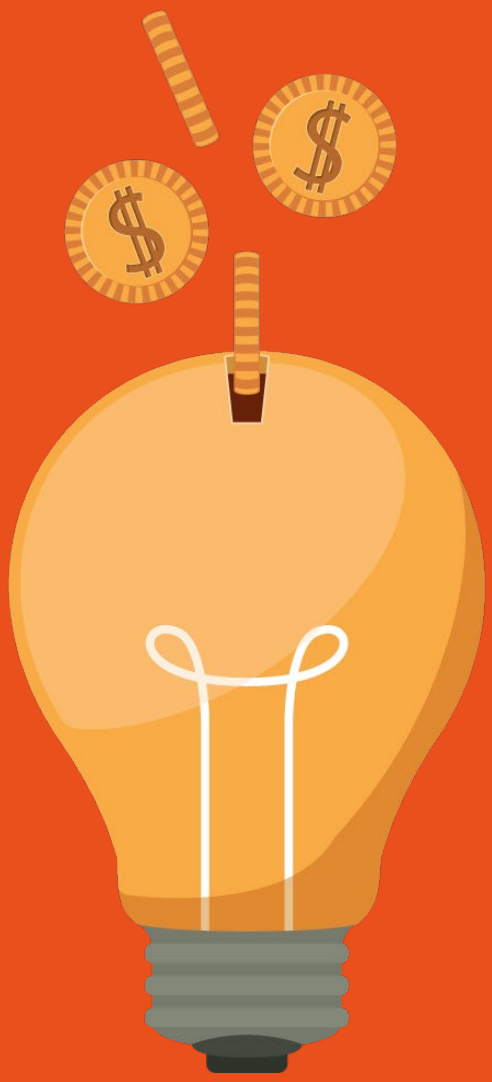
A GUIDE TO ACCESS

# Venture Capital



## How it works, how to pitch and what investors are looking for.

hyperion executive search

**BY DAVID HUNT**
CEO & Founder, Hyperion Executive Search
Host of the Leaders in Cleantech podcast

# INTRODUCTION

DAVID HUNT
CEO & FOUNDER

One of the joys of running the business I do is my regular interaction with a fabulously diverse range of both entrepreneurs building great cleantech businesses and the investors that entrust their money to them. The delicate balance between the two keeps the extraordinary progress of our industry moving forward at such a pace.

In recent months, I've interviewed a variety of VC investors and here we have captured for you the best advice from five of them. Later, we feature a full-length interview with Jelena Markovic of Baywa Ventures where we discuss the people side of investment and how founders and leaders can grow the perfect team.

Before that, we highlight key advice from four top specialist cleantech VCs, Dan Goldman of Clean Energy Ventures, Tomas Kemtys of Contrarian Ventures, Petr Mikovec of Inven Capital and Robert Trezona of the IP Group.

We look at what a venture capital investor is looking for in an entrepreneur in order to make the decision to invest. How can cleantech founders position themselves for investment? What are the criteria most VCs apply and what are the crucial pieces of advice every entrepreneur in this space needs to know?

I hope this guide will help entrepreneurs navigate the tricky waters of finding and securing investment. We have compiled the very best and most useful advice from the very top of the cleantech venture capital profession into this document so you can access it in one central place. It represents an indispensable guide to what VCs think and what they want from founders and entrepreneurs.

You can hear and read each contributor's full biography and listen to the full episodes below.

**Petr Mikovec, Inven Capital**
https://leadersincleantech.com/petr-mikovec

**Robert Trezona, IP Group**
https://leadersincleantech.com/robert-trezona-ip-group

**Dan Goldman, Clean Energy Ventures**
https://leadersincleantech.com/dan-goldman-clean-energy-ventures

**Tomas Kemtys Contrarian Ventures**
https://leadersincleantech.com/tomas-kemtys-contrarian-ventures

# INTEREST IN CLEANTECH BUSINESS INVESTMENT POST COVID?

First, we take a look at the investment picture post Covid, what impact the pandemic has had on optimism, availability of money and the general landscape for founders and entrepreneurs.

I think the most striking thing for me in my conversations towards the end of 2020 and into 2021 is the level of optimism that investors show in cleantech and associated businesses. There is very obviously a move at all levels of investment, from oil majors down to angel investors, to increase exposure to our sector, and this is because everyone can now see that we are fast moving to global acceptance of the need to decarbonise our economies. The largest economies right across the globe from the US, Europe, Middle East, India, China and Japan are all declaring their intentions to reach net zero. There will inevitably be differing timelines and levels of success, but this consensus is unprecedented.

