Five Hard Things That Great VCs Do

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In Ben Horowitz's *The Hard Thing About Hard Things*, he recalls a conversation in 1999 where one of his investors asked coldly: "When are you going to get a real CEO? Someone who has designed a large organization, someone who knows great senior executives and brings pre-built customer relationships, someone who knows what they are doing."

Horowitz describes how that stinging comment became the inspiration for starting his own fund and one of its goals: teaching founders how to grow into executives.

This is one of the hard things about being a VC today: You must give entrepreneurs more than just capital. In my experience as a founder and sometime investor, here are five hard things I've seen great VCs do for their companies long after their checks have cleared.

1. Sweat the Big Stuff

Board meetings are the most tragic waste of time in Silicon Valley. The brightest investing minds and most talented founders gather monthly in conference rooms for a ritualized parade of facts and figures. It doesn't have to be this way.

The best VCs will ask you to ditch the slides with an ask like "send us the deck 48 hours in advance and assume we've already read it." This frees up board time for wrestling with your thorniest problems: *Should we sell broadly into many verticals or deeply into just one? What are the trade-offs of open-source strategy? What's the best entry pricing model?*

Vinod Khosla, one of our investors, avoids board meetings altogether in lieu of strategy sessions. In these sessions, with nothing but a whiteboard and a list of six key strategic topics, the executive team and I discuss, explore, and debate with our biggest backer. These may be the best hours we spend all year.

2. Close A Players

Startups, as Paul Graham says, are fundamentally about growth. Team growth is the most critical kind to get right, as a company's early DNA is its self-replicating prophecy.

Investors can help source, vet and hire the best people because they are themselves connectors of people and judges of talent and, above all, because they are closers.

As sources of hires, investors are walking Rolodexes of talent, whose own success depends on knowing which firms are bleeding, which engineering teams are reeling, and which VPs are mulling a new gig.

Investors are some of the most effective closers of top talent for three reasons. First, because taking a job itself is an investment. The story of "why I believe in this startup's vision" resonates more credibly from an outsider than a founder in the weeds. Second, investors provide credibility for every startup's IPO aspirations because they can point to their own winners. And third, because the best candidates know that building a relationships with a top-tier investor puts them in the fund's rolodex, providing a measure of risk-mitigation.

3. Hunt Whales

No one but a founder can (or should) close a startup's biggest deals or partnerships, aka "whales." But the best investors are positioned to kickstart that process with introductions, and they strengthen these ties with each exit to a Salesforce, Yahoo, or Google. VCs drive a revolving door of ideas, talent and capital between startups and enterprises. In many cases, these relationships are formalized: our lead investors regularly host small delegations of executives seeking solutions from startups for an area of need.

Eric Frenkiel, founder and CEO of MemSQL, an in-memory database company, was introduced to Zynga's CTO by one of his investors, Matt Ocko of Data Collective (disclosure: where I am also a partner). That conversation ultimately led to a commercial relationship.

Anthony Goldbloom, founder and CEO of the data science platform Kaggle, told me recently that his VCs' relationships have been a valuable source of leads, in part because they know "how to push executives' buttons" to get them engaged.

4. Ace the Basics

Just as investors can give powerful advice on the big picture challenges of a startup, they can also help founders avoid tripping up on boring but important stuff, including legal contracts, financial audits, and patent filings. Most early startups outsource such tasks to a network of professionals, hiring in-house finance or counsel as they grow. Investors are ideal sources of recommendations for these professionals.

In addition, investors themselves often have had deep operational experience in one area. Two of my board members were former public company CFOs, and we've directly involved them in our financial planning and sales compensation discussions.

5. Deliver Brutal Feedback

Every startup trajectory has its bumps, and founders, like mogul skiers, live life as a series of small recoveries. A product launch is delayed, a key engineer leaves, customers churn. But when bumps begin to pile up, and multiple milestones are missed, founders can't always see they're in trouble. Investors often can. The best will firmly, impolitically point out failures before it's too late.

Delivering negative feedback is a hard thing that great VCs do, and their experience make them uniquely qualified to do it. Likewise, when founders open up and engage investors in brutally honest, critical conversations about what is and what's not working, it has the double-edged quality of aligning both sides in the pursuit of a fix.