

Pros and Cons of Venture Capital

Pros

Money: Obviously without additional capital moving your business to the next level will be difficult, if not impossible.

Experience: A key benefit of having relationships with good VCs is the amount of experience they bring to your company. This experience is often varied, but many have specific industry knowledge and many have even been entrepreneurs in the past.

Network: VCs have perhaps even more incentive for your business to be successful because they are investing other peoples' money into your business. They can help bring partnerships and customers to your business through their own networks.

Cons

Control: Perhaps the biggest drawback of accepting VC money is the amount of control you have to give up. Rather than having a management team decide how to run the business or spend the money, your board will have much more control.

Founder termination: Many horror stories of VC involve founders getting pushed out of the company. This does happen. If the founding team is no longer contributing to the day-to-day operations of the business they may be seen as an added expense.

Other aspects of Venture Capital financing

Often VCs will place experienced CEOs into startups to ensure they successfully reach the next stage. This could either be positive or negative, depending on your need for experienced managers.

Your company culture will most certainly change upon accepting VC investment. New leadership and board control will fast track your company for an exit position and expenses will be scrutinized constantly.

VCs invest with the intent of positioning the company for acquisition or initial public offering, so if you intend to remain a private, lifestyle business seek funding from another source.

To best prepare yourself for venture capital funding the best mindset you can have is favoring the success of your business rather than your own personal success. Do not be so attached to the company that if you are pushed out you will be discouraged from starting the next business. Remember you will have your own stock ownership so keep in mind that the best thing for your business could make you a much wealthier entrepreneur. Just ask yourself if you would rather have 5% of \$100,000,000 or 100% of \$0.