So, investors of all types can see that our cleantech sector will continue to grow and for the right businesses there is a clear path to success, something every investor likes!

"*The VC market is open for business at the moment in the cleantech space,*" says Dan Goldman of Clean Energy Ventures. Many investors did put things on hold in the spring of 2020, but that situation has now changed and there is money available.

According to Tomas Kemtys of Contrarian Ventures: "*Folks are sitting on record piles of cash!*". He continues, "*We encourage people to reach out to us. We actively scout for the right investment opportunities - we want to invest. After all, we are so lucky to be in this industry; Covid is painful but it's nothing like the climate crisis in terms of its long-term importance, which is why governments, companies and investors all over the world want to invest in the green economy.*"

What I see right across the board is a very positive message to entrepreneurs and anyone looking to raise funds: good businesses with good propositions and the right leadership can raise funds even in the teeth of a pandemic, proving the point that if your idea is a good one, the investment is out there.

# TAKING RISKS

VCs are by nature much more readily able to evaluate and take on investment risk, it's in their DNA.

Their view of the world involves far more long-term vision than other investors who are evaluating an existing business with customers, turnover and teams in place. Often for VCs the founder sitting in front of them will have very little of these things in place or at least be at the very earliest stage.

Tomas Kemtys says: "*That's why VC exists, that's why I'm so passionate about it, you have to take risks. And you have to take risks on the things that matter, not just on something just marginally incremental but something that can change things. People like us understand the long cycle of maybe first creating a product and then very long sales cycles with utilities or consumers; it's just a different industry, we have to be more patient, it doesn't happen overnight, but the impact is just phenomenal.*"

Of course, each VC has their own appetite for risk and their own sub-sectors and product or service categories they know well, and they feel more comfortable evaluating that technology or market and therefore placing their 'bets'. Finding the VCs that fit your offering is important. It's easy to waste much time approaching VCs that don't invest in your tech, or stage of company, or required deal size. Do your research.

# HOW DO INVESTORS QUALIFY THE TYPES OF COMPANIES THEY INVEST IN?

One of the questions I'm asked most frequently by founders is how exactly do VCs make their decisions on which idea or company to back. There is no one answer of course as they all differ; some evaluate more on the tech, some more on the founders, but all evaluate market opportunity, risk and of course return on their investment. In my discussions with these investors some of these interesting themes emerge.

Dan from Clean Energy Ventures says, "*We're looking for something that can achieve outsized growth with a strong competitive advantage against either incumbents or new entrants.*"

On the subject of impact on the climate emergency, it's clear that demonstrable impact is the key. Dan Goldman: "*When we look at technologies, we're looking at things that can have a material impact on greenhouse gas emissions... as investors we have this dual mission, financial success and carbon success.*"

Robert Trezona of IP Group comments: "*Ideas do not have to revolutionary and can be quite niche, but they are still important and may still be very popular with VCs. There are areas in for example cooling and energy efficiency where great solutions will make a massive global difference, and VCs are looking for these technologies.*"

Of course, business founders and entrepreneurs are normally the people that VCs see first and most often in the evaluation process. And the theme of what investors are looking for in founders is key.

Petr Mikovec, of Inven Capital: "*In terms of founders, what do we look for? I believe people are born entrepreneurs or founders, you don't learn it in in an MBA. If you are pitching to me, I want to know what you were doing in kindergarten! You were probably selling something to your friends at school! We want to understand the whole journey, what founders are passionate about; we like it if they have made mistakes in the past and what lessons have they learned. There has to be entrepreneurship embedded in their DNA, you see it in the first minute.*"

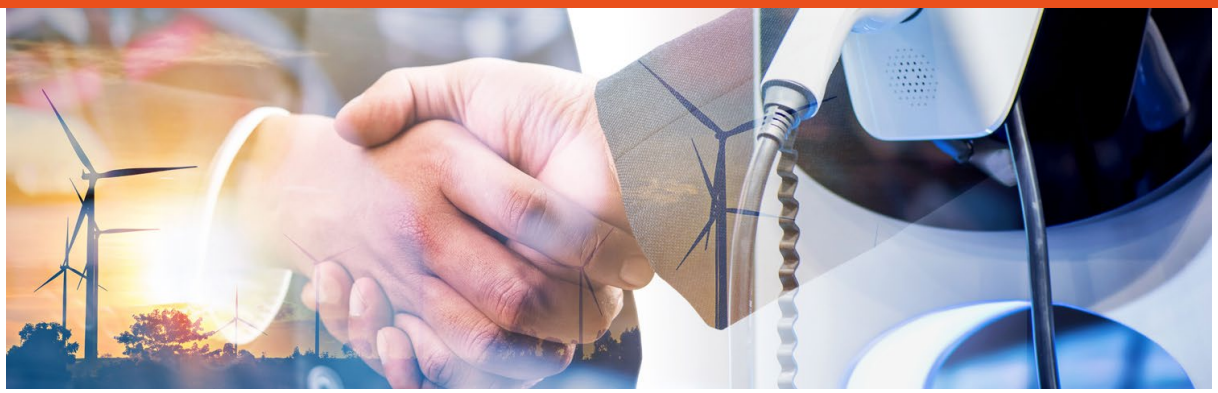
# HOW DO INVESTORS QUALIFY THE TYPES OF COMPANIES THEY INVEST IN?

