

[delian.io](#) /lessons-1

# Lessons From Keith Rabois Essay 1: How to become a Venture Capitalist

17-22 minutes

published February 4th, 2019

Over the next few weeks I will be publishing an essay each Monday, covering a variety of different topics that I've learned about from working with Keith Rabois. They will focus on investing, management, operations, and hiring. The essays will build upon one another.

Venture can be difficult to break into; it's based on decentralized trust. Partners spend little time together as they're primarily out and about with founders, and so, unlike a startup, where you are crammed into a small office and know exactly what everyone is working on, venture by default requires far more alignment and trust. Last week Keith had 8 board meetings, meaning he spent probably 8x more time with founders than with his partners.

That trust has a very broad scope, from how to allocate resources, to helping founders with future financings, to operational advice and feedback on candidates. Keith needs to be able to trust that the advice I provide to a founder is valid, since he may not see that founder until long after the advice has been implemented.

If venture is your ultimate destination, then your career path should optimize towards building reputation and trust with venture capitalists, across all of the topics above. Fundamentally, in order to get a job in venture a current VC needs to think you will be a good VC. They need to think you have relevant expertise and they need to think you have great judgment. There are no shortcuts to developing expertise or judgement. The path I propose requires a long time horizon, but I believe it sets you up very well for success in the industry. Below, I'll take a hypothetical Jill Johnson, a recent university graduate, through a representative path.

I hope this advice applies to a wide audience, but do recognize that it comes painted with my own biases and privileges of being white, technical, male, and having attended MIT.

## Step 1: Become a junior generalist (2-3 years)

The first step in this path is to start getting experience so that you can join a high-upside early stage startup. To be appealing to one of these startups you need to:

- Learn the basics of sales, marketing, operations, and how to communicate your ideas in the professional world
- Identify a promising early stage startup
- Learn the basics of strategy and get in tune with tech news

As Jason Lemkin points out, a generalist is incredibly valuable at a startup. For most speciality roles, like sales or communications, a strong generalist can pick up enough to be effective in 90 days. This is important: startups are constantly changing, and the specialists it needs are constantly changing, too.

At one of our highest growth portfolio companies, we have this incredible problem-solver, [Olivia](#), ex-Bain consultant, who inevitably moves to a new role every 3 months. You always know at board meetings when the CEO brings up a new major business issue, that the following sentence is, "but don't worry, Olivia is on the job"

One of the ways to become a generalist is to join a consulting firm as an associate. You will see problems across different industries, which will help you identify the patterns across them, and you pick up a variety of different skill sets by helping solve them. The most important skill you learn is how to communicate and present to executives, or what is also called "executive presence".

Don't stay too long in this role. You need skin in the game as soon as possible. Keith actually has a rule where he won't hire anyone who stuck with consulting for more than 2 years. Jeff and Max are good examples that he convinced to leave consulting. Consulting is not the only way to become a junior generalist, however it's one of the most accessible paths to someone fresh out of college. If you're more technically-minded you can hack on side projects and present them at hackathons.

*Jill goes to the on-campus interviews at USC, gets her offer from McKinsey and dives right in. On her nights and weekends she follows tech journalists, CEOs, and VCs on Twitter. She goes to events where they are speaking. She reads about the startups that are launching on TechCrunch. She scours the breakout list ([link](#)). A couple startups catch her eye. She reads Stratechery ([link](#)), so she can translate the business news she sees on Twitter into strategic frameworks.*

*She finds her favorite few startups that are between 20-200 people. She checks out their jobs page. She does her research on their executive team and founding team. She figures out who she would want to learn from there.*

*When she reaches out, it shows that Jill did her research. She references a tweet or a talk from one of the execs. She explains that despite being early in her career, she has an incredible work ethic from consulting and is willing to do anything and learn anything to make the company successful.*

## Step 2: Get experience in a high-growth startup, start to go deep (3-4 years)

It's much easier for a VC to trust someone's judgment on what is great and how to make something great when they have experienced great. Founders will also take your advice more seriously when they know you've seen the other side. I spent just 4 months at Square in 2012, but that short experience completely changed my understanding of how to run a great startup. While working at a fast-growing company you should:

- Learn how an effective startup functions on a day to day basis
- Grow your scope in a growing organization by proactively solving key problems in the business while going deep on a specific skill set.
- Identify venture capitalists that work in the way you want to work and that think the way you want to think

Importantly, growing startups are almost the complete opposite of larger organizations where things tend to be zero sum. Constant growth in an organization means there are always fewer people than there are problems to be solved, and constant opportunities to expand your scope, with limited barriers/structure to you doing so. You should also constantly be re-evaluating whether the company is on a faster upward trajectory than how quickly you can learn and grow. If it's not, figure out how to get somewhere that is.

