

Startup funding always comes with this catch

In a recent issue of Teaching Startup, I answered a question from a second-time entrepreneur about accepting venture capital funding that would ultimately put his product on a different path than the one he believes will make his startup a billion-dollar company.

While I was answering the question and laying out some negotiation options, I noted that this scenario was not unusual. Far from it, in fact, I'm hearing this more and more from entrepreneurs who are seeking outside funding. The general consensus is that seed money is cheap right now, but I don't think we realise how much investor expectations have ratcheted up as the cost of money has come down.

In this post, I want to talk about those expectations.

There's always a catch

Well, for sure, there are always several catches when it comes to accepting outside investment for your startup, but there's one I see more often than the others and it's usually the most problematic.

Here's what I wrote in the middle of the answer:

“I can tell you this. With the exception of repeat founders who already have credibility that they know what the market wants, this is how most VC deals work. There are outliers of course, and no VC will tell you that they want five years worth of progress for one year of funding, but then you’ll get three or six months into the deal and realise it. You’re just realising it early.”

It’s happened to me. It’s happened to me at the seed stage, at Series A, at acquisition, at private equity infusion — the entire lifecycle of funding. The vision I believed was being invested into was *not exactly* the vision the investors believed they were investing into. Over time, that crack in expectations turned into a schism and then a chasm.

Look, I’m not trying to paint investors in a bad light. Far from it. Chances are, your average experienced venture capital investor knows more about how well your product will perform in the market than you do. What I *am* trying to warn you about is this:

You have a vision

Every entrepreneur starts their journey from idea to exit with a vision. I’m not talking about dreams and wishes, I’m talking about your plan, and moreover, a plan that was bulletproof enough for you to pour your valuable time, effort, and money into your vision.

They have a vision

And while a good VC should be cognisant of your vision, their version of it likely involves a more concrete and quicker return on whatever time, resources, and money goes into that vision.

Those two visions must be aligned

And in the beginning, they won't be. And furthermore, you won't know that.

Early on in the life of a startup, it's tough to be able to properly communicate the long-term, billion-dollar company vision. This is especially true when you're doing something no one has ever done before, with so many unknowns, variables, and outliers waiting to be sprung on you.

Furthermore, the investor has spent a couple weeks, maybe a few months, immersed in your vision. How could they possibly understand the extent and fullness of that vision?

YOU have to make that alignment happen

Not them.

One of the things we entrepreneurs often don't fully grasp is that the success or the failure of our venture is completely and totally on us. That means the legitimacy of the idea, the elegance of the solution, the translation of that solution to product and company, and the transition of that product to the market — all of this is your responsibility.

Investors don't invest in a company and then take the wheel. Rather, they're just paying for the ride. But that fare comes with plenty of backseat driving, second-guessing, and even wholesale changes in the destination and how to get there.

It's up to you to decide when they're right, when they're wrong, and how to act when either is true.

I offer a lot of free startup advice at joeprocopio.com. However, if you want the answer to the investment question and expert answers to over 100 more questions asked by working entrepreneurs, grab a [free trial of Teaching Startup](#), a subscription product that aims to revolutionise how entrepreneurs get advice.

[This article was originally published on Medium by Joe Procopio](#)

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