



Stanford eCorner

Why Be an Entrepreneur Now?

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Roizen notes some of the opportunities available for up-and-coming entrepreneurs: 1) There is still a tremendous amount of capital. Mobius, in 2002, had \$500 M - \$8 M left to invest in one fund, 2) There is rationality for the market with respect to hiring, office space and expectations of people to work with, 3) Company valuations are still pretty high, 4) Collaborative efforts between entrepreneurs and VCs, and VCs with other VCs, are strong 5) Working with a VC is the one time in your life you have someone working for you and paying you at the same time.



Transcript

So I'm going to pitch you on why it's great to be an entrepreneur right now. First of all, there's a tremendous amount of capital, tremendous amount of uninvested venture capital and value. My fund alone has depending on how you count reserves that are already allocated, companies that we're already in, we have at the low end 500 million, at a high end 800 million left to invest. That's just one fund. So there was a tremendous raising of venture capital that occurred. More venture capital came into the market, much of it is located in the Valley and much of it is invested by people who feel for whatever reason that the Valley is also a great place to start a company. So this is a great time to be an entrepreneur. The second thing is there is a rationality to the market with respect to hiring, with respect to office space, with respect to the expectations of the people that you're working with. I think that's a really good thing. I think that there's a lot going on in the market right now that can be very helpful to you as an entrepreneur.

I think that the valuations, I think you're going to be surprised when I say this, are still pretty high. I think that back in the stone ages when I was an entrepreneur raising venture capital, I'll use my own company as an example, we had three million in revenues and we're profitable and we raised money at a three-million pre-money evaluation. I think today raw startups are still raising at over a million valuation. I think there's an interesting dynamic behind that. I think in part it's because venture capitalists want to give their startups a leg up in the chance to succeed and they believe that one of the biggest waste of entrepreneur time is raising money. So if you give the company more money then they don't have to go out and raise it again. So I kind of liken it to in the olden days you used to maybe get half a million, build your company for a while and then get two and a half million in the next round. Well, now, we'd rather just give you the whole three million upfront but we're going to hold you to some milestones and accountability in terms of what to do with that money and what happens in order to continue to meter the money out. You don't get the check on day one. You might get it over time.

But I do believe because of that the valuations are pretty good. I think that the collaborative efforts between entrepreneurs and venture capitalists and venture capitalists with other venture capitalists, I mean I think there was a while in the market here where the idea was gee, if I think it's a good deal I think I want to hug it all to myself. Well, what happened to the deal hugs if you come up for the next round and nobody wanted to follow and you were there by yourself slugging away trying to make the company successful with a management team without the support of a syndicate to help the deal be successful so now there's a lot more syndication going on; people are talking to each other, people are sharing due diligence on deals. So I think it is a real opportunity to build a team. In fact, I often say when I was raising money, what I would look for in a venture capitalist is not

the money; the money is really important but at the end of the day when you make a deal with a venture capitalist, it's really the only time that you're getting someone to work for you and pay you at the same time. So it's a really compelling proposition and you better make damn sure that you populate your investor pool with people that you think can really add value to your company.