You Aren't Getting the Most Out of Your Investors — This is How to Start

15-19 minutes

This article is by Paul Arnold, an angel investor and startup advisor.

We scribble notes on an already crowded whiteboard, surrounded by the buzz and hustle of one of San Francisco's popular co-working spaces. Across from me is the head of marketing for one of the startups I first invested in as an angel. The founder had asked me to weigh in on their first major product launch plan, and there was an opportunity to collaborate on a strong, cohesive message that would tie it all together.

"Let's get really granular with our idea of who these customers are," I offer. And over the next hour, we work our way to a clearer framework of different customer segments. We build on what the team already knows about who will buy the product and how to tailor sales and marketing to each group. In the end, we left the room feeling like we had an iron-clad go-to-market strategy.

Later, I received an email from the founder, Derek Steer of MODE, who wrote, "The value, in my eyes, is that you took a lot of what we planned to do and got us thinking even more about the customer framework, which helped us easily determine our next steps." **But the credit was really theirs**. The MODE team is great at getting value out of its relationships with investors.

Helping investors help you is a rare, impactful skill for a founder to have. Too few are good at it. Based on my experiences angel investing, here are the most impactful actions founders can take to capitalize on their investor connections.

START WITH THIS CHECKLIST

The first thing to realize is that it's the investor's job to add value. Startup investors generate returns in three ways: They identify good companies, they add value after investing, and they help companies exit. That middle step is crucial.

Every founding team should strive to get the most from their investors. While they generally won't be there with you day-to-day, they can be transformative when it comes to solving specific, discrete problems. I created this simple checklist of areas to ask for their help. You should set aside time every month to do a quick rundown and identify where each investor can bring the most value:

Who this month can:

- Make deals happen.
- Help build my team.
- Help us grow the right way.
- Coach me and give me guidance that is relevant right now.

MAKING DEALS HAPPEN

Few things build value faster than landing deals. Investors create serious value when they help you close a major customer, introduce a key partner, or forge relationships with investors for your next round. Many of your investors will have operational and deal-marking backgrounds, not to mention their huge professional networks. They are natural deal accelerators.

I love it when founders give me a wish list of deals they would like to make within a certain time frame — the ideal customers, strategic partnerships, or venture firms they would like to have involved. By making this information completely transparent and a bit aspirational, it lets me lean in where I have connections and keep my eyes peeled for other opportunities. I will always spend time with a wish list like this thinking about how I can get founders in front of the right people.

In Sales and Business Development

A great way to get help closing sales is to send regular email updates. There's a lot I can do with an email that gives me the specific names of customer leads for a sales intro or a CEO for a business partnership. As a founder, if you know your investor has a relationship with someone on this list, reach out immediately and ask them directly if they could broker the introduction. Don't hedge.

This is effective more than you might think. One founder I work with sends investors a weekly update of his sales pipeline with progress made and goals against a few key prospects. If you can't do it weekly, send a monthly email like Derek from MODE, enumerating all current sales prospects and their status.

> Investors can only help if you are transparent all the time, not just in good times.

This sounds like common sense, but a surprising number of founders only want to update investors once they've closed deals. They worry that they'll look bad or weak or behind if they share leads that don't convert. This is a bad approach. Your investors have the experience to know that not all leads will end in a deal. And we know there are better and worse months for sales. But we can't make any conversions happen if don't know where to direct our efforts.

In Closing Your Next Round

Your existing investors can be one of your best channels for bringing new investors into your next round. They should advocate for you with later-stage funders. Start early working with your investors and sync on your next round goals. Talk through it so they know how to help, who they should be introducing you to (most important), and how to position your growth story. Develop your next round investor wish list with them.

Recently, a founder of one of my investments called to tell me they were about to go out for their Series A and wanted my help. Over the next month, we talked a couple times a week and traded a lot of materials back and forth to make sure the company was putting its best foot forward. I worked with the founders to understand the differences between Series A investors, refine their wish list, build their pitch materials, and make introductions to their top-tier choices where I could. This expedited term sheet offers.

