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## Heidi Roizen

Heidi Roizen—a venture capitalist at Softbank Venture Capital (Softbank) and a former entrepreneur—sat back at her oversized desk in her home office in Atherton, California, and logged onto her computer. It was a typical morning for her; she had received 40 e-mails overnight. Another 100 or so would come in over the course of the day. Among her e-mails, Roizen received an average of 10 business plans per day—almost all referrals from people she knew in the high-tech industry.

Roizen had spent the first decade of her career actively building her network in order to help the software company she co-founded, T/Maker, compete against better-capitalized software developers. Through her roles as CEO of T/Maker, president of the Software Publishers Association, and later, vice president of worldwide developer relations at Apple Computer, Roizen had developed a network that included many of the most powerful business leaders in the technology sector. Over the years, Roizen had also mastered the skill of blending professional networking with social networking; she was well-known throughout Silicon Valley for hosting dinner parties at her house that included the likes of Bill Gates of Microsoft and Scott McNealy of Sun Microsystems.

An outgoing, high-energy person by nature, Roizen had a genuine passion for meeting smart, interesting people and helping them connect with other people she knew. In some cases, Roizen even took it a step further and actively helped people in her network find new career opportunities, but she was careful to leverage her contacts only when she could see a true win-win for both parties.

After a stint as a “mentor capitalist,” Roizen was invited in 1999 to join Softbank as one of five investing partners for its newly raised \$636 million fund focused on Internet companies. While Roizen started working for Softbank 30% of her time, she had moved to 50% by the end of her second month, and 80% by the end of her fourth month—the point at which she declared a “hard-stop.” At 80%, Roizen realized she was no longer “dabbling”; rather she had fully committed herself to the life and role of a high-profile venture capitalist. She wondered what impact her role as a venture capitalist would have on her ability to build and maintain her network in the future. Going forward, would she need to tailor her approach to either venture capital or networking to allow herself to do both successfully?

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Professor Kathleen McGinn and Nicole Tempest, Associate Director of the HBS California Research Center, prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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## Background

Raised in Silicon Valley, Roizen was surrounded by technology and entrepreneurship at a very young age. Roizen's father—an engineer by training—spent the first part of his career at Ampex, where he helped develop the first color videotape. While Roizen's early childhood was characterized by financial security, that changed after her parents divorced when she was nine years old. Her father went on to start his own company, which ultimately failed. As a result, Roizen's high school years were marked by financial conservatism. Her mother worked in the high school cafeteria to help pay the bills and Roizen started a puppet show business for children's birthday parties to earn additional money. Following high school, Roizen attended Stanford University where she majored in creative writing. During Roizen's junior year there, her fiancé was killed in a plane crash. Roizen was devastated by his death, and was forced to reassess her perspective on relationships and career. Roizen realized that she had slipped into more of a supporting role for her fiancé, rather than pursuing her own interests and goals. Over time, her life had increasingly revolved around his. Roizen made a life-changing decision to never again be so dependent on the fate of another person. She committed herself to finishing her studies at Stanford as quickly as possible so that she could pursue a career of her own. After graduating two quarters early in December 1979, Roizen found that the local job market was limited largely to high tech jobs—a challenging environment for a creative writing major. As a result, she eagerly sought an open position with Tandem Computer (Tandem) as editor of the company newsletter—one of the few jobs in the market that allowed her to use her writing skills while simultaneously learning about technology.

## Building a Network

### *Tandem*

While there were over 60 applicants for the position at Tandem, Roizen had a friend at the company who gave her the phone number of the woman in charge of the hiring process. Roizen called the woman on a Saturday to express her interest in the position, expecting to get her voicemail. Instead, the manager happened to be in the office and answered the phone. The two hit it off and, soon thereafter, Roizen was offered the job. Roizen's first experience with networking had proved a successful one.

As editor of the company newsletter, Roizen wrote about the company's performance, new product releases, upcoming company events, and personal interest stories, including births and marriages. In order to stay abreast of company events, Roizen was invited to sit in on the monthly top management meetings in which important strategic topics were discussed. Roizen felt privileged to be included in these meetings and made the most of the opportunity:

It's difficult to develop a professional relationship with anyone, let alone a senior-level executive, when you have no reason for interacting. So, it would be tough to start working at a company and say, "Gee, I think I'll get to know the CEO." That's probably not going to happen unless the CEO has some *reason* to interact with you. As the editor of the internal newspaper, there was a good reason why the CEO was going to talk to me—I was one of his main communication vehicles to his employees. Now you could either take that opportunity and *not* run with it, or you could take it and say, "This is a rare opportunity for me to demonstrate my performance and my consistency, to deliver on promises, to put my best foot forward, to make sure I've done my homework before each meeting, and to build my reputation." I chose the latter approach.

