



## Virginia Business Lawyers

### Point 2 on How To Pursue Venture Capital

By: **Thomas L. Bowden, Sr.** *This was posted Tuesday, March 16th, 2010*

In our prior post, we introduced our Ten Points When Seeking Venture Capital and covered the first, [Be realistic](#).

#### Point 2.

Be persistent – very persistent. The venture capital business model assumes founders will face many obstacles as their businesses grow. This is one reason why the valuations they place on early-stage companies are so low compared to what the founders may think they are worth.

Experienced venture capitalists also know that they will be “in the trenches” with the management team, and will probably be asked for more money at some point, often under circumstances where the company’s continued existence is at stake. If they sense, for any reason, that the founder or the management team does not believe enough in their concept or their abilities have the courage of their convictions, they may walk away even if they like the business opportunity, or they may condition their investment on installation of the management team of their choosing.

Some venture capital investors will even admit that one of their screening tactics is continue to show interest, while dragging their feet. The goal is to see how far the fledgling company can get without outside money before giving them any of their own. In this way, the venture capital investor gets to see how they founder reacts under pressure, and also just to invest at a time when the need for money is greatest, giving them the upper hand in negotiating terms.

Ideally, a venture capitalist would like to back a founder who is more like [Winston Churchill](#) than [Neville Chamberlain](#). Recall Churchill’s advice to the students at Harrow:

Never give in—never, never, never, in nothing great or small, large or petty, never give in except to convictions of honour and good sense. Never yield to force; never yield to the apparently overwhelming might of the enemy.

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You can find more of Churchill's quotations [here](#).

[Thomas Alva Edison](#) was also noted for his persistence and recognized its role in success. Here are just a few of his pronouncements on persistence.

- Genius is one percent inspiration and ninety-nine percent perspiration.
- I haven't failed, I've found 10,000 ways that don't work.
- I was always afraid of things that worked first time. and
- Many of life's failures are people who did not realize how close they were to success when they gave up.

Edison's arch rival was [Nikola Tesla](#), the inventor of AC power, the power grid and almost everything connected to it (except Edison's light bulbs). Edison would probably have admitted that Tesla was the brighter of the two, yet Edison became wealthy and Tesla died a virtual pauper.

Compare this quote from Tesla to the ones above.

My method is different. I do not rush into actual work. When I get a new idea, I start at once building it up in my imagination, and make improvements and operate the device in my mind. When I have gone so far as to embody everything in my invention, every possible improvement I can think of, and when I see no fault anywhere, I put into concrete form the final product of my brain.

Perhaps Tesla was the embodiment of the phrase "The better is the enemy of the good." Without minimizing his fantastic accomplishments, it's clear why venture capitalists would have preferred Edison over Tesla.

So, as long as you don't hear "absolutely not, never, not in a million years would we ever invest in your company" – keep trying. In fact, even if you do hear that, give it one more try! Persistence is valued over IQ, industry knowledge, and originality.

My next observation and advice will be on the importance of communication in the relationship with venture capitalists. Meanwhile, should you want to know more about venture capital funding, you can contact any of the [Virginia business lawyers](#) at the [law firm of Sands Anderson PC](#).

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