BUILDING YOUR TEAM

Helping you recruit the strongest team is one of the most valuable things your investors can do. They often have large networks to draw from — particularly for senior key hires — but really, you should ask them for help hiring across the board.

Make sure everyone is aware of the positions you're looking to fill. When sending investor email updates, include your open positions. If one of your angels has depth in a particular area, ask them personally for help with a specific role. Dig into their networks ahead of time using LinkedIn and tell them which introductions will move the needle the most.

Be more specific about your hiring. A founder recently sent me a very detailed job spec for a hard-to-hire engineering role. He spelled out in detail the personal and technical qualities of the ideal candidate. His detailed spec was much more useful than the too-frequent request for a “rockstar backend engineer.” It dramatically sharpened the focus of who I should refer. It's easy for your investors to cast too wide a net. This leads to wasted effort and running out of bandwidth initiating the wrong conversations. Narrow the field for the best results.

You should leverage your investors beyond sourcing too. For important roles and areas outside your expertise, consider engaging investors by bringing them into the hiring loop.

Several years ago, I considered an executive role at a hot startup, and after meeting with the CEO, she had me interview with the Chairman of her Board. It was a smart way for her to double check her thinking. I took the lesson to heart and now regularly offer services as an interviewer. It's always good to balance your perspective with someone else who has a bit of objectivity and distance from the day-to-day, particularly if you haven't hired for this seniority or role before. In many cases, involving the right investor will help you keep the bar high and rising.

GUIDING GROWTH

So let's say you were smart enough to select some investors based on their industry-specific knowledge. Now that you have them, are you taking advantage of this expertise? Are you reaching out when you aren't sure what to do next? If not, you should. Start taking your hard problems to your investors early and there's a good chance they'll help you cut through the noise. In particular, I recommend airing your tactical problems. You don't have to reinvent the wheel on common tasks like contract terms or equity grants or debt financing. It's better to spend 5 minutes having them give you the answer than spending hours figuring it out yourself.

Really digging into industry and strategy questions takes a lot of time. Good, quality, face-to-face time. I suggest that founders put work sessions on the calendar with the VCs and angels that can guide them through operational and strategic challenges of growth. Perhaps the best advice: Bring in investors who have a history as entrepreneurs and practitioners themselves.

Once you get this time locked in, it's on you the founder to create and communicate the agenda. You know the immediate problems. Beforehand, send a detailed email to your investor about the problem (ideally just one). Include supporting materials as you easily can share (context, articles, market and customer data, etc.).

And don't forget to have good problem-solving hygiene: Take notes, use a whiteboard for dynamic thinking, generate several options before narrowing them down, make a list of actions everyone is going to take after the meeting, make sure assignments are clear, and schedule times to follow-up on next steps.

Company building and operations is one area most founders look for guidance. Last year, I wrote about my experience scaling a startup and how scaling requires a lot of operational changes. You need to think through organizational structure. You need to create processes, systems, and metrics, often for the first time. You need a way to manage the performance of your growing sales and engineering teams. And you need increasingly specialized functions over time. It's a lot of moving pieces. Investors who have been through this before can help founders get it right the first time.

> It's an investor's job to keep an eye on the big picture. Leverage their perspective.

Investors usually work with multiple companies at once and have a history working with even more. If anyone is privy to the macro trends that could influence your startup, it's them. They'll see things coming down the line. They'll see many different approaches to things like competitive positioning, defining target markets, and scoping products. You just have to open the door to them regularly communicating this information, which is all about expectation setting. If you want them to email you whenever they have a new thought for you, encourage them to do it. VCs and angels try to balance helping you out and not getting in your way.

GETTING THE COACHING YOU NEED

A lot of founders talk about mentorship, but very few seek out and make coaching relationships work. I don't care who you are, you will be better at your job with a good coach and mentor. Great leaders like Steve Jobs and Mark Zuckerberg have relied on coaches and advisors throughout their careers — not just when they hit tough spots — so, you can bet that seeking out solid mentors is worth your time.

My advice: Curate a few mentors who you respect and trust with the fate of your company. Your investors are a natural place to look. Most of them will have accumulated valuable experience, judgment, and outside perspectives. Even more importantly, they are vested in your success.