## *T/Maker*

When Roizen made the decision to return to school for a graduate degree in business, she leveraged the relationship she had built with Tandem's CEO and asked him to write a recommendation for her. After graduating from Stanford's Graduate School of Business in 1983, Roizen decided not to go into investment banking and consulting as many of her classmates were. An early adopter of the personal computer, she decided to work with her brother—a computer programmer—to turn a software program he had written, called T/Maker (short for “tablemaker”), into a real company. Introduced in 1979, the T/Maker product was one of the first entrants into the market for spreadsheet software, which developed rapidly after Lotus introduced its Lotus 1-2-3 spreadsheet program in 1982. Compared to Lotus 1-2-3 and VisiCalc—another early market entrant—T/Maker utilized a more visually-oriented approach to building equations. T/Maker was generally considered easier to use than competitive products for simple equations, but more difficult to use for complex equations.

Roizen felt strongly that T/Maker should operate completely on its own cash flow, with no bank debt or outside equity, in order to give the company flexibility to make the “right” decisions for the business. However, as a result, T/Maker had less capital to draw upon, which made it difficult for the company to break into the retail channel and compete against well-capitalized players like Lotus. Lotus was using its venture capital backing to invest heavily in sales and marketing, which appealed to retailers who wanted to carry only those products that could generate high consumer demand. Similarly, distributors wanted to stock only those products that retailers wanted. Realizing that T/Maker needed to find a creative, cost-effective means of generating consumer demand, Roizen began an aggressive campaign to build awareness of the company and its product. Leveraging her outgoing personality and her desire to meet interesting people, Roizen began to build relationships with members of the press—encouraging them to review the T/Maker product in their publications. She also attended numerous industry conferences and events, always being sure to maximize even the shortest, most informal conversations at these events. As Royal Farros, a friend from Stanford and a co-founder of T/Maker explained, “Heidi is a pro at turning a brief conversation into one of substance, by contributing one or two unique ideas in a short period of time. That helps make the conversation memorable.” Roizen also joined a handful of well-known technology-oriented groups—such as the Software Entrepreneurs Forum—and took advantage of just about any opportunity to sit on a panel or give an interview, making a point of giving her undivided attention to any audience. As Farros—who went on to be CEO of iPrint.com—learned from Roizen, “You never want to seem distracted. After all, you never know if the reporter you're talking to will turn up at *Forbes* next.”

In addition, Roizen decided to join the board of the Software Publishers Association (SPA), the trade group dedicated to raising awareness about specific issues relevant to the software industry. Later, Roizen was elected president of the SPA, which gave her significant industry exposure and the opportunity to meet with industry leaders to discuss issues on their agendas. Brian Gentile, vice president of marketing and business development at eALITY Inc. and a former work associate of Roizen's, reflected on Roizen's role with the SPA: “Heidi chose to get involved with the SPA at an important time in the industry's evolution—when there were major causes to stand for. She was passionate about specific issues and themes and she helped rally the industry around them.” Interestingly, many of the industry participants whom Roizen met and befriended during the mid-1980s were not well-known at the time, but went on to become leaders in the technology industry years later—a fact that Roizen willingly acknowledges: “It's easier to get to know people when they're *not* famous; then when they do become famous, you already have a relationship with them.” Roizen's willingness to invest time in developing relationships with people whom she simply found

interesting and smart—as opposed to powerful—paid off repeatedly throughout the years. As Ellen Levy, a Netbatsu<sup>1</sup> development officer at Softbank, explained:

Heidi simply likes to get to know and be friends with good-quality, talented people—that’s her primary motivation. In some ways, by investing so much time in these people, she is placing a bet—but those bets have paid off for her in the past.

When Apple Computer (Apple) introduced its Macintosh (Mac) computer in January 1984, T/Maker quickly embraced the new platform and designed several of the first software programs for it. As a result, T/Maker gained a large and loyal following of customers for a number of its products, including the successful ClickArt series of Mac products. In 1985, T/Maker decided to broaden its product line and develop a user-friendly graphics package for the PC platform—an untapped market. Within months, the software industry was buzzing about T/Maker’s impending product, named ClickArt Personal Publisher (Personal Publisher). Industry observers were hailing “sneak previews” of Personal Publisher as a “desktop publishing solution” for the PC. The market’s widespread anticipation of the official product launch put significant pressure on the company to quickly finish the product. To speed up the process, the company diverted already short resources from the T/Maker product to Personal Publisher, causing Roizen’s brother to become increasingly uncomfortable with the direction the company was taking. As a result, in 1986, Roizen and Farros agreed to buy out her brother’s ownership stake for \$500,000.

