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Raising Venture Capital Today: Barbell Syndrome

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Roizen believes startups should have venture capital, but at the right time and used judiciously. She talks about the Barbell syndrome, where startups raise money for the first and last rounds, but not the rounds in between. It is very difficult to raise these middle rounds, which allow startups to treat money better.



Transcript

No, you should have venture capital but you should have it at the right time. You should use it as judiciously as possible and you should raise as little bit as possible. I think one of the dynamics going on right now is we call it the barbell syndrome. You can raise your first round and you can raise your last round but you can't raise any rounds in the middle. So anyone who has a business plan that they've already raised money and they come in and they try to raise more but then they tell you that at the end of that, they're still going to have to raise more isn't getting funded. Well, why? Well, because those of us who invested in the dead zone had these companies come out the other end and unfortunately, all the value we just created ended up didn't actually cause the company to have any kind of value appreciation because the market was going down. So we got washed out and all that money sort of becomes a nice memoir. It's not real value. So I think it's very difficult to raise those rounds in the middle and I think that's why you treat that money like the debt that it is and the goals that it is and the obligation that it is.