



# Stanford eCorner

## Looking for Investors

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Video URL: <http://ecorner.stanford.edu/videos/1310/Looking-for-Investors>

Byers discusses the number of co-investors one should approach and suggests that while going to investors one should know about their investors very well.



### Transcript

The mistake a lot of entrepreneurs make is they think, 'Well, if I go approach a lot at the same time, then I run a better chance of getting some, and I'll work the whole parallel process.' That's actually a bad idea, in my view. And the reason for that is that, first of all, you're spread thin, and if you're engaging actively, like I say, meeting and asking for the next meeting and producing the things that person wants, and you're parallel-processing six or eight firms, you're not going to do that well. And the person on the other end who doesn't know you're talking to all those firms is going to see that you're not responsive and you're not engaging in the right way. They're going to feel a bad vibe. That's bad, because this is such an ambiguous process that at any point that venture capitalist could just say, "Doesn't feel right. I'm out of here." So I think what you ought to do is you ought to do a lot of homework first on the firms, fine, but really on the individual partners. Say, if you want to start a company in molecular diagnostics, I'm the guy to go to, because that's my passion. If you want to start it in B2C commerce on the internet, then you want to figure out who that is at another firm. And then rank-order who your favorites are, 1 through 10, and start with number 1. Go to your best number 1 choice first.

It's like the story of the scientist who toiled for years in the labs, but they never run the pivotal experiment because they don't want to know if it's going to succeed or fail or not. So they'll spend a long time doing that. You won't fail. It's just maybe you won't get your first choice. But if you do, then you're done. So only go to the first two at the same time, first one or two. But if it's us, just come to us. But first one or two, and then see how it goes. And then you can concentrate on them. You can give them responsiveness they want.

And also, if you get both of them, then you're finished. What some people do--entrepreneurs, start-ups--is they decide, "Well, why don't we kind of start in the middle with our preferences 4, 5, 6?" Well, what if they commit? What if it goes really fast? What if in two or three weeks they commit? Then what are you going to do? You can't really say, "Well, listen. I really like to slow you guys down. I know you're really excited in actually just giving me a term sheet, but could you just hold that term sheet? Don't really hand it to me. I'm going to be back in a couple of weeks." You can't do that. So now you're stuck and you don't have your first preferences. And so I think you ought to go ahead and go for it. And don't worry if a firm passes, or two firms or three firms pass. It's back to this ecosystem that if a firm passes, they're not passing because you're bad or you don't know what you're doing or your ideas--they're passing just because it's not a fit.