



Stanford eCorner

Seeking Inverstors

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To reach the point of seeking out venture capital, Rashmi Sinha, cofounder of SlideShare, explains that the company developed in stages: SlideShare got to the point where it could no longer just grow organically and needed outside funding. "Your first investor [is] possibly your lawyer," interjects Jonathan Boutelle, Sinha's cofounder at SlideShare. He describes the process of an outside entrepreneur trying to navigate the world of Silicon Valley like peeling through the layers of an onion: first, there are the lawyers and advisers; then angel investors; and in the center, venture capitalists.



Transcript

Well, as Jon says, we went in stages. So, at an advanced stage we decided, "OK, this is going to be much bigger than we can make it in an organic manner the way we've been growing and we need to get some outside funding in." And then, we brought in advisers and then a bunch of angel investors. And pretty soon, after that, we did a Series A. Yeah. Well, just drilling down on that a little deeper, the weird thing about Silicon Valley is that your first investors are possibly your lawyer, which is not true anywhere else but it's definitely true here. If you have an idea and you're building a product, you're going to have to start a company. And the smart thing to do and what most people seem to do is they go to one of the top ten firms that do the startup legal stuff in Silicon Valley. And it's very easy to figure out who those firms are. And you say, "This is the company that we're starting. This is the demo of the product." And this is really like pitching an investor.

You need them to have faith in you because what you're asking them to do is to essentially give you services that you will pay for when you raise your Series A, which is and isn't a high level of confidence. I mean, on the one hand, it's \$25,000 of services that they're set up to crank through relatively quickly. A lot of it is being done by temps and legal secretaries. But on the other hand, it is stuff that they usually sell. And so, convincing the lawyer is the first step towards having social proof. And social proof is important because as hairless monkeys, we're not really good at making rational decisions. And so, the way that we have adapted to make decisions is by paying attention to what the other hairless monkeys are doing, assuming that there's some wisdom in the crowd. So, is this hairless monkey fundraising or social proof fundraising? Same thing. So, social proof fundraising? Yeah. Social proof fundraising is probably better than hairless monkeys as a brand.

And is that a term you use to describe what you guys do? Yeah. I mean, basically at the top are the venture capitalists. And they all just are very insular. And they all hang out with each other. And it's hard to jump directly in there as somebody who doesn't have a lot of connections. So, what you need to do is work your way from the outside to the inside, just like layers of the onion. And the lawyers and the advisers who are getting stock in exchange for a little bit of their personal brand and some advice from time to time are the first layer. And those are people who are not actually putting money into your idea. They're just putting their own efforts into your idea and associating themselves with you. Just to put what he's saying into context, it's that even though we were located in Silicon Valley, we did not have a huge network of investors and the kind of people who build a company.

So, we were coming from the outside. So, for us, the big thing we had was SlideShare. I mean, you could look at the numbers and you could see that the site was taking off. In fact, our first angel investors like Mark Cuban, Jonathan Abrams, Dave McClure, all of them we met on SlideShare. So, basically at one point when we decided we were going to raise money, we emailed some of our users who we knew were angel investors. And they were the first people to invest in SlideShare. Did you go by the most popular number of visitors on their slides? No. Did you actually look at the content of their slides and decided they were the most interesting? Some of them had popular content.