

URL: <https://stvp.stanford.edu/clips/venture-capital-in-the-2020s>

General Catalyst managing director Hemant Taneja describes a major shift in the venture capitalist industry over the last 20 years: The shift from investing in companies building efficiency-driven software to companies redesigning entire social systems, like schools and healthcare. Amid this paradigm shift, he offers three pieces of advice for aspiring VCs: Spend some time as an entrepreneur yourself, become an expert in something, and think of your future career as enabling entrepreneurs to change the world for the better.



Transcript

- How has the industry changed over 20 years? 00:00:06,380 You know, from the time you joined to now.. I'm taking about the venture capital industry.. - I think a lot about that.. 00:00:12,230 It has materially changed.. So when I think about when I go out in the business, all of our effort was on how software can fundamentally bring efficiency to our life, right? What's better software for doctors, what's better software for teachers, supply chain managers or consumers on the internet.. And you fast forward today, we're actually redesigning all the corporate as a society, right? We're actually building new healthcare services, we're building new insurance companies, we're building new schools all you know digitally powered.. So what does that mean? That means we've gone from efficiency to efficacy in terms of the value proposition of the companies that we're building.. And the second thing is we've gone from being a technology vendor to actually redesigning these core services in society.. So if technology was 1% of the budget that we were serving for these markets 20 years ago, we're going after the entire 100% of the budget.. What does that mean? Well, a billion dollar wind used to be amazing in the early 2000s and now you're actually seeing a hundred billion dollar companies being built..

So everything has changed in terms of the size and scope of the ideas and therefore the responsibility that we have in how we manifest those ideas.. - Well, I'm looking forward to diving deeper into that.. 00:01:35,580 Is there one story of one of your portfolio companies or companies you've had a hand in and investing in or being on their board and nurturing them that illustrate that? Is that, would that stripe be that for example? - Yeah look, I mean I think the one I would give you 00:01:54,570 is actually maybe 'cause I'm spending so much time in healthcare right now would be Livongo, right? We're building Livongo is now part of Teladoc.. And we can go into that story later but we're actually building a service that helps 32 million consumers in the United States that have diabetes and other comorbidities.. We essentially help them manage their health conditions and live normally.. That is different from giving them an app that they could use to collect data and then go see their doctor and get care, right? So it's sort of a fundamentally different mindset of how we approach the problems now.. - Yeah.. Well, I wanna talk 00:02:31,530 about Livongo if we don't come back to that 'cause it was a heck of a story over the last year and you had a ringside seat from my understanding and you're still involved in the company and the audit.. So anyway, we'll come back.. But you know what? I'm gonna get ahead of what is very typical when we have a venture capitalist in this series over the years and that is what about students who are considering a career in it? And can you give some advice to that? - Yeah look, it's a really interesting way to spend time..

00:03:10,220 And you can think about this first of all so why do it, right? You can think about it as it's a career for going and doing financial transactions and deals, or you can think about it as it's a great vehicle for creating impact in the world in society that you care about and sort of focusing on enabling entrepreneurs that are working on those kinds of problems.. So like is this sort of a serendipitous you know, you're selling money not to sound crass or is this sort of a vehicle for intentionally going and creating change in the world? So I would just say given the evolution of our role as a technology diaspora, and we're trying to do in this digital transformation, intentionality matters.. So going in for the right reason I suppose is my first comment.. The second is it is a very competitive industry because so much of, and you see this in the stock market today, technology stocks are highly overvalued and everything else is highly undervalued, generally speaking.. It's because so much value is occurring to technology like businesses.. And so a lot of capital is coming in which means capital gets further commoditize.. So you have to think about what are you going to develop as your core skills so the entrepreneurs wanna work with you.. And I generally believe having gone and done a real work building companies gives you empathy for the problem of entrepreneurship.. And so I think that's one piece of advice.. And the second again is become an expert at

something..

So if you are gonna get into it, get into it with a point of view and I can say this from my personal experience, it took me a long time to figure out how to do this.. And I failed a lot.. And so you do need to have patience and perseverance if you are gonna get into this, that's a very important trait because you can't really learn, there's a lot to learn to get this right..