

Top Ten Questions to Ask Entrepreneurs

Venture Capital › Interview Preparation



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During an interview with a Venture Capital firm, you may be asked, "Imagine you are a VC investor. What kind of questions would you ask an entrepreneur who has come to present his business to you?" Alternatively, if you have started a business yourself, what kind of questions should you expect from a VC investor? Below is our compilation of the most likely questions you will face:

1. What is the potential total market size for your product today? What is its growth rate?

This is one of the most important questions you will face. If the market is too small (say, below \$1bn), or if it's not growing much, then it might not be worth the investment. Also, this question checks whether the entrepreneur has a good understanding of their market. A follow-up question will be: "How did you calculate these numbers?"

2. How much potential market share can you achieve?

This question goes hand-in-hand with the previous question, offers an idea of the potential of the company, and also tests whether or not the assumptions are realistic. Again, there is a follow-up question: "How did you estimate this?"

3. Why will people buy your product (and not something else)?

What will make people buy this product or service? What need does it address? Why will people buy your product instead of buying something else from the competition or a substitute?

4. What's is your competitive advantage and why can't it be copied? (Alternative: "What are the barriers to entry?")

Is there a first mover advantage, do you have copyright or IP protection, special knowledge, lower cost of production, etc.

5. Why do you think your team is best placed to deliver your business plan / forecasts?

It's important to see that each team member is critical to the business, and understand the dynamic contribution brought by each team member.

6. What risks are you facing?

This question will test the honesty of the entrepreneur, and also check that the entrepreneur has done the necessary homework.

7. Who do you sell to (and how do you get customers)?

You need to understand the end users to know what drives their purchase decision. Also, distribution is another key point - you may have a great product, but for fast growth you will need to be able to distribute it quickly.

8. Why will customers stay or do repeat business with you?

This also ties in with the barrier-to-entry question, but it is also important to understand how "sticky" customers will be. Will it be a one-off sale or repeat business? Will customers go somewhere else once others start to copy your product?

9. Have you considered any alliance / partnership?

Useful question to test the market knowledge of the entrepreneur and discovery any opportunities that may arise.

10. What are your cash flow projections? When will you break even? How much will you need in investments?

Every serious entrepreneur will have done some cash flow and forecast analysis, and should be able to answer those questions very clearly: number of employees they will need to hire, amount they need to spend on R&D, equipment, etc.

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