

# DECODING THE VENTURE MINDSET

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Stanford Graduate School of Business

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amazon

# CVC Parent Norms

## Does your parent understand venture norms?

“No, they don’t understand follow-on investments, not having a ROFR, why you wouldn’t put handcuffs on a startup if we’re helping them... to be honest, they don’t really care.”

- CA CVC

“Yes. I don’t know that this is the case in another industry, but our senior execs are regularly exposed – 50% of the pipeline is through M&A if not more than that. So they have a very active evaluation activity which fills that pipeline. And then venture funds make it their business to wear their sale-side hats any time they meet with a potential buyer, so there’s a whole rhythm to this that is well-established.”

- Healthcare CVC

“I think they understand better now than they did four years ago when we were trying to explain what venture investing is. Now, whether they understand it well enough to weigh in on investment decisions or things like that, I have my doubts. But they seem to understand venture investing and even the why behind doing it a little better now than four years ago.”

- Southern CVC

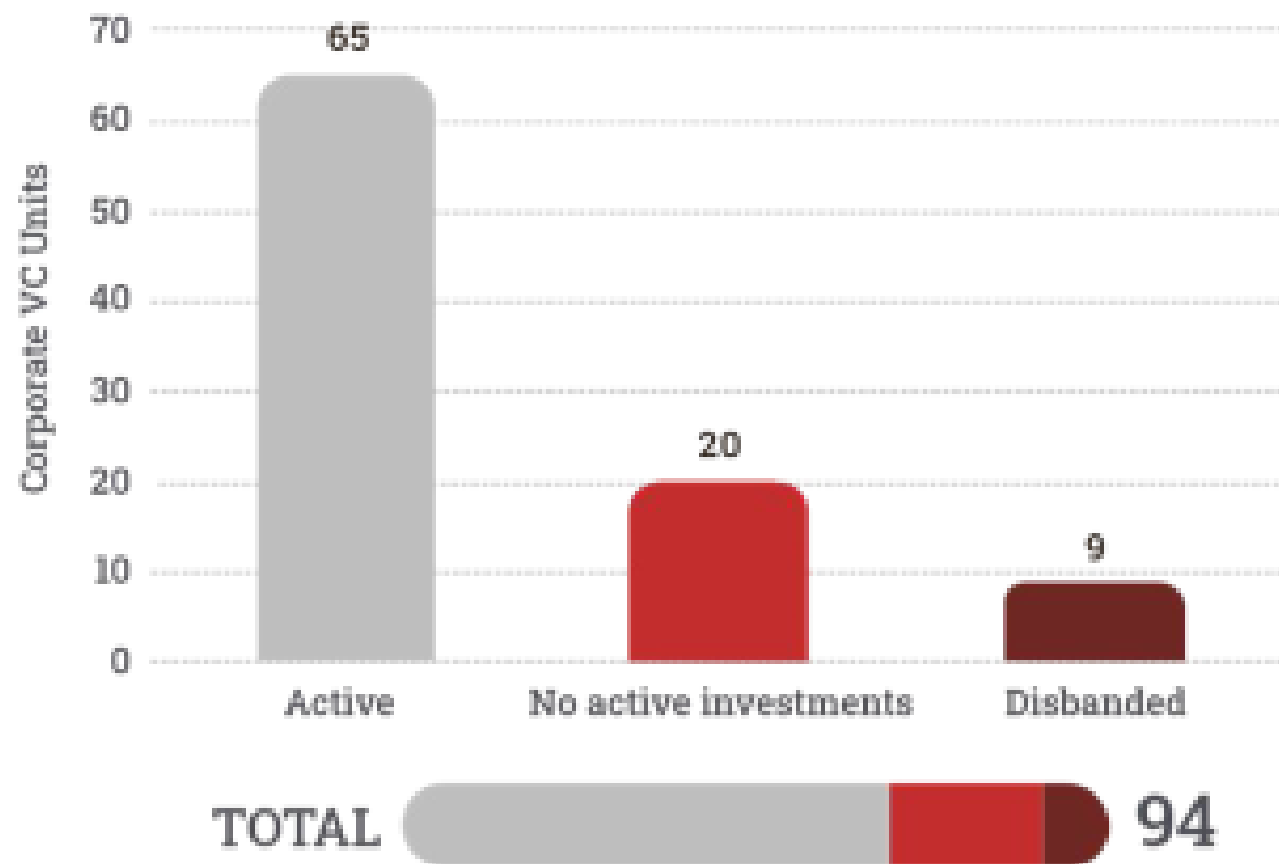
“Maybe they understand, but quite honestly, if something came to us completely fresh with a 6-week deadline, unless it was so obvious I could get all hands on deck support, I wouldn’t ruin our reputation by pretending we could do it. I’d say this is for someone else.”

- Industrials CVC

60%  
of CVC leaders

feel that their parent executives do NOT fully understand the norms of the venture space

# Survival of Corporate VC Units Three Year Perspective, 2020-2023



Over the last three years,

**31%**

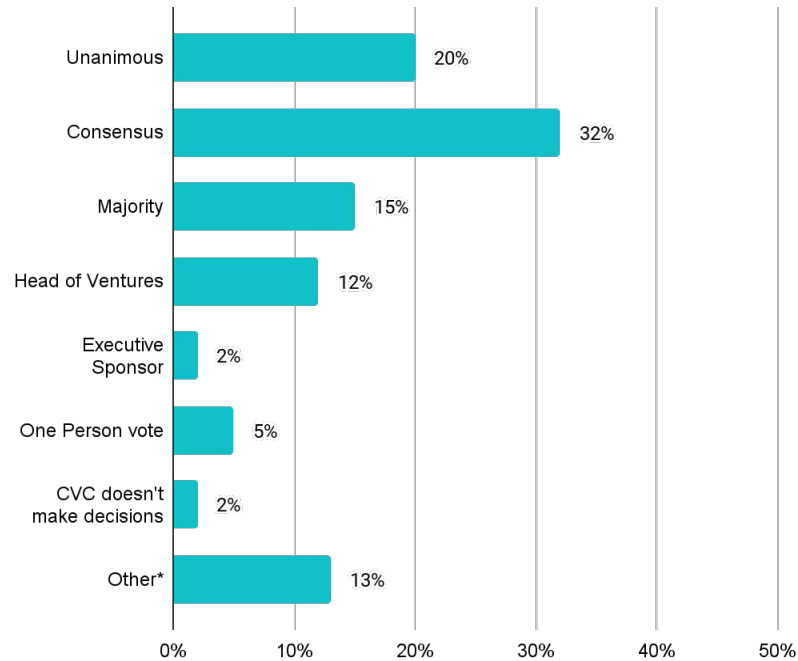
of S&P500 CVC Units  
got disbanded  
or stopped  
being active

Data covers all Corporate VC units of S&P500 companies identified as active in the first half of 2020, 94 in total. "Disbanded" CVCs were closed/reorganized by their parent companies as of June 1, 2023. "Inactive" CVCs are those that did not make any new investments since January 1, 2023.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (07/2023)

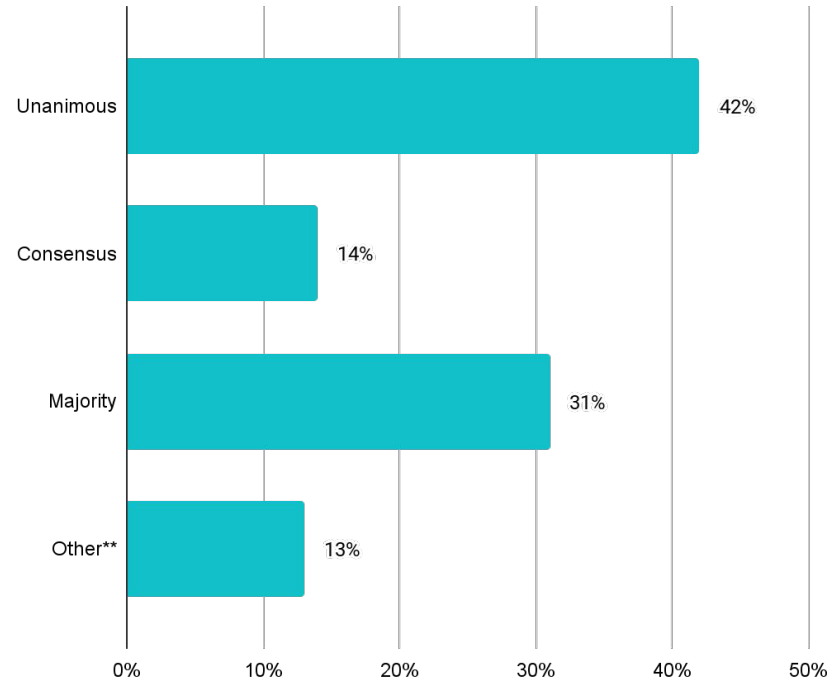
# Corporate Venture Capital 2-Stage Deal Approval Process

## Stage 1: Internal CVC Team



The internal investing teams must agree on what to bring forth to their investment committee.

## Stage 2: Investment Committee (IC)



**88%**

of CVCs have an investment committee comprised of parent company executives.

**79%**

of CVCs consider it a real authority, rather than a rubber-stamp vote.

■ All CVCs

\*Other includes consensus/majority, unanimous/supermajority as a function of the investment size

\*\*Other includes supermajority, only one person votes, consensus/unanimous/majority as a function of the investment size, lack of clear rules.

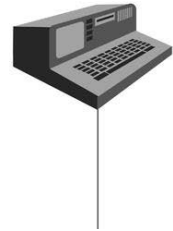
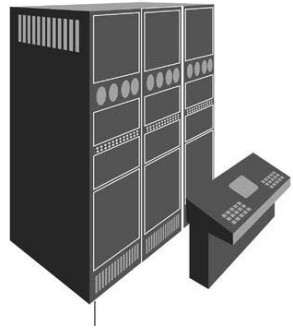
Data covers 164 Corporate venture capital (CVC) units, including 78% of all active CVCs of S&P500 companies and 37% of active CVCs of large global parents.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (07/2023)