And on the vitally important area of vision, he continues: *"The question is do they have the right meaningful vision. Rather than focus on profits and how rich they're going to get, they should focus on the meaning and impact they will create; the profits will follow. Show us the product and the problem it will solve and the people behind it - the lesson here is don't waste time crafting perfect messaging or missions statements; speak from the heart, let VCs see your passion, let them see your solution. If there is meaning the money will follow."*

Robert Trezona, IP Group adds: *"We're looking for something that has that global uniqueness, that out-performs alternatives by some margin and we're looking for people who really want to solve these climate change problems and are coming at it from a different angle. Because it can take a long time, we don't want something that is derivative and not distinctive, we're looking for something that has global uniqueness."*

And finally on this topic, a different focus from Tomas Kemtys who offers some clear advice on the issue of commercial sustainability: *"I advise startups to be realistic, you have to build a sustainable business; the unit economics do matter, commercial contracts do matter, and impact definitely matters".*

So, there are differing views of the importance of factors to an investment decision. From my perspective, what that illustrates is that not all investors are right for all founders. You need to find a match in vision, chemistry and purpose as well as the economics of your business or idea.



# HOW ARE DEALS SOURCED?

Another key question. VCs will use their extensive networks, present portfolio founders, co-investors, research, media articles, conferences, trusted industry thought leaders, players and whole host of other sources to build a picture of potential investments.

Dan Goldman, "*We do work with incubators and accelerators, we serve on the advisory board... so that's certainly one part of our deal flow.*"

Often investors will be alerted to opportunities for investment by other companies who are more established in the market. Think how your customers, your supply chain, your network could be the source of your next investment.

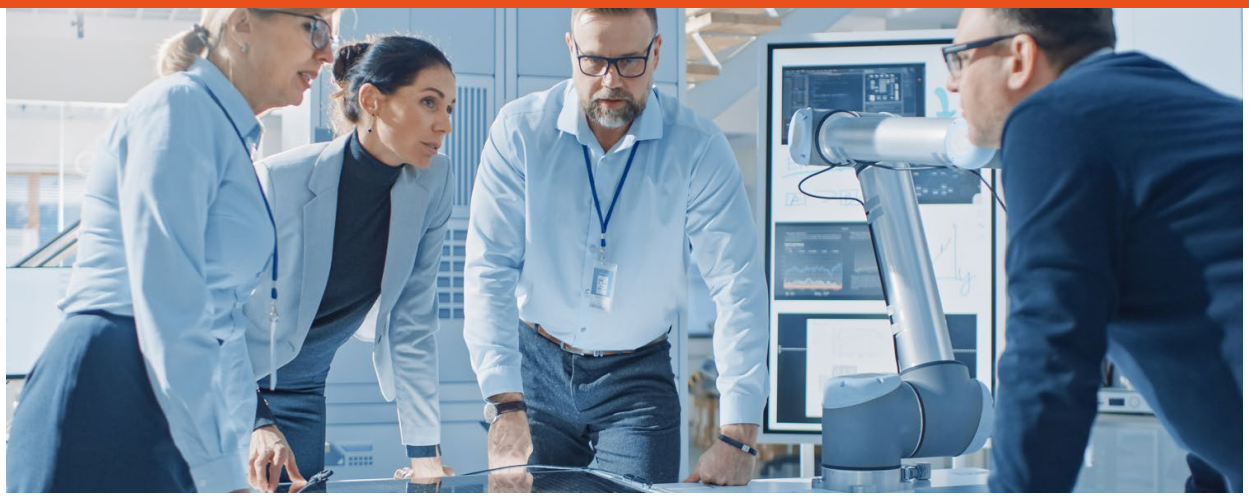
Different investors will often recommend opportunities to each other when they see a good company or strong technology that maybe doesn't fit their own portfolio but will fit another investor they know well.