In April 1986, Personal Publisher finally shipped—six months after the originally announced publication date. The company breathed a sigh of relief, but it was short-lived. Within days, market demand for the product was so strong that it swamped the company’s operations. Realizing the company did not have the capital or staff to fully take advantage of the product’s unique window of opportunity, Roizen and Farros decided to sell the Personal Publisher product to Software Publishing Corporation in late 1986. Following this experience, Roizen and Farros decided to seek venture capital backing, ultimately receiving venture funding from two well-known venture capital firms—Hummer Winblad Venture Partners and Draper Associates.

After growing T/Maker to \$15 million in sales and 100 employees, Roizen and Farros decided to sell the company in 1994 to Deluxe Corporation—a provider of products and services for the financial payment systems industry. However, Roizen stayed on as CEO of the T/Maker subsidiary until 1996.

## Maintaining and Leveraging a Network

### *Apple*

In early 1996, Roizen made the decision to leave Deluxe to join Apple as vice president of worldwide developer relations, with 300 people reporting to her. A longtime personal and professional supporter of the Apple platform herself, Roizen was passionate about helping the company. By 1996, Apple had lost significant market share and was on a seemingly endless downward spiral. Roizen’s primary job was to shore up Apple’s relationships with its 12,000 external software developers to ensure that they continued to support the Apple platform and to give them a sense of confidence in Apple’s long-term viability. While software for the Apple platform once represented a \$4 billion market, by 1996 it had declined to a \$3 billion market. The developer

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<sup>1</sup> “Netbatsu” was a term used by Softbank to refer to an affiliation of powerful Internet companies. The term was derived through a combination of the words “Internet” and “Zaibatsu”—the great family-controlled banking and industrial companies of modern Japan.

community was panicked about the situation, since many had focused entirely on the Apple platform, leaving the Windows market open to other developers who had already secured their market positions. Roizen represented a recognized and respected voice within the developer community, given her experience at T/Maker and her role as president of the SPA. Gentile commented on Roizen's fit with Apple:

Before coming to Apple, Heidi had already gained significant notoriety due to her role as a Silicon Valley CEO and her role with various industry associations. She had developed an almost celebrity-like status, so getting Heidi to join Apple was a real coup for the company. Heidi represented a clear beacon for the Macintosh faithful, since she knew the developer community and had been a part of it herself for 14 years. She was one of Apple's most outspoken proponents *and* critics; she was not afraid to tell Apple what it was doing right and wrong.

While Roizen's high profile role at Apple helped her continue to build her network, it also tested the strength of her existing network. Gentile, who worked with her at Apple, explained:

Heidi spent years building her network of people and professional associations to improve T/Maker's success. However, the first real *test* of her network was at Apple, where she had to call in favors. For example, she had to call Bill Campbell at Intuit and say, "Bill, we really don't want you to abandon the Mac. We really need you to stay with us. This is a tough time, but this is what we are planning to do to improve the situation." Fortunately she knew Bill and many of the other industry leaders she had to call. One of the best ads that Apple ran during this very dark period was a full page *Wall Street Journal* ad that had news clippings from each of the software CEOs with whom Heidi had reached an agreement, proclaiming their continued affinity for the Macintosh. Heidi *made* each of those quotes happen. If it were not for Heidi, that ad would never have run. And at the time, it was a very big deal for Apple to have these important developers saying, "We still believe in this platform and we're going to stick by Apple." So that was the first time she really had to "call in" the network she had been building for years.

While in some cases it had been years since Roizen had spoken to the industry executives she was calling, she still felt comfortable picking up the phone and calling them. Roizen was a firm believer that "consistency" and "performance" were far more important than frequency of interactions in maintaining a network. Roizen explained:

When it comes down to it, there are three things that are important in building and maintaining a network. The first is having access to people, which is something you build over time. Equally important though is your performance and consistency during and after each interaction. Performance means that you got back to the person and did what you could to help them out—you were responsive. So for example, did you do what you said you were going to do? I'm constantly amazed by people who did not follow through on something ten years ago and then feel they can pick up the phone and call me for a favor, based on our "relationship." What they're missing is that it's a *bad* relationship!

Consistency means that in each interaction with that person, you are consistent in your actions. It's important that people understand how you're going to respond with some consistency. I've dealt with people in business who do one thing one day and something completely different the next—they're not consistent, and that makes it very hard to have a relationship with them. If a relationship is built on performance and consistency, you can actually get by with fewer interactions and still maintain a very good relationship.

Roizen's role at Apple involved speaking with senior-level executives who in some cases were from competing companies. As a result, Roizen was careful to maintain confidentiality and neutrality in her discussions. Her ability to do this was put to the ultimate test when Roizen—a personal friend of Bill Gates—found herself representing Apple in its discussions with Microsoft regarding software development for the Mac. With Roizen's help, the two companies were able to mend their previously bitter relationship.

