probably the most difficult stage an entrepreneur will go through in building a business. Making this more difficult is that only a fraction of entrepreneurs get funding for their companies, and after funding, only a small percentage of these ventures generates great returns for investors and founders. A good venture manager can dramatically improve the odds of success by building the mechanisms that allow new companies to get out of the gate successfully.

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