There's a great deal of collaboration in such a mission-driven industry, even in the tough world of venture capital. VCs will often coinvest with each other where shared skills make a better all-round deal. Each one brings a different skill set to the table.

One thing highly relevant to current circumstances in a lot of countries is that there is a need for entrepreneurs to keep talking to investors in whichever ways possible. With most live events cancelled and travel restricted at the moment, it's still important to find whatever ways possible to get yourself in front of investors and keep the conversations going - building relationships is key to any investment deal.

Tomas Kemtys says, *"I would encourage entrepreneurs to not sit back. They should come out, talk to everyone, there's money in this industry to be deployed, there's so much help available, we are all in the same boat here..."*

For VCs, the selection of investments is very hands on, investors in this space will want to get to know you, your business and its market and its potential. You must be prepared to put time into building relationships.



# HOW EARLY WILL A VC GET INVOLVED?

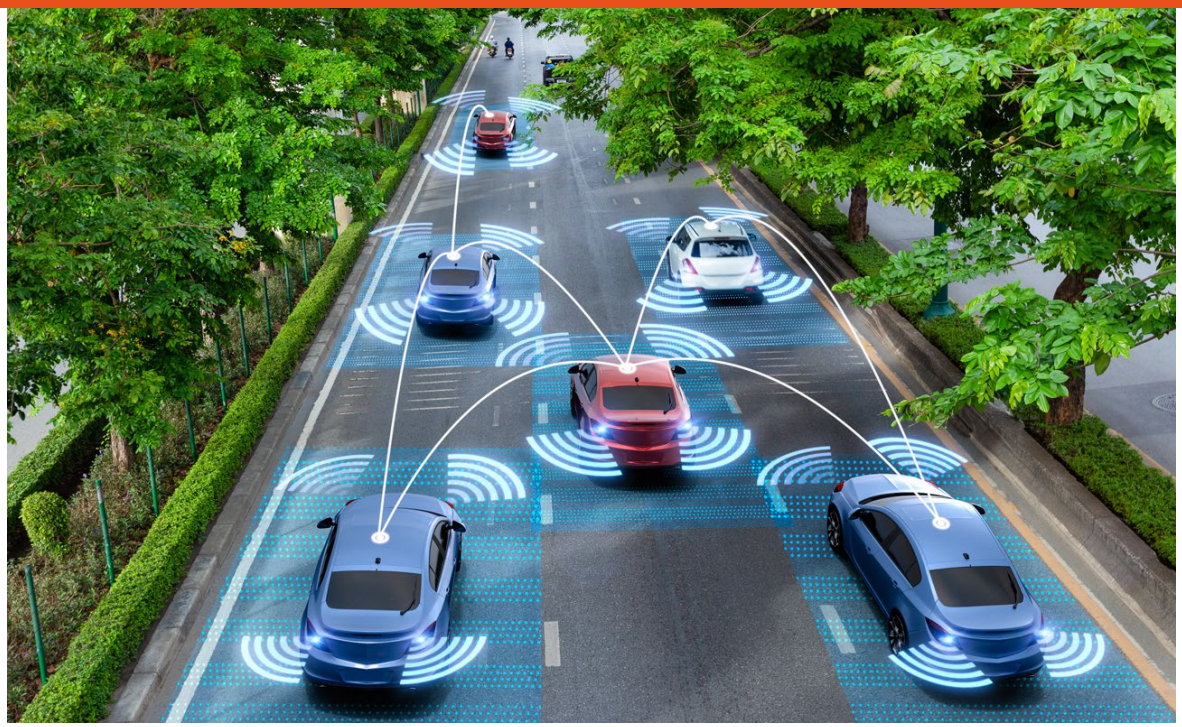
Most VCs want to be involved from an early stage. Some very early, particularly if there is a novel IP involved, IP Group being a good example. Others may not invest money until they can see the direction of travel is favourable, or that others have already committed funds, and that you've spent them well.

VCs all have their own 'sweet spot' in terms of stage to invest (Seed, A, B, C, etc), whether they prefer to be sole investor, lead investor, or secondary investor. Some prefer writing cheques under $1m, some won't get their cheque book out for less than $10m, but they will all want to know you, understand the business idea and build a relationship with you.

Robert Trezona from IP Group: *"We might have a relationship with a group that has made a new discovery, for example in the scientific community, where the people are intrinsically motivated and want to do something different and explore avenues that maybe aren't getting as much attention. We really look for those people and in some cases we have relationships with them that might last a couple of years before we make an investment. So we go in very early and play a big part in building the company. We're not looking at established companies with large management teams. Rather we are looking for core distinctiveness early on. We use this term 'business builder' for what we do."*

Robert adds: *"It takes a long time and it's labour intensive but by the end you have something special that you can have confidence will do well in the market."*

Another reminder to do your own due diligence on which VCs you approach. Expect rejection, that's part of the life of an entrepreneur, but no one likes it; you can save a lot of time and disheartening rejection by planning your raise well and picking preferred VCs that fit your tech, stage of growth, and investment size. That said, it can also be a 'numbers game' but don't just scattergun pitch decks.



