

15 Questions Venture Capitalists Will Ask Before Investing in Your Startup

1. Is There a Great Management Team?

Many investors consider the team behind a startup more important than the idea or the product. The investors will want to know that the team has the right set of skills, drive, experience, and temperament to grow the business, **so anticipate questions about it.**



2. Is the Market Opportunity Big?

Most investors are looking for businesses that can scale and become meaningful, so make sure you address the issue right up front as to **why your business has the potential** to become really big.



3. What Positive Early Traction Has the Company Achieved?

One of the most important things for investors will be **signs of any early traction or customers**. Investors will want to know, How can the early traction be accelerated? What has been the principal reason for the traction? How can the company scale this early traction?



4. Are the Founders Passionate and Determined?

Many venture capitalists look for **passionate and determined founders**. Are they individuals who will be dedicated to growing the business and facing the inevitable challenges?



5. Do the Founders Understand the Financials and Key Metrics of Their Business?

VCs look for founders who truly **understand the financials and key metrics** of their business. You need to show that you have a handle on all of those and are able to articulate them coherently.



6. Has the Entrepreneur Been Referred to Me by a Trusted Colleague?

Venture firms get inundated with unsolicited executive summaries and pitch decks. The best way to capture the attention of a VC is to **get a warm introduction** from a trusted colleague.



7. Is the Initial Investor Pitch Deck Professional and Interesting?

From the pitch deck, the investor hopes to see an interesting business model with committed entrepreneurs and big opportunity. So make sure you have prepared and vetted **a great pitch deck**.



8. What Are the Potential Risks to the Business?

Investors want to understand **what risks there might be to the business**. They want to understand your thought process and the mitigating precautions you are taking to reduce those risks.



9. Why Is the Company's Product Great?

The entrepreneur must clearly articulate what the company's product or service consists of and **why it is unique**.



10. How Will My Investment Capital Be Used and What Progress Will Be Made With That Capital?

Investors will absolutely want to know how their capital will be invested and your proposed burn rate (**so that they can understand when you may need the next round of financing**).

It will also allow the investors to test whether your fundraising plans are reasonable given the capital requirements you will have.



11. Is the Expected Valuation for the Company Realistic?

Often, **it's best not to discuss valuation in a first meeting** other than to say you expect to be reasonable on valuation. But the venture investor also doesn't want to waste a lot of time on a deal if the valuation expectations are unreasonable or not attractive.



12. Does the Company Have Differentiated Technology?

As most venture investors invest in **software, internet, mobile, or other technology companies**, an analysis of the startup's technology or proposed technology is critical.



13. What Is the Company's Intellectual Property?

For many companies, their intellectual property will be **a key to success**.



14. Are the Company's Financial Projections Realistic and Interesting?

To believe your financial projections, investors will want you to articulate the **key assumptions** you have and convince them those assumptions are reasonable. If you can't do that, then the investors won't feel **you have a real handle on the business.**



15. Is Your Legal Formation Clean and in Compliance with Applicable Laws?

Before pitching your business, you need to make sure the company is **clean from a legal perspective**. An experienced startup lawyer can help significantly.