



Stanford eCorner

The Relationship Element

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Illuminate Ventures Managing Partner Cindy Padnos shares how relationship formation and development plays a critical, and cyclical, role in the work of entrepreneurs and investors. In conversation with Stanford Consulting Professor Tom Kosnik, Padnos also explains why it is more difficult to raise money for a venture firm than it is for a startup.



Transcript

How is being the Founder and Managing Director of a venture firm different from being the Founder and CEO of a software company? Well, some things are the same. But they end up taking on very different attributes, I guess, I would say. Relationships matter a lot. They matter in any business environment that you might work in, but they particularly matter in a start-up and they particularly matter in venture. They're different how you leverage those relationships, but it may even be the same people. So, for example, people who might have been customers of mine, when I was a founder now become perspective customers of our portfolio companies. And I can make those introductions. People who I was soliciting capital from for my own company become co-investors. And the credibility that you built with them in that last relationship absolutely translates to the new one. So the relationship element is I guess, I would say similar, but different.

It maybe the same people are using, leveraged in and they leverage you in different ways as well. It's very interesting. Same would be true that you have to as a founder raise capital. As a founder of a venture capital firm you have to raise capital. You raise it from different people - I will tell you for what is worth it's a lot easier to raise capital for a start-up than it is for a venture capital fund. And the reason I say that is if any of you have done it, you know that to raise capital for your own company you probably need one or two yeses. You need a lot more yeses to raise fund - money for a venture capital fund. And so - and there are different people and the metrics are different and so many things are different. How you are measured - your performance is measured. It's very different in a start-up than it is in a venture capital fund.

I measured on internal rate of return, on the financial performance that I returned to my investors. How I measure myself frankly isn't that different though, have I built great sustainable companies with the help of other great entrepreneurs.