

The Journal of **PRIVATE EQUITY**

Strategies and Techniques for Venture Investing

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For years, the field of venture capital evolved in relative obscurity. But the last half-decade has changed all that, with shimmering magazine covers and covetous reports of tremendous wealth accumulation for successful partnerships. Given this higher profile, we now have the ability to look inside the world of VC more closely and begin to draw some conclusions about how the world is shaped outside of our own offices. In this issue we present new opportunities for greater understanding, with three papers examining VC, two considering the education industry, and one critically contemplating the Internet sector of the public markets.

In our first paper, Geoffrey Smart, Steven Payne, and Hidehiko Yuzaki tackle the tough topic of what it takes to be a successful VC. In the largest study of its type, the authors survey over 150 people involved in the industry, covering a wide variety of topics including: What role does personal contact play when a person enters the VC industry? How important are soft skills versus quantitative skills in successful VC partners? How important are technical skills? How many VCs have technical or MBA degrees, and for what reasons do they value them? How many have operating experience? How important is the financial analysis during due diligence? How many hours per month are spent with the management team of each portfolio company? How many hours recruiting management? If you are a practicing VC, this article will allow you to benchmark how you spend your time. If you're not a VC, this piece provides tremendous insight into how the industry operates.

Our next article comes from one of the very rare times that a practicing venture capitalist sits down and writes about the industry. Ruthann Quindlen, a general partner at IVP since 1994, has written a lively book about the VC world, aimed at aspiring entrepreneurs. The brief piece we have selected to publish presents a series of anecdotal comments from successful entrepreneurs about their secrets of success. While quite different from the more typical quantitative research, these insights form interesting patterns as we consider the factors that separate failure from success.

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Speaking of failure, the latest predictions are that about two thirds of newly-public Internet companies will fail within five years. If this is true, there are many Internet businesses now on the road to extinction that need to think about how to extract maximum value from their depreciated assets. Ben Boissevain provides insight into how these companies might harvest value from their difficult circumstances.

Jeffrey Fromm and Todd Kern tackle an emerging market within the U.S. that has the potential to become very large and powerful—the education and training industry. Today, this segment is second only to health-care in percent of U.S. GDP, and the intriguing question is, how big will the private, for-profit segment grow? Will this become a global business? And is this a business naturally matched to the power of the Internet?

What do you look at to predict the success of your prospective hires? Art Kleiner reviews the idea that corporations must get involved in improving public schools, for these are the training grounds for tomorrow's workers. He presents some of the actions already being implemented by high-profile business partnerships in education.

Our final article, by Angel Morales and Javier Saade, charts the size, growth, and impact of the Hispanic-American market for venture capital financed projects. How quickly has this market grown, and what is in the forecast for the next 20 years? How will the Internet affect these businesses? What are the key sub-sectors of this market and how do they compare to each other? How will these businesses get funded?

James E. Schrager
Editor