



Four Things Some VCs Do That I Don't Like

by Ben Horowitz

"They smile in a n!)#% face
And for what
They got the game f!@#^& up
And want my thang f!@#^& up"
—Dr. Dre, B!@#^ N!@#^*

After being an entrepreneur for most of my adult life, I've now been a part-time angel investor for 5 years and a full-time venture capitalist for the past 9 months. During that time, I've come to appreciate the real value that great venture capitalists provide: amazing informational awareness, comprehensive business networks, providing brand cover for companies so that they can recruit and raise more money effectively, and more.

Still, some VCs do things that I really don't like. This post is for them.

1. They are fake casual

A lot of VCs dress casually, speak casually and encourage the companies in which they invest to have casual board meetings and casual discussions with investors. They say things like, "We're part of the team with you and we're building this together, so no need for formal behavior, formal thinking, or unnecessary preparation." This would all be terrific—if it were actually true.

In reality, the entrepreneur is building the company, and I've yet to see a VC who shows up in the company's office at 8 am and works until 11 pm 7 days/week, so no: they are not "part of the team". More importantly, VCs invest other people's money into their companies and have a strong fiduciary responsibility to make sure that the entrepreneurs run their companies properly. Sure, casual board meetings might be fine as long as the company is delivering terrific results. However, at the first sign of trouble, I hear things like: "The founder is not really capable of being CEO. He doesn't even present critical information in an organized fashion at the board meeting." Well, maybe he would have done that had you not instructed him to "keep things casual".

As an entrepreneur, you should take board meetings seriously because board meetings are serious. If one of your VCs implies that board meetings aren't serious business or that they prefer that board meetings be primarily open-ended discussion, you should view this as a 5 year-old child requesting complete autonomy and unlimited candy—that may be what they are asking for, but what they really crave is structure.

2. They want to grab a cup of coffee

Some of my best friends are VCs, and I am always happy to see them. Some VCs have important business to discuss with me and I look forward to those meetings. Some VCs are extraordinarily smart and meeting them is educational, and I am grateful for their insight. However, many VCs who want to have coffee with me are none of the above. Worse yet, they have no agenda and no purpose. They just want to "compare notes."

When I was CEO, I didn't take meetings with no agenda and no purpose. I'm not sure why I should take them as a VC. Of course, when I was CEO, people knew better than to request a meeting with me with no agenda and no purpose. I think that these VCs have mammas that didn't raise them right.

More importantly, VCs having coffee with one another is a key conduit for VC groupthink. This is how you get 30 venture-backed startups going after the same market at the same time. It's bad news for VCs and it's bad news for their companies.

My proposal: less coffee, more original thinking.

3. They confuse pattern matching with knowledge

As a VC, I have come to understand the value of “VC pattern matching.” Experienced VCs have been on dozens of boards and seen thousands of deals. As a result, they recognize patterns of strategy and behavior that generally work, and patterns that generally fail. This is very valuable information for an entrepreneur who, if lucky, only sees one deal in his career.

Unfortunately, many VCs overreach with their pattern matching. Rather than saying, “Most companies who sell at this stage, regret doing so, and here’s why,” they’ll say, “Don’t sell now, that’s a stupid idea.” Other commonly expressed and incomplete patterns include “don’t hire very fast”, “hire faster”, “don’t build a sales force”, “build a sales force”, “don’t build downloadable software”, and “build an iPhone app”. None of this is useful input for your specific company.

A pattern-matched instruction without a rationale provides very little help. Either admit that you are pattern matching and that pattern matching is limited, or explain yourself.

4. They are pseudo-tough

VCs often confuse marginal social courage with real courage. For example, they think CEOs who fire people easily are tough. I’ve fired dozens of people and laid off hundreds. None of them was easy—not a single time. Having an easy time firing your loyal employees indicates a lack of courage and a lack of leadership. More specifically, it indicates a lack of willingness to really understand the negative consequences of those actions. If you fire people easily, you likely lack the toughness to look in the mirror.

VCs who value pseudo-toughness often display it themselves. I see them bully entrepreneurs by directing them to do things without having the intellectual courage to explain “Why?”. They berate the CEOs in their companies, but don’t have the cojones to stand up to their own senior partners. They undermine their own CEOs in their own companies by interfering with important decisions, but don’t have the moral fortitude to even tell the CEOs that they are doing it. These behaviors are not tough; they are pseudo tough. Pseudo tough VCs really annoy me, and damage their companies in the process.

If you are a VC and want to be tough, be *real* tough. For a VC, real tough is:

1. The strength to explain in detail to an entrepreneur what she is doing wrong when the company is doing well, in order to improve her performance.

2. The courage to do what's right even if it makes you look really weak to the partners in your firm.
3. The valor to tell an entrepreneur precisely why you are not going to invest in her company rather than giving the traditional "VC no" by just going dark.

Give it a try, tough guys.

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