# THREE FACTORS BEHIND DISRUPTION

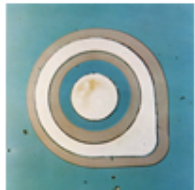
# ① Moore's Law

## Evolution of computers



**1950s**

Silicon Transistor



**1 Transistor**

**1960s**

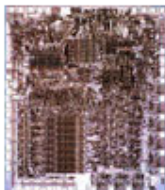
TTL Quad Gate



**16 Transistors**

**1970s**

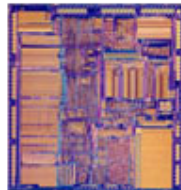
8-bit Microprocessor



**4500 Transistors**

**1980s**

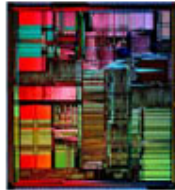
32-bit Microprocessor



**275,000 Transistors**

**1990s**

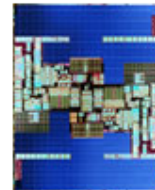
32-bit Microprocessor



**3,100,000 Transistors**

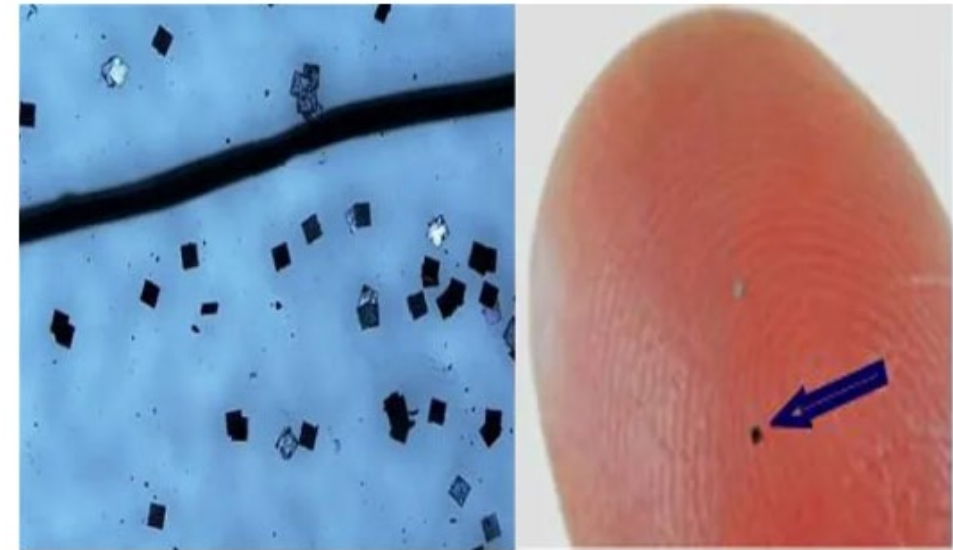
**2000s**

64-bit Microprocessor



**592,000,000 Transistors**

## The World's Smallest Transistor



Researchers from the Department of Energy's Lawrence Berkeley National Laboratory were able to create the world's smallest transistor with a working 1-nanometer (nm) gate, making this transistor 50,000 times smaller than a strand of human hair.

# Moore's Law is dead?

The Economist explains

## The end of Moore's law

Apr 19th 2015

Save Share Give

By L.S.



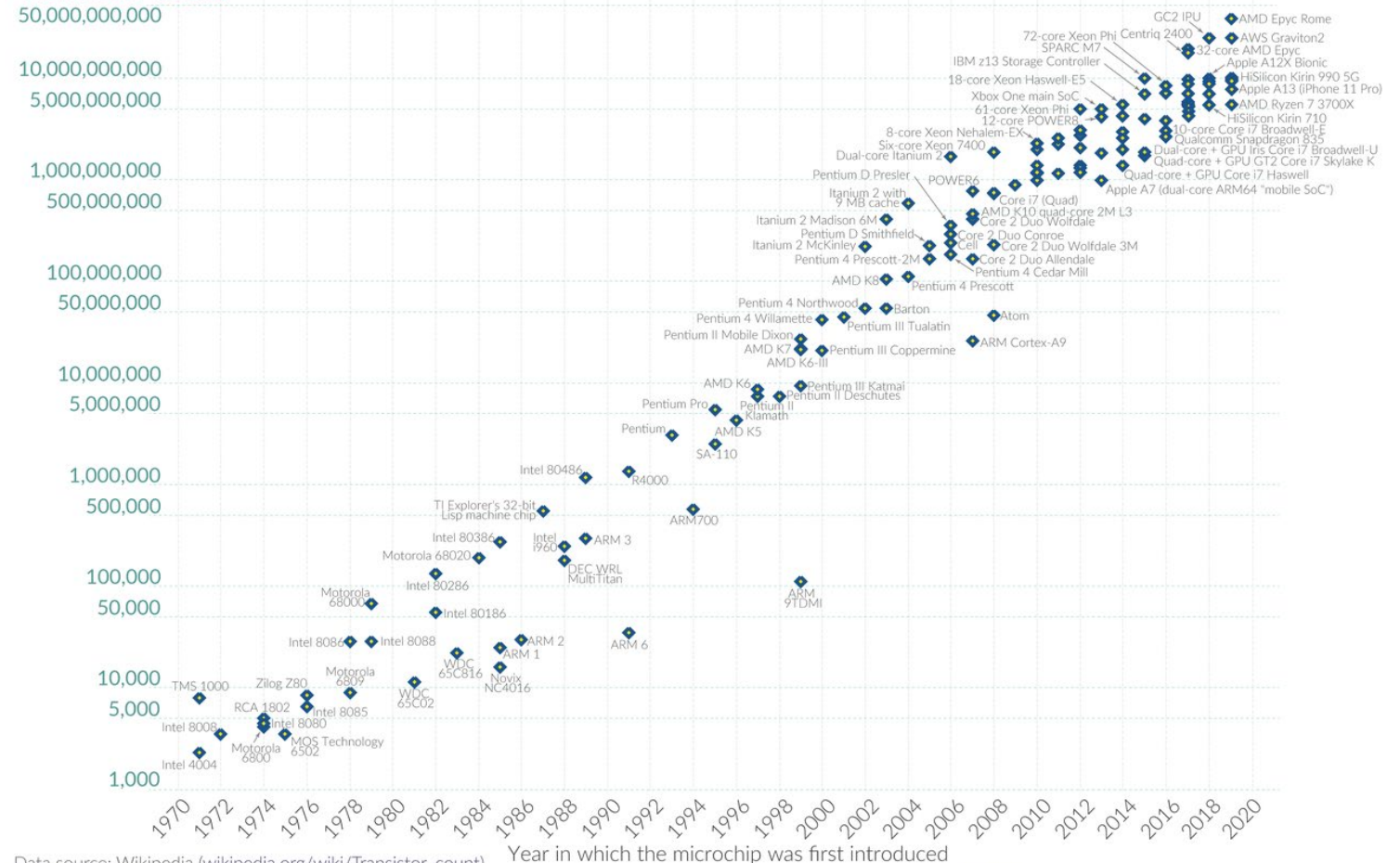
THE number of transistors that can be put on a microchip doubles every year or so—and so doubles its performance. Many people are vaguely familiar with Moore's law; we recognise that it has something to do with the tumbling cost of computing power, for instance. Yet even 50 years after Gordon Moore (pictured), co-founder of Intel, a chipmaker, made his famous prediction, its precise nature and implications remain hard to grasp. What is Moore's law?

## Moore's Law: The number of transistors on microchips doubles every two years

Moore's law describes the empirical regularity that the number of transistors on integrated circuits doubles approximately every two years. This advancement is important for other aspects of technological progress in computing – such as processing speed or the price of computers.

Our World in Data

### Transistor count



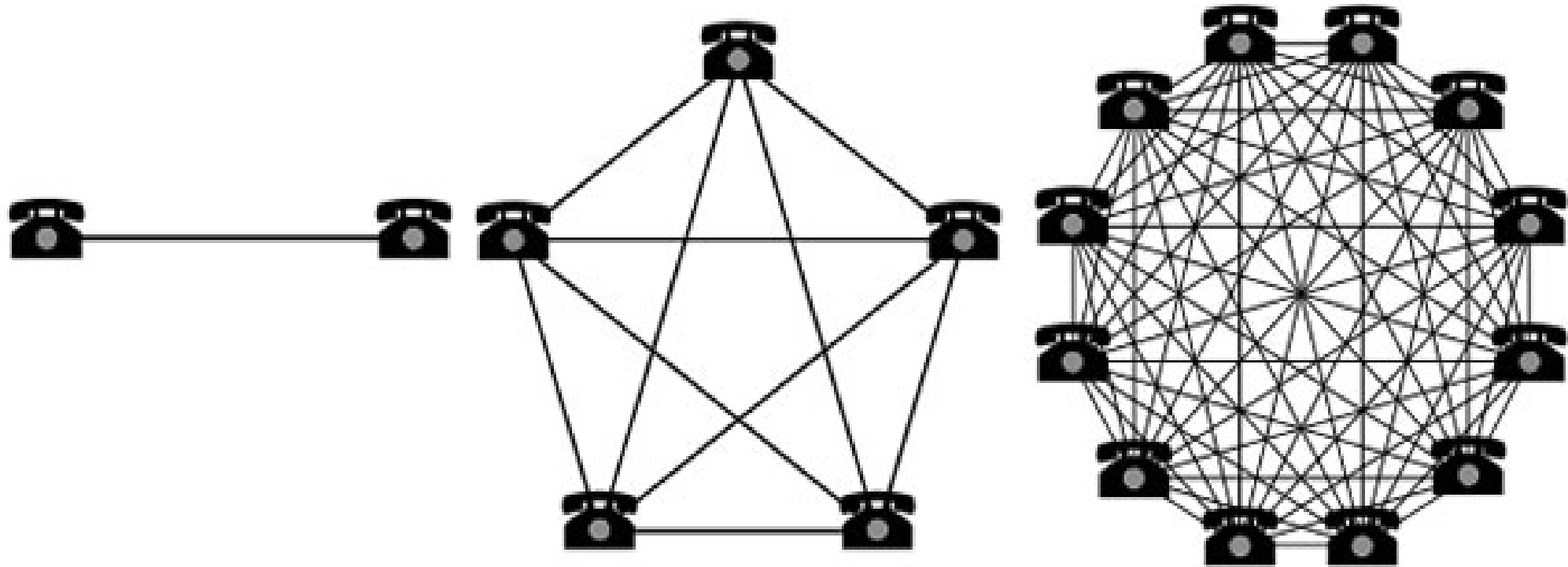
Data source: Wikipedia (wikipedia.org/wiki/Transistor\_count)

OurWorldinData.org – Research and data to make progress against the world's largest problems.

Licensed under CC-BY by the authors Hannah Ritchie and Max Roser.



