

# 4 Ways to Prepare to Raise Venture Capital

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For many high-tech startups, raising venture capital is one of the earliest obstacles to overcome on the journey from idea to unicorn. Especially in a technology sector where AI is making it simpler each day to launch products, getting funding is one of a handful of ways entrepreneurs can still gain a real long-term advantage over their competitors.

One of the biggest problems founders face when raising funds is a failure to adequately prepare for their raise. Too many founders believe fundraising is an isolated task that can be done within 2-3 months when necessary. The truth is that a successful fundraiser is often the result of a careful planning process after which founders find themselves in a suitable position to seek venture capital.

Here are four things that companies can do from day one to put themselves in the best possible position to raise venture capital when they need a capital injection.

## 1. Reduce legal risks

As a lawyer, I've had numerous startups come to me with term sheets in hand, asking for their legal documents to be retrospectively fixed to ensure no issues when going through due diligence.

The movie *The Social Network*, which is about Facebook's founding, demonstrates how important it is for a company to have proper incorporation documents, founder agreements,

employment contracts, IP assignments, freelance agreements, etc.

While Facebook was successful enough to absorb the \$65 million settlement with the Winklevoss Twins, most startups won't survive early legal challenges, meaning legal mistakes early in a company's life can be enough of a risk to scare away any potential investors.

If you can't afford a lawyer at the early stages, using templated agreements from sites like Law4Startups or LegalZoom can be an affordable way to ensure you aren't making legal mistakes.

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## 2. Network

Fundraising is significantly easier when you already have a network of investors to reach out to instead of needing to build that network while fundraising. This is something that many founders learn the hard way.

The reason for this is two-fold. First, it is much easier to build relationships with VCs when you are a founder, building an interesting product and you don't need anything from them. When your first contact with a VC isn't asking for money but instead to share a little about your project and educate them on your market, you can grow a natural relationship with them. When you're first reaching out to raise money, you don't have a chance to build a personal relationship separate from the fundraiser.

Second, your fundraising process can be streamlined when you have an established network. Instead of talking introductions, asking for funds, going through due diligence, etc., all at once, you can set a date to reach out to your network, inform them of your raise, put aside a week to talk to all investors,

and then set a deadline for them to commit. This streamlined raise will be more successful and less time-consuming. If you don't have an existing network, you can start by attending local startup events, connecting with VCs and founders on X or signing up for online investing networks like NFX's Signal.

### **3. Track metrics**

When you go to raise, investors will want to see data. Even if you have limited customers, they want to see that you already have some customers, some signs of product market fit and a level of shipping velocity behind your company. One key thing with your metrics is to make sure that you aren't just showing numbers out of context but are specifically focused on metrics that show your company's momentum and movement.

This means you want to show revenue growth rates, user acquisition, etc. The easiest way to ensure you do this effectively is to connect automated tools like Google Analytics, Ordway and Stripe to your website and payment systems from the moment you launch.

### **4. Craft your narrative**

One of the most common mistakes I see is waiting until founders need to pitch before starting to craft the narrative around their company. This often fails to impress because founders are tempted to build a narrative around investors, potential, finances and not their customers. Building a story around your customers requires you to craft that story while you are working alongside those customers.

The easiest way to do this is to start crafting your company's narrative based on the benefits expressed by your earliest users when you launch your product and not based on what you feel will appeal to the VCs in a boardroom. The reality is that a real story with real people benefiting from the product

you've built will always be more convincing and effective than the one you construct in the hopes of attracting investment.

Paying attention to why customers are using your products and constantly iterating your company's narrative long before you need venture capital will allow you to craft an honest narrative that will connect with investors.

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## Conclusion

Overall, one of the easiest ways to simplify the fundraising process and increase your chances of success is to plan to have critical elements of your fundraising, like your legal, network, metrics and story, developed long before you need capital from outside investors. Using existing software and dedicating a little time to these tasks from the start will allow you to do this without making other sacrifices while having numerous incidental benefits for your accounting, marketing, culture and more.

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