*Jill gets the job. Her title is Inbound Marketing Coordinator at Verbly. She's responsible for interviewing current customers and putting together content and stories to share with potential prospects. She goes above and beyond and finds a professional photographer to go into a client's office for one of the interviews. She shows that having higher quality photography doubles the conversion rate on those blog posts. The head of growth tells her to go out and get more stories from a few of their recent, even larger accounts.*

It's important that Jill not only satisfies the scope of her role, but also puts on her consulting hat and proactively implements potential improvements without anyone asking. From consulting she knows how to write overview decks to explain the ROI of rolling out the professional photography to all future interviews. From reading Stratechery she has the vocabulary to explain the flywheel she is creating.

Just like in consulting, the way Jill spends her nights and weekends is important for the next steps. Finding a mentor that is just a few steps ahead of you in your career is a great way to accelerate your learning. Spending time with peers at other high growth companies is important as well. You can trade notes on initiatives that worked at other startups that you can implement. This is also the time where you can see which VC's advice from public talks and Twitter resonate the most with you. Whose advice do you find yourself implementing in your day job?

*Jill gets promoted to an Account Executive in under a year because the inbound channel now represents almost 15% of all leads and she is most familiar with the channel. She now manages both the content creation but also closing deals based on them. Thankfully she's made friends with another AE at a larger startup and already knows some of the basics of sales. Her prior experience in consulting helps as well since she was responsible for selling solutions to her clients. Eventually the inbound channel grows enough that she can't handle the volume herself. She gets approval to hire an SDR, to help with setting up meetings with leads, and a marketing manager, to help her with the interviews and*

*photographers. She gets promoted to Manager, Inbound Channel just over 2 and a half years into the job.*

Beyond just trying to get into venture capital, joining a startup early on in your career can be the right move for a variety of goals. Mostly because it opens a lot of potential doors. If you spend 2 years being an APM at Google, no matter how hard you work, the outcome is essentially the same as all of your peers. Spend 2 years at a startup, and your outcome can vary wildly. Over time this effect compounds massively and if you look at the most successful people in technology, they were always spending their time on high risk/high reward opportunities. For me, in this step, I dropped out of MIT and founded a company. Though it didn't become a unicorn, we did build a product that many people used and paid for. I learned how to raise money, build and manage a team, and sell enterprise contracts to healthcare systems. During that same time most of my peers at MIT got the same degree, so very little variation, and they definitely weren't learning at the same rate I was. Their iteration cycles were a semester-long, versus mine which were a couple of weeks.

### Step 3: Allocate resources with VCs (3-4 years)

Having startup experience under your belt will make you an attractive candidate to join the world of venture. Ideally you can:

- Join an early-stage startup in a senior position
- Gain exposure to board members and participate in strategic discussions with them
- Begin angel investing on the side, even with very small checks or with your time as an expert advisor

As you are looking for your next role reach out to a few of the venture capitalists you admire. Ideally with a warm intro, but any smart VC will absolutely respond to an email like the following:

*Hi Alfred,*

*I've been a long-time fan of yours and Sequoia. I loved your lecture in Sam Altman's how to start a startup class. In it you said that a founder should decide what principles they want their company to operate by very early on and that it's one of the most important decisions they make. I've tried to go through the thought process myself and decide what principles I would choose, and filter where I would work with whether they use those same principles.*

*I've been at Verbly for the past 3 years, where I started off as a marketing coordinator, focused on our inbound channel. During my time there I grew that channel from bringing in \$300k in ARR per year to \$1.4m per year and hired 2 people onto my team. Meanwhile Verbly has grown from 40 to 400 people, and I'm itching to get back into an earlier stage startup again.*

*Would you be open to meeting to discuss potential head of marketing positions at some of your portfolio companies?*

*Thanks,*

*Jill Johnson*

Irrespective of wanting to work in venture long-term, VCs can be a great place to go to for advice on next steps. They work with a large set of portfolio companies and get pitched regularly, so they can act as a matchmaker between your interests/skill sets and open executive roles. They can also help you judge which startups are high potential and guide you in that direction.

Working in a senior role at a startup where a VC serves on the board is one of the best ways to establish a relationship and build meaningful trust. Do great work while you are there, and the VC will absolutely take notice of you. Ideally occasionally you can present your progress at a board meeting.