## ② Metcalfe's Law



 **Good Morning** ✕

**Driving to: Work?**  
Via: US Hwy 101 N

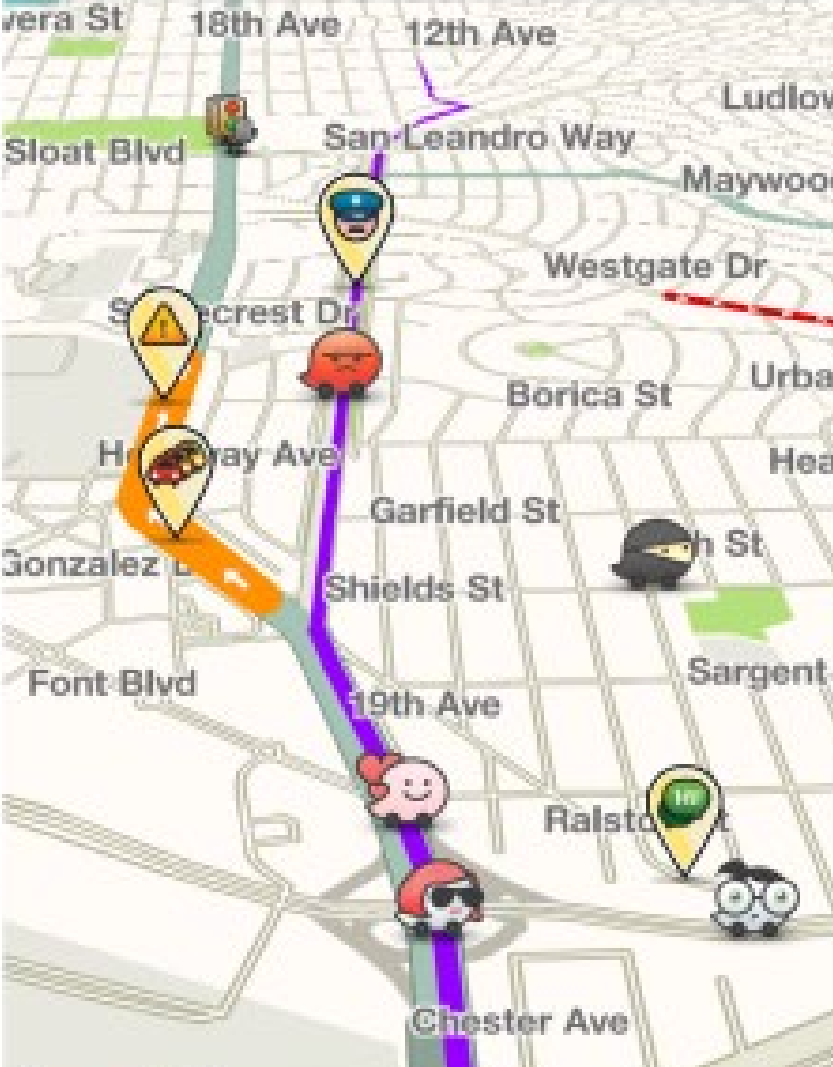
**21** min.    **1.7** mil

  11:25



**Routes**    **Go**


 23 Friends online  
3 Driving there  

 **0.4 miles**  
**Golden Gate Bridge**



Map showing route with various icons for traffic, police, and hazards. Street names include Sloat Blvd, San Leandro Way, Westgate Dr, Borica St, Garfield St, Shields St, Font Blvd, 19th Ave, Chester Ave, and Sargent St.

 **5:42 PM**   
15 min    4.5 miles



 **350 feet**  
**8th St**



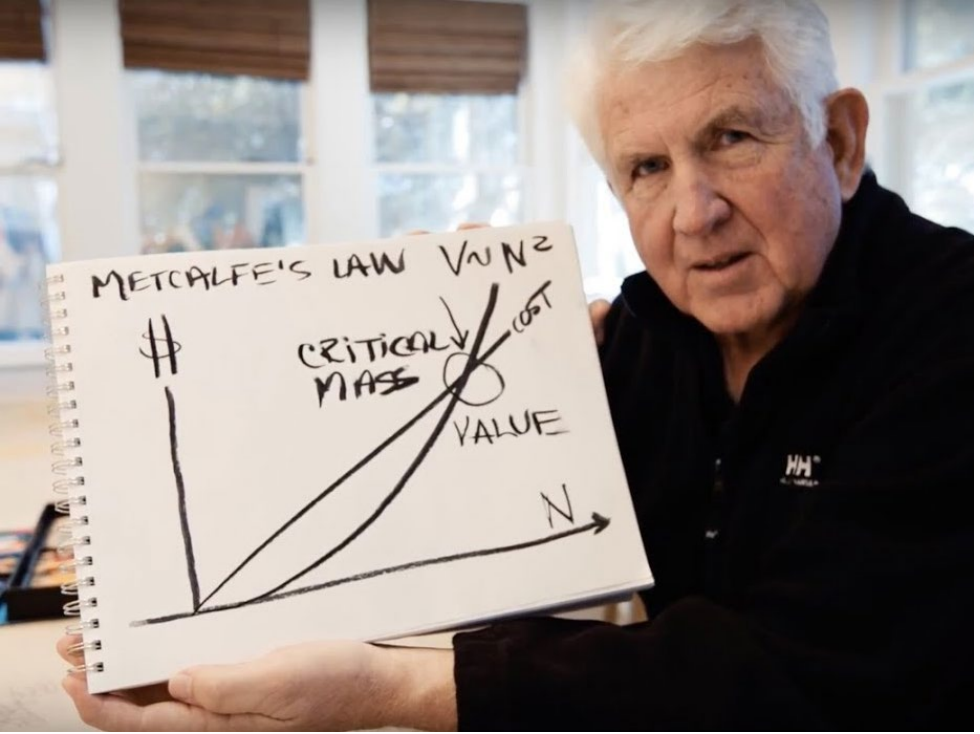
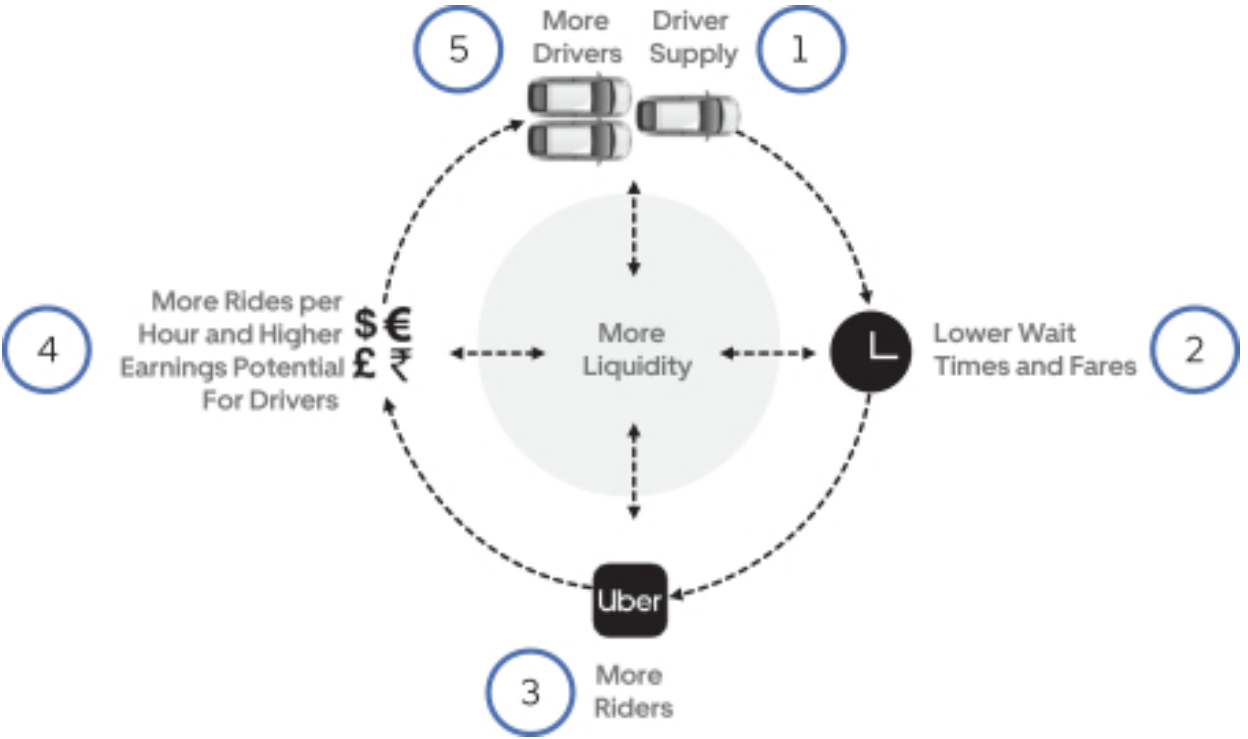
Map showing street names and a highlighted path. Street names include 6th St, Filbert St, and Chestnut St.

**Report** ✕

 <b>Traffic Jam</b>	 <b>Police</b>	 <b>Accident</b>
 <b>Hazard</b>	 <b>Camera</b>	 <b>Map Chat</b>
 <b>Map Issue</b>	 <b>Gas Prices</b>	 <b>Check In</b>

 **Location and time saved** 

# Metcalfe's Law: more drivers, more value, lower costs



# Metcalfe's Law: advantages of the incumbent

## craigslist

**craigslist**

create a posting  
my account

search craigslist

event calendar

M	T	W	T	F	S	S
19	20	21	22	23	24	25
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15

craigslist app  
help, faq, abuse, legal  
avoid scams & fraud  
personal safety tips  
terms of use  
privacy policy  
system status

SF bay area [sfc](#) [sby](#) [eby](#) [pen](#) [nby](#) [scz](#)

**community**

- activities
- artists
- childcare
- classes
- events
- general
- groups
- local news
- lost+found
- missed connections
- musicians
- pets
- politics
- rants & raves
- rideshare
- volunteers

**services**

- automotive
- beauty
- cell/mobile
- computer
- creative
- cycle
- event
- farm+garden
- financial
- health/well
- labor/move
- legal
- lessons
- marine
- pet
- real estate
- skilled trade
- sm biz ads
- travel/vac
- write/ed/tran

**housing**

- apts / housing
- housing swap
- housing wanted
- office / commercial
- parking / storage
- real estate for sale
- rooms / shared
- rooms wanted
- sublets / temporary
- vacation rentals

**for sale**

- antiques
- appliances
- arts+crafts
- atv/utv/sno
- auto parts
- aviation
- baby+kid
- barter
- beauty+hlth
- farm+garden
- free
- furniture
- garage sale
- general
- heavy equip
- household
- jewelry
- materials

**jobs**

- accounting+finance
- admin / office
- arch / engineering
- art / media / design
- biotech / science
- business / mgmt
- customer service
- education
- etc / misc
- food / bev / hosp
- general labor
- government
- human resources
- legal / paralegal
- manufacturing
- marketing / pr / ad
- medical / health
- nonprofit sector
- real estate
- retail / wholesale
- sales / biz dev

reply favorite hide flag share Posted 18 minutes ago

**\$1,200 / 2br - 875 SQ FT.GORGEOUS 2 BED/1 BATH DUPLEX W/**



2 bed/1bath duplex w/ 2 car garage w/ bonus office space (not an extra bedroom). New private fenced yard and patio area, new paint inside/out. Recently updated with new kitchen appliances - refrigerator, stove, dishwasher, granite counter tops, newer hardwood flooring, limestone fireplace, W/D hookups (both gas and electric hookups in garage) and fixtures. Lots of storage and additional parking. Tenant pays for all utilities.

Nice location near Montgomery Village and downtown. Close to transportation both city, county and airporter, shopping and excellent schools - Rincon Valley and Bennett Valley school districts and charter schools.

No smoking, no growers, no pets. Looking for long term tenants.

# How to win against the network effect?

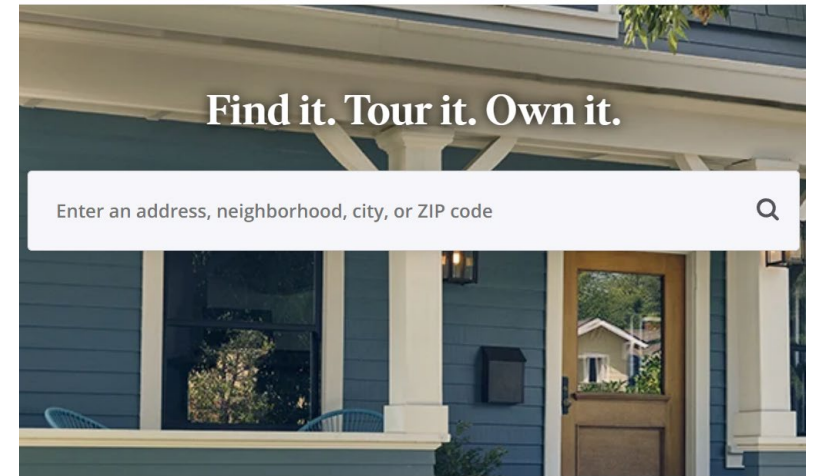
## Build your own network!



