



Stanford eCorner

"Lean" Does Not Mean "Small"

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The amount of capital that you take in has nothing to do with the size of a company's ambitions, says Ann Miura-Ko, co-founding partner at FLOODGATE. Historically, some of today's largest technology brands, such as Ebay, Microsoft, Apple, raised relatively low amounts of capital early on. Smart business models, data, and vision steer a company, regardless of its size, to scale sensibly and remain capital efficient.



Transcript

Now a lot of people get confused because we as a firm also talk a lot about customer development, the lean startup methodology. And they say, "Well how is that consistent with lean startups?" The problem is people confuse lean with small. Lean has nothing to do with small. In fact the amount of capital that you've taken has nothing to do with whether or not your ambitions are big or small. And I've seen some of the confusion in the market where in Tech Rage people are talking about the battle between the super angel and the VCs, the super angel VC smack downs and I fundamentally believe that that just reflects the confusion in that market place because when we go talk to our entrepreneurs about raising the amount of capital that they need we're talking to them about the capital that they need. We will only invest if there are thunder lizard ambitions but that has nothing to do with how much they raised upfront. In fact we've looked historically and many of the largest biggest companies raised only a few million dollars in the front end. Microsoft, Apple, all of these companies only raised a couple million dollars even eBay the amount that they raised they never used and so the best companies actually end up being extraordinarily capital efficient. And in fact it's the similar analogy to athletes. When you look at Lance Armstrong, he's an extraordinarily lean athlete.

You ask him how many calories he eats during the Tour de France, he's eating 8,000 calories a day, right. And so the analogy holds in that sense as well. Lean is not small. Lean is a tactic by which we help our entrepreneurs and the entrepreneurs help themselves in a data driven way figure out how they're going to iterate their product. And then through data and through vision, we also pivot that business model if we believe the business model no longer works.