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How do venture capitalists decide what to invest in, and why?

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Steve Jurvetson, Managing Director of Draper Fisher Jurvetson (DFJ), explains that VC firms are supposed to think first about maximizing investment return for investors--but they also have a perfect opportunity to change the world through entrepreneurs. When DFJ evaluates an opportunity, they look at whether it extends lives, makes a sustainable planet, provides better energy with renewables, and even narrows the rich/poor gap, he says.



Transcript

Interesting. There's sort of the less sophisticated answer, which is just we're supposed to look at maximizing investment return for our investors and that should be the complete answer. It just so happens that if you pursue a passion, in early stages of venture capitalism, I really think this is going to change the world and if you make that your defining criterion then I'll double click on that in a sec but if it's, you know. We want a technology that changes the world somehow and so that happens to be highly correlated with high economic return. I mean that's just a lovely correlation that happens here. So you could say I forget to make money, I just want to find entrepreneurs I mean change the world and do so, find a Steve Jobs, find the whoever. And just go online for them and pay me back when they're successful with their investment financially. Then the money is a byproduct. Then if you take that premise, I think your question was how do you pick? Well you know, is it longevity? What is it then that changes the world? And in a sense we're open to a variety of things. We don't have a platform that says, "Okay, here are the things we're expecting to do like we have, you know longevity, bias, or focus, or you know, energy and dependence.

That's all we care about." We really care about a lot of things and frankly this is where it sure goes back to business is that if it's changing the world, it changes the way we live, operate, the way we interact, that could be almost in any area of business. So we deal with that and go diffused again on that other end of the tunnel, which is we're not close-minded about that, you know, extending lives, making a sustainable planet, getting better energy with the renewables. All of these are great goals to strive towards having, you know, narrowing the rich/poor gap would be nice. There's a lot of big societal goals to which that can be attractors if you will and when we see a technology that's got everything we love and oh, by the way it's low power consumption and it's a renewable manufacturing process or whatever, that's even better, right? So, I don't have a good answer for that because we haven't ever sat down to list, here are the ways we want to see how entrepreneurs change the world. And I go out and find those entrepreneurs. It's been much more reactive, oh my gosh! This is going to change the world in a way I never predicted and this is great. And we think it's going in the right direction. And from that helped it all but we don't have a good answer on, here's a short list.