Agent finder

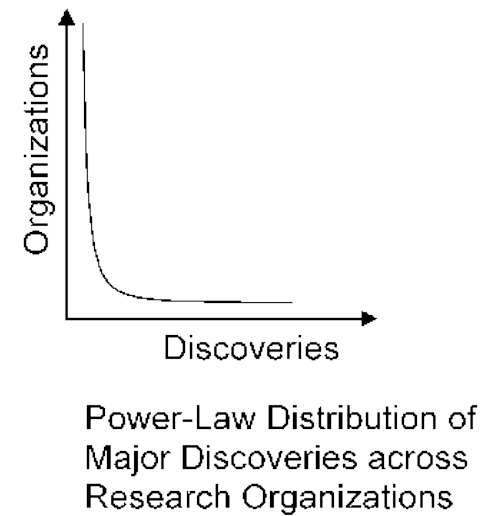
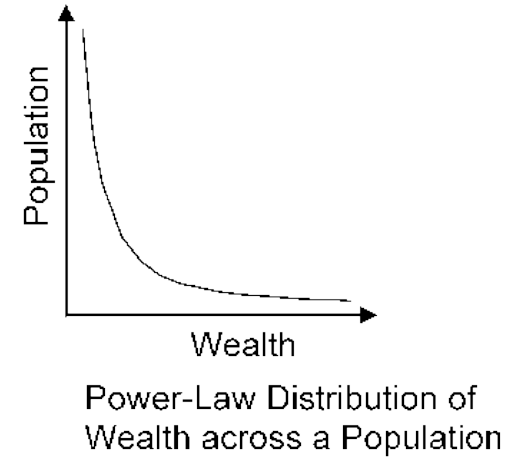
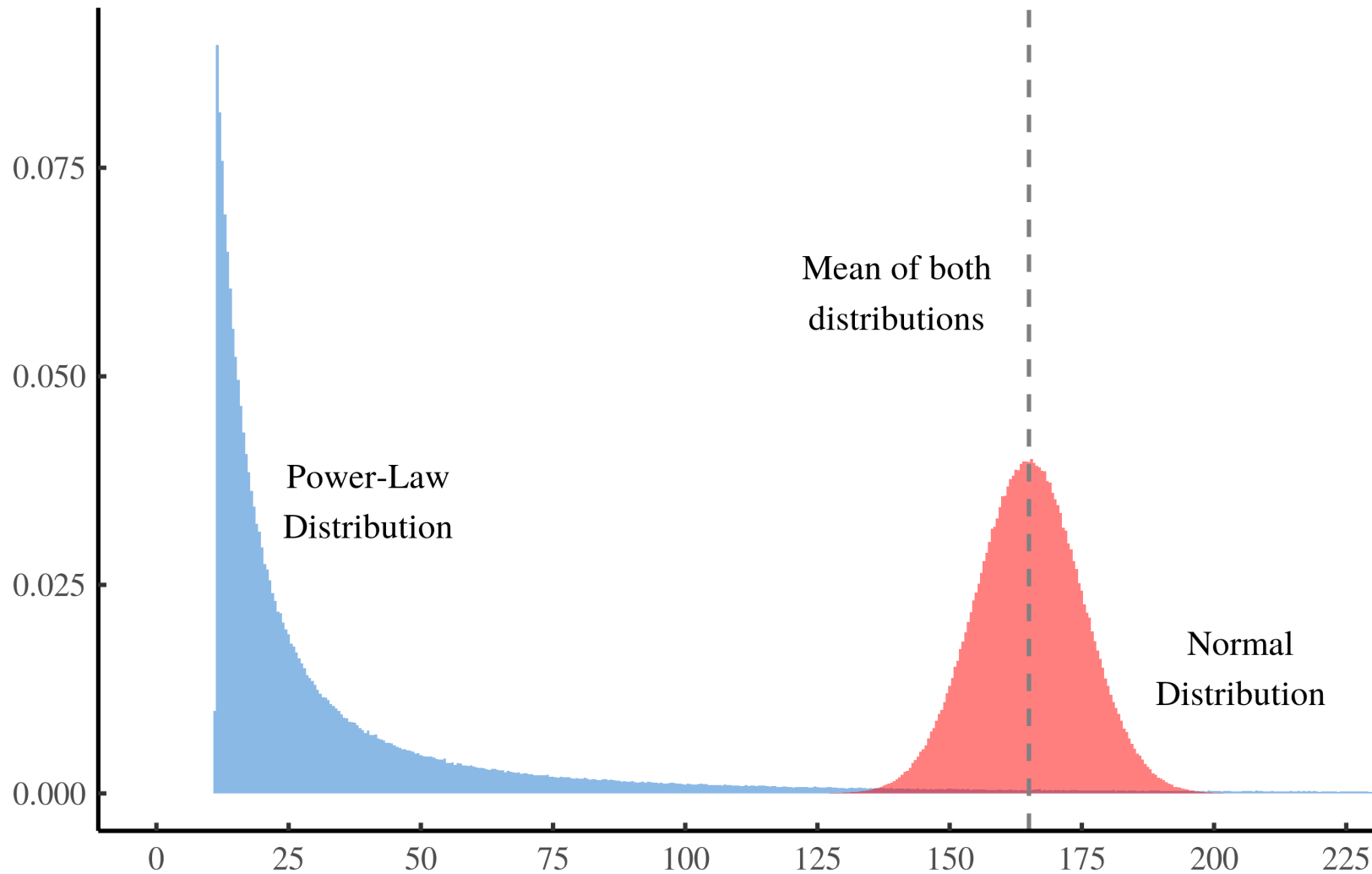


Manage Rent



ndations  
ed experience.

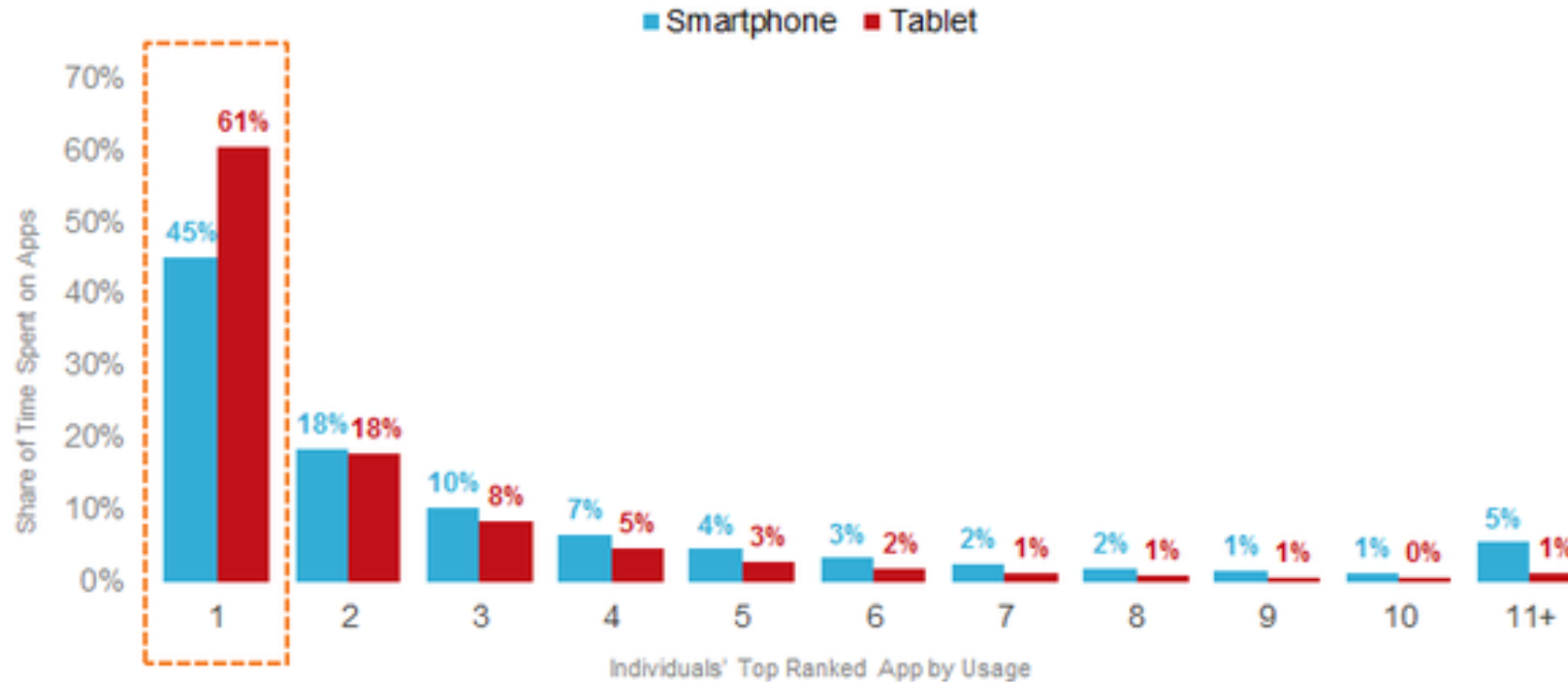
# ③ Power Law



# Power Law: the best and the rest... or the winner takes it all

Share of Individual Users' Time Spent on Apps by Rank

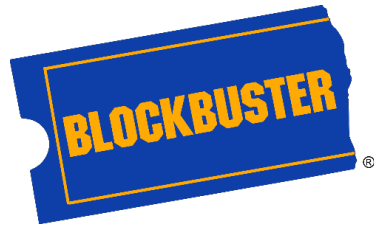
Source: comScore Custom Analytics, U.S., Age 18+, June 2016



WHY ARE INCUMBENTS  
LAGGING BEHIND?



# What do these companies have in common ?



YAHOO!



SEARS

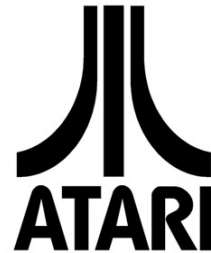
xerox



MOTOROLA



BORDERS



NOKIA



SiliconGraphics  
Computer Systems

BlackBerry

Polaroid

PeopleSoft



COMPAQ

BED BATH &  
BEYOND

A dramatic scene of a volcanic eruption. A large plume of white and grey smoke rises from a central vent, illuminated from below by the intense orange and red glow of the lava. Lava flows are visible on the slopes of the volcano, appearing as bright, glowing rivers of molten rock. The overall atmosphere is dark and fiery, with a deep blue and black background.

