



## Stanford eCorner

### Five Metrics for Venture Success

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How do investors gauge whether a company is one from a pool of thousands worth their resources? KPCB partner Beth Seidenberg shares her firm's five measures for financial fortitude. In this clip, she outlines leadership, and how this is the most important talisman of a growing enterprise's success. In addition, she discusses the importance of large, fast-growing, under-served markets, and KPCB's willingness to take risk with new technologies. Reasonable financing structures and a sense of market urgency are also key indicators; being the first and being the best matters. Founders who are missionaries, not mercenaries, nearly always seal the deal.



#### Transcript

This is a key takeaway. It may sound simple, but this is the heart of what we try and do. Every time we start a new company where we see a new technology that may have an application, we look at these five key factors. And the words on this page are very purposefully chosen. The most important thing is leadership. I know that during the course of this program, you've heard a lot about leadership. The last class was with John Melo from Amyris, one of our startup green technology companies. And he is an example of a real A+ type leader who is passionate about the company that he's leading. We look at markets very carefully. And the criteria on the slide are things that are must-haves for a Kleiner-backed company.

There are many markets that aren't as large, aren't as transformational, and they're important, but we don't back them because we will invest in fewer companies, but every time we invest, we're putting a lot of time and energy into those investments. We can handle, as an individual partner, a capacity of anywhere between 9 to 11, maybe 12. Twelve companies is really a lot, and you're working 24/7. It's not what a lot of us want to be doing. So we really look for companies that are serving large markets. We're willing to take a lot of technical technology risks. A lot of people are surprised when they hear that. They would think that venture capital will be low technology risk and build markets, but we think about it in the other way. We want to look at big markets. We may be creating markets, but they have to be markets that are ripe and ready for creation. And we'll take a lot of technical risks, and we do all the time.

Reasonable financings. We're going to talk about the structure of financing for a startup company. And one of the things that we found is that a lot of people who come in, entrepreneurs with a business plan, it's a badge of honor for them to have a high valuation. Their company is worth \$100 million, and that feels like that's a great thing to have. You don't want to have a value of your company that's ahead of what your products actually deserve to be valued at. That's a learning that people go through over and over again, but we work really hard. If we can't get an entrepreneur to be comfortable with a valuation that we're proposing, it's probably not the right entrepreneur for us to work with. I'll show you specific examples. Sense of urgency is critical. There's always competition.

First matters. Being the best matters. And wanting to get there and being able to drive a team to know that your part

product - again, there is a market need and there's a burning desire for that product out there - the entrepreneurs and the company has to have a sense of urgency to drive that forward. And then last and probably almost as important - again, I'm not rank ordering these but specifically calling out - we look for people who are missionaries and not mercenaries. One of my partners, Randy Komisar, who teaches an entrepreneur course here at Stanford, wrote a book called "The Monk and the Riddle." He talked about an entrepreneur who was really a mercenary, and he kept driving for the big dollars, the big return. He kept striving for it, and it was like sand in his hands. He couldn't grasp it because it's not about figuring out, "Well, I'm going to do this and I'm going to make a lot of money." It's much more about having a passion, knowing there's a market, getting the best people around it, and driving that forward.