I've noticed the dynamics of a board meeting, and a Monday morning investment partner meeting are actually relatively similar. In both you are reacting to slides, discussing strategic trade-offs, and deciding on resource allocation. It just happens to be that partner meetings involve 10-20 companies at a time versus a board meeting is focused on just one.

This part of the path has countless examples. I ran growth at Teespring where Keith was on the board, and was how I got recruited to work with him. Keith was the COO at Square, where Vinod Khosla was on the board, and is how he got recruited into Khosla Ventures. Alfred Lin was President and COO/CFO of Zappos where Michael Moritz was on the board, and how he got recruited to Sequoia.

*Jill gets the job. She joins as the head of marketing at UnFair, a promising Series A startup with 20 people. Since their average contract sizes are quite low, and the product is mostly self-serve, almost all of their revenue is marketing-driven. She also starts to field questions from other founders who are struggling to scale their inbound. The board members at UnFair can tell she has a valuable perspective on the topic, so anytime one of their founders comes to them with a problem, they refer the founder to Jill. As a part of this Jill decides to start investing a small amount in some of the companies where she can add value and have the highest potential.*

One way a venture capitalist helps founders is through a network of experts in a variety of different fields. Becoming one of those expert can be a great way to kickstart how many founders you interact with. Putting some skin in the game can be the best way to learn investing, so a critical part of this path is that Jill begins angel investing. Venture requires a high risk tolerance, and angel investing can signal to others that you are comfortable with that level of risk. My best performing angel investment to date was in the seed round of Eaze. One of my roommates at the time told me about it and I committed to investing everything I had in my bank account aside from what I needed for next month's rent, which was about \$6k. I did have the fallback of being technical so I could get a high-paying job whenever I wanted plus a supportive family, so maybe don't quite do like I did, but show that you are willing to tolerate more risk than the average person in your shoes.

Whenever a VC interviews a potential candidate, it almost certainly comes off as a red flag if they've done zero angel investing while working in Silicon Valley. There are so many opportunities to invest in even while having a full time job that if one were predisposed to venture long term, you would have been almost certainly unable to resist at least a few of those opportunities to invest. If you can't invest money for one reason or another, then invest your time and help founders. You can either get compensated via advisor equity or eventually via them vouching for you as a reference.

Finally, after succeeding as an executive, becoming known as an expert willing to help other startups, and doing some investing, Jill is ready for a role in venture because she has built up a reputation for potentially being a good VC by building trust and expertise across all the various skill sets you need to be a good VC.

#### **Step 4: Learn from the best (needs work)**

After building up a reputation, relationship, and trust, the interview process is largely meeting the rest of the partnership, and if you have the opportunity, interviewing at a few different firms to see where there's the best culture fit. I won't dive into this here, but it's important to find a firm that invests in the types of things you like to invest in, and works in the way that you like to work. I also would encourage you to wait until you have the opportunity to work with someone that you think is at the top of the field. Working at a lower-tier firm will teach you all the wrong lessons and make it very difficult to move up.

Venture is in most ways a completely different role than what Jill has done before, which is why I would encourage negotiating for an apprenticeship aspect of the role. Getting to shadow a successful GP around to their board meetings, founder pitches, and executive interviews is one of the best ways to learn how to eventually be a successful GP.

It goes back to the same reason as to why you want to be at a fast-growing startup, you want to optimize for how much you can learn, and if you are stuck in a back office only doing diligence, you'll only learn about a very narrow aspect of what it takes to be a good VC.

#### **Summary:**

- Become a junior generalist by learning the basics of sales, marketing, operations and how to communicate your ideas in the professional world. Identify a promising early stage startup you want to join. Learn the basics of strategy and get in tune with tech news.
- Get experience in a high-growth startup and learn how an effective startup functions on a day to day basis. Grow your scope there by proactively taking on solving key problems in the business. Identify venture capitalists that work in the way you want to work and that think the way you want to think.
- Join an early-stage startup in a senior position. Gain exposure to board members and participate in strategic discussions with them. Begin angel investing on the side, even with very small checks or with your time as an expert advisor.
- Learn from a great venture capitalist

I'd like to give thanks to some of the people that I used as inspiration for this formula/story. I admire all of them:

Ashley, Jeff, Brett, Olivia, Tess, Lexy, Max

Thanks to Owen Boochever, Keith, Tess Rinearson, Lachy Groom, and my mom for reviewing this.

Next week's essay is titled "How to interview an executive"