Of all the companies in Fortune 500  
in 1955

**Approx. 15%**

survived in Fortune 500 in 2022

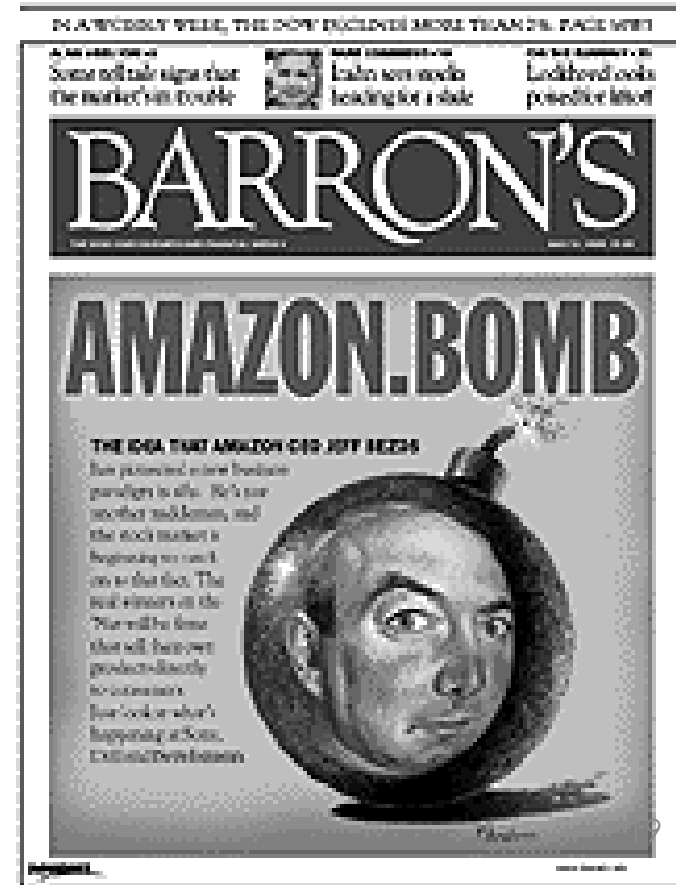
# In 1999 Amazon was an “Amazon.Bomb” ...

No one is going to beat us at selling books - it just ain't gonna happen

Wired, 1999



Steve Riggio, Former CEO and Vice Chairman, Barnes & Noble



# ...from underdog to bulldog

10 LARGEST PUBLIC U.S. RETAILERS IN 2020  
MARKET VALUE, JULY 1 2020, USD



\$1.07T



# Yet here we go again...



**There's no chance  
that the iPhone is  
going to get any  
significant market  
share. No chance.**

- Steve Ballmer, 2007

Steve Balmer, Former CEO of Microsoft

# The same story?...

We do **NOT** see  
technological changes on  
the horizon for the last-  
mile delivery at present

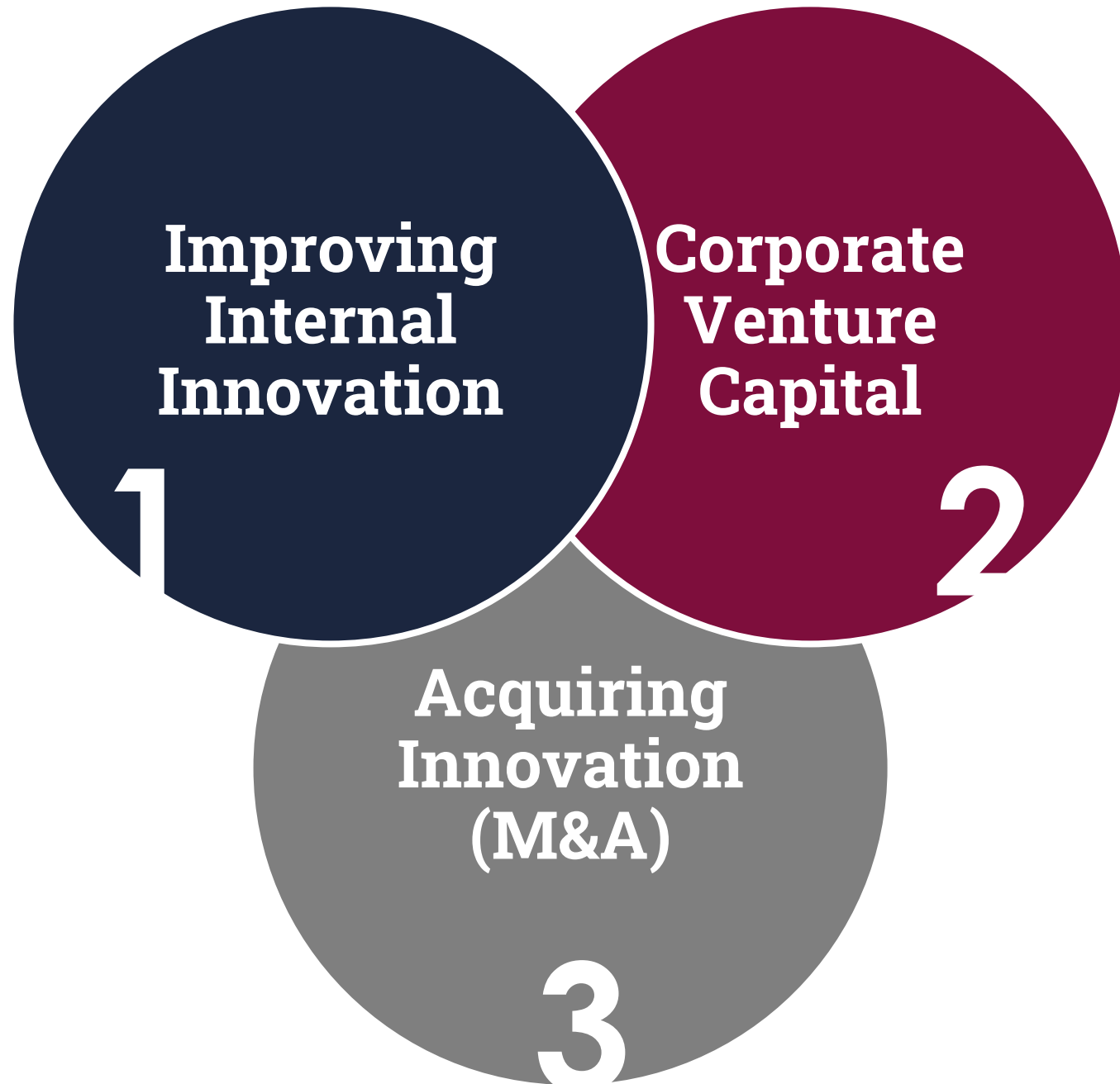
October 2017



Fred Smith, CEO of FedEx

# SOLUTIONS

## THREE LEVERS TO PULL





# THE VENTURE MINDSET

HOW TO MAKE **SMARTER BETS**  
AND ACHIEVE **EXTRAORDINARY GROWTH**



# Venture Capital: a disproportionately high impact thanks to a unique skill to spot innovation

VC-BACKED COMPANIES AS A PERCENTAGE OF PUBLIC U.S. COMPANIES FOUNDED SINCE 1979

43%

Total Number

57%

Total Market  
Capitalization

38%

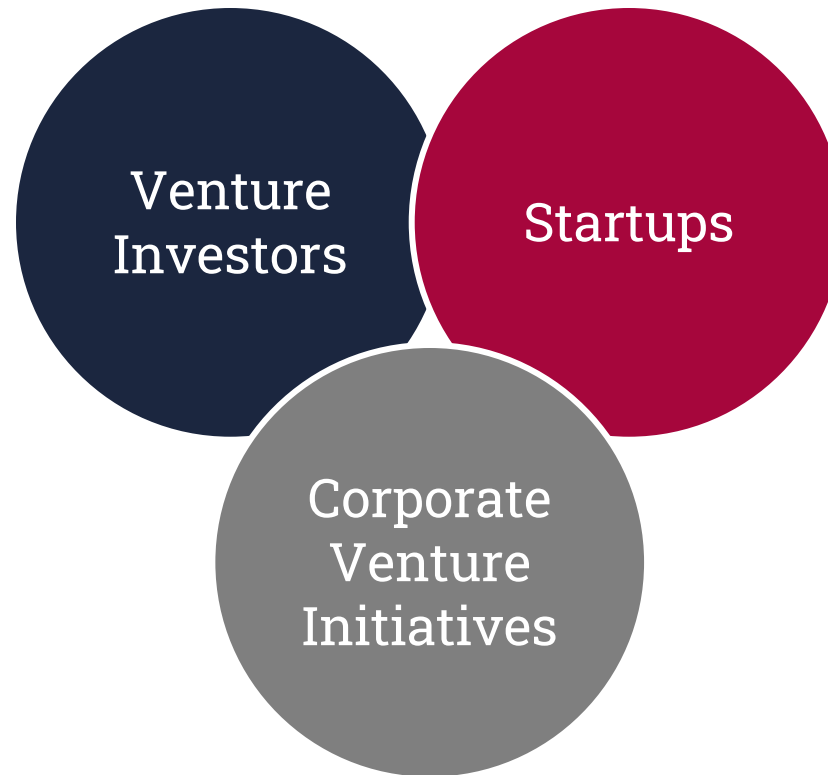
Total Employees

82%

Research &  
Development

# This book is a result of a decade-long research

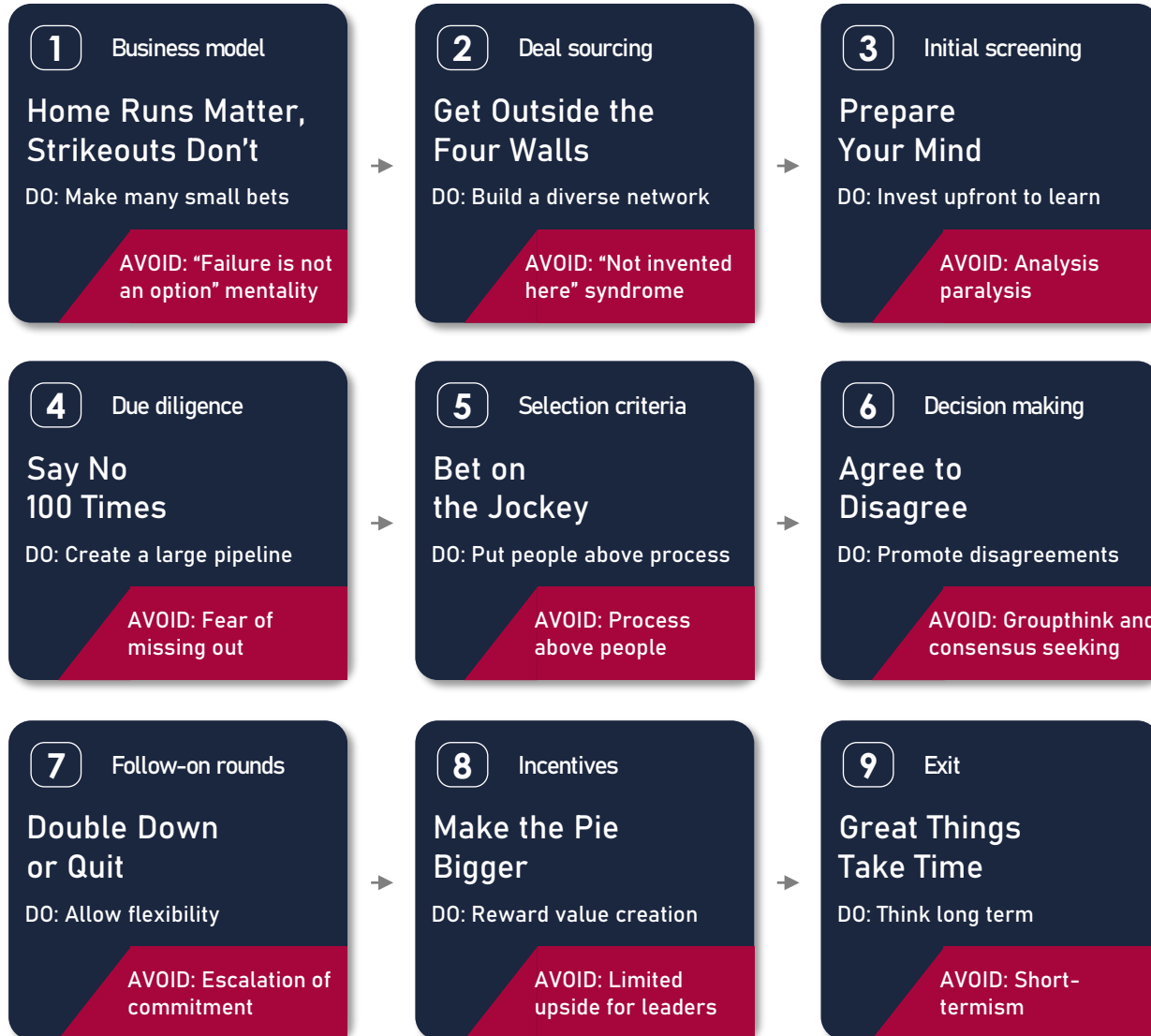
In-depth exploration of how the best (and the rest of) VCs make decisions



