

The Venture Capital Flowchart

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7-9 minutes

Welcome to issue #12 of *next big thing*.

This is the fourth and final part in a mini-series about the venture capital industry.

The previous three essays discuss [solo capitalists](#), [agglomerators vs. specialists](#), and [founder-investor fit](#).

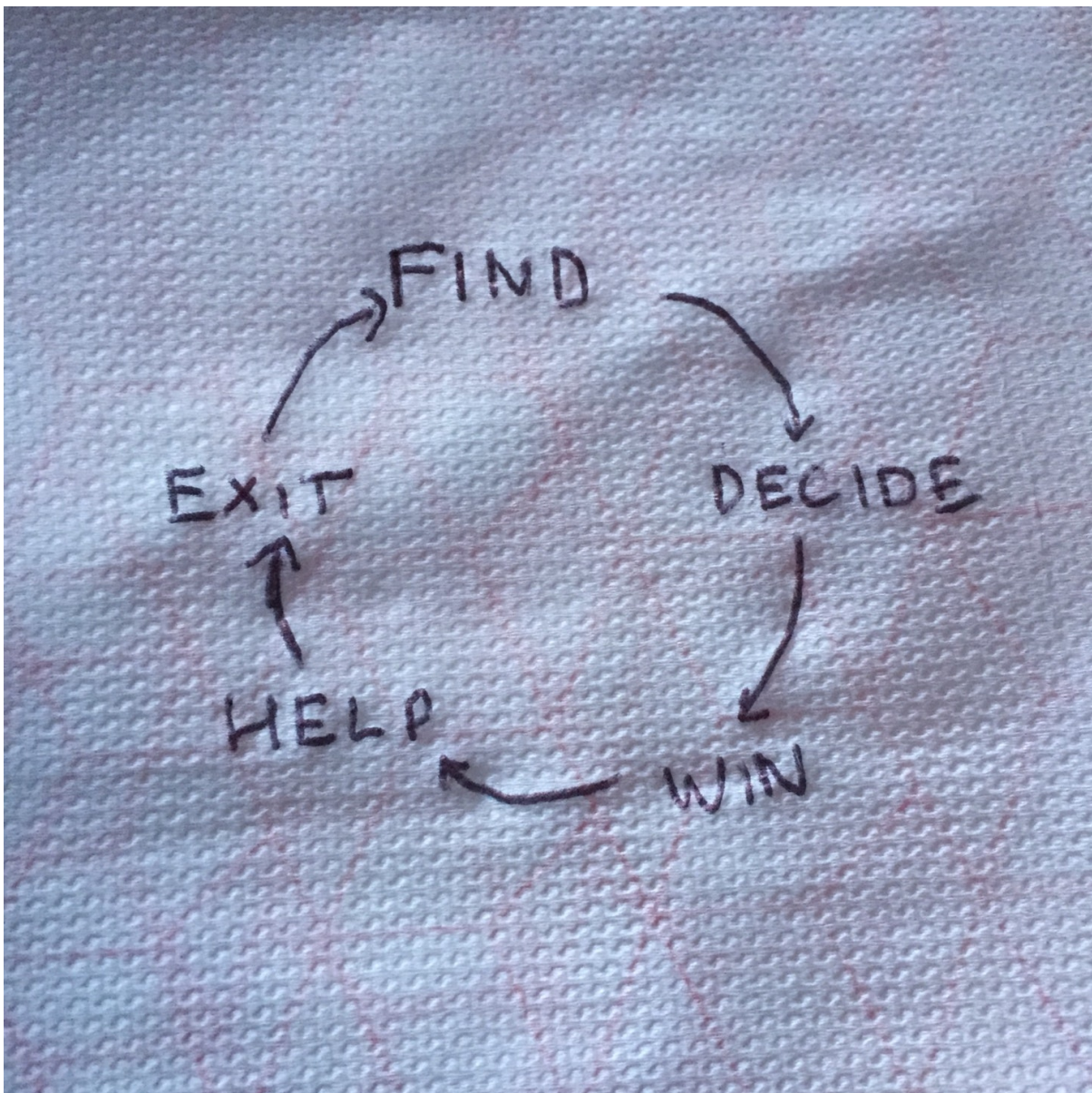
My hope is that this short piece, on the flowchart I think about daily, will help founders and aspiring venture capitalists better understand the profession.

If you'd like to discuss this series on venture capital in greater depth with me, I'd love to have you join a Live Town Hall on August 5, hosted by the team at Highlighter. [More info and RSVP \(for free!\) here](#).

In [An Ending and Fallow Time \(#8\)](#), I recalled one of my partners at Shasta pulling me aside early on in my tenure to tell me:

Don't worry about the title on your business card. You're a venture capitalist now. Do as venture capitalists do. Find, Decide, Win, Help, Exit - those are the 5 parts of the job. Work on them all.

