



Stanford eCorner

Venture capitalists as incubators and co-creators of new ventures

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Smith talks about how New Ventures aims to create systems that are K-12 to provide a coherent experience to children. Incubation is important. New Schools buys run down buildings and turns them into successful schools. They do everything from recruitment to management to building, she adds.



Transcript

In terms of launching schools, we had a for-profit school management company in our first portfolio, LearnNow and two nonprofits and we've got three more nonprofits with a goal of getting to probably about 10 brands of school management entities. So the charter school management organizations create new public charter schools. We're trying to create systems that are K-12 so you sort of solve the problem for a family from beginning to end and you have a kind of coherence for the child's experience through schools unless they feel the need to switch out at a certain point. And launching means everything from finding the building. Typically, they're renovating a building because they're not given public facilities. Hiring the staff, managing the staff, designing the school model, ongoing management and quality assurance for the kids in those schools. We realize in doing that, and this is sort of an example of how we operate, we realize as we got these schools off the ground that the biggest hurdle to growth of these schools was facilities' finance. They're not given access to public bond monies the way a district is given monies. This is I know geeking out on the finance side a little bit here for a second. So we put our kind of creative hats on and said well then, we should create the equivalent of a REIT, a real estate investment trust, that's a nonprofit that will buy buildings, renovate them and just lease them to the charter school operators.

So take a huge problem out of the way of these folks who want to get new good schools off the ground. So we're incubating a nonprofit charter school facilities investment trust which means we raise a lot of money, we buy rundown buildings in the intercity, we turn them into schools and we lease them to charter school operators. Huge social benefit. It can turn around neighborhoods, can take rundown buildings and make them something productive, and solve a problem for the folks who are trying to get new public school up off the ground for kids who need them. That's sort of typical of how we operate. We're pretty heavily influenced by Kleiner Perkins who does a fair amount of incubation as well. So we're not against incubating things when we see a problem and have the idea for a solution. So they do the whole thing; recruitment, management, everything, buildings.