# FOR HOW LONG ARE VCS INVOLVED?

Typically, the VCs we have spoken to are in it for the long term. They cannot achieve the returns they need by picking short term winners and this type of investment assumes that returns will take some time. Often VCs will look to exit their investment after a number of years, but they are patient with the inevitable complexities of technology development in a market which is, itself, constantly evolving. These are specialists and you can expect them to behave with deep knowledge of your market.

Tomas Kemtys says, *"We take a long-term approach, we aim to hold these companies for many, many years in our portfolio"*.

Robert Trezona of IP Group agrees: *"Typical time frame from investment to exit? I would say we would start by saying to ourselves this may take a decade if we're starting with a raw IP from a university for example; it makes you think differently about the types of capital, the people and the business model you might adopt."*

A good example is how Inven Capital were an early investor in residential battery storage company Sonnen, and stayed involved through many subsequent investment rounds until an exit when Shell acquired the Company. That said, some funds and VC's do have shorter term horizons. It's important as a founder that you align your expectations with your investors regarding the duration of their investment and when they want to exit, and at what point you will choose to, or have to, 'sell' your baby!

# SOURCES OF INVESTMENT?

Don't dismiss outright some unexpected sources of investment. There are companies in a wide range of sectors who are looking to diversify into cleantech at present and some VCs will explore the option of partnering with a major corporate to add scale and liquidity to a deal. There has been a significant rise in the last 3-5 years in the number of, and activity of corporate venturing (CVC) funds; most Oil & Gas majors, utilities and automotive OEMs have venturing arms, keen to invest in or acquire start-ups in their space. This has the additional benefit of an internal market for your product or service, but don't assume that you'll immediately have access to the keys or the corporate entity. You may also close other doors when you walk through one. But don't ignore CVCs or strategic partners as a source of funding and support. Often these Corporate also contribute to funds raised by VCs.

Dan Goldman of Clean Energy Ventures says, "*Oil and Gas companies come to us and say, 'We're not going to be in oil and gas forever, we need to be thinking about how we're going to replace our revenues with alternative businesses with technologies that can substitute'. A lot of energy companies have been just dipping their toes in but are now jumping in with entire bodies!*"

Dan continues: "*These companies are typically involved at scale up stage but partnering with them earlier and building a long-term relationship can provide insights and resources that are not normally available to a startup business. Often for early-stage founders it's not just about the money but what assistance can be provided alongside the money that's critical to a successful investment. Some investors will provide you with far more than just their money, so the choice of investor has to include a cold judgment of what help you need and what is available alongside the money. It can be tempting when there's a cheque on the table, but it may not always be the best cheque!*"

Is it a choice between VC or an industrial partner? Many investment companies in this space have partners themselves who can provide co-investment. Dan says that, "*We have a great group of partners in the fund who are strategic and are interested in the technologies we are investing in.*"

One thing you can expect from a good investor is advice and honest assessment of your skills. Robert Trezona: "*One of the risks we are constantly trying to manage in startups... is being aware of things that a small company might not be very good at, such as large-scale logistics or procurement.*"

# PURPOSE

Do not underestimate the importance of vision and values to a cleantech VC or investor. Most if not all VCs and investors in this space, especially the ones you want in your corner, are mission and values driven themselves. They will have metrics that reflect impacts their portfolios have on the environment and society, as well as financial growth metrics. This is not fluffy stuff, businesses that have a mission and embedded values and a culture that reflects that are just more successful.

Now more than ever, businesses that can demonstrate to an investor how they will play a central role in the cleantech economy will be the ones attracting the most interest.

VCs in this space are still very mission focused, they understand the requirements for net zero and the roadmap to do that. They are often experts on the technology too so don't try and pull the wool over their eyes, be clear on the problem you solve, don't 'wing it'; it's important to make sure you create a positive impression, and not miss important details hoping it won't be noticed. It will be.

