

Kauffman Fellows Program
Class 17 Session Guide
Module V

Dear Kauffman Fellows Class 17,

This module – Running the Firm as a Business – is the culmination of all of the content and best practice discussions you’ve been exposed to thus far. Together with your classmates, you will explore all aspects of the business of venture, with the emphasis squarely on understanding and evaluating it as a business. From partner dynamics and firm operations to raising money and maintaining good relations with LPs; from marketing yourself and your firm in a competitive industry to managing cash in lean times; from courting entrepreneurs to finding exits and banking returns.

Across all of these topic areas you will scrutinize the business. Why is it done this way? How well does the model work? What holds the business back? What causes it to thrive? What is the historic story that led to the current practices? What are the trends for the future? How do things look from the perspective of entrepreneurs? LPs? Corporates, governments, foundations, public market investors?

The hoped-for result is that you come away with a greater appreciation for all the dynamics that bear on the venture business. With these patterns firmly in mind, you should feel empowered to make improvements – in your own practices, in the practices of your firm, and across the entire industry. To the extent you do, entrepreneurs will be better served and new companies will have the best opportunity to succeed.

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Session 1: Wednesday Offsite Autodesk and TechShop

Speaker: Patrick van der Pijl, Business Models, Inc.
Lisa Solomon, Innovation Studio

Session Goals:

Designing Business Models of the Future

What does it mean to *design* a business model? In a time of increased volatility, blurring of customer and competitor boundaries and industry uncertainty, designing business models is a highly efficient and dynamic process that connects vision with need; revenue with cost; front end delivery with back-end activities. Business model innovation enables executives to imagine concrete possibilities of the future through customer needs, rapid iteration, collaborative conversation, and visualization.

Join Patrick van der Pijl, producer of the international best-seller *Business Model Generation* (Wiley 2008) and CEO of Business Models Inc. and Lisa Kay Solomon, adjunct professor at the California College of the Arts MBA in Design Strategy and co-author of *Moments of Impact: How to Design Strategic Conversations that Accelerate Change* (Simon & Schuster, 2014) for a hands-on introduction to the Business Model Canvas and its role in the global movement of designing better businesses.

Questions to Ponder

- What is your definition of business model? What is your design criteria for what makes for a successful and sustainable model?
- What is the business model of your organization? Would your partners, co-investors, or limited investors describe it the same way?
- How do you typically evaluate the business models of your investments?
- What are basic elements you look for when evaluating business models?
- What assumptions, either implicit or explicit, do you have about the viability of your business model?
- What elements of your business model do you think are ripe for disruption?
- What are some things that you've seen at the Autodesk Gallery that you'll investigate further?
- How might you look at your business model differently using the Business Model Canvas?

Notes

Session 2: Emerging Managers

Panelists: Michael Madison (Class 12), Sozo Ventures
Cynthia Ringo (Mentor Class 17), DBL Investors
Aileen Lee, Cowboy Ventures
Andrew Farquharson (Class 9), InCube Ventures

Moderator: Ken Horne (Class 17), TauTona Group

Session Goals:

Similar to every venture capital down-cycle we've had in the past 50 years, the media has been carrying stories of the end of venture capital. In our eco-system, regeneration occurs in the form of new venture capital leaders. This is an opportunity for you to hear their tales of creation and to delve into the issues of building and establishing a leading brand in a time of chaos and globalization.

Questions to Ponder:

- Why would an LP invest in a first-time fund?
- When should you start building those LP relationships?
- How long might it take? How many meetings? How much in savings?
- What's the hardest thing about a first-time fund that no one talks about?
- How do you avoid the traps of success as a fund?
- How much should you invest in culture and values constructs?
- How important is your legacy and succession? When do you start that process?

Notes:

Session 3: What It Takes to Run a Firm

Speaker: Craig Taylor, Alloy Ventures

Session Goals:

From the NVCA publication "Managing a Venture Capital Firm: Lessons Learned from Industry Veterans":

"In May 2013, the National Venture Capital Association gathered a group of veteran venture capitalists who are currently serving as managing partners at their firms, or who have done so in the past, and asked them to share their experiences in that role. In the spirited conversation that followed, the VCs discussed what practices have worked well (and not so well) for them in putting together a portfolio, managing operations, and nurturing talent across multiple business cycles."

This session will help demystify the common sense around what it takes to run a successful investment management company. Many fellows aspire to "raise a fund", but don't necessarily consider what it takes to run that fund once it is raised. The NVCA whitepaper shares and discusses some best practices for managing a firm and our speaker will give some perspective on his journey so far and discuss how to think about a myriad of relevant topics: building firm culture (including management structures and decision making), how to onboard new talent/succession planning, personal time allocation/internal firm activities, LP relations, and, the ever present conversation of spinning off from an established firm to start a new fund. We will also include and build on our thinking from the work we did in orientation on leadership styles, awareness, and emotional resilience through the twists and turns of running a firm over multiple funds, partners and offices.