Be frank with them about how important coaching is to you and tell them in very specific terms where you would like them to focus. It might be on building leadership and management skills, it might be pushing you on ideas where others don't, or it might be candid feedback about how you interact with other people. Having a candid conversation with your would-be coaches about how you want the coaching process to work is a good way to get started.

A lot of people can and should be mentors — former bosses, industry leaders, your successful uncle. But investors play a distinct role in your mentorship network because they're coming at it from a different angle. They have skin in the game. They're likely to take the mentorship seriously, and are incentivized to be more honest and provide an unvarnished opinion where others might not.

> The key to being a good mentee is to be vulnerable.

Founders often struggle being vulnerable because of the personality traits that make them great founders to begin with. They're under immense pressure as leaders and everyone is counting on them (and paying a ridiculous amount of attention to their every move). No wonder they feel the need to always present a confident facade. I get that, but the best leaders also know how to get in touch with the areas where they don't feel as strong and turn to knowledgeable people they trust for candid help.

The founders I have the best working relationships with stay in constant contact with me. They're the ones who send me emails throughout the week and call me on Sunday evenings to discuss the next big deal, the under-performing hire, or whatever else is keeping them up at night. My ability to coach is built on the trust established while getting to know these founders. If I wasn't in regular contact, or didn't have a real-time sense of what they were experiencing, there's no way I could be as helpful.

TACTICS FOR INCREASING INVESTOR ENGAGEMENT:

Set discrete goals with your investors. Here is one of the most impactful conversations a founder can have with an investor: What outcomes will that investor commit to achieving for the company over the next 6 months? This aligns everyone behind goals and gives investors clarity and healthy accountability. It sounds demanding, but it won't be received that way, and everyone will be better off. It will also clarify who actually brought the value they promised when it's time to discuss things like pro rata for follow-on rounds.

Get the time commitment. You need investors to give their time — simple as that. If you don't, nothing else here matters. Set time expectations with investors before you even bring them aboard. While you're discussing a potential investment, tell them, "We're looking for investors who can commit X hours a month to helping us grow." Discuss their availability. You might have angels who are retired and making just a few investments, or you may have Fortune 50 CEOs who make 20 angel investments a year. The latter, while influential, just isn't going to have the same time. Consider this seriously in your decision.

Send regular email updates. You need to give investors the context to be helpful. Regular email updates ensure they're up to speed when you make specific requests. I suggest at least two updates per quarter that include your latest wins and current challenges in product development, sales and traction, hiring, and financials, as well as any needs they can help meet. As one CEO recently told me, "I should have forced myself to send quick updates every 6 weeks. It reduces the transaction cost of asking for help."

Narrow the field. When you talk to your investors, focus in on your biggest most timely challenges. I have seen this work like a charm when founders need to land key hires, ask for executive-level introductions to companies they're targeting as customers, and more. **Be sure to publicly thank investors that have been helpful.** Everyone likes to know their efforts were productive and appreciated. They'll be that much more likely to help the next time.

Don't be afraid of your investors. It's not unusual to feel intimidated by people who give you money. Maybe they're much older and have big accomplishments. But don't be afraid to engage them frequently. They will respect you more if you exhibit the confidence to communicate with them as peers. As one of my favorite CEOs, Jennifer Fitzgerald of PolicyGenius, puts it: "It's easy to fall into the trap of not engaging your investors because you're afraid of getting asked a question you can't answer."

> Flip the fear in your head, and ask them that question you can't answer.

Jason Shah, founder and CEO of Do, is one of those model founders who pulls all of these tactics together. Before I ever wrote him a check, he spearheaded several conversations to explore how I might be able to help. Early on, he shared specific line items where I could add value. His regular updates are engaging and make targeted requests about how to weigh in on everything from real estate to individual sales deals. He makes it easy to know where and how to help. As a result, I think he gets much more out of his advisors than another founder with the exact same backers would if they weren't as proactive.

Some founders do all of this extremely well. The point is, all founders should.

Before becoming an investor, Paul Arnold was an executive at AppDirect and consultant at McKinsey & Co. He tweets at @paul_arnold.