



Stanford eCorner

Venture Capital's Historic Home Run

Spencer E. Ante, *BusinessWeek*

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Video URL: <http://ecorner.stanford.edu/videos/2176/Venture-Capitals-Historic-Home-Run>

From a \$70,000 investment, the Digital Equipment Corporation evolved into a multi-million dollar entity, entitling its investors to the fruits of a 70,000 percent ROI. This, says author and *BusinessWeek* editor Spencer Ante, was the first home run in the field of venture capital, and the first inkling that this sector could earn its own secure financial standing.



Transcript

The venture capital business as you all know it's based on home runs. You have 20 companies to invest in, 5 or 10 of them go out of business. Another five do okay, two do pretty well and maybe there's one home run. And it's that one home run that makes the fund, that makes everyone money and keeps this virtuous cycle going. And for Doriot, they figured this out and what I argue, the first venture capital home run or the first home run of entrepreneurial economy happened under American Research and Development and it was Digital Equipment Corporation. And Digital Equipment Corporation was really the thing that lit the fire of everyone who was trying to figure out, "Is this thing going to really work?" Well they put \$70,000 into it and when it went public later on, it was worth 70,000% more than what they put into it. So it ended up being worth a couple of hundred million dollars for a \$70,000 investment and that was the first time that anyone had proved you can make a lot of money investing in these risky companies. Just small amounts of money you can just create enormous wealth.