

Five Questions With Reid Dennis, A VC Investor Since 1952

by Timothy Hay

Since Reid Dennis made his first venture-style investment in 1952 in the emerging technology of the day – the Ampex Corp. tape recorder – he has been hooked on building small start-ups into viable businesses. After putting about \$20,000 into Ampex, and eventually getting about \$1 million back, he co-founded Institutional Venture Partners, which today is a thriving firm with more than \$2 billion in committed capital and investments in such notable companies as Netflix Inc., TiVo Inc. and Ask.com Inc.

At age 83, Dennis is semi-retired but still in the game. While he is not a fan of what he calls the increasingly impersonal nature of the business, he believes venture firms are still a crucial engine for the development of new technologies. VentureWire caught up with Dennis this week for a candid conversation about the venture industry.

Q. How has the venture industry changed over the last five decades?

In the '80s and '90s, we used to sit down with entrepreneurs and talk for an hour, even if we didn't like [the company]. We still tried to hear them out. Now, with the Internet and the flood of information, I think the industry has lost a bit of that – the fun. I enjoyed it much more when it was more personal.

Q. Do start-up companies still need VC firms?

The venture-capital industry is as crucial to the creative process as it ever was. But [VCs] have to take a long-term view. [These investments] are not just to waltz into, and waltz out of. I can think of a couple of companies I was involved with for 19 years. [IVP] has a fund that is 15 or 17 years old. We can't close it down, because there's an investment in a very successful company that doesn't need to go public. It's a long-term commitment. A lot of people go into the business because it looks like the place to make money. Some firms who take over companies seem to be more in the financial-engineering business now. I love to grow something where nothing was before, that's what I love about the business.

Q. Are you concerned about possible government regulation of the venture industry?

The VC industry must make it clear that they are not in the hedge fund business. If there is more regulation, what you'll end up with are a whole bunch of private venture capitalists, a whole lot more angel investing. This will not be a good influence. In fact, it could be a terrible mistake. It could shut off a lot of funds flowing into small, innovative companies.

Q. There has been a lot of talk lately about how quickly the venture industry is shrinking. How small is it likely to get in the next few years?

This is a period of substantial reduction in size. In the next five or six years, we may see about half [the number of firms that exist today].

Q. A lot of older VCs are retiring now, and firms are looking to hire new talent. What is your advice to a young venture investor just starting out now?

Go and get an honest job in the high-tech industry for a while. Come back when you're 10 years older. When you invest, you want a board seat, and if you go on the board you ought to have more maturity than the guys who started the company. Be an active board member. As VCs, we get to blow on the dice. We roll the dice, but as a board member you also get to blow on the dice. Probably with about as much effect.