After a few months at Apple, Roizen quickly realized that Apple's developer relations problems were really symptomatic of larger strategic issues facing the company. As a result, Roizen found herself involved in helping senior management refocus Apple's strategy, in addition to managing her 300-person staff in the developer relations group. Within a year's time, Roizen had been asked to work on so many different issues at Apple that she was in meetings 8 to 10 hours a day, and she was receiving approximately 300 e-mails per day. Even with two full-time assistants, it was virtually impossible to keep up with the volume of incoming demands on her time. As Farros explained:

I could tell Apple was getting overwhelming based on the length of the e-mails Heidi sent me. When she started there, she would send me e-mails that were at least a paragraph long. Then a few months later, her e-mails changed to short sentences. By the end of the year, she was simply using incomplete phrases—and Heidi's a 90-word-a-minute typist.

### *Roizen as a Mentor Capitalist*

Burned out by the relentless pace at Apple, and discouraged by the huge technical and political issues the company was facing, Roizen made the decision to leave the company in 1997. Not wanting to commit to another corporate job in the short term, Roizen chose to work as a "mentor capitalist," a term and role that she created. As a mentor capitalist, Roizen served as an active outside board member for start-ups that had received at least one round of venture capital backing; she was usually brought on as the first outside director. Combining her skills in strategic planning, building organizations, and marketing with her industry contacts, Roizen was able to help start-ups manage through their early phases. Unlike a venture capitalist, Roizen did not contribute capital to the start-ups with whom she worked; instead, she contributed her time and experience, in return for an equity stake in the company. Vincent Pluvinage, CEO of Preview Systems, explained why he sought out Roizen to serve on the board of his company:

We had just raised our first round of venture capital funding and I felt it was important to add an independent director to our board as a counterbalance to both the internal and venture capital board members. I had known Heidi for a while and knew she met my three criteria for a board member: she brought substantive expertise based on her experience at Apple, T/Maker, and with the SPA; she was extremely smart—I knew she would be a director who could grasp complex issues; and she was pleasant to work with.

After Heidi accepted the board position, she helped us recruit people for a number of key positions at the company. In fact, five or six of our early employees were former colleagues of Heidi's at Apple. We really benefited from Heidi's connections. I like to say that there's only about one degree of separation between anyone in Silicon Valley and Heidi.

Roizen frequently helped people she liked and respected find new career opportunities. For example, when Scott McNealy, CEO of Sun Microsystems (Sun), called Roizen to recruit her to Sun, Roizen referred him to Brian Gentile, who ultimately accepted a senior level position at Sun. Similarly, after Roizen joined the board of Softbook Press Inc. (Softbook)—the creator of the world's first electronic book and paperless publishing system—she introduced Ellen Levy, a former colleague

at Apple, to Softbooks's CEO, Jim Sachs. The two hit it off immediately and Sachs hired Levy to be the company's vice president of corporate development. Levy described Roizen's approach:

After my former company, WhoWhere, was acquired, I spoke to Heidi about other opportunities. As opposed to introducing me to hundreds of companies and then leaving me to sift through all of the options, Heidi knew me well enough to know that Softbook would be a great fit for me. That was the only company she introduced me to and I accepted their offer.

In her mentor capitalist role, Roizen found her network to be one of her greatest assets. As Randy Komisar, a "virtual CEO" in Silicon Valley commented, "While other people use networks to build their business, Heidi's *business* is networking. She's very effective and uses her network to add real value." Roizen's personal Web site explained when and how she would leverage her network as a mentor capitalist:

Yes, I do have a pretty good rolodex. I've had the good fortune to make lots of friends in the industry, friends I intend to keep for life. But, I don't intend to compromise those relationships. If your company has interesting technologies, products, or business propositions for companies with whom I've got personal relationships, I'm happy to help you get yourself organized to be seen in the best light, with the highest chance of success, and I'm certainly willing to use my knowledge of the companies and the players to get you in the right doors with the right people. But, I've got to be sold that it is a good idea first. I figure if you can't sell me, you wouldn't be able to sell them, anyway.<sup>2</sup>

Roizen's rule of thumb for when she was willing to leverage her network included an evaluation of the benefits to both parties. If making the connection would clearly benefit both parties—not just the one seeking the contact—she would consider tapping into her network. However, she was also careful to manage the number of times in one year that she asked one of her contacts to assist one of her friends or portfolio companies. Typically, the busier the person, the fewer times she felt she could ask for their assistance. Roizen described a situation in which she chose *not* to leverage her network on behalf of one of her portfolio companies:

I have a good friend from Stanford, Jeff Raikes, who is now a top executive at Microsoft. I've known Jeff for 22 years, so we're very friendly. However, I don't put just any of my portfolio companies in contact with Jeff—I have to see a clear benefit to both parties first. I got an e-mail a few weeks ago from someone at one of my portfolio companies who wanted to be put in touch with Jeff. I looked at the company and at the request and decided that I didn't see enough value in the connection for either the portfolio company or Jeff, so I turned down the request. I only feel comfortable asking Jeff to do something two or three times a year, because I know how many requests he probably receives in a day. Jeff also has thousands of people reporting to him, so if I'm going to take up a unit of his time, I want to be sure it's a connection that's valuable to him and Microsoft.

