



Stanford eCorner

The Overfunded Start-Up?

Mike Maples Jr., *Floodgate*; Ron Conway, *Angel Investors LP*

January 23, 2008

Video URL: <http://ecorner.stanford.edu/videos/1925/The-Overfunded-Start-Up>

Too much money in a start-up can be toxic, says angel investor Mike Maples, and that there's an inverse correlation between the amount of money a start-up receives and their success.



Transcript

So you don't think that there's a right balance between deals and money? Well I think that there's a risk that some companies get over funded. The venture firms have a lot of money right now. They've gone off to raise huge funds. I believe that too much money in a start-up is not only unnecessary. It's actually toxic. It causes you to pursue losing strategies for too long to the detriment of the winning strategies. And that actually just like we talked about the statistic, about the radius around Silicon Valley Boston. If you look at the truly great start-ups that have come out of Silicon Valley, they've been hyper frugal. Cisco, Google in the early days, Yahoo! in the early days, Microsoft. I mean the list goes on and on.

I think that there's an inverse correlation between the amount of money an entrepreneur requires and the potential chaotic success of a start-up. So I think that it's great that we have richly developed ecosystem. And that entrepreneurs have tons of opportunities. But it's like anything in life with infinite choice, you got to chose wisely. And if you chose to take too much money, you'll have three bin copy machines. When one bin would do or maybe not even have a copy machine. You'll go higher goofy positions and VPs that don't do anything. And go off on wacky initiatives that seems sexy but don't generate anything. And so you know it's incumbent on the successful entrepreneur to have your own internal voice that keeps you from accepting the lack of discipline that can often be foisted on you by somebody who wants to give you more money than you need.