



Stanford eCorner

Success Paths for Entrepreneurs, VCs and Merchant Bankers

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As an entrepreneur, Burrill says, it is essential to constantly challenge backhand knowledge, differentiate information from insight, and have a healthy aggressive attitude towards trying to build something of value. A VC chooses companies based on where the market place will be in the future and not where it is today. In merchant banking business, it is not about how many things one gets started, but how many things one completes, he notes.



Transcript

So we have a big business today, as I said, with lots of meetings and conferences and extended business. Our business, by the way, our revenues are about \$20 million in the venture capital business. Our revenues are \$10 to \$20 million in the merchant banking business. And we have a \$5- to \$10-million business in the media business. So we have a decent-sized business today. What do I think you should take from my personal success? One is, industry knowledge is critically important. Secondly, I think you have to differentiate information from insight. You can go on the net, you can get tons of information. A value proposition is I get some insight, I can interpret that, I can tell people what it means. Everybody wants to know what I think is going to happen next year because of what I know, and so we're in the 'insight' business.

We publish a lot of stuff that's information, but the insight is the value part of that. You have to constantly challenge yourself to generate knowledge, and I think in my particular case I see the world very much on a half-full, not half-empty. One of my favorite definitions of an entrepreneur is that they're too naive to see the barriers that everybody else sees, so they ignore them and they just go through them. I was probably too naive in starting my business to understand all the reasons I shouldn't do that, so I just went ahead and did it. And you deal with the problems as you come along. So I think kind of a healthy, aggressive attitude towards trying to build something of value as opposed to letting all the people tell you the reasons it won't work is important. A couple of quick things on our venture business. What I think makes our venture business successful, one is that we not only have this industry knowledge but everybody wants us to look at their deals. So we have a robust inbox. We see something in excess of 100 deals a month.

We only invest in less than one of those hundred deals a month, so we have to process a lot of stuff. But we spend most of our time trying to figure out, as a hockey analogy is, not where the puck is but where the puck is going to be. So the question you're trying to deal with is, what are the markets of tomorrow? If it's going to take us a decade to get to that customer, you don't ask yourself, "Where is the medical health care system today?" You say, "Where is it tomorrow? What is a health care system going to look like circa 2015 and how do I build products and services and companies that are going to be relevant in 2015?" Most of you take a snapshot of the world today. You build products for today. We've got to build products for a different marketplace, so you have to use your insight and think about where that marketplace is, and then be there. People talk a lot in entrepreneurial schools about luck. Luck is taking advantage of the opportunities you have. I got a phone call two Sundays ago. I was watching the Duke game. I have a son at Duke and I was enjoying the Duke basketball game, and in the middle of

that I get a call from a guy who wants to do a very interesting transaction.

Most people would have been annoyed by that. That was an enormous opportunity. We take advantage of that. Some might say it was a lucky call. I'd say it's recognizing an opportunity and taking advantage. Everybody has opportunities. The difference is some people actually take advantage of that. Networks are important. I've done an enormous amount to help people for decades. People call me all the time and say, "Steve, 15 years ago you told me this.

It made a difference in my life." You never know who may be important to you. So build those networks. Keep those networks active and working. Do different things. Don't try and do what everybody else is doing. And the interesting thing about our venture business is that when you're a venture capitalist, you not only have to be right, but you have to be right in a certain period of time. So we're big players in the personalized medicine business today. There's no question personalized medicine is going to change medicine. That isn't the question. The question is, are the investments I made today going to pay off at the return I've got to generate in the next two or three years? So it isn't a matter of being smart and investing in the great companies.

If I'm off by a year or two, my IRR is killed. So I've got to be right, but I've also got to be right in the timeframe. So if you do those things well, I think you can be successful in the venture business. Our merchant banking business, I think being successful has a lot to do with selecting what you want to do. When I started to build this business, I was really into lots of things that, in retrospect, they paid us a lot of fees but we never got them over the goal line. In the transaction of business, the issue isn't how many things do you get started but how many things do you get done. So we had to reverse our process. We actually had to do due diligence at an enormous level on our nickel free before we accept an engagement. Because when you're trying to do a deal between two companies, what you find out in the last minute, just before the deal gets signed in your last element of due diligence, if you don't actually have the IP that you thought they had, or they didn't really finish that clinical trial or they got some bad data. Now if you've worked a year on that transaction and you find out about that the day before closing and your deal doesn't happen, you just wasted a year because you got nothing out of it.

So what we learned in that business is we've got to invest a lot of time to figure out whether we're going to be able to get the deal done before we say yes, and so we had to turn that around because we are basically in the success-free business. So we made lots of mistakes early in trying to build that business. And then, finally, in the media business that we have, I think the interesting lesson there isn't to try and be just another purveyor of information but to figure out what it is that you have that is insightful and how to take advantage of that insight. And so everything that we publish, everything conference that we have in Burrill relates to something that's unique and presumably something that's insightful.