



Stanford eCorner

Investors Assess Failure and Success

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Facebook and Digg investors Ron Conway and Mike Maples unveil a surprising yardstick on what makes an entrepreneur's ideas a go or a no. Even though one venture might go under, the right executive could likely get another chance - provided they prove business savvy, flexibility, and an understanding that the nature of the business start-up is to morph.



Transcript

So would you invest in someone who had a failure who comes back to you again? Of course, I had a recent forward fumble in that regard. So the first investment I ever made when I moved out here was in a company called Odeo which is a podcasting company started by Evan Williams who formerly started Blogger. And I thought podcasting's would be huge. Evan Williams is awesome. I'm going to fund this company. So the week after we fund it, Apple announces podcasting on iTunes. We're like, "It's not a good start." And so about six to nine months later Evan says, "Hey look, we don't have a real business here and I'm just going to give you your money back." And I said, "Look I sort of know how the rules work." If you invest, it doesn't work out, I don't get my money back. That's how it goes. He goes, "No, I think I raised too much. I'm going to give you 100 % of your money back." So I said that's just an amazing gesture, right.

And so I said, "I'll tell you what, I don't want your money back. Just whatever you do next, I don't care what it is. Just put it in that." He goes, "Well I got this side project that I'm excited about called Tweeter. And so I said, "Well ok, Tweeter. That sounds good. So when you decide you're going to raise money for Tweeter, I'm in. I do want to put the same amount in." I mean that's probably also good lesson about just having things work out on good terms regardless. It's not the entrepreneur that failed. It's the business that failed, right. And in life, you win some, you lose some.

And the trick is to fail aggressively or fail gracefully. And sometimes even aggressively if the idea isn't working. And to not if everybody take it personally. Not leave any regrets on the playing field. Not everything's going to work in life. Some companies do fail because the entrepreneur got bullheaded. Didn't take the MNA offer. Three months later, ran out of money. And the company goes out of business. That's an entrepreneur I will not invest in again.

But from investing in entrepreneurs like that you try and learn your lessons. And I try and pick entrepreneurs now that I have really good chemistry with. And who are very, very flexible. Who understand that their business is going to more from be completely different from what they talked and were so passionate about in the first meeting. The entrepreneurs that fail are usually the ones that don't understand that the business is supposed to morph. You're supposed to admit that "Hey, that didn't work. Let's go change it." Let's adjust the business and find a market that's receptive to the product." And so those are the key traits that are so important.