The tech CEO who sold a startup for $1 billion and has just raised $80 million for another reveals his 4 secrets for raising money

By Charlie Wood
Wayne Jackson is a veteran tech entrepreneur who has overseen a billion-dollar sale and raised hundreds of millions in funding rounds.

- Jackson is currently the CEO of Sonatype, a software security firm, which raised $80 million last September.
- Speaking to Business Insider, Jackson revealed his four secrets to raising finance from investors.

Wayne Jackson has sat through a lot of funding meetings.

The CEO of software security firm Sonatype sold his original wireless infrastructure startup, Riverbed Technologies, for $1 billion in 2000; oversaw network security firm Sourcefire's $70 million IPO in 2007; and raised $80 million for Sonatype last September in a funding round led by TPG Capital.

Although Sonatype does not publicly discuss its valuation, it has raised $154.7 million since it was founded in 2008. Jackson has served as CEO since 2010.

Read more: A CEO who sold a startup for $1 billion, led a big IPO for another, and raised $80 million for a 3rd shares some simple advice on building a tech unicorn

Speaking to Business Insider, Jackson has previously said finding niche and superserving a specific market is important for a tech startup. It's an idea beloved by some of the most successful venture-capital investors in tech, who call it "product-market fit."

Now, Jackson has shared some of his secrets on raising finance. We have collected them into four clear areas, with his advice edited lightly for clarity. Read on for Jackson's top tips for raising money.

1. Get concrete proof of customer interest

"What it takes to raise money as an entrepreneur depends to an absurd degree on prior experiences. You have so much to prove in terms of reliability, in terms of efficiency, in terms of gravitas. But, saying that, you don't need to be an entertainer to be an entrepreneur.

"I'm not sure Bill Gates or Steve Wozniak were the most engaging guys when they were 22. But what they were able to do is demonstrate a functional fulfilment of a need.

"VCs can string you along — what they need to see is concrete proof of customer interest. Getting funding before you get customers to write you cheques is extremely tough, maybe impossible.

"But as a CEO, the one thing I obsess over every day is what we're hearing from customers. Not just what they say on the face of things, but what they're really saying. As a CEO, you need to be empathetic and really listen."
"You also need to reflect on the scope of your own authority. If a customer says 'can you sort this,' don't just blindly say yes because you're the CEO. Think about whether their request is necessarily something you can feasibly deal with."

2. Keep investors informed - even when you don't need their money

"You need to establish a number of high-quality relationships with investors and keep them informed - even when you don't need money, perhaps especially when you don't need money.

"I hate to say it's easy for entrepreneurs who've delivered before, but it is. When I was raising for Sonatype, we had no real business plan, but I spoke to an investor I knew well at Goldman Sachs, well we decided to roll. If you can get to know and trust someone, fundraising doesn't need to be impossible.

"I found people willing to spend time on Sonatype. Find people who are smarter than yourself who are willing to share their time and knowledge, and cultivate that time and knowledge. Really get to know people at a deep level.

"Ideally, what a new entrepreneur should do is create a little bit of buying pressure between potential investors. Use the momentum you develop with one angel to force other angels to invest."

3. Strike a balance between purism and pragmatism

"I'm not sure anyone knows what the software security landscape will be like in 10 years. It used to be the case that no software was open-source — now it's 80-90%. You also have hackers infiltrating entire projects today by pretending to offer valid services — they're like the Trojan horse. That never used to be the case.

"Don't be instinctively resistant to shifts in the tech landscape that can be reality-altering. It can be easy to get attached to one particular technology or one particular way of viewing technology, but you need to be adaptable and bend your views to match present-day reality. When the first Fords came along, many people clung to horses and carriages.

"A mistake I'm inclined to make is to stay too faithful to specific technologies as opposed to bending it to serve the needs of the company or the direction of the market.

"I have been interested in technology for its own sake since a young age; I have been developing software since my late teens. I instinctively don't like bastardising my ideas. But you often have to do so if you want to gain investment. It's about striking the right balance between purism and pragmatism."

4. Accept that setbacks are inevitable
"If you're going to found a tech startup, you have to go into it knowing that there are highs and lows. Investors invest based on your ability to deal with setbacks.

"People think Sourcefire [a tech firm Jackson led through a successful IPO in 2007] was just a company that had it easy, but that couldn't be further from the truth.

"When I was at Sourcefire, I read a report from [the consulting firm] Gartner, which proclaimed the intrusion detection industry to be dead. The report advised investors that they would be better off spending their money anywhere else. Naturally, intrusion detection was exactly what we specialised in.

"First, we had our teenage tantrum — Gartner had just written off our entire enterprise. But after that, we said, ok, look, let's find out why Gartner thinks this. They're not idiots. We assessed their report and saw there was a reasonable logic to what they were saying.

"Ultimately, what we did next was a classic example of the principle I mentioned earlier: we bent our ideals to meet market needs. Two years later, we were at the top of Gartner's index."