URL: https://stvp.stanford.edu/blog/videos/picking-vs-running

Roizen believes the biggest impact VCs can have is recruiting. At Mobius, she says, they have four fulltime recruiters to find the right people for all their companies. VCs also call the issues, and thus play a very critical role.

Transcript

This is called the debate of what's more important, picking or running? And I don't have a very good answer for that because I will definitely tell you that there are people who have made a fortune picking.. If you bought the right thing and stuck it in a drawer and never even called that person, but you happened to pick Bill Gates, you made a lot of money.. I can also tell you that I think that--and particularly in turning something into a first-base hit or a first base into a second base, I think that running has a huge impact.. I think that the biggest impacts we can have first and foremost is recruiting.. Honest to God, you need a CFO and, boy, I know this person is really good and I talk to them all the time.. On staff at Mobius we have four full-time recruiters.. But all we do is we take the resumes that come in and we talk to all our companies and we figure out who needs what.. And we look all across the board, everything from individual contributors all the way up to CEOs, and keep an active dialogue going in.. And I very frequently meet with CEOs who ran something, sold it, whatever, and they're out there looking for their next gig.. They may not even be looking and I will go talk to them because when you've got a hundred companies in your portfolio, chances are somebody is going to need a CEO somewhere that this person might be the right fit for..

So a big part of our job is recruiting.. I think culling the questions.. I think when you really look at corporate governance, really the main thing a board does is hire and fire the CEO.. And I think that culling those issues, culling the CEO issue and getting the right person in to run the company, I think if you--you know, we do this interesting thing in our fund where each partner has to get up and review their portfolio and their lessons learned.. Every week we do a different one.. And the most frequent thing you hear is either "God, this great CEO made all the difference" or "My life was living hell because I knew the CEO wasn't cutting it, but I couldn't do anything about it" or "We gave the person too long" or whatever.. I do think sometimes our ability to pick up the phone and get someone on the phone, I can definitely tell you cases where either we initiated the contact that ultimately led to the sale of the company, or we played a pivotal role at the 11th Hour when you get people who, "Well, it's not really doing this, it's actually doing this." Right? They go, "The hell with him! I'm never selling him my company!" or "I'm never buying that company from that egotistical bastard!" And then you have to pick up the phone and go, "OK, let's be real here.. Let's think about what we're trying to do." So I think a lot of times you can help play a really critical role.. And a lot of times, you sit on the sideline for a couple of years not necessarily doing that.. And I think that's the other thing is, is it's been hard for me to learn as an ex-operating person because, for the first few years of being a VC, I had--I call it 'put me in, coach' syndrome..

It's like, "Put me in, coach, come on! I know I could go close that sale!" And that's not what venture capitalists do, right? So you really have to learn to not transfer work from the employees to you.. And, frankly, entrepreneurs are pretty good at doing that because, again, they don't pay you.. So a lot of times an entrepreneur will say, "Well, could you handle this?" and it's usually really nasty tasks like compensation analysis and performance reviews of people who are having problems and all the things they really don't want to do.. And so you have to avoid those kind of transferences.. But I do think that a venture capitalist can make a significant difference in a company...