

Changing times: The venture capital social network

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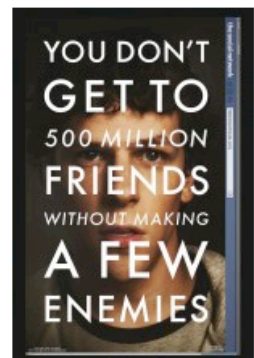
(Editor's note: Charley Polachi is a partner at Polachi, an executive recruiting firm. He submitted this story to VentureBeat.)

As the founders of hip start-ups continue to get younger, even veteran VCs are finding it challenging to get face time with them and learn about potential hot deals before the competition. Recently, I had breakfast with a VC in his mid-forties who told me he had been working on developing his own social network to get to know these founders and cultivate them as prospects for investment.

He's got his own approach to growing this talent via a "living social network". It works like this: He's identified several folks in their mid-thirties who he socializes with, travels with and even plays hoops with. They, in turn, are introducing him to the up and comers in their networks— the twenty somethings (or younger) who are planning to develop the next great company.

This private VC social network is working, too. So far he has been involved with more than 10 great deals and put out several term sheets.

Historically entrepreneurs with great ideas would seek out investment dollars on Sand Hill Road, Mount Money in Waltham or other centers of venture capital by a direct frontal approach. They'd bang on doors, ask for introductions, or beg for pitch meetings in order to bring their company to the attention of investors.



This approach is still used, but the savvy investors have always been proactive in seeking out or "shagging" deals by attending lots of events, networking, digging around inside of MIT, Stanford and other academic centers. Many times, this work was delegated to an army of young associates who worked the event calendar aggressively to make connections for the older partners.

Now with the advent of very young entrepreneurs who drop out of school at age 19 or 20 to found start-ups, the VC community has had to modify their approach to developing proprietary deal flow.

One firm, Polaris Ventures, created Dogpatch Labs in Cambridge, San Francisco and New York to provide resources and venues to meet and nurture exciting new companies. General Catalyst has opened an office in Palo Alto with a team of very young and talented professionals whose charter is to aggressively seed great new companies (the goal is rumored to be over 50 investments). Most firms make extensive use of Facebook, LinkedIn, Plaxo and proprietary intranets to maintain a presence in the emerging start up world.

Even entrepreneurs are getting in the act using LinkedIn Discussion groups to cover everything from raising money, finding talent and subletting space. Here in Boston we have BREW (Boston Region Entrepreneurship Week), BizSpark Meetup, Metrowest Networking Group and Mass Innovation Nights to name a few – all of them use social networks to help foster innovation. And it's hardly a localized phenomenon.

The lesson learned here pretty simple: In an industry that deals with the innovation economy, the VC community has to innovate itself. Traditional models don't work by themselves any longer.

