

What Do Mentor Capitalists Do?

"A special breed of adviser helps entrepreneurs with everything from recruiting talents to negotiating the first million in seed money. These mentor capitalists often spell the difference between success and failure. What they do - and how - may surprise you.¹"

Mentor capitalists are experienced entrepreneurs that serve as hands-on advisers to fledgling start-ups that need help with business development, recruiting executives and raising venture capital. Some of them make seed investments that help keep things running while they hash out the business model with the founders. They "bolts themselves" to the entrepreneur to "get under the young company's skin."²

Mentor capitalists provide real-time, intensive coaching on how to quickly build successful businesses. They get deeply involved in the week-to-week refining and testing of business models and product prototypes. They attract top talent and big money. They help entrepreneurs build coherent, efficient organizations.

They are established players who understand how to build a business from the ground up. In their own entrepreneurial careers, they typically had notable successes and are not strangers to failure. As "business architects", they can teach the intricacies of strategy and finance. Years ago, venture capitalists were very much a catalyst in the transfer of knowledge. Today, most of them are portfolio managers, deal makers and financial engineers. The largest venture capital firms still take on a few promising zero-stage start-ups that have huge potential to grow very quickly. However, the supply of entrepreneurial expertise for smaller deals has shrunk.

Incubators have tried with mixed success to fill that vacuum. Compared to most venture capitalists or incubators, mentor capitalists typically spend more time with entrepreneurs, care more passionately about the vision, put more of themselves on the line and become personally invested in making sure the start-up gets funding.

Mentor capitalists are motivated by their desire to share hard-won expertise, to see their protégés succeed, build durable companies with lasting value. Most of them get equity and many invest small amounts of their own money at a very early stage.

Mentor capitalists share deep expertise that was hard earned over many years, doling it out just in time, as situations arise and in doses appropriate to the situation. Most mentor capitalists are truly

expert in at most three or four of the seven types of expertise needed by start-ups. They often bring in colleagues to fill the other roles:

1. **Sculptor:** Work with entrepreneurs' basic idea to set strategic direction and gradually shape prototypes to show venture capitalists; focus on early market feedback to refine product.
2. **Psychologist:** calm protégés and boost their confidence; help them maintain perspectives during emotional roller coaster; provide sounding board to distinguish between normal growing pains and real business threats.
3. **Diplomat:** mediate among teams' different personalities and expertise, and between protégés and key outsiders.
4. **Kingmaker:** "make CEOs" by tutoring protégés from presentation to on-the-job MBAs skill sets.
5. **Talent Magnet:** successfully help recruit the most talented players by leveraging their networks and adding credibility.
6. **Process Engineer:** put efficient and scalable structures in place.
7. **Rainmaker:** get seed money from personal network of angels and big cash from venture capitalists who rely on them to screen hot prospects.

In Silicon Valley, mentor capitalists exert a subtle but powerful influence on the cycle of innovation by educating first-time entrepreneurs. Here is the microcosm of the knowledge economy, in which the alchemy of blending technical wizardry with entrepreneurial expertise yields golden opportunities.

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Reference:

1. *Gurus in the garage* from Dorothy Leonard and Walter Swap. Harvard Business Review R00609
2. *Commercialization capitalist. Innovation capitalist. Mentor capitalist.* MarketWatch.