



Stanford eCorner

Understanding the Overseas Investment Market

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May 28, 2008

Video URL: <http://ecorner.stanford.edu/videos/2037/Understanding-the-Overseas-Investment-Market>

Culturally, the differences can be night and day. Financially, the rules can be completely different. Rather than trying to operate in China and jump its many hurdles from afar, KPCB partner Beth Seidenberg says her firm found the best local entrepreneurs in the country and partnered with them, giving them the Kleiner Perkins Caufield & Byers brand. In India, the business community works more closely with Silicon Valley, simply assigning its partners to the ground and forging relationships with other serial entrepreneurs.



Transcript

The question is in the emerging markets. So in China, how would we go about investing? Would we collaborate with VCs there? How would we basically advance the technology? Let me give you an example of what we've done in China and what we've done in India, and they're very different, and we took different approaches for reasons of really need in trying to understand the market. China, we determined, was very important to have people who understood the local environment on the ground. It's very complicated. It is an entrepreneurial environment in the major cities, not in the provinces. It's growing faster than you can imagine. People are moving back to China who were trained here in the United States and who have worked in the United States. Culturally, night and day, you cannot take western norms and bring it to China and succeed. Financially, different drivers. The stock market is different.

For example, you cannot go public on the Shanghai Exchange with a biotech company unless you have revenue, and that would just totally fail right here in the U.S. NASDAQ, how many companies have revenue? Not many in the biotech, or at least profitable. So very different. And then it's a communist country. So the government controls things. We heard stories when we went over there about businesses where if you were becoming too successful and too independent, the government would basically just shut down all your electricity, your water, your staff. You're done. You're out of business. So it's impossible for us to do that from afar. So what we did is we found the best investment team in China, and they are KPCB China now.

We raised a separate fund, so we have \$360 million that we're investing there, and they're all Chinese. They are local entrepreneurs. They understand the environment. The big push pill at the beginning was independence. We wanted the Kleiner way. How we do it, what I've described to you, and there was a big debate about independence. So now, we have a partner over here who spends a lot of time in China. She is Chinese, grew up there. She spends a lot of time interfacing. India, we took a totally different approach.

We have a serial entrepreneur who has been part of the Kleiner family, so to speak for many years, and he knew the Indian market. And we have a partner who focuses on India. So we didn't put a team in place there, and we don't have a separate fund.