The most complete dataset and metadata across unicorns and unicorns-to-be

Analysis of corporate VCs and corporate innovation

# 9 key principles of the Venture Mindset



# The Venture Mindset: May 21, 2024



Penguin  
Random House

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## The Venture Mindset

How to Make Smarter Bets and Achieve Extraordinary Growth

Author [Ilya Strebulaev](#) and [Alex Dang](#)

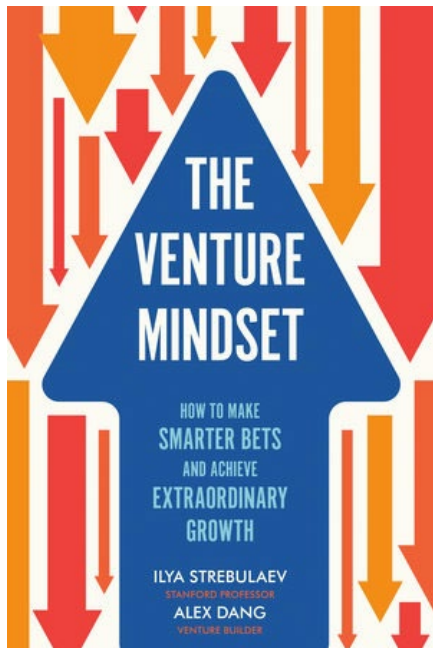
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Inspired by venture capitalists' unique mindset, this is a transformative playbook for delivering extraordinary results in modern organizations, from a Stanford professor and a technology executive.

Behind life changing companies like Amazon, Google, Moderna, SpaceX, Zoom, and 23andMe, are Venture Capital investors. VCs are known for extraordinary ability to spot emerging trends, identify disruptive startups, attract talent, and bring new industries into being.

Ilya Strebulaev has spent the last two decades at Stanford studying VCs' counterintuitive approaches to decision-making, and the reasons behind the success and failure of corporate innovation efforts. Alex Dang, a senior leader at McKinsey and Amazon, has seen up close the impact VCs' thinking and mechanisms can have on a business' success. Together in *The Venture Mindset*, they... [Keep Reading](#)

↕ Hardcover



# Principle #1: Home Runs Matter, Strikeouts Don't

20 venture bets

“If you invest in something that doesn't work, you lose 1x your money. If you miss Google, you lose 10,000x your money”

Bill Gurley

# Smart Risk Taking



If at least 30% of our portfolio companies don't fail, it means **we don't take enough risk.**

**"Errors of omission are much bigger than errors of commission"**

Alex Rampell

# Playbook: Record your “Anti-Portfolio”



coinbase



Google



intuit.



okta



zoom

## The Anti-Portfolio.

### Honoring the companies we missed.

Bessemer Venture Partners is perhaps the nation's oldest venture capital firm, tracing our roots back to the Carnegie Steel empire. This long and storied history has afforded our firm an unparalleled number of opportunities to completely screw up.

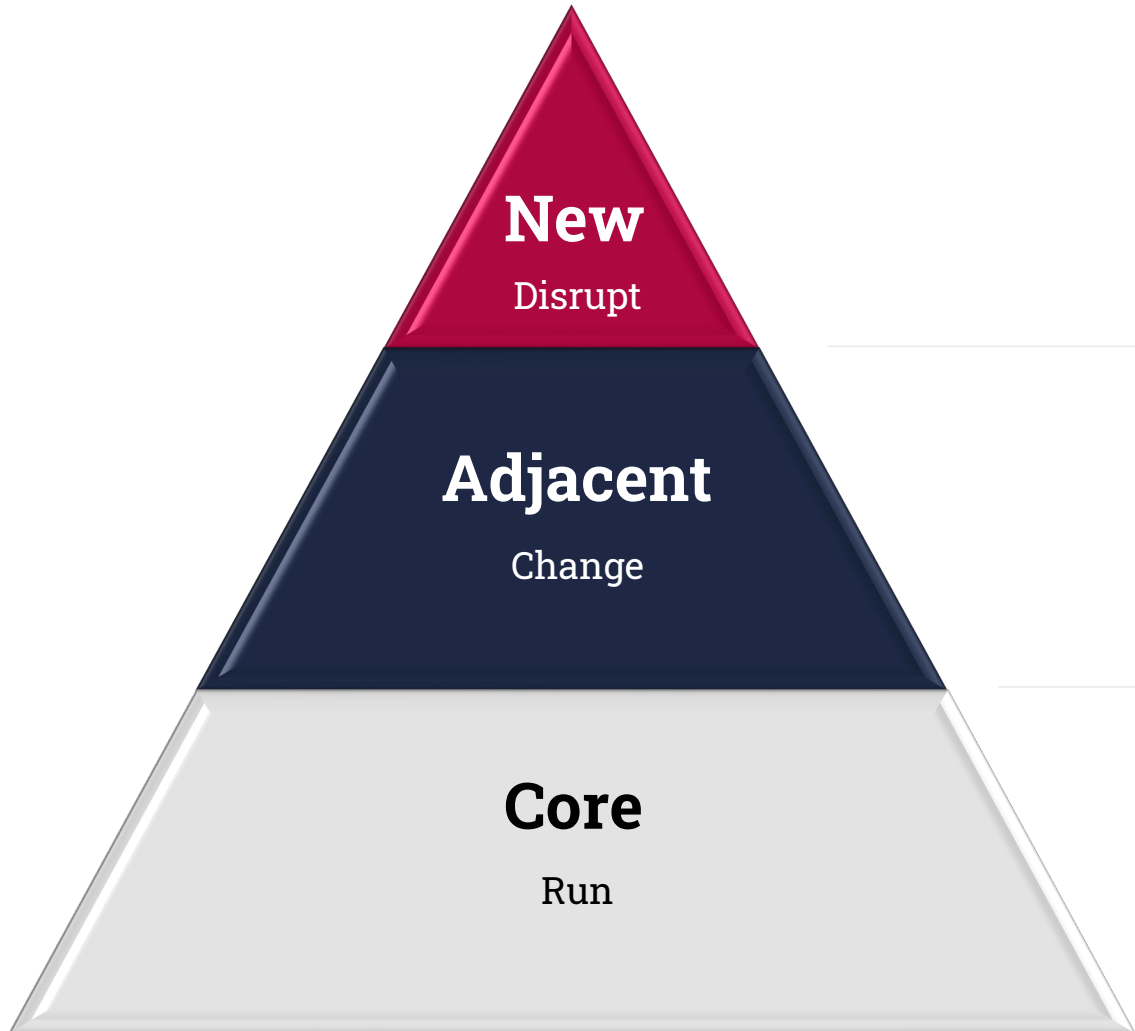
Throughout our history, we did invest in a wig company, a french-fry company, and the Lahaina, Ka'anapali & Pacific Railroad. However, we chose to decline these investments, each of which we had the opportunity to invest in, and each of which later blossomed into a tremendously successful company.

Our reasons for passing on these investments varied. In some cases, we were making a conscious act of generosity to another, younger venture firm, down on their luck, who we felt could really use a billion dollars in gains. In other cases, our partners had already run out of spaces on the year's Schedule D and feared that another entry would require them to attach a separate sheet.

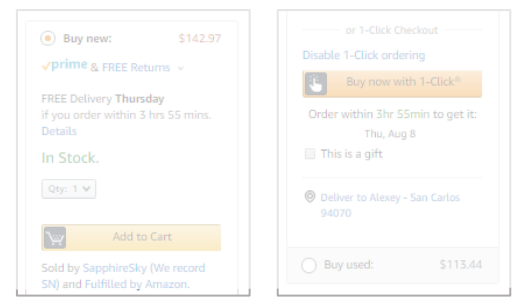
Whatever the reason, we would like to honor these companies – our “anti-portfolio” – whose phenomenal success inspires us in our ongoing endeavors to build growing businesses. Or, to put it another way: if we had invested in any of these companies, we might not still be working.



# Playbook: Build the pyramid of bets

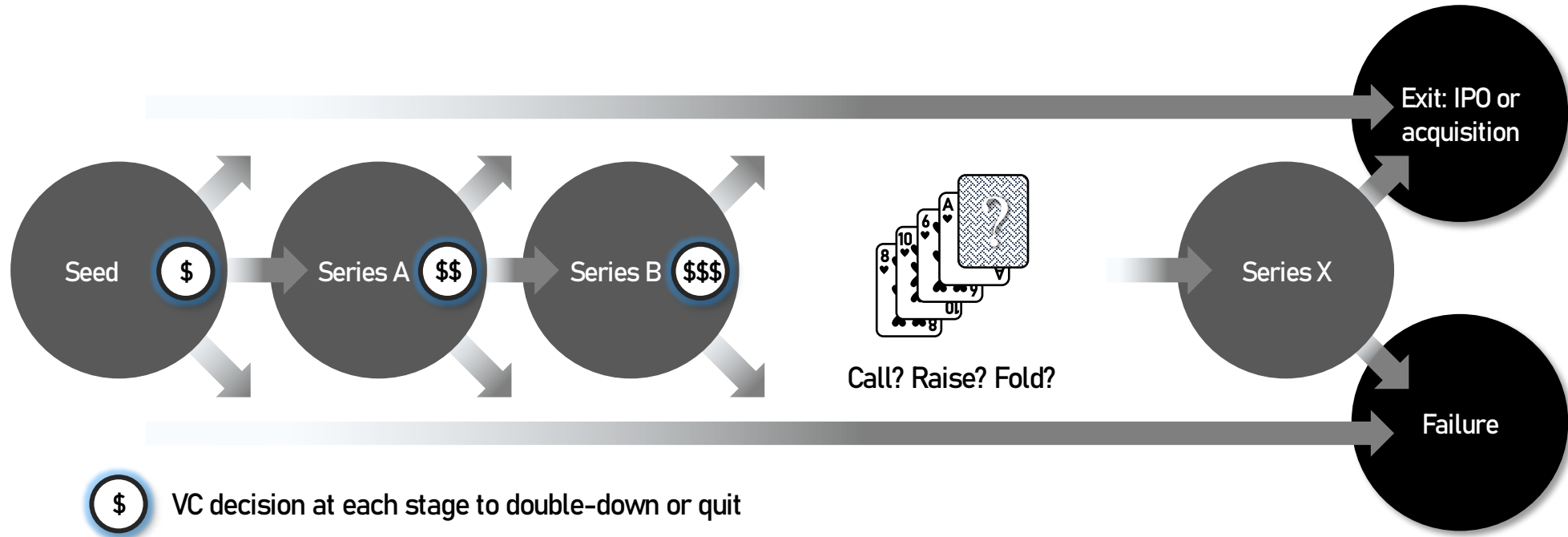


Thousands of A/B tests



prime FREE One-Day

# Principle #7: Double Down or Quit



# Playbook: Start Small, Scale Fast



# Principle #4: "Say No One Hundred Times"



# Act Fast, Act Slow: 100 to 10 to 1

100 to 10: Red Flag Approach

Why Don't I Want to Invest?

