

10 Rules to “Bet the Jockey”

As told by David S. Rose, Entrepreneur, Angel Investor, Educator

Translated by Travis Giggy, SmallBusinessVictory.com

When considering which opportunities to invest in, Angels and Venture Capitalists “bet the jockey, not the horse”, which is to say that they pay much more attention to *who* they are investing with than *what* opportunity they are investing in.

To obtain investment from Angel or Venture Capital sources, an entrepreneur must possess ALL 10 of these traits:

1. Integrity

No blowing smoke here... Integrity is what a cold-hearted, eagle-eyed investor looks for - first and foremost.

The investor must spend a lot of time with you. With the least bit of worry about your integrity or intentions, she will pass on your opportunity. For a high-powered investor - life is too short to deal with those short on integrity.

2. Passion

If you don't have the passion to be an entrepreneur and create something, you won't survive. Entrepreneurship is not an industry for the faint of heart.

While passion is really important, the more important thing is not "baloney passion" - don't fake it. You need what is called "quiet passion" via time spent, having total command of your subject.

Don't jump around and "act" passionate! BE PASSIONATE – and prove it through your domain knowledge and time spent.

3. Experience

Those with previous experience as a start-up entrepreneur are funded faster and easier than first-timers. Some things you only learn by doing it yourself and being there.

But how do you get the experience, you say? The options are as varied as your creativity:

- Join another startup and help them to success before venturing out on your own.
- Recruit an entrepreneur with previous startup experience to join your team.
- Recruit powerful board members and advisors who can sway the opinion of a potential investor.

4. Domain expertise

"It is amazing how many plans we get from people who are otherwise nice, and well prepared, but know nothing about the subject matter. Probably a majority of plans are bright people who don't know what they're doing." – David S. Rose

5. Functional skills

Finance, sales, management, product development, fund-raising, people management. The more of those skills you can show you or somebody on your team has, the better off you are. VC's are investing in a team – in a company - not an idea.

They want to take the small amount of money they put into your company, and turn it into a big amount of money. That takes execution on the business model. They are looking for execution – without these basic business skills locked down you can't execute.

6. Leadership ability

You need the ability to go out and inspire people. Once under way, you must keep people motivated.

If you're going to be the CEO, you must inspire, guide, manage, people. Not every founder should be a startup CEO.

7. Commitment

Your're starting a journey together. The investor says, "I'm putting in cash and you're putting in the work." Once you jump in bed together, your're committed to the end.

When bad things happen - and bad things will happen, you must be prepared as an entrepreneur for it to happen. You must go under it, through it, over it, beside it, but just get through it!

8. Vision of long term creation of something

There was a recent study of 6,000 Columbia business school entrepreneurs. They found only two correlations on if they will be successful in business:

- Those with the main objective of “being their own boss”, or “not working for the man” – have less of a chance of succeeding than average
- Those with the intense desire to create and build something, to make a better world, etc. – had higher than average chance of success

This goes hand in hand with the trait of Passion, described above. An investor will never put cash into your company if you merely want to own a business for the sake of making a lot of money. They're looking for somebody committed and passionate, with a desire to create something of value for the masses.

9. Realistically, how are you going to change the world?

How are you going to get through this month, next month, next year? Build me a bottom up model for success. Be conservative in your forecasts - and then hit them.

If you hit your forecasts, it greatly enhances your credibility.

10. Coachability - You're not just getting cash

If they invest, will you listen to what they have to say? Angel investors, in particular, are former (and sometimes current) entrepreneurs themselves. One reason they invest money in startup companies is because they enjoy the interaction with up-and-coming entrepreneurs. They want to work with people who are willing to listen to their advice and take expertise under advisement.