

URL: <https://stvp.stanford.edu/clips/measuring-a-venture-capitalists-success>

Which metrics indicate whether a venture capitalist is performing well? It's more than simple ROI. Venture capitalist Mark Suster speaks of the three career phases to examine: 1) Building a pipeline of deals, 2) Nurturing your portfolio companies, and 3) Harvesting investments and obtaining exits. He states that success in venture capital takes about a decade to determine.



Transcript

How do you measure your success as a VC? Well, the interesting thing about venture capital is your success is measured hopefully on a 7- to 10-year horizon.. If your performance is measured on a year or year-and-a-half horizon that means you didn't do very well.. The majority of companies despite what you read about in TechCrunch take seven to 10 years to produce huge successes.. My firm is the top rated firm for the year 2000.. If you aggregate 2000 to 2004, we're still the top firm.. If you take 2000 to 2008, we're the 12th best firm in the country.. We're the firm nobody has ever heard of.. They produced 15 companies worth a billion dollars or more and nobody has heard of them.. Each one of those took seven, eight, nine, 10 years to mature, so this idea of quick flips, fail fast or whatever does not produce big results.. So the weird thing as a VC and I actually wrote about this, people ask me on Quora if you want to go read the answer, is Mark Suster a good venture capitalist? I divided it into three phases of VC..

Number one is can you get a good pipeline of deals? On that, I think I've done pretty well so I've established a name for myself in three years and gotten access to deal flow I think a lot of people don't.. Number two is do you work well with your companies? Can you help them get through dark moments? Can you help them get financed? Can you help them recruit talent? The jury is still out on phase two but I'm in that phase.. I've got six portfolio companies.. I was up till 11:30 talking with one of the CEOs last night about his problems.. That's the phase I'm in.. The last phase is how well do you harvest your investments, getting trade sales, getting exits? Are you Kleiner? Can you get \$400 million for ng:moco when it probably wasn't worth it? Maybe it was worth it.. But if you're good at harvesting, you'll have good returns.. And in the end, I'm only judged based on returns so I don't know if I'm a good VC yet...