Vincent Pluvinage further explained the value of Roizen's focus on mutually beneficial contacts:

Part of Heidi's skill is that she truly understands the meaning and value of a win-win relationship. Through her role as a "catalyst"—or as some would say a "market maker"—she increases the efficiency of other people's lives. Heidi knows her role is to be the "door," rather than a "window," through which people make connections. She helps people connect with each other without exposing people or information herself.

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<sup>2</sup> [www.heidi.roizen.com](http://www.heidi.roizen.com)

As Roizen found herself leveraging her network more and more, she was careful to employ the lesson of reciprocity she had learned over the years. Roizen reflected:

There has to be a balance in every relationship. You can't always be the person asking for the favor, but at the same time, you can't spend your entire day doing goodwill for others either. It has to go both ways. When you do decide to ask a favor, it's critical to first consider the demands on the other person's time. I think I have a keen understanding of what each person faces in their day, and generally speaking, I have found that the more powerful the person, the more incoming requests they receive for their time and attention. So you have to make sure that your request is really important to you *and* that it has some opportunity to carry a payback with it—either in the request itself or in the promise of a future exchange.

Roizen's empathy for the demands on other people's time also led her to be highly efficient in her communication techniques. A heavy e-mail user, Roizen frequently e-mailed people the day after meeting them for the first time to let them know she had enjoyed meeting them and to establish the communication flow. It also forced her to log their e-mail address into her system right away. In addition, Roizen had learned over the years to keep e-mails short and to the point. Roizen found that she often had to teach entrepreneurs in start-up companies this lesson. Roizen explained:

I had the CEO of one of my companies draft an e-mail to be sent to a friend of mine who holds a very senior level position at one of the top software companies. When I received a draft of the e-mail, it was three pages long. I said to the CEO, "This e-mail needs to be compressed into five bullet points, because first, we need to use my friend's time efficiently, and secondly, I know what he's going to do with it—he's going to read it and then forward it directly to someone who can go do something about it, so the action items have to be clearly laid out so that that person can efficiently act on the request."

Roizen's role as a mentor capitalist also afforded her more time to dedicate to her personal life, which consisted first and foremost of her family, but also her active social life. Roizen was well known throughout Silicon Valley for the parties she hosted at her house. In fact, some of the parties even received news coverage, due to the well-known business leaders who often attended. *USA Today* called Roizen's home "a monstrous thing, built in 1919. The ceilings soar. Gothic pillars stand everywhere. It's filled with tribal masks, spears, antique guns and all manner of stuffed beasts...It's the closest thing the industry has to a salon."<sup>3</sup> Roizen enjoyed having small dinner parties. She invited people she thought would enjoy—and benefit from—getting to know one another. Roizen took real pleasure in putting together her invitation lists. Her rule of thumb was that each person she invited to a party should know half of the other people invited—enough to create a sense of familiarity, but few enough so that each person had the opportunity to meet new people.

While her dinner parties often included guests from the high-tech industry and were known as great networking opportunities, Roizen still treated her house—and therefore, her parties—as part of her personal life. As a result, she invited only people she liked and respected on both a personal and professional basis. Roizen's goal for her parties was to make every person feel comfortable and at ease. To foster this feeling, Roizen preferred to cook herself—as opposed to having her parties catered—and she usually chose a purposefully "ordinary" menu, such as spaghetti and meatballs. Often she also asked guests to bring some part of the menu themselves, which eased the burden on her, but more important, contributed to making people feel comfortable. Roizen elaborated on her parties:

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<sup>3</sup> *USA Today*, March 12, 1999.



The number one reason my husband and I have parties is because we enjoy them and they're part of what makes life fun. And, in particular, when you have young children, it's not like you're going to get a baby sitter every night so that you can go out to restaurants. I actually feel our parties are a wonderful way to expose our children to fun and interesting people. In fact, my youngest child, at 20 months old, showed up downstairs in her pajamas at 11:00 p.m. during one of our parties, saying, "I want to go Daddy party." That was her first sentence ever!

Part of Roizen's appeal was her genuine, down-to-earth personality. As Farros explained:

Heidi is a sincere, "normal" person who's easy to be around. She's fun, she likes to smile, and she's really interesting. If you met her outside of a work setting when she was with her kids, you would probably think, "Now that's a nice mom," and you wouldn't realize you had been talking with a captain of industry.

Roizen's unpretentious personality also meant that she was comfortable interacting with people in a variety of situations. For example, she often counted visits to the health club, jogs, or picking up her children from school as opportunities to meet with people—a fact that also helped her balance her busy schedule. Ellen Levy described Roizen as having an "open door policy," both literally and figuratively. Close friends felt comfortable dropping by Roizen's house with relatively little or no notice, and Roizen welcomed them to join in with whatever activity was happening at the time.

