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Speaking a few months into the COVID-19 outbreak, Threshold Ventures partner Heidi Roizen presents some sobering health and economic data. The first step in preparing to face a crisis like this, she observes, is to be aware of the larger world. Her portfolio companies with China-dependent supply chains, she points out, were the first to recognize the significance of the COVID-19 threat. So she encourages entrepreneurs to look outward, and watch for leading indicators that foretell massive change.



## Transcript

and two public boards as well.. I wanna start by anchoring this moment in time with data, in part because this recorded and maybe watched in the future.. As of today, there are approximately two million confirmed COVID-19 cases worldwide.. In the U.S.. about an hour ago, apparently we just hit the 30,000 mortality mark, 30,000 deaths in the United States.. In the last three weeks, 17 million U.S.. citizens applied for unemployment benefits.. The vast majority of the United States is some form of lockdown and Stanford is conducting all its classes remotely, which is why we don't get to be together on campus.. If that isn't sobering enough, I also wanna remind everyone how rapidly this has all happened.. The Oscars were only 66 days ago and the Super Bowl was only 73 days ago..

It's kinda hard to imagine, you know, how little we were thinking about this, only 60, 70 days ago.. My point is this, the world has changed a lot, it has changed very quickly, and we are nowhere near the end of the change, nor a return to normal yet.. All this change is also impacting entrepreneurs and startups in rapid and unprecedented ways, some more than others.. For Bay Area startups, most have been on work from home status for about a month now.. For some companies, such as those who primarily develop and sell software, they can mostly keep working, albeit differently.. For other companies, such as those with consumer facing retail establishments, those with physical goods and complicated global supply chains, or those engaging in complex hardware development, the shutdown presents an almost insurmountable challenge.. The impact on each company's operations and outlook is also vastly different.. For example, companies who provide products that support remote work force or facilitate home deliveries are booming, while many in sectors such as restaurants, travel, or other forms of hospitality are seeing their businesses drop off a cliff.. So, while the observations I'm about to share may not be applicable in every situation, I've seen most of these be broadly employed to help entrepreneurs make it to the other side of a crisis.. So this is my, it was gonna be my top 10 list, but I have nine of 'em, so it's gonna be my top nine list, with a tenth that's a little bit more directed at you personally..

So as they say on the news, let's get after it.. Here are the nine I consider the most pervasive.. Number one, the best entrepreneurs understand that their startup operates in a broader world and that they watch for leading indicators that foretell massive change.. I liken this to saying from the author William Gibson who said, "the future is here, "it's just not evenly distributed." I have a corollary to that.. We'll call in the Roizen corollary, which is, the data is here, it's just not being evenly processed.. Most entrepreneurs are so inwardly focused.. It's my team, it's my product.. They don't poke their heads up and out enough to understand the impact that exogenous events might have on them.. I made this mistake as an entrepreneur in my early days until a change in regulation threatened my business model and I had to suddenly start paying attention to what those people back in Washington were doing.. It hadn't even occurred to me before then, that anything other than my own efforts would impact my business..

Those of us who've been around awhile, may not have experienced a pandemic before, but we have experienced things like major earthquakes, tsunamis, the dot com bust, the 9/11 terrorist attacks, and I can say as someone who was a running a company or on the board of one or more companies through all of those, the companies I worked with were impacted in dramatic ways and clearly through no fault of their own.. And while we couldn't have predicted any of these with specificity, we could of course anticipate that something would happen sometime and learn how to prepare for that.. Another problem in the current situation is, we humans have a hard time looking for things we've never seen before, a nod to all you "Black

Swan" fans out there.. We humans also have a really hard time wrapping our heads around exponential growth rates.. Ray Kurzweil, the famous author and inventor, said something in a speech many years ago that really struck with me, stuck with me.. He said that, "linear growth rates "and exponential growth rates look a lot the same "in the beginning.. "That is they both look kinda small for a while, ""til suddenly one of them takes off "to spectacular heights." Another human error that we have is that we have a really harder time processing things that are happening to other people we don't know in lands far away, even when that thing, such as a virus, could easily happen to us.. But all that said, the data for coronavirus was there.. It was in Wuhan and then it was in Italy and in the commentary and warnings of some of the world experts about what was likely to happen, including the implications on our daily lives if it played out as expected.. In the Threshold portfolio it was interesting that our entrepreneurs who saw it first, were the ones with China dependent supply chains, and they were already talking about this in late January, early February and starting to plan how they might need to adapt..

To summarize point one, it's not good enough to focus on your product or even your competition, you have to develop an understanding about the world and how that world impacts your startup and you have to develop a sense for what data can tip you off to any big changes that may be ahead...