

URL: <https://stvp.stanford.edu/blog/videos/an-argument-in-favor-of-venture-capital>

How does a young company decide to go out for venture capital rather than bootstrap themselves? For Steve Perricone, Co-founder of BioFuelBox, it all comes down to speed to market. And, he says, in Silicon Valley, speed is a key motivator to seeking outside funding. He also points out the other values of VC beyond cash, including wisdom and relationships within the industry, assistance in building a strong board, and, most importantly, the credibility that the right partner can lend.



Transcript

I've sort of had a variety of experiences growing companies from the bootstrap in the very first one, and understanding the benefits and the drawbacks to that even though we were profitable, and eventually sold the company to bringing in outside venture capital and the benefits there.. I think it really depends on what the entrepreneur is trying to accomplish.. If you're just trying to build, solve a particular problem, build a company that you want to control and run for a decade or more on your own.. There's a lot of different avenues to fund that company, including bootstrapping it yourself.. I think, though, when you take a look at what it takes at least to my experience to build successful company when you really identify an opportunity it's about speed.. And I think when you look at speed and time to market: You think of New York, you think finance; you think of Texas, you think oil; you think Silicon Valley, it's about speed.. And so therefore that's what I have sort of had embedded into my DNA.. And to that end, we looked at more than just the money when it became time to get outside investors.. We self-funded the company for a year-and-a-half till we had a working prototype.. So we were in a pretty good position in 2007 to raise a \$9 million..

So it wasn't about raising the money.. It was really about selecting the right partner for us I think in a few key areas: One, that would add credibility to us, because as a startup one of the toughest things to get is credibility.. So if you can partner with those, they can assist you in that areas like DFJ and Element Partners, that really accelerates your growth, and I'll give you an example of that.. As soon as we closed our round at the very first board meeting, Jennifer and John Rockwell and other board members said, "Go out right now and get a growth line from Silicon Valley Bank.. You might need it to extend your runway later." Host: What's a growth line? Steve Perricone: It's a credit vehicle that allows us to draw down additional capital should we need it.. And sure enough, based on the reputation of the two investors, in addition to what we are doing, were able to achieve that line of credit.. And we would have arguably never been able to do it that quickly or that easily on our own.. And the second thing that to consider is relationships.. So we were new to the clean tech space and we didn't have a lot of the relationships in this area that Element partners has been investing in clean tech since before it was called clean tech.. And Jennifer has through their sets of experiences across a wide variety of clean tech companies..

So we're able to get introduced to people and get invited to speak in events and become thought leaders and things like that because of the value that those types of partners can bring to us.. And then I think the next thing is building a strong board.. So I mentioned in my second company, I had a dysfunctional board and it killed the company.. I think one of the biggest strengths we have at BioFuelBox is an extraordinarily gifted set of board members such as Tom, Jennifer, and John Rockwell that really passionately believe in what we're trying to accomplish and give us great advice.. As Jennifer knows, it's not always the message that I want to hear when she's giving me advice, but you know what? When I sit back and absorb it, it's usually exactly what I needed to hear to move the company forward.. So there's a ton of value besides the money at venture capital.. So a long story short, we went with venture capitalist this time around, having been extraordinarily selective as to which partner we went with, because they add a lot more value than just money.. And I think the other thing is clearly additional capital.. So we go out for a next round of funding, do we have people around the table that are willing to invest in the next round? And if you go with venture capital firm, normally the answer is yes...