Not all investors are created equal

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Money is a commodity.

Because many will view this claim as provocative, some clarification is in order. For the deals that most investors want to be in, even if they don't know it yet, money is a commodity because the entrepreneurs leading most of these deals don't have to fundraise in the traditional sense. Many of them have investors offering them money before their ideas have seen the light of day because they have been successful before or their ideas are truly innovative. These entrepreneurs are the ones responsible for building companies today that will change tomorrow and that every investor wants to back.

But if money is a commodity, then how do investors get the opportunity to invest in these deals? The answer is reputation. Investors gain access to the best deal flow by offering more than money. Top-tier entrepreneurs approach the kind of top-tier investors who have built a reputation for adding value before, during and after an investment is made.

What happens before an investment is a first impression. For example, how long does an investor take to get back to entrepreneurs after they initially reach out? This is a glimpse into how that investor may respond to requests for assistance later. What if the investor doesn't like the deal or if it's not a fit at that time? It doesn't take much additional effort to provide some high-level, constructive feedback rather than just a dismissive "no" or, even worse, blatant disregard. While many investors blame the entrepreneur for not properly understanding their target audience, the reality is that you never know who that entrepreneur may know. The entrepreneur you turn down may have a relative, colleague or acquaintance who has the deal of a lifetime. But is that entrepreneur going to refer you based on your first impression?

What happens during the actual investment is a handshake. Unfortunately, many investors don't fully appreciate what needs to happen once they are interested in making an investment. Entrepreneurs owe it to investors to be timely with answers to questions about their companies, and investors owe it to entrepreneurs to adhere to a transparent funding process. Investors should make it clear which due-diligence items are critical to their decisions and establish a time line everyone can follow. If investors fail to do so, it should come as no surprise if the entrepreneur shops the deal in hopes of connecting with investors who exhibit more professional courtesy. Investors should also embrace the concept of a balanced term sheet because it rarely ends well if someone is getting a really good deal at someone else's expense. A deal's terms should be firm like a good handshake, but they should be a reflection of mutual respect rather than one-sided dominance because they signify the start of a new partnership.

What happens after a consummated investment is nothing short of a harrowing journey on rough seas. Whether an entrepreneur has done it before, building a company is hard, and that person shouldn't be expected to go it alone. Furthermore, investors shouldn't assume entrepreneurs will know when to reach out for assistance on critical aspects of growing their businesses. It's amazing how many investors invest and then sit back while they await an occasional company update. I've had investors ask me what's going on with a company that they've made an investment in after not hearing from the company for more than a year. This is not the company's fault. Successful investors stay involved with their companies so that they know when and how to add value; this goes way beyond attending board meetings to question financial reports.

Real value comes in the form of assisting with customer acquisitions, helping senior management think through a comprehensive go-to-market strategy and making key introductions to those whom an entrepreneur may otherwise not have access to, just to name a few. A startup's life cycle is a series of ups and downs, but whether investors find themselves happily on calm waters or negotiating unforgiving storms, the companies they invest in need all hands on deck.

Not too long ago, **Bill Gurley** of Benchmark Capital told me he's not really a venture capitalist; he's a salesman. Every day, he sells himself, his firm and the future success they can deliver to a young company. Arguably one of the most impressive investors in the industry and part of a storied firm, he has built a reputation on humility and foresight because he understands that great entrepreneurs have most of the negotiating power.

It's rare for mediocre entrepreneurs to partner with mediocre investors and still build great companies. Great entrepreneurs with great ideas choose great investors to help them build great companies because while money is a commodity, such investors are not.

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