10 to 1: Slow and Careful DD

Why Are We Anxious to invest?


# Evaluate more opportunities...




## ONLINE STORAGE: 80+ File Hosting and Sharing Sites

July 2007

[Mashable.com](#) - Unlimited storage and automated backup for \$4.99 a month.  
[AppBackup.com](#) - Prices as low as \$1.95 for 2GB of automated backup.  
[AutoBackupFile.com](#) - Automatically back up your blog for you with up to 2GB of storage.  
[Cubefix.com](#) - Backup your entire hard drive automatically, no fee option.  
[CloudBackup.com](#) - Automated backup plans as low as a one-time \$10 fee, unlimited space.  
[DataSaver.com](#) - Automated, managed off-site remote backups, starting on weekdays.  
[Backup.com](#) - Backup your files, even those already, export them back to your computer in a crash. Share with co-workers for collaborative work.  
[iBackupFile.com](#) - 1GB of free storage, automated backups, up to 1GB in subscription form.  
[iCloud.com](#) - 5GB of space for free, up to 10GB of backup for as low as \$4.99 a month.  
[iDisk](#) - Turn your Gmail account in to an online storage space for free.  
[iCloud.com](#) - All paid plans, as low as \$5.99 a year for 2GB, one between multiple computers.  
[iBackup](#) - Anywhere from 2GB to 20GB of storage, no fee services.  
[iSyncShare.com](#) - Automated backups for personal or business users, file sharing available.  
[iSyncShare.com](#) - Featuring an professional backup solution from email backup up to governmental agencies.  
[iSyncShare.com](#) - Unlimited storage of your music collection.  
[iSyncShare.com](#) - Automated online backup of your selected files with syncing.  
[iSyncShare.com](#) - Unlimited free storage of your music collection, streaming play of the songs from anywhere.  
[iSyncShare.com](#) - Store up to 2GB of files, use as backup or share.  
[iSyncShare.com](#) - Backup anywhere from 2GB for free, use as backup you can access from anywhere, or use as a file host to use on other sites.  
[iSyncShare.com](#) - 1GB of storage for your files, automated backup, ability to share with family and friends.  
[iSyncShare.com](#) - Automated backup of your essential files.  
[iSyncShare.com](#) - Online backup of digital assets, free up to 5GB, subscriptions for more. Stream your stored assets for listening anywhere, share files with friends.  
[iSyncShare.com](#) - Minimum of a 2GB subscription package, files are shareable with other registered users.  
[iSyncShare.com](#) - Backup your documents for free. Choose to publish some or all of your files, get paid for them.  
[iSyncShare.com](#) - Online backup that allows you to sync with other devices and share links to your files.  
[iSyncShare.com](#) - Restore off-site data backup, packages as well as 2GB up to 1TB.  
[iSyncShare.com](#) - Sync your hard drive with your online storage, restore, or share. Free up to 1GB.

  
[DriveWay.com](#) - Send large files to anyone on the net.  
[FileCler.com](#) - Send a file up to 200MB in size to multiple recipients.  
[FileCloud.com](#) - Send files up to 200MB in size, up to 2GB for premium members.  
[FileCloud.com](#) - Up to 2GB of free sending, more space with paid plans.  
[FileSaver.com](#) - Send an unlimited number of files up to 200MB each in size.  
[FileSaver.com](#) - Email files up to 250MB in size, subscriptions get you larger files and more storage.  
[FileFactory.com](#) - Send up to 25 files at a time at 200MB per file.  
[JustLight.com](#) - Send a file up to 120MB in size to up to four email addresses.  
[JugNet.com](#) - Upload a file up to 120MB in size, share the link, set an expiration time.  
[LogFile.com](#) - Send files of various sizes, 7-day trial, subscription thereafter.  
[LocalHost.com](#) - Upload a file up to 20MB in size, share it with friends.  
[MailBigFiles.com](#) - Send up to a 100MB file to one recipient, up to 2GB to 5 recipients if you submit files.  
[MailBigFiles.com](#) - Store and deliver large files easily with a drag-and-drop interface.  
[PandaFile.com](#) - Send a file, no limitations mentioned.  
[SendIt.com](#) - Send up to six large files at once for free, private branding available.  
[SendSpace.com](#) - Send files up to 200MB in size, unlimited downloads.  
[SendToMail.com](#) - Subscription only, size and bandwidth vary with plan.  
[ShareBox.com](#) - Upload a file, share the link, no mention of limitations on size.  
[TheSendIt.com](#) - Email files up to 120MB in size for free, bigger limits by subscription.  
[TheStorage.com](#) - Upload and send up to 1GB of files to multiple email addresses.

  
[box.com](#) - Free unlimited storage of audio files.  
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[box.com](#) - Up to 2GB of sharing storage.  
[box.com](#) - Upload up to 2GB of files for free and share, can integrate with Facebook.



# ...to immediately identify winners...



“Within the first 30 minutes, I realized that, of all the companies that I’d seen, this was the one that I actually felt was the one to invest in.

So we started asking specific questions about how they were thinking about the product and realized that they had some real deep insights and conviction.”

Sameer Gandhi

## Sequoia Capital’s Early Dropbox Bet Pays Off With \$2 Billion Stake

Venture capital firm is the second-biggest shareholder after Dropbox CEO.

# ...and predict possible “lemons”



INSIDER

## Bill Maris: Here's why Google Ventures didn't invest in Theranos

“If they wanted to invade Europe it was the right group of people, but I didn't see any expertise at the company in building a sophisticated healthcare business.”

Partner, VC Firm

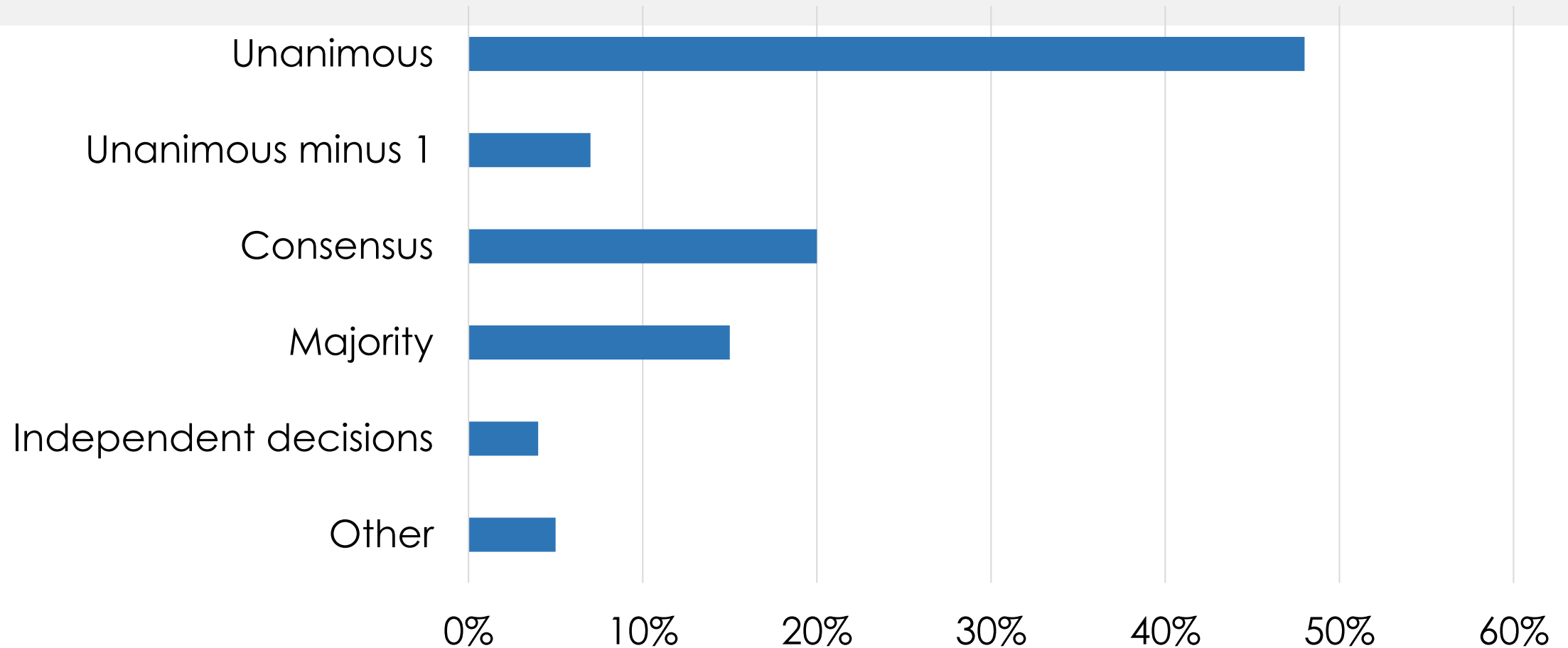
### The New York Times

The Theranos debacle fails as an indictment of venture capital for two reasons. First, nearly all the money raised by the company came not from venture capitalists but from [technology outsiders](#).



# Unanimity and Consensus?

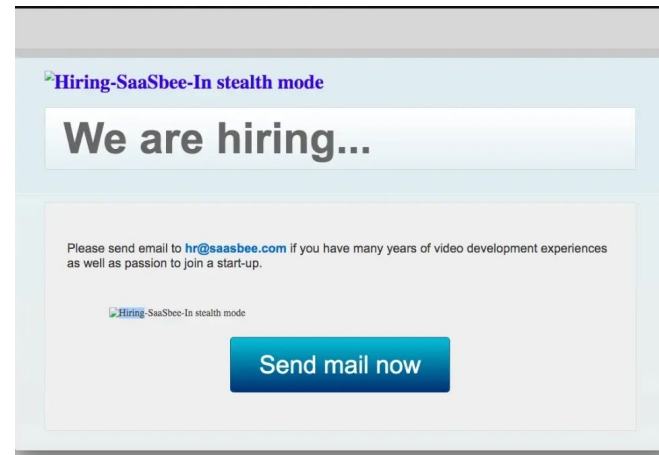
- How do VCs make initial investment decisions?



