# Finding a Venture Capital Firm

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Many ventures are faced with the challenging task of raising venture capital. The first part of this process is finding the right venture capital firm (VC). While this may seem simple, it isn't. There are thousands of venture capital firms in the United States alone, and going after the wrong ones is one of the most common reasons why companies fail to raise the capital they need. When seeking a venture capital firm, there are six key variables to consider: location, sector preference, stage preference, partners, portfolio and assets. Location: most venture capital firms only invest within 100 miles of their office(s). By investing close to home, the firms are able to more actively get involved with and add value to their portfolio companies. Sector preference: many venture capital firms focus on specific sectors such as healthcare, information technology (IT), wireless technologies, etc. In most cases, even if you have a great company, if you fall outside of the VC's sector preference, they'll pass on the opportunity. Stage preference: VCs tend to focus on different stages of ventures. For instance, some VCs prefer early stage ventures where the risk is great, but so are the potential returns. Conversely, some VCs focus on providing capital to firms to bridge capital gaps before they go public. Partners: Venture capital firms are comprised of individual partners. These partners make investment decisions and typically take a seat on each portfolio company's Board. Partners tend to invest in what they know, so finding a partner that has past work experience in your industry is very helpful. This relevant experience allows them to more fully understand your venture's value proposition and gives them confidence that they can add value, thus encouraging them to invest. Portfolio: Just as you should seek venture capital firms whose partners have experience in your industry, the ideal venture capital firm has portfolio companies in your field as well. Portfolio company management, since they are industry experts, often advises VCs as to whether the company in question is worthwhile. In addition, if your venture has potential synergies with a portfolio company, this significantly enhances the VCs interest in your firm. Assets: Most companies seeking venture capital for the first time will require subsequent rounds of capital. As such, it is helpful if the VC has "deep pockets," that is, enough cash to participate in follow-on rounds. This will save the company significant time and effort in maintaining an adequate cash balance. Finding the right venture capital firm is absolutely critical to companies seeking venture capital. Success results in the capital required and significant assistance in growing your venture. Conversely, failing to find the right firm often results in raising no capital at all and being unable to grow the venture.

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