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By Steve Hendershot

Sittercity's Thiers sees upside of VC investment

Late last month, Crain's contributor Steve Hendershot interviewed 37Signals founder Jason Fried about the risks of taking on venture capital. Mr. Fried generally advises entrepreneurs against taking on that kind of investment.

But many companies do not heed Mr. Fried's advice. SitterCity.com, an online resource for home-care providers (child care, pet-sitting, tutoring, etc.), announced on July 22 that it had closed the second phase of its "A" round of equity financing.

Steve talked recently with Genevieve Thiers, Sittercity's CEO, who makes the case that venture capital can be good for entrepreneurs, after all.

Crain's: What concerns did you have about taking venture capital? How did you weigh them vs. the benefits?

Genevieve Thiers: Venture capitalists haven't had a good reputation among entrepreneurs, for a few reasons. One is that it's not a pleasant idea to think that this company you've poured your passion and energy into is being stuck in the venture capitalist's bucket, where seven companies fail, two do okay and one succeeds. That means that if you even slip toward the seven, you're written off and end up wondering what on earth happened to you. The second problem is that there's a lot of information-sharing in that world, and a lot of it is unethical. If you release any numbers to a venture capitalist, you should just assume your competitors will know those numbers. And third, there's no accountability for these firms because they have all the money, all the leverage, and the entrepreneur wants to grow.

Having a very good sense of those pitfalls was key. But I also knew there were some benefits. If you connect with the right VC at right time, your career is assured. If you do

well underneath them and see things from their point of view, you can be a career CEO, you can get a ton of benefit from that. And of course they bring money, so if your company is poised to do great things but you need an infusion of cash, then if you can get comfortable with the terms, venture capital can be a very good thing. It's all a big balance.

Crain's: When we spoke a couple of years ago, you were beginning to think about taking on investors, but one of your worries was that a VC firm would try to move your company away from Chicago. Jason Fried mentioned the same thing recently. Is that why two of the firms you're working with are local (Apex Venture Partners in Chicago and New World Ventures in Evanston)?

GT: It was the people, not the location. If Lon (Chow from Apex Venture Partners in Chicago) was in Boston, I still would have worked with him. But these people also understand that we're here in Chicago. We have the entire 22nd floor of the Merchandise Mart—we're not going anywhere. That would be stupid. Maybe with a younger company the venture capitalists figure, "Let's move them here or there," but I ran them through the gauntlet when we were negotiating, and they agreed that moving was absurd. We went in with our eyes wide open and got great terms. I didn't have to give up ownership, and I'm thrilled with my board. We're a red-hot web 2.0 company, and I think people would have expected us to go with sexiest investors out there, a big name. We didn't look at it that way. We went with known, respected companies, but not from Silicon Valley. But they saw SitterCity as a killer opportunity.

Crain's: Now that you've completed the round of financing, how do you feel? Any receiver's remorse?

GT: I am very happy with this situation that we're in. I think we're doing it right.

You need to have a sense of what you need to accomplish through venture capital, and it's tricky to do it right. For entrepreneurs going in with less of a track record behind them, they're going to take on a lot more risk and have to give up a lot more. Instead, you want to get your company to the optimum level you can without venture capital, and that will get you the best leverage. Then when you start talking to these firms, do your

homework. Have long conversations with them about every endgame, what they want, what you want. Go on to TheFunded.com (a venture capital review site) and research.

There's always risk in business, but make sure you choose to take your risks. Grow up and make the best of it.