On the crucial topic of valuations, Robert Trezona says: "*Pick people where you have an alignment in values, not just the people who might give you the highest valuation.*"

Petr Mikovec adds: "*Impact comes up all the time and individuals who want to make a difference are the key, the money is a by-product. The value is in your mission, your place in the net zero story.*"

He continues, "*Founders who stick with their vision whatever happens are often more successful than those who bend with the challenges that will come your way. It's vital to maintain your truth and your passion. You have to be resilient and that requires internal motivation.*"

So important is this that at Hyperion we have been working with founders on activities and workshops which help them to articulate their vision and values. This is essential for hiring and retaining great employees; it's also critical as you look to 'recruit' VCs to invest in you.

# PITCHING

## Before speaking to an investor what should you have in place?

Robert Trezona: *"One of the mistakes people often make is that if you've got a really novel IP and you want to extract value from that, that you should be secretive and do everything yourself. The first thing is to go and talk to people about what you're doing, there's no risk in that. Being equipped with more knowledge and more relationships is always going to be helpful."*

Petr Mikovec: *"Pitching is a great differentiator and being able to articulate who you are represents 50% of the value you can create; that's the same for founders and their businesses."*

Petr continues, *"We want them to approach us in their way, you can immediately see if someone is being him or herself. We want to see them as they are, and we try and imagine whether we can see them in the boardroom with us. What's also important is what other people have they surrounded themselves with, that can tell you a lot."*

You judge people by the company they keep, a good mantra from my point of view. This includes mentors, board advisors and business advisors.

*"We want to understand their assumptions about the future of the market they're in, shifts in demand, seeing the problem and the solutions."*

*"In terms of the team, I always look for three things. Is there a dreamer, is there a critic, is there a realist... ideally, we need all three elements but I think there has to be at least two people, but one mustn't win out over the others."*

Often VCs don't like people who do it alone, they like to see collaboration because you will have to collaborate with the VC themselves. So most interestingly the general picture is: try not to pitch on your own, show off your team if you have one and be clear about your vision, mission and the value your busines creates. From my point of view, if your team isn't strong enough, maybe you need to address that before you launch your fundraising activity.

# PEOPLE

Obviously, from my perspective people is the biggest of all the key areas. And investors see it as vital to their decision also.

Robert Trezona of IP Group: *"Once the assets are in your portfolio and you're backing them it's all about people."*

As businesses grow, they might need different skills to those they need at the start. Sometimes you're looking for somebody to take over from the founder because the business needs different skills to keep growing and developing.

Often founders feel they have taken the business as far as they can, and there's no shame in that - VCs expect sometimes to need to bring in a different team as you grow. You don't have to be able to do everything yourself as you grow. It's not uncommon for a founder/CEO that has 'invented' the product or solution to revert to a CTO role and hire in a new CEO with a commercial bias to lead the 'go to market'; that's something at Hyperion we have often been asked to assist with.

Robert Trezona continues, *"In some cases the original people involved are fabulous leaders and can and want to stay with the business. On other occasions, people often don't have the mindset to be a long-term entrepreneur, especially where they've come from an academic background."*

And one thing I'm hearing more and more from VCs is how start-ups can sometimes learn something from people with a major corporate background; most entrepreneurs have a certain set of skills which can only take them so far on their growth journey, so recruiting people with large corporate experience can sometimes bring a fresh perspective on areas as diverse as vision, process, and the somewhat important issue of trading at a profit! If you're looking to sell to or partner with large corporates, it's useful to have someone that can speak their language, and knows how to navigate the world of 'corporate'.

We cover people and founding teams in great detail in my interview with Jelena Markovic later in this publication.

# A FEW FINAL THOUGHTS FROM ME:

Never forget, the world is a great place to be if you have something that's novel, innovative or something that has potential to be game changing; there are funds, there is no shortage of money. From the cleantech perspective, now is probably the best time there has ever been to seek investment. More specialist investors are available and most investors need no convincing of the need for a low carbon, net zero economy, they just need to see the value of your solution, and to have confidence in you and your team.

If you have a sound business model, a sound business case and a credible team, you'll find investment. Whether it's energy storage, renewable generation, energy efficiency or smart and electrified mobility, or any new technology that deals with the climate emergency, there is a VC and Investor community hungry to hear from you.

Hopefully what you've also seen from this document is that it's a good time to seek investment, but there is a lot of competition for that money. One thing that consistently comes up in my podcast interviews with cleantech founders and CEOs is just how much of your time can need to be dedicated to the fundraising process. Be prepared for that, and be prepared generally; have 'all your ducks in a row', time preparing is time well spent and don't think you can wing it, or bluff - VCs are clever and experienced people, and careful with their or their LP and clients' money. They take risks, but educated and well considered risks.

Enjoy the interview with Jelena Markovic that follows. I hope this has been useful, and as ever, I'm happy to talk further to any cleantech founder/VC about these topics. Contact me directly or via the links on the final page.