Roizen was also very comfortable mixing personal and professional relationships. For example, since Roizen's children went to the same school as Vincent Pluvinage's children, Roizen became friendly with Pluvinage and his wife. Several months later, Roizen agreed to join the board of Pluvinage's company, Preview Systems, and was elected to chair the compensation committee—a role in which she had to maintain the utmost objectivity. Nonetheless, Roizen and Pluvinage continued to maintain a strong—albeit separate—personal relationship as well.

### *Softbank Venture Capital*

While still sitting on four boards of directors and five advisory boards from her days as a mentor capitalist, Roizen signed on with Softbank in 1999 as a general partner for its new \$636 million fund dedicated to Internet investments. (See **Exhibit 1** for a listing of Roizen's board commitments in 1999.) Roizen explained what led to her decision to become a venture capitalist:

While I really enjoyed being an independent mentor capitalist, there were a few things missing. One was that I didn't carry enough financial weight. Most start-ups are very focused on raising money and I had very little impact on their ability to do that. I also found that I was being typecast in the desktop software and operating system industries and I wasn't getting enough exposure to the Internet sector where my interests were. Finally, I missed the discipline of the team approach. As an independent, I would often like companies that I met with, but I still found it hard to make that final decision on whether to commit to them. I felt that I could better assess opportunities by leveraging the combined expertise of a partnership group.

Gary Rieschel, Softbank's executive managing director, explained that he had brought Roizen on board for her mentoring abilities and her executive contacts: "We needed someone who was pretty

sophisticated at dealing with executives like Cisco's John Chambers, and Heidi has a proven track record of being able to do that well."<sup>4</sup> Roizen commented on what attracted her to Softbank:

I connected with Softbank's entrepreneur-friendly approach of really being there for the CEO after the investment. I liked the approach the partnership and its parent company were taking and I was really attracted to the partnership team. All of the partners brought with them a specific expertise, all had held senior-level operating positions in technology companies, and all were genuinely nice people who I could relate to on a personal front. The power of Softbank's pre-existing portfolio of companies also appealed to me. Finally, I appreciated the fact that Gary was not uncomfortable with my interest in working part-time and partly from home. His reaction was, "Let's just try it out."

Softbank's Internet fund focused on early stage start-up companies, since Softbank believed that the returns on early-stage investments were superior to later-stage investments when valuations were higher and there was less opportunity to shape the company. In return for leading an early-round investment, the Softbank partner leading the investment took a seat on the company's board to help mentor the management team and increase the probability that Softbank's investment would generate an attractive return. Roizen particularly enjoyed this aspect of her role at Softbank:

In truth, I like working with the companies we've already invested in more than I like sourcing new deals. My bias is to be part of a company's team, working to help them succeed. That's more fun to me than sitting through meeting after meeting with prospective companies, most of which will not ultimately receive funding from Softbank. Some people are deal junkies; they love looking for the next new deal. But I am more of a commitment person; I prefer to work with the companies we've already funded.

Roizen estimated that she spent 50% of her time looking at new investments and the other 50% of her time working with companies already in Softbank's portfolio. In her venture capitalist role, Roizen received an average of 10 business plans a day—an impossible number to read, analyze, and respond to. To temper the volume of incoming plans, Roizen tried to carefully manage entrepreneurs' expectations about what Softbank would and would not invest in. In fact, she was a strong proponent of publishing Softbank's investment criteria and process on its Web site so that entrepreneurs could decide for themselves whether it was worth their time to submit their business plans. (See **Exhibit 2**.)

While Roizen hoped that being very clear upfront would help reduce the number of low-potential business plans submitted, she still felt obligated to respond to every plan she received—even if she decided, on behalf of Softbank, not to invest. Given that Softbank invested in only one out of every 50 deals that met Softbank's investment criteria, Roizen found herself dedicating approximately two hours of every day providing feedback to entrepreneurs on plans she had rejected. While other venture capitalists often saved time by simply not responding to rejected plans, Roizen felt it was important to maintain good relationships with the entrepreneurial community given that "you never know where people will end up in the future." In addition, Roizen found that almost all of the plans she received were from people who counted her as a friend, making it even more important to her that she respond promptly and thoughtfully. Roizen reflected on the challenge of being in a role where she often found herself having to turn down investment opportunities or meetings with people that she knew personally:

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<sup>4</sup> "Startup Coach Heidi Roizen Turns Venture Capitalist," *Red Herring*, October 1999, p. 56.

