

Nurturing and Growing Early Stage Ventures

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People, Ideas, Markets

- **Remember that quality people build great companies** (simplistic yet true)
- **Focus on the originality and completeness of the idea** backed by some expression of its reality (ie. prototype, customer use etc)
- **Go where others are not going.** Trust your intuition, don't over-analyze
- **Dream along with the entrepreneur** before turning into a realist
- **Listen well, absorb, reflect and then research** the market space to test whether it can support this venture
- **Get a feel for the entrepreneur's personality,** passion, work habits and values. **Understand the** formative culture of the new company.

My Formula

- **Find first time entrepreneurs.** (Rarely do I believe in the serial builder.) Experience is no substitute for freshness.
- **Focus on four to six deals a year** so you are truly able to add value.
- **Be a good listener, stay humble,** build a trusting partnership, be open, transparent and unambiguous when **making** important decisions especially in the early life of a company.
- **Always do the right thing for the company** (and it is usually the right thing for your fund).
- **Early decisions have a multiplier effect** on the future of the company: exercise sound judgment. Making decisions without all the facts is what you are counted upon to do at this stage.
- **Build every venture as though it is independent,** free standing and successful. If you turn negative, it will surely tank. Show leadership.
- **Dump the dogs early.** Everyone makes mistakes, accept it and move on.

Finding the Deals

- **Reputation, commitment and honesty matter.**
- **The best deals** come from people whose filters you trust.
- **Academic pursuits** are interesting but not always the feasible.
- **Never self promote**, for surely you will end up with lots of deals to look at and fatigue will cause you to make a mistake.
- **Sometimes do a try and buy.** Take a few months to better understand whether it works and how.
- **Never chase a competitive deal on its way up....**it always will come back to earth.
- **Deals that have many star names** does not in itself make for success so invest only based on fundamentals.
- **Good deals will find you** if you are viewed as the expert on a few areas rather than a generalist VC. (In my case: consumer internet, services, enterprise software are the only sectors I follow.)

The Art of Mentoring

- **Build an open trusting relationship** with the founders. Don't start with the premise that the company needs an outside CEO.
- **You can't proffer advice if they don't listen** or fear you or your agenda for the firm.
- **Help them hire great people**, focus on bringing in a few defining deals and developing a product and business road map.
- **Teach them fiscal discipline** and a path to achieve cash positive status.
- **Nurture a management team** that can help in execution. Focus on the short term needs of the fledging company.
- **Frequent yet productive focused meetings** to keep the tempo of progress, focus them on the goals, and stay fully informed. This formative stage of a venture is so crucial to success.

Getting it Right

- **Train the team** on costs, spending, building a culture of frugality.
- **Figure out where the opportunity lies** to generate repeatable revenues.
- **Help the entrepreneur** with financing options that preserve the equity of the company.
- **Keep the cap table clean** and ensure that the employees have the incentives to work hard to build.
- **Help the company build a culture of excellence**, never to short circuit quality for timeliness.
- **There is no one right answer.** Each situation is unique.

Founders + "A" Mentor = Success!

- **Help them know what they don't know.**
- **Make sure they stay focused**, committed and the goals align well with the investors and company's needs.
- **Avoid conflicts** that sap energy and focus on negative outcomes. Manage to positive results.
- **Inspire them to lead**, to want success and grow in their maturity and experience.
- **Do not build a class culture** that places excessive emphasis on hierarchy, rank, privilege or other entitlements that can hurt morale.
- **Communicate down** to employees, be accessible, encourage a flat organization, keep decision making uncomplicated.
- **Provide feedback often** with a accent on the constructive and be prepared to offer "no holds barred" problem solving help.

Indicators of Success

- Emotional bond with customers created by the product or the company
- A clear “game over” type strategy
- Fun place to work with a meritocracy that values creativity
- Acceptance of change, flexibility, nimbleness to competitive pressures
- Ability attract and retain talent
- Company leaders with “bench strength” at every level
- Scale, speed and stability of business model

Q & A