May the sun shine, and the breeze blow on your start-up. Good luck.

David Hunt
CEO & Founder
Hyperion Executive Search

# A DISCUSSION WITH BAYWA R.E. ENERGY VENTURES

Here is a full version of my fascinating collaboration with Jelena Markovic of Baywa r.e. Energy Ventures where we discussed the people side of investment and how founders and leaders can grow the perfect team.

**What makes a successful cleantech founder team?**

The global drive towards a cleaner, greener world has seen an explosion in startup cleantech companies and the creation of a global cleantech market now thought to be worth in excess of $2 Trillion annually.

For investors looking to make cleantech investments there will be certain core criteria that need to be met, but the long-term success of any cleantech business no matter how disruptive or innovative the technology, USP or business model will ultimately come down to its founders and leadership team.

While there are no hard and fast rules - and success can never be guaranteed even for the most promising teams - there are certain traits and behaviours that many successful teams share.

So, what makes a strong founder team? And what should investors be looking out for?

Here, experienced cleantech investor Jelena Markovic **(JM)**, senior associate at BayWa r.e. energy ventures and David Hunt **(DH)**, leadership expert and CEO at Hyperion Executive Search and presenter of 'Leaders in Cleantech' Podcast, share their expert insights.

**What's the first thing to look out for in a cleantech founder team?**


**JM:** That they are well suited and prepared for the startup environment. It is very different to the corporate world in many ways, from its dynamics, processes, and volatility to the level of risk, business approach and the individual responsibilities that need to be covered. As a result, it is a context that demands a certain skill set and personality to be able to build a successful business.

**DH:** First and foremost, resilience and agility. Of course, there are many traits, as we'll discuss here, but these are essential criteria that every founding team must have at their core, and traits that must be in all hires, particular early ones. Many very talented individuals from larger corporates think they want to switch to starting or joining a 'cool' startup, but often their perception of what that means is based on the idea of funky workspaces and dressing down. They are not prepared for the hands-on hard work required and the need to be truly agile in thinking and in action.

The founders of any startup business will have to successfully wear many 'hats' at any one time. As will any early hires that may come into the business in those early stages. Which is why, at Hyperion, we focus as heavily on personality and cultural fit, as we do hard skills and industry or technology knowledge.

# A DISCUSSION WITH BAYWA R.E. ENERGY VENTURES

**What hard skills do founder teams needed?**

**JM:** The main hard skills that need to be covered within a cleantech founding team are strategic business planning, engineering, financial planning, and reporting. But it's important to understand that hard skills alone are not going to be sufficient. To lay the right foundations for success in the startup world, hard skills and experience must be complemented by the right personality traits, and a complementary set up of personality types among the C-Level.

The most promising combination of personality traits to have is a visionary and strategist, a salesman, and a details and process-oriented type. Preferably all those traits will be part of each founder's character to a certain extent.

**DH:** Yes, the commercial, outward facing sales and strategic skills are usually vital early on, but a balanced and diverse team is always best for making decisions. This is something to think about, not only in relation to the founders but also any early hires. Too many of any one skillset can lead to poor decision making. A good first step is to benchmark the strengths and weaknesses of the founding team, to try and spot any gaps, and address that early. Even acknowledging weaknesses in the fundraising process. With money you can address the 'gap' by bringing the right talent in. If you hide it, it's pretty certain potential investors will spot it, and question your judgement or your honesty if you don't acknowledge it.

**What are the key skills and traits shown by the most successful teams?**

**Passion:** Every member of the c-level team of a successful startup must be passionate, highly resilient, not risk averse, and capable of adapting to new circumstances in a short time. In this particular business context, the question is not if problems and challenges will occur - because they most definitely will – it is if the management is capable of managing and reacting to them adequately and effectively, while avoiding overwhelm and impulsive, fear-driven decisions.

**Being a visionary:** Every founder must be visionary in their own way, especially if they are offering a disruptive product that gets a lot of doubt and negative feedback from the market. Having a clear vision, believing in it and being passionate about it is the most effective tool against doubt and fear.

**Reasoning:** A high level of intrinsic motivation and having a 'reason why' is required by all of them, since building a startup is demanding, risky and very far away from the traditional comfort zone of a corporate environment.

**Team player:** Every single person in a startup must be a team player, but especially the founders. At the same time, they should be capable of creating a sense of purpose for the employees, since the wages and work conditions most probably will not be the factors keeping them engaged in the beginning. To create a healthy company culture and effective work structures the founders must be good leaders in their areas of responsibility and in general.

