1. Founder-Friendly Investors

While funding requirements are different from one startup to the next, funding strategies are important to consider in the earliest stages. Many businesses can be bootstrapped, or self-funded for some period of time, but the vast majority turn to venture capital at some point in their evolution trading equity for the funding needed to achieve scale. When that day comes, it is critically important to align with founder-friendly investors that are willing to roll up their sleeves to assist the company in tackling its biggest challenges. In *Multipliers*, Liz Wiseman notes, “The value of a venture partner isn’t limited to the financial resources. The real value emerges from the insight and coaching the startup company receives from the senior partners of the venture firm—men and women who have grown businesses, incubated technology, and often managed very large companies themselves. They not only invest the capital of the fund, the invest their know-how into these nascent companies. They coach the CEO, they lend their Rolodex to assist with business development and sales, and they work with the management team to ensure financial targets can be met.” Startups are often drawn to the most prominent names like Sequoia Capital, Benchmark, or Kleiner Perkins, not realizing that their terms are almost always the costliest. In addition, I have found through the years that getting partners from those large firms to take an active role in the startup’s business seldom happens The demands begin shortly after the term sheet is signed and the expectations from one board meeting to the next accelerate oftentimes beyond reason. While the moniker of a top-tier venture capital firm on your website is attractive, the benefits of such a partnership seem to rarely outweigh the costs.

The landscape has changed dramatically over the past 15 years in particular as successful young entrepreneurs have amassed personal fortunes and launched new venture funds. Large, established companies have built dedicated venture arms in an effort to place early bets on emerging technology trends. Many such firms aren't always as edgy when it comes to discussions about valuation and often won't require a board seat in exchange for their investment. This allows young companies to postpone the inevitable shift of influence that occurs over time as companies grow and add new board members.

With additional capital not only comes dilution in equity, but also new voting members to the board of directors. As the startup grows and hits new milestones, the mix of board members may not always share the same vision as the founders and senior executives in charge of the company's day-to-day operations. Founder friendly investors take the time to better understand the long game, more often voting to support the vision of the company's leaders instead of pushing more aggressively for a speedy exit. In *Upstarts* by Brad Stone, he references the dynamics that were in place as CEO Travis Kalanick initiated discussions for Uber's fourth round of financing. "He opened dialogue with half a dozen large investors and ran the process as an auction, searching not just for the most capital of the highest valuation, but for a powerful partner who could facilitate Uber's coming global expansion."

Nobody puts more blood, sweat, and tears into a company than its founders and early employees. The sacrifices that accompany working for early-stage companies with big dreams and limited resources are often extraordinary. When it comes time to raise capital, it's important to keep in mind that protecting equity is critical. That needs to be balanced with the inevitable need to secure the funding necessary to achieve scale. Be wary of ceding too much control to venture capitalists and choose partners that are willing to invest more than just money. The one that takes the time to understand your business is willing to take an active role in helping to build the organization in whatever way necessary and protects the company's best interests every step of the way—that is a founder-friendly investor. Most of the great startup success stories I have witnessed have had them and in many cases their contributions made a world of difference, especially in the early stages. For this reason, aligning with founder-friendly investors is included with the top "Intangibles" that I believe to be key to startup success.