One of the downsides of having built a broad network is that there are thousands of people in this industry who feel they have a personal relationship with me, and therefore can request an hour of my time for a meeting. The husband of one of my best friends called last week and wanted me to look at a deal, but he told me that I had only a few days to do it. I was totally booked, so I had to say, “You know what? I really like you and I’m thrilled that you would consider me for this investment opportunity, but unfortunately I’ve had twenty other people that I also like and respect ask me the same thing this week, and I don’t have twenty extra hours, so I’m going to have to say no.”

Roizen also found that her role as a venture capitalist changed her motivations and allegiances when it came to helping people in her network find new career opportunities. Given her financial stake in Softbank’s portfolio companies, she was more likely to refer one of her friends to a company in Softbank’s portfolio than pass them along to another company in Silicon Valley. As Roizen explained:

The real shortage in Silicon Valley is not money—it’s people. So I have become far more selfish about which companies I recommend good people to go work for.

Soon after joining Softbank, Roizen found that the work load outstripped her ability to work in a third-time or half-time capacity, and by her fourth month Roizen had increased her commitment to 80% time. Roizen explained what led to her decision to increase her work commitment:

Once I started at Softbank, I realized that it was very hard to be a partner on a part-time basis, because in a partnership you have to carry your own weight *and* be up to speed on everyone else’s deals. For every deal at Softbank, there has to be a second partner who sponsors the deal through the internal process, and I felt it was important to be able to reciprocate on that front. It just got to the point where I realized that being a partner on a part-time basis was not going to work. So I went up to 80%, which I view as essentially full-time with the ability to say “no.”

As the demands on her time once again approached those from her Apple days, Roizen found that she had to be increasingly efficient in maintaining her network. In part, she did this by establishing very close ties with people who were the nuclei of other networks so that she could tap into their networks if needed, without having to stay in close contact with each person in those networks individually. Gentile explained this phenomenon:

What happens in networking is that constellations form, which are comprised of many different networks. While lots of people are in networks and network fervently, there are very few people who become the nucleus of a network. Heidi is one of those people. As the nucleus of her own network, Heidi will forge a deep relationship with the nuclei of other networks within her vast constellation, which allows her to keep in touch with all the people in those other networks. I can only imagine how many networks Heidi touches. So while she does engage in lots of functions and activities that allow her to touch a lot of people, I think she also really leverages the network constellation approach to maintain the breadth of her network.

That said, Heidi does “go deep” with some people who aren’t the nuclei of their networks—they’re just average people who she likes. You could say that by doing this she thwarts the efficiency of the constellation approach, or you could say that it’s a subconscious method she uses to keep in touch with a *deep* set of individual contacts as well as a *broad* set of individual contacts.

In an attempt to reduce the growing demands on her time, Roizen and her husband decided in November 1999 to take a few months' hiatus from hosting parties at their house. Roizen's house had received an extra heavy workout during the previous six months. Over the summer, she had used her house to host a number of major events, including the Software Developer Forum Visionary Awards, her nephew's 250-person wedding, an organizing event for a venture capital network group, and a gathering for Stanford's reunion weekend. In addition, one of Roizen's friends from T/Maker, who had recently moved to California's gold country, also had stayed at Roizen's house for part of the summer. From September to November Roizen also hosted Softbank's Monday morning partner meetings at her house, since Softbank's new offices were still under construction. Roizen joked, "I guess you could call our house a 'flop house.'"

\* \* \* \* \*

Roizen realized that by increasing her role at Softbank to 80%, she had in effect committed herself to becoming a full-fledged venture capitalist with the corresponding responsibilities and accountabilities. The transition to venture capital had always felt like a logical one for her, given her wealth of contacts, industry knowledge, and leadership experience. In fact, her strong network had contributed to her ability to lead five Softbank investments for a total of \$40 million in her first six months at the firm (see **Exhibit 3**). However, as her role as a venture capitalist intensified, she couldn't help but wonder what impact it would have on the nature of the network that she had worked so hard to establish. How would her role as a venture capitalist affect her ability to continue to build her network? How would it affect the personal and professional relationships she had already established? Were there changes she would need to make to her approach to venture capital or networking in the future to allow her to do both successfully? While the slew of e-mails and demands on her time seemed never ending, Roizen felt it was important to set aside some time to reflect on these issues.

**Exhibit 1** Roizen's Board Positions in Mid-1999

*Boards of Directors*

Great Plains Software, Inc.  
Preview Systems, Inc.  
Softbook Press, Inc.  
Software Development Forum

*Advisory Boards*

Garage.com  
Microsoft Silicon Valley Developer Center  
Personic, Inc.  
Time Domain Corporation  
WhoWhere, Inc.

**Exhibit 2** Softbank's Investment Criteria and Funding Process<sup>5</sup>*The Softbank Funding Process*

At Softbank Venture Capital, we are continuously investigating the best new companies and the brightest ideas. We focus primarily on companies in their seed-stage or first round of financing. Our investment size depends on the stage of the company and the total amount raised, but we are generally the lead investor and look to own a sizeable piece of the company post-financing (20% is typical). We invest as little as \$500k or as much as \$10 million or more.

