URL: https://stvp.stanford.edu/blog/videos/which-investors-add-value

Jason Green, David Frankel and Michael Cline, the Founding Partners at Emergence Capital, Altirah Capital and Accretive Technology Partners respectively, discuss the qualities of VCs and investors who add value to the business. First, Green suggests that investors should be a sounding board. Second, Frankel argues that investors should bring experience that helps the startup avoid time consuming pitfalls. Third, Cline argues that valuable investors both act as a conscience and help connect the startup to customers. Finally, Green suggests that entrepreneurs should do reference checks on their investors to ensure they make the right partnerships.

Transcript

I just want to say, 75 % of investing at this stage in my view is about the people unequivocally.. You hear that it's cliched.. You hear that time and time again.. It is absolutely true.. It's different to let a stage buy out private equity with their own fundamentals.. The only thing that you have to analyze and go on at this stage is the people but it's not enough.. If I was to encompass one phrase, I look for unfair advantages.. I try to look for sustainable unfair advantages.. If the the entrepreneur's brother is the key supplier to that industry, that's good.. A common use of that is, for instance, we've backed a company, the founders of StubHub which just sold to Ebay for 300 million dollars..

The head of strategy has started a company in London doing the identical thing where it's the second reticket market sales.. We think that's an unfair advantage.. We think that people that come from in the flow and are replicating -- and by the way, that's a very profitable strategy.. We look at what's worked in the U.S., things like Facebook, we replicate that in emerging markets.. But those are unfair advantages.. They've been in the flow.. They've made the mistakes on someone else's money and you need that in addition to great people...