



Stanford eCorner

Investing in Long Term Ideas

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Serial entrepreneur Reid Hoffman explains why a person's view of how the world is changing should affect their decisions on taking risks. Although risky investments will not pay off in the first few months, according to Hoffman, the technology companies that succeed are committed to pursuing these types of long term investments.



Transcript

One of the things that works really well while you're an entrepreneurial and private company, and one of the things that I'm working hard to maintain at LinkedIn past going public, is to make sure that you're actually both investing in long-term and taking risks. So what that means is doing projects that don't have an immediate one to three-month payoff in the data that are a part of the general positioning of how you think the world is changing. Right? So for example part of the theory, initially, behind LinkedIn was that every individual is going to have a professional identity online that they will transact with as the business of themselves; both for their company and outside of that and if that's how the future of the world is going to evolve. Even though there was no particular way of proving that theory back in 2002-2003, that was the theory and that's what you built into the future on. Keeping those future visions of "this is what I think the world is going to be and I'm going to take a risk that I think that my theory is right, and I'm going to invest in it even though I'm not going to be immediately awarded well in one to three months. Doing that selectively and taking those risks, I think, is the key form of doing investments. It's one of the reasons why in technology companies, you frequently see the company continuing to do well when it has still founder roles in it, e.g. the founders usually, but other people who are willing to take that three to five year risk in what they're doing, and I think that's really critical.