



Stanford eCorner

Talk Openly About Risk and Reward

Dana Mead, *KPCB*

November 16, 2011

Video URL: <http://ecorner.stanford.edu/videos/2846/Talk-Openly-About-Risk-and-Reward>

According to venture capitalist Dana Mead, if you come in for a meeting, "don't be afraid to talk about what the risks are." Mead asserts that venture capitalists deal with risk all the time, so entrepreneurs make a mistake in presenting rosy pictures for growth and revenue, without presenting a balanced picture that includes risks around a new venture.



Transcript

So when people come to me, the number one thing that turns me off is that people are imbalanced. Okay, remember, we're venture capitalists. We understand these are very early companies. We understand there are tons of risks. So don't be afraid if you come in to talk about what the risk are? Yes, be passionate about what you are doing. Yes, be optimistic about what you are doing. But don't be afraid to talk about the risk. So people that are balanced in their view - now, we want passionate people and obviously to be a great entrepreneur, you can't be irrational, right, because people are going to tell you it's a dumb idea. They're going to say no to you all the time and that passion is what's going to make the company happen. But at the same time, having some balance is good.

Here is an example. Often people come in and we get to the five-year P&L and it will look like this hockey stick and not one device company in the history of mankind has ever achieved this hockey stick. So you'll ask the people, well, where did you come up with that number? Well, I think this would be a really good company. Yeah, you're right. That would be a great company, but you want to be balanced when you do that.