# A DISCUSSION WITH BAYWA R.E. ENERGY VENTURES

**What type of relationship do successful founders have?**

**JM:** Anyone building a startup cleantech business will need to navigate an ever-changing environment of risk and uncertainty. It is therefore crucial for the long-term success of the company that the founders complement each other in personality, as well as in their hard skills. A positive and solid relationship between the founders is one of the most important factors, especially as it is one of the main reasons behind startup failure.

**DH:** If the founders have previously worked together then that can be beneficial, but of course that's not essential. This is also true of any early hires that may be made for the business. Just bear in mind that there is always some risk of 'confirmation bias' here. I.e., founders may end up only hiring those individuals who are most like them, or who agree with them and that is not healthy in the long run. The best founding teams recognise diversity and differences in skills and opinions, and capitalize on them, challenging and positively pushing each other. As long as core values and vision are aligned.

**JM:** Having assessed numerous companies and their founders throughout the years, there are certain skills combinations that stand out in those who go on to find success. These characteristics form a vital part of the founder's approach to building a business. As an investor, these are things you should be looking out for when getting to know the team.

**DH:** Thinking beyond the initial founding team, these key skills and traits are equally important to look for within any strategically important hires. Such hires will typically be brought on board and given stock or stock options, becoming very much a part of the founding management team, and equally invested in the success of the company.

**How these skills translate into the c-suite**

**The CEO**: The visionary, the strategist, the motivational beacon, the commander in chief. When it comes to his skills, they are a generalist, with a broad technical understanding in their field and high communication skills, and capable of setting goals and milestones, while structuring and planning the business. They can translate the vision, strategy, and product into a convincing and inspiring story, that they can sell to customers and investors. Also, a good CEO thinks big and outside the box, and is highly passionate about the company, the product, and its people.

**The CTO**: combines extensive engineering knowledge and in-depth knowledge of emerging technologies with a strategic mindset. They are capable of translating customer demands, current trends, and the company vision into actual technical features, that are unique and disruptive in the best case. Simultaneously they remain flexible in their role, iterating between engineering, people and project management, and strategy.

# A DISCUSSION WITH BAYWA R.E. ENERGY VENTURES

**The CFO**: is detail oriented and structured, while keeping strategic in their mindset. They have extensive financial experience and can set up financial core processes, and a business plan that reflects the strategy, the milestones and most importantly, that explains the mechanisms and KPIs of the business model. They are hands-on in the daily business and strongly involved in the fund raising and investors reporting process. They need strong communication skills and will often be brought into commercial negotiations, so they need to be commercially aware and strong communicators, not just a master of numbers.

**What skills are essential for tackling the challenge of scaling up?**

**JM:** One of the most important factors when evaluating a founder team, is their capability to sell and explain their product, USP, business model and overall business idea. If they are not able to sell their product and their ability to scale up a company to the investors, they most probably will not be successful in the market.

To raise venture capital, founders have to be able to translate their vision into a business plan; to have strong communication and negotiation skills; and to be passionate and determined about their business. The founders must be 100% aligned on strategy, set up and product and be able to answer an investor's questions considering the market, customer demands and all other strategic, technical and financial aspects.

**If there's a weak link in the team, should you still invest?**

**JM:** From an investors' perspective this is an obstacle and has to be thought through very well before the investment. The factors that need to be evaluated are how long it might take to replace the weak link in the team, if the rest of the founders or the general team can balance the lack of skills in the meantime, and what financial consequences this might result in for the startup (e.g. if the person holds shares).

If these factors are balanced out by the potential of the startup, and the expenses and effort are adequate in relation to the company stage, then we will invest.

**DH:** The answer to this question will 100% depend on the stage of the startup.

No startup company can really scale with a weak link in the founding or management team. If you believe there is a skills issue at the top table, you can fill the gap with an interim manager until you can find or afford a permanent option.

If possible, take action before the next fundraising round. Or at the very least, acknowledge there is a weakness in the team and commit to fixing it post investment. For example, share with the investors around the Cap table that an experienced CFO will be required to join the team post investment.

# IN SUMMARY

If you meet a team that has a strong and unique product in a growing market, a well thought out business plan, and founders with complementary skills and perspectives that can bounce ideas off each other, then you could have a highly promising investment case on your hands. The Importance of a balanced founding team, with the right skills and personality cannot be underestimated, but this can be addressed by adding strategically important hires at the early stages, to fill obvious gaps.

At **Hyperion Executive Search** we have a range of tools and experiences to analyze the balance of a founding team, where there are gaps, or even potential conflicts, and how to address these issues before they can damage your company and cost your investors' money. And of course, we help our clients find extraordinary talent from the C-Suite to game changing Individual Contributors.