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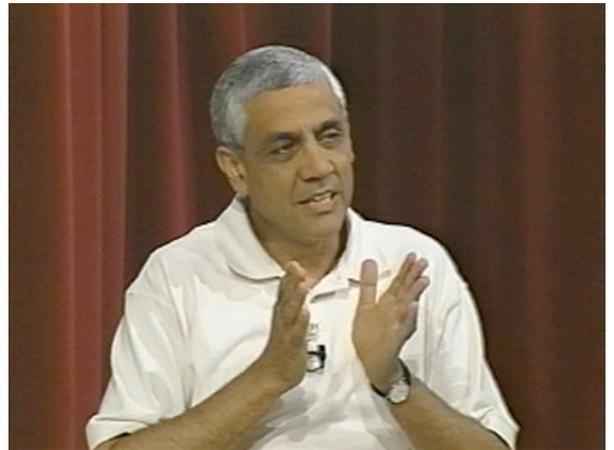
Vinod Khosla: Envisioning the Future

Vinod Khosla, *Khosla Ventures*

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When things are hot, that's not the area to invest, Khosla cautions. There is a surprise element always present where the biggest opportunities lie. Khosla highlights his interests in biology, genetics, nanotechnology and optical technology.



Transcript

While we have you here, I think we ought to look out in the future a little bit. So you're saying it's a good time to be investing. Are there areas of investment that excite you and you get your juices flowing in the coming years? We sort of know where the problems were in the last few years but what about the future which I know is where you preferred to look? The first thing I'd caution is what not to do. When things are hard, that's not the area to invest in, so security is not one I like. Wireless is not one I like today because there are too many people interested. The other thing I'd say before I talk about the areas I do like, and I promise I'll talk about that, one has to keep one's mind open. You can't assume there are hot areas and cold areas. It's the surprise element that is always where the big opportunities lie. So let me talk about a couple of areas that are interesting. Where's technology disruption going on that actually disrupts a business model? I think the whole area of biology, genetics will completely change what we do.

There are so many things we do wrong and inefficiently; wrong in the sense of that's the best we have but theoretically a lot more is possible. You look for that innovation. That's a very important area. An area that's sort of in the middle is nanotechnology. These two guys out of MIT will be funded is sort of a nanotechnology play but not really. My problem with nanotechnology is it's starting to become a bubble even before investments start because investments really started because everybody thinks it's hot and it's very easy to get deceived into this cycle. Optical is an interesting area because frankly, it was in October of 2000 that the Red Herring wrote a big article with a headline saying that I predicted the shakeout in optical when everybody thought I was investing in optical. The fact is since 1998 probably, I don't think we made any optical systems investments. Why? Because the area is becoming so hot without a lot of fundamental innovation. In optical, fundamental innovation comes from physics.

There's very little else that causes disruption. In biology, it can come from a number of different areas. So there are lots of interesting areas. I probably can't go through all of it. Even within narrow areas like computer software, there are radical areas for innovation and probably not enough time to go into the details of that. But one thing I would say is to me, any big problem is a big opportunity because if you think about it, no problem, no solution, no company.