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Cowboy Ventures founder and managing partner Aileen Lee describes the circumstances that spurred her to coin the term "unicorn" to refer to billion-dollar startups. As the managing partner of a new \$40 million fund, she started investigating the billion-dollar companies that had been born over the previous ten years. She quickly realized that there were many commonalities: founders in their 30s and 40s (not mid-20s dropouts), for example, and founding teams rather than solo founders.



Transcript

So after I started Cowboy, I had a 40 million dollar fund and no investments.. And I wanted to try and make the best investments possible out of the fund that I had raised.. And I went and talked to lots of smart investors, many of whom who have spoken in this room.. And smart LP's, the investors in our funds, about, "Tell me about some of the best funds in history.. "What were the companies? "Was it one company, or three companies, or five companies "in the fund that made the breakout? "And what did those companies have in common?" And everything was anecdotal and there was surprisingly no data.. Back then, in 2012 and 2013, there was no Pitch Book, there was no Crunch Space, there was no CB insights, there was no The Information.. And so there was billions of dollars invested by these C firms every year and no one else's.. And so I started basically making a spreadsheet and I started making a list of companies that were less than 10 years old that have become worth more than a billion dollars, either in the public or private markets.. And just collecting basically information about how many founders were there, when were the founders born and how old were they when they found out they founded the company? Where did they go to college? What did they do before starting the company? Where did they work? How did they know each other? What was the original idea? How much money did they raise? All these different things.. And so I basically created a data set of 39 companies that had been born within the past 10 years, that were worth over a billion dollars..

And they actually had quite a few things in common.. One of the things at the time was when I was taking pitch meetings from founders, sometimes founders would walk in the door and they'd be like, "Hey, so we started this company "and I know like I'm really old to have started this company "'cause I'm 35, I'm sorry." And I didn't want those people, when you look at the analysis, the companies in the unicorn data set were founded by people in their 30s and 40s.. They were not founded by 20 year old drop outs from Harvard.. But at the time, there was the feeling among the entrepreneurial community that if you haven't started your company by the time you've finished college, you're not gonna make it.. The other thing was, teams.. That co-founding teams generally, were the vast majority of the data set, 'cause it's hard to be a solo founder.. And so I think there were a bunch of insights that I found from the data set that I basically wrote up in this blog post called Welcome to the Unicorn Club.. And the unicorn word was one that I, I didn't have that until the end.. So I basically had this very long phrase that was, Billion Dollar Companies Founded in the Last 10 Years That Are Either Public Or Private and Venture Backed.. And you can't really write that many times in essay, it's not very readable..

And so I had, I did this find and replace and I was substituting monster hit or Godzilla, or home run.. And I would re-read the piece with the different phrases and then I'd put in unicorn.. 'Cause I wanted something that was more fun and more mystical and made it seem more magical and more elusive.. And more special, not kind of business analysis-y.. And unicorn just made the whole thing much easier to read and so that's what I posted.. And I honestly did not expect anyone to read it.. So it's quite overwhelming that it's still a thing actually..