Questions to Ponder:

- What are the typical operational priorities of a venture fund?
- What role does culture play in the success of a venture fund?
- Who typically drives culture in the fund?
- What are the hidden landmines that firm members need to be aware of?
- What issues do managing partners need to worry about that are off the radar screens of junior members?
- How do you onboard new staff and other talent?
- How and when do you think about, plan and implement succession planning?
- How is management structured? How does it affect decision making, operations and success?
- How do you allocate your personal time to investment and internal firm activities?
- What are best practices around recruiting, developing, and managing LP relations?
- How do you help colleagues consider and decide to spin-off to start a new fund?

Notes:

Session 4: Cohort Groups – Field Project Discussions

Facilitator: Phil Wickham (Charter Class), Kauffman Fellows
Jewel Savadelis, Savadelis Films
Bill Tobin, Strayer Consulting Group

Session Goals:

While the field project is a requirement for graduation from the program, it should be viewed as a powerful and unique opportunity that has a measurable window of opportunity. Your field project should be an extension of your personal journey – the same story that got you into the program. It should reflect your personal and career interests, as well as those of your firm or organization. In this session, we will dig deeper into the field project process and explore areas for further investigation.

Questions to Ponder:

- What ideas or opportunities close to your expertise can the Society help you explore more deeply?
- What do you want the brand of “you” to be when you graduate from the Program in July?
- How does this project impact that brand?
- How can you leverage the work of those Fellows before you?
- How might your work inspire those who come after you?
- Who else besides your firm will care about your insights?
- Who else might you get involved in the project early on?
- How else might your insights get distributed?

Notes:

Session 5: LP Fireside Chat

Speaker: Mel Williams, TrueBridge Capital Partners

Session Goals:

Varying opinions abound on venture capital as an asset class today and in the future. Is venture capital irretrievably broken or is it 'morning for venture capital'? Is it back to the fundamentals or are there new venture capital models that are attracting the interest of limited partners? How are limited partners evaluating emerging markets, emerging funds? This fireside chat with Mel Williams of TrueBridge Capital Partners will share his view on venture capital as an asset class, discuss how they consider investment opportunities, and provide his view of the future.

Questions to Ponder:

- What are the greatest concerns identified by Limited Partner 'customers' of venture capitalists, that apply to you or your organization?
- How could the opportunities that Limited Partners see now or in the future provide a strategic opening for you or your organization?
- What new models in capital formation could meet the needs of the different strata of limited partner investors?
- What are the most important trends surfaced by the panelists?

Notes:

Session 6: Navigating Firm Dynamics

Speaker: Josh Stein (Class 9), Draper Fisher Jurvetson

Session Goals:

Venture capital funds are more than just teams of individuals making investments and sharing a copy machine and coffee maker. Any new firm enters the business with at least three funds in the plan, and thus a minimum twenty-year commitment for the partners and the LPs that invest in them. We will explore what kind of operating infrastructures are required to ensure maximum investor return over that period, considering that partnerships evolve with regard to industry sector, geography, and stage.

Questions to Ponder:

- What role does culture play in the successful operations of a venture fund?
- Who typically drives culture in the fund?
- How do I learn and utilize the informal internal network at the firm?
- How do I navigate firm dynamics as a junior member, new partner and senior GP?
- What are the hidden landmines that firm members need to be aware of?
- When do members typically get themselves in trouble?
- What issues do managing partners worry about that are off the radar screens of junior members?

Notes:

Session 7: Raising a Fund

Speaker: Liam Donohue (Mentor Class 13), .406 Ventures

Session Goals:

To understand the necessary preparation, time, and financial costs of a new fund start-up, and to understand how to raise Fund II and III.

Questions to Ponder:

- What factors should be in place before you decide to raise your own fund? How do you know when you're ready?
- Besides luck, what are the key factors to successfully raising a first-time fund?
- What unique risks do LPs perceive in first-time funds?
- Why would anyone want to be your first LP?
- From an LP's perspective, what are the primary differences in raising Fund II, Fund III?
- What are the ways that first-time funds differentiate?
- What are the characteristics of the ideal LP and LP syndicate?
- Under what conditions would you decide not take money from an LP?
- How do you sequence the LP pursuit?
- What should you know about a prospective LP before approaching them?
- What are the benefits and challenges of using a placement agent?
- How has the market for raising an emerging fund (Funds I, II & III) changed in the wake of the global financial correction?

Notes:

Session 8: Managing the Firm

Speakers: Gene Trainor, Foundation Capital Partners
Tom Frangione, Greylock Partners

Session Goals:

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- What are the typical operational priorities of a venture fund?
- What role does culture play in the successful operations of a venture fund?
- Who typically drives culture in the fund?
- What are the hidden landmines that firm members need to be aware of?
- When do members typically get themselves in trouble?
- What screening and filtering processes work best to protect the firm operationally?
- What issues do managing partners worry about that are off the radar screens of junior members?
- What are the steps required to expand a partnership into a new office and region?
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- What screening and filtering processes work best to protect the firm operationally?
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- What role does culture play in the successful operations of a venture fund?

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