Those five parts of the job were explained to me by my mentor [Tod Francis](#) through a simple flowchart. I drew it on a cross-country flight in 2014 (yes, that's a Virgin America napkin 😊) as follows:



The flowchart helps you think about the role of a venture capitalist as five different pieces—

1. Finding the best companies (**Find**). This consists of both inbound (someone referring an investment to you) and outbound (proactively reaching out to a company) sourcing. It's about access, brand, networking, reputation, being thesis-driven or being opportunistic, and hustling to get in front of founders.
2. Deciding which ones to invest in (**Decide**). Two important aspects of this step, beyond whether or not you have conviction in the founders, the product, and the market, are fit and valuation. Does the investment fit the firm's strategy? And at what valuation does it make sense to invest?
3. Winning the right to invest (**Win**). Many founders have their choice of investors to raise money from, so standing out and winning over the founder to be chosen is a very important part of the job of a VC. This ties in to [founder-investor fit](#), which I discussed last week.
4. Helping the companies you invest in by doing everything you can to help them be successful (**Help**). Different venture firms make different promises about how they support companies post-investment. Living up to that promise is important.
5. Getting a great exit (**Exit**). When things are going well for a company, this ultimately means an acquisition or an IPO, or, in more rare cases, selling shares on the secondary market. When things are going poorly, it's helping the company find a landing.

I've heard others use slightly different frameworks and nomenclature - "sourcing, selection, and stewardship," "see, pick, win, steer" and "access, judgment, winning, helping," for instance. (*Important*

side note: these frameworks leave out a key separate component of the VC job, which is fundraising with LPs).

The reason I like *Find, Decide, Win, Help, Exit*, in the form of a flowchart, is that it illuminates that venture capital investing is a process made up of these five parts, with each flowing into the next.

There can also be compounding effects over time in this cycle; the better the companies you invest in and help steer to exit, the higher the likelihood of you finding the next great investment.

Brand and reputation get built across these five areas, and sometimes in non-intuitive ways. One interesting personal example: one of the investments I led at Shasta was referred by an entrepreneur I passed on years prior. The referring founder appreciated the work we put into the **Decide** phase when we had connected about her business, and despite the “no,” she felt compelled to send another founder our way. I’ve found that putting effort into even the minute details of *Find, Decide, Win, Help, Exit*, can pay dividends in unexpected ways in the future.

There are three core reasons why I think about this flowchart every day.

First, I’m constantly trying to get better at each of these five parts of the job, and have seen successful investors over the years develop superpowers in one or more of them. Some people are uniquely suited to **Find** the best investment opportunities - perhaps they have unique access to networks of founders, or work very hard to proactively reach out to companies that they hear are doing well. Others have a superpower in their ability to **Help** portfolio companies, maybe because they’ve been in the CEO’s seat before, or because of their expertise in product or sales or another relevant functional area.

Second, time management is one of the hardest parts of the job of a VC, and thinking about how to allocate my time across each of these five buckets is a helpful way to prioritize. Is that networking event going to help me **Find** a new investment opportunity, or could a conversation there lead to an **Exit** for one of my portfolio companies? Are the data I’m diving into or the reference calls I’m doing helping me **Decide** whether or not to make an investment? Will this blog post I’m writing about a new market trend potentially help me **Win** the next great investment related to this trend?

Third, this is a useful framework to analyze an individual or a firm’s competitive advantage. Am I investing heavily enough in myself and in my firm to develop a moat in one or more of these five areas? Is there a proprietary nature to my **Find** or **Decide** process that can lead to an unfair advantage over time? Does my firm do something that others don’t or can’t do to **Help** the companies we invest in? Are we building a brand that enables us to **Win** over founders in competitive situations in a repeatable way?

By focusing on these five areas, I’ve been able to hone my own skills, improve my time management, and (hopefully!) improve my competitive advantage over the years.

For example, I’ve tried to over-invest my time in the **Help** I’ve given portfolio companies over the past decade — working hard to source and close new hires, helping entrepreneurs prioritize effectively, and being the most accessible investor on their cap table. The references from the founders I’ve worked with have become a competitive advantage in my ability to **Find** and **Win** the next investment I want to make. I’m constantly humbled by the **Decide** step, but have found that the faster I get to a “no” or “yes,” the better the experience for the founder. Adding feedback and transparency to my decision can **Help** the founder, as well as positively impact my reputation to again improve the chances to **Find** and **Win**. Being a shock absorber in the bad times, and a pusher in the good times, has helped me build a strong relationship with the entrepreneurs whose boards I’ve served on. That’s been particularly helpful during the ups and downs of an **Exit**.

If you’re an aspiring or current venture capitalist, junior or veteran, I hope this flowchart is something you refer back to as often as I do to reset your perspective on the most important components of the job. And if you’re a founder going out to meet VCs for potential funding, I hope this sheds more light on the venture business, and what the person on the other side of the table (or Zoom!) is working on every day.

Thank you to Laura Chau, Mike Smith, Mishti Sharma, and Tod Francis for your feedback on this draft, and to Chandrika Srivastava for being the first reader of all my drafts.

I started *next big thing* to share unfiltered thoughts. I’d love your feedback, questions, and comments!

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