5 Questions VCs Are Thinking After Your First Meeting

The following story is by Chirag Kulkarni, a serial entrepreneur and advisor. He is currently the CEO of C&M Group, an entrepreneurial strategy consulting firm focused on growth and new product innovation for startups to Fortune 500s. Previously, he cofounded STR, a B2C and B2B racquet-stringing company, and sold it in 2013.

Recently, I launched a way to get myself more involved within the entrepreneurial community globally, called office hours. It is one of my favorite ways to easily meet smart and aspiring entrepreneurs.

While hearing and working with many smart entrepreneurs, I have realized that many of them are making significant leaps towards leaving the corporate world and carving a path on their own.

Especially with the fanaticized notion that venture capital is the way to go, there have been more and more questions about receiving venture capital. People will text me or send me emails saying that their VC meeting went very well and that they crushed it.

Most don't realize that what they may be thinking after their VC meeting may not be what their potential funder is thinking. Here are 5 things VCs are thinking after your first meeting:

1. Is this idea going to work?

As most venture capitalists and entrepreneurs say, "talk is cheap, execution is key."

Although every business starts with an idea, most venture capitalists are banking on the traction and overall execution regarding whether an investment would actually propel a company forward.

2. What's the risk associated?

Like any investment, balancing risk and reward is important. Risk is largely accounted for by the founder's background, current projections, future projections, etc.

Remember, there are different types of investors: strictly financial investors, "passion investors", angel investors, etc. No matter what kind of investor you are pitching to, he or she is looking for a return on investment, especially if the VC is from a firm.

3. Is *this* team the *right* team?

For a majority of VCs, the team component is one of the first on their list. Which makes sense, because your team is the sole driver of your business.

Although you may be thinking you are the right team, many investors may believe that you are not because you lack experience, relevant domain expertise, management skills, or commitment.

One of the easiest ways to mitigate this risk is by picking cofounders who have different skill sets. For example, if you are a business guy starting a tech company, your cofounder should be technical, instead of another business guy. This creates depth so that you immediately decrease your burn rate and aren't paying money for outsourcing services.

4. By saying yes to this, would I be passing on something better?

VCs manage the money of investors. Because of the limited amount of funds, investors need to be strategic as to who they fund.

One of the biggest things that investors face is the fear of passing up a company like Google for a company that would be worth a much smaller amount in the future.

In other words, no matter how great your company is, investors may not feel that your business is worthy that day. Don't give up. Some of the greatest businesses have been passed up because an investor does not see the vision.

This is normal, and the beauty of having thousands of investors both private and venture capital–based is that you have more options than ever.

5. Is this the right time to invest?

Let's say your startup is doing incredible numbers, you are growing month by month, you feel you have the right team, and everything is looking positive.

Great! You have a higher chance of a VC backing you!

However, your VC may think that you can continue to grow and don't need the VC money right now but that you may need it three years down the road. Keep growing.

Conclusion

It's good to be excited for getting a VC meeting. However, it is important to think like an investor so that you can challenge their thoughts and increase your chance for investment.