We focus primarily on products and services that utilize the Internet. We do not fund competitors of our existing portfolio companies. Geographically, 65% of our investments are in California, 20% are outside California but West of Colorado (Brad Feld and Chris Wand are in Denver), and 15% are in the New York and Boston areas.

If you have a company that you believe fits our criteria, we encourage you to submit it for consideration. Here is the process for working with our fund.

**Step 1: Choose a Managing Director/NDO Team**

Although our fund works as a team in making final funding decisions, each Managing Director receives a certain amount of incoming deal opportunities that are first worked on individually. We have five investing managing directors, each with his or her unique personality, background, and areas of focus. Take a few minutes to read the profiles of each. They are listed under "Managing Directors" in the "About Us" section of the website (you may also link to their profiles by choosing their name below). Each managing director is partnered with a Netbatsu Development Officer. The two of them work as a team to evaluate new deals that are sent in to them. When submitting your executive summary, it is best to pick the MD/NDO team whose background and areas of focus most closely match your business.

**Step 2: Create an Effective Executive Summary**

An effective Executive Summary is typically one to two pages long and answers the following ten questions:

- 1) What is your business?
- 2) What is your business model (primary source of revenue)?
- 3) What need are you fulfilling or what problem are you solving?
- 4) Who are your competitors?
- 5) Who are your customers?
- 6) What is the status of your development?
  - Idea stage
  - Development stage
  - Product or service available to customers
  - Have raised some revenue
  - Have raised significant revenue and are looking to ramp up business
- 7) How much money are you looking to raise?
- 8) What is your target valuation?

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<sup>5</sup> www.Softbank.com

- 9) Who are your current investors?
- 10) Where are you headquartered?

### **Step 3: Executive Summary Submission**

As described above, each managing director has a Netbatsu Development Officer with whom he or she works to assess investment opportunities. The NDOs are responsible for first review of all potential investments. Please email your Executive Summary to the NDO of the managing director you identified in Step 1.

For Gary Rieschel -- email Ellen Levy at ellen@sbvc.com

For Scott Russell -- email Eric Hsia at eric@sbvc.com

For Brad Feld -- email Chris Wand at chris@sbvc.com

For Heidi Roizen -- email Pete Hartigan at pete@sbvc.com

For Rex Golding -- email Willie Quinn at willie@sbvc.com

Unsure -- email general box at plans@sbvc.com

### **Step 4: Review Process**

Once the NDO receives the executive summary, he or she reviews it, your site if it is functional, and discusses the findings with the MD. Unfortunately, with anywhere from twenty-five to a hundred entrepreneurs approaching us each day, compared against our ability to fund somewhere between fifty and eighty companies over the duration of this fund, very few deals will be approved. Many are rejected at this point.

If the summary and website do seem to be a potential fit, you may be asked for a face-to-face meeting with an NDO, a managing director, or eventually the entire Softbank Venture Capital team for review. Generally, the whole team must vote final approval on any investment. The process of executive summary submission and review takes approximately two to four weeks depending upon workload.

### **Step 5: Term Sheets and Funding**

In the event that your plan is accepted, a term sheet will be offered to you. After agreement has been reached on the term sheet, it takes three to four weeks to complete the legal documents, legal due diligence, and receive your funding.

### **Helpful Tips**

Personal introductions are the best way to give your plan a chance. Use your network to find mutual acquaintances. Introductions give both sides an immediate reference point and raise your request above the incoming noise.

To make sure your plan gets the best review possible, make sure your company meets the listed criteria and that your plan is short, to the point, and covers the ten points listed.

Review our portfolio - we do not fund competitors.  
Know your competitive landscape.  
Make sure your financial numbers make sense.

Many plans will be rejected immediately. Don't take it personally. To find out why, read on...

### **Common Reasons Plans Are Rejected**

Insufficient expertise—the product or service lies outside our focus

Conflict with existing portfolio company

Money being raised and/or valuation does not fit in our portfolio for 'balance' reasons

Appropriate managing director is at capacity with other deals

We can't cover your geography sufficiently given the stage of the company's development



**Exhibit 3** Status of Roizen's Softbank Investments<sup>a</sup>

<b>Company</b>	<b>Date of Softbank Investment</b>	<b>Investment Status</b>
Preview Systems, Inc.	June 1999	IPO in December 1999.
iPrint.com	August 1999	Filed for IPO in December 1999; IPO scheduled for Q1 2000.
DoDots, Inc.	September 1999	Private; Softbank is lead investor in Series A round.
DrDrew.com	October 1999	Private; Softbank is lead investor in Series B round.
Bayla.com	December 1999	Private; Softbank is lead investor in Series A round.

<sup>a</sup>Casewriter interviews.