TechCrunch+ Fundraising

3 mistakes to avoid as an emerging manager

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By all accounts, I was a successful emerging manager. I raised $65 million with fewer than 25 LPs, including an institutional fund of funds and a sovereign wealth fund. I was not a spin-out manager from a name brand fund. Hell, I didn't even have a VC or tech background.

Still, I spent a good chunk of my fundraising period wrestling an unrelenting sense of self-criticism I couldn't ignore. Fortunately, **listening to that critical inner voice instead of ignoring it led to my success**.

While there's no one right way to go about fundraising, there are a few wrong ways — and failure is a wonderful teacher. Here's how I learned from my failures in order to succeed as an emerging manager:

LPs don't care about the same things you do

As a systematic fund that spent thousands of hours unearthing unique insights through deep research, I assumed that my LPs would care to know exactly what that research process looked like, what insights were uncovered and how they applied to our investments.

To my surprise, they really didn't care about any of that. At least not to the extent I thought they would.

By over-explaining how I was going to make them money, I committed the same mistake I've seen many technical founders make: talking incessantly about perceived superiority without gauging my listener's actual interest in the topic.

Instead of holding a rolling close, let the momentum build up and use that to create FOMO to force a formal closing.

As an emerging manager, you will inevitably have something you are itching to convey to LPs, but that isn't a free pass to drone on without end.

Instead, keep it short. Let them ask more as they see fit. Telling them as much as they want to know allows the conversation to stay focused on what matters to them, ultimately making the most of their time to inform their decision.

Not all LPs are worth your time

On average, it took me seven meetings to close an LP. This is not an industry standard. In fact, most LPs I've worked with thus far have a common philosophy: They are "investing in people" and want to get to know managers before they make any commitments.

The question then becomes, "**Which LP is worth my time?**" And there lay my second mistake.

As an emerging manager, I spent every available minute chasing every LP I came across. I only stopped when they finally turned me down.

As you can imagine, this wasn't good for me. Not only did it make me look desperate and unsexy, it also took time away from sourcing deals, working with founders and prevented me from being energetic at the right place and time. I cringe when I think of the many prospective LPs I pursued relentlessly, even those I knew for certain had a very low chance of closing. I simply couldn't let them go and wasted so much time and energy running down every route and leaving every stone unturned.

Fundraising is inherently stressful and it's easy to fall into the trap of chasing investors. But as the proverb goes, sometimes the best action is no action. Obsessing over and chasing after every potential LP is only going to keep you running in circles, and once you stop, you'll realize you've ultimately gone nowhere.

FOMO goes a long way

I successfully built momentum for my first close. After that first close, however, my fund was left open for a long time. In fact, it wasn't until I was legally obligated to close it that the LPs who were on the fence (not to mention, some prior "nays") suddenly jumped in.

When I told them the fund was closing, they were suddenly eager to commit. They told me they could "get the signature over by tomorrow morning" if I let them in. And, much to my surprise, they followed through.

Of course, I have seen this countless times on the other side of the table. Once our companies secured a term sheet, they rarely failed to secure an oversubscribed round. The hard part was always getting to the first term sheet.

Instead of holding a rolling close, let the momentum build up and use that to create FOMO to force a formal closing. Many funds hold multiple closings, each creating a trigger point for on-the-fence LPs to either commit or say no.

So how did I pull it off?

Getting LPs to believe in my vision was not integral to success. My ability to get LPs to believe in me made the difference.

As an emerging manager, the strategy I was selling was not the "product," so to speak. Instead, I was the product LPs were interested in. Finding my LP-GP "product" fit ultimately meant finding LPs who resonated with my story.

One of the best things I did for myself was, I took a critical look at my positive qualities and asked myself, "So what?" What makes someone who has my qualities worth the risk an LP takes? From there, I focused on projecting the confidence that I wanted my LPs to have in me. If I was going to be hypercritical of my successes and strengths, potential LPs like I would, too. If, however, I chose to embody my strengths and let them speak for themselves, LPs would latch on as well.

Selling myself got much easier when I felt authentic.

Numbers remain at the heart of the game

At the end of the day, fundraising is a numbers game, and there is no magic formula that guarantees any one specific outcome. It is a grinding process of networking and pitching day in and day out, searching for those who see the same vision as you — or at least want to financially support it.

As VCs, however, isn't this what we expect our founders to do? Fundraising fundamentals don't change whether you're building a company or a fund. Perhaps the ultimate lesson here is: **If you're not willing to put in the same effort your founders are, are you even committed to a successful fundraise at all?**