



Stanford eCorner

When to Go Public

Reid Hoffman, *LinkedIn*

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As a serial entrepreneur who recently took LinkedIn through its initial public offering, Reid Hoffman knows investors and early employees have expectations around taking a company public. "When people invest in a company, they expect to have some liquidity in the stock, at some point," says Hoffman. He discusses why any company that goes public must be able to show they have their house in order on a quarterly basis, and why its leaders must choose a time that is right for future growth.



Transcript

So the question is when do you decide to take the company public. At some point, when you have a group of employees and investors, everyone has invested in the company with the idea that they will have some liquidity in the stock. It's a "when" rather than an "if", hopefully "if" you're being successful enough. When you're a successful company, the question you're addressing is when and so, what you want to do is you want to build as much into the company culture, the momentum, solid team culture business model and all the rest of that stuff, and you want to get all of that really established. You want to make it reliable enough because one of the requirements from the public market investors is that they understand it with a fairly high degree of precision on a quarterly basis. Make it reliable enough that people go, "OK, I can understand how this goes," and then you choose a time that's based on when it's good for your employees when you may need to have liquidity for doing acquisitions or expanding the business; that's the logic of which it goes. One of the things that's been happening more in Silicon Valley in the last 10 years is it used to be that the marketing event have going public was really critical and so you got there as soon as you could because it was a way of being presented on the stage. Probably, there is certain classic companies where that's still true for. For the consumer internet companies, because they already touch, usually hundreds of millions of people, they don't use it for that as much for that kind of marketing vehicle by which they suddenly get a spotlight on the stage, as much as it's the natural timing in the progression of how you're building out the company.