# Principle #6: “Agree to Disagree”

Q: Would you invest in SaaSbee?

- No clients, no sales
- Competing products from established companies
- Referral from a kite-surfing fanatic



**An early investor in Zoom, one of the best performing IPOs of 2019, almost passed on the deal. Here's what he learned.**

Megan Hernbroth May 15, 2019, 8:53 AM PDT



# Playbook: autonomy and anti-veto



# Playbook: Keep it small

The average VC firm:  
**5 partners**

The perfect team size  
(Hackman, Neil Vidmar):  
**4.6 people**

Two-pizza team rule:  
**~6-8 people**



# Playbook: a devil's advocate and a “red team”



“It’s the responsibility of everybody else in the room to stress test the thinking. If necessary we’ll create a red team. We’ll formally create the countervailing force and designate some set of people to counter argue the other side.”

Marc Andreessen, a16z

# Principle #2: Get Outside the Four Walls

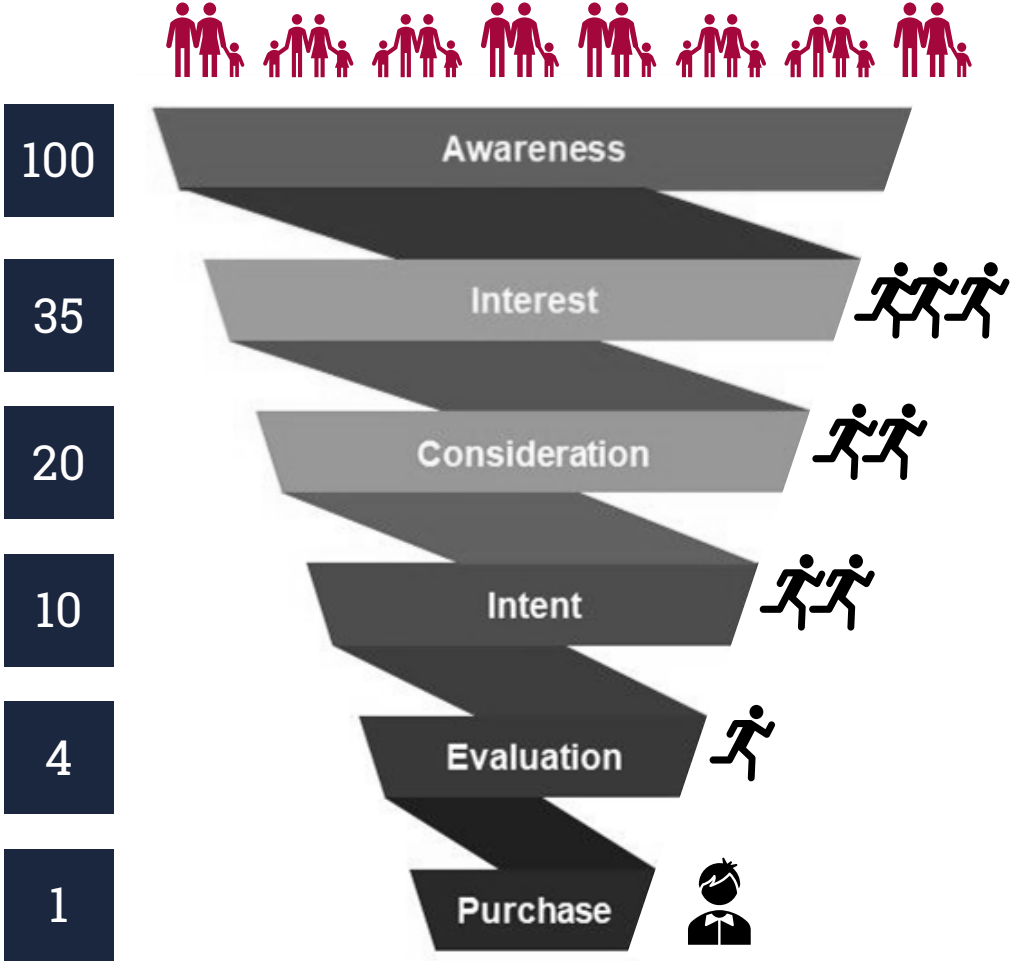
Where do you find a VC more often?



# Playbook: Go, Observe, and Talk to Customers!



# Playbook: Know Who Is Your Customer



**THIS is your customer**



# Principle #5: “Bet on the Jockey”



## “Jockey”

- Founders
- Startup employees

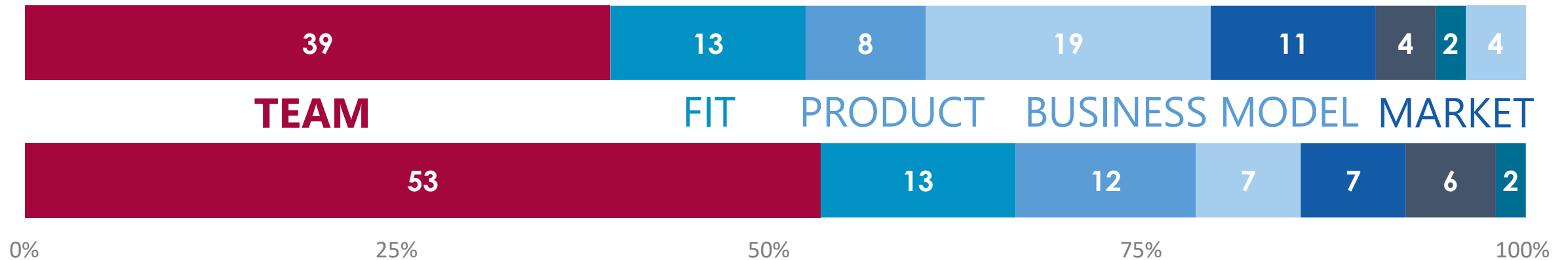
## “Horse”

- Business Model
- Product
- Technology
- Market

# Team is even more important for early-stage ideas

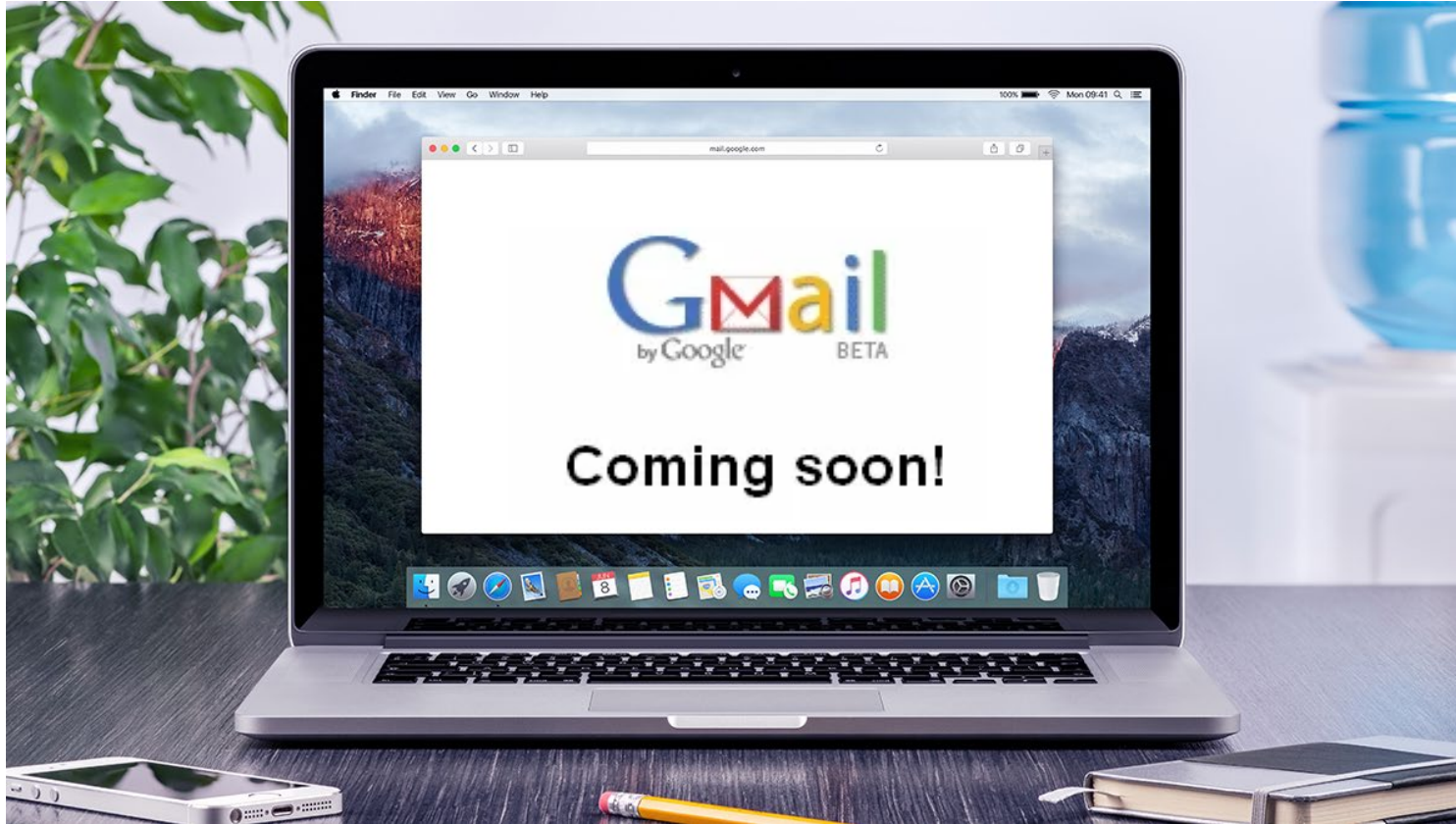


**Late stage firms bet more on the horse but jockey important**  
39% consider the team the most important factor



**Early stage firms bet more on the jockey**  
53% consider the team the most important factor

# Building “racetracks” is critical to make it work



## Examples of “Racetracks”:

- Clear funding mechanisms
- Leadership sponsorship
- Guardrails
- Milestones
- Rules to fund/de-fund

**Let's stay connected!**  
**More insights? Follow Ilya Strebulaev**



# Where do companies start?

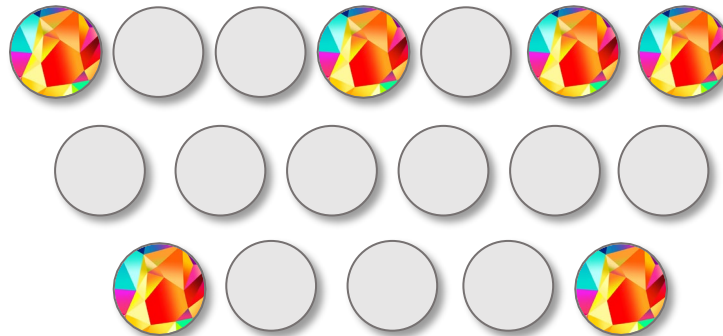
**They start with people and their mindset**



**I. BoD and/or  
incoming executives**



**II. Newly appointed SVP/VPs  
or the whole C-suite**



**III. Top 100 innovators  
(digital entrepreneurs)**

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