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Relationship Between an Entrepreneur and a VC

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Ray Lane, VC for Bloom's company, PodShow, talks about how his commitment as an investor goes beyond investing. He has helped PodShow grow in the market by building connections with the right people. He also believes that conflicts of interest between a VC and founder are mitigated as long as the VC's don't invest in competitors of the company.

Transcript

You're obviously very passionate about what's going on at PodShow and how do you end up working together? I mean what's the typical dynamic between the entrepreneur and the investor and as a board member. How's that relationship work on a day-to-day or week-to-week basis? Well, I think it's first of all I get confused of whether I'm a venture guy or an operating guy. I don't think you know whatever a venture capitalist does, I guess I do it but that's not how I think about the company, OK? So and I think most of my partners think the same way. We think about building companies as opposed to investing in companies. So right from the beginning, we're thinking about how do we advantage this company into a big market, OK? And make sure that it just obliterates this competition. And so, how do we build the right team? How do we advantage it by giving really, really good people? How do we make the right connections? So how do we call the right people? Give them influence, you know. You probably don't know what PodShow is doing but let me explain it to you. It might be interesting partnership for you to open doors for them. But basically everything is around providing advantage to PodShow to win this market and this market being a combination of social and media. So sharing what you like with who you want to share it with.

And so, if you have a profile on PodShow and you want to share it with your friend or the friend wants to know what is it you're interested in these days. What do you actually watch and listen to? You can share it with them like sharing, like you're networking of yourself. You are the network. So I can see it by digging you, you dig me and you can basically share now not just simply text exchange or pictures. I saw this interesting video, go download, go look at it. You can basically you're sharing your life with people you want to share it with. And that becomes a social network for music, video, and podcast. What type of conflicts ventures have you seen as VC encounter and what's put the most strain on your relationship? What types of conflict of interest? You know, I actually can't think of any because we would never invest in a competitor of PodShow. We don't invest in any competitors of the company we've already invested in. So there would be no business conflicts.

Where you typically running the conflicts is if you take money from someone who would invest in a competitor and that it takes them a long time to decide they're not going to invest in a competitor then I would suggest you think about that. What that means to you? Ray and his team, and his company and his group, they stand for something so you know what they stand for. The second time is in valuation, discussions about valuation but if you describe your company well enough and defend your vision well enough and you're also fair enough to the other side, then that doesn't conflict if you raise ongoing rounds that's where you also can run into conflict. I just think if you set it up at the beginning right, if you do a little work, homework about what's going to happen in the future, you sort of anticipate the dialogue, and you talk with your investor, "What's going to happen if this happens? What do you think about this?" Also, if you're honest with yourself, if you hit on the wall somewhere, and what you thought would happen is not happening as well. You want to have an investor who's a partner and I think we've already gone through a bunch of those intersections together and I think that we just got a pretty good feel for each other and fine to have some integrity. So generally, there are no conflicts of interest. I'll give you one small thing that could occur all the time from the venture business. If you're an early-stage venture investor, you have the most risk. Consider that you're investing when there's still technical risk in the company. And so, typically you're looking for a lot of ownership for a reasonable amount of investment.

If you're fortunate enough, now a lot of companies basically get modest you know say they're series B get a modest optic evaluation because they're coming maybe out of technical risk they got one customer to try the beta or something like that. But in this case PodShow their series B had a huge optic evaluation. And so, I've got to look at my job. Now, I've got a bit of a conflict because on one side I've got to support the company. And so, he wants to be able to go out to other investors and say, "Kleiner Perkins is behind me and Kleiner Perkins is investing and they still believe in the company and even though the valuation is relatively high, they believe so much that they're going to make money, that they're going to invest with this high evaluation." When in fact my venture side says, "We already own a lot of the company and it's smart of us to not take our pro rata because even though we'll make money, we might make less than the 10 or 15 next that we're looking for on the early money. And so, I've got to balance those two things that are bit of a conflict but we did invest.