

## Jonathan Staenberg of Staenberg Venture Partners

**Speaker1:** [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Interested in learning more about investing in startups, launching a new startup need to raise funding to start funding espresso as a daily podcast and a short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso and to learn about startup funding, to subscribe to a dog and put your email into the Pop-Up Box. Hello, this is Hall Martin with Investor Connect the Day we here with Jonathan Staenberg, founder and CEO of of Staenberg Venture Partners. Staenberg Venture Partners is a Seattle based venture capital firm focused on the technology industry, mostly between San Francisco and Seattle. John, thank you for joining us.

**Speaker2:** [00:01:00] Happy to be here.

**Speaker1:** [00:01:01] So tell us about your background. What did you do before you started investing in early stage companies?

**Speaker2:** [00:01:07] Well, I am from Omaha, Nebraska, and so and really feel like I'm even though I've spent the last 30 plus years in Seattle and the Bay Area still feel like a Midwesterner at heart, but got out of Omaha to go to college in Palo Alto and really opened my eyes to venture and technology and startups well before people even had those terms in the lexicon. And I just got super excited about it. I've always, for whatever reason, been entrepreneurial minded and honestly coming out. I then went to Stanford Business School and I coming out of there. I never thought I would actually be hired, that I would go start something just because that was my mindset, or I would do something in real estate, which I find to be quite entrepreneurial in its own right. And in fact, I know you're in Texas. I spent a year in Dallas doing real estate and it was during a very tough time and during a severe recession. And that taught me a lot. But as I said, I went back to business school and came out and got surprised by the interview process at Microsoft in nineteen eighty eight. And when I say surprised, I was surprised at how much I enjoyed the interview because everyone there was so smart and the

questions so challenging that I said, OK, if you'll have me, I'll have you and let's, let's go. And I had never really done anything like that before.

**Speaker2:** [00:02:48] I was a marketing manager for this fast growing high tech firm, which, of course it is worth over a trillion dollars. But I had no idea back then and just love the fact that they were hiring smart, engaged, competitive people who they figured could figure things out. And for almost five years, I just loved working there and, you know, loved it so much. I literally would sleep there some nights just because I had so much to do and I was so excited about it. But having said that, I knew that I wanted to ultimately do deals and do venture. And so I had some advice early on from a very early venture capitalist in Seattle City House. And I said to Woody, would you let me come and do some bench, be part of your firm? And his advice to me at the time was go learn what it means to have budgets, what it means to hire and fire people, what it means to have a plan and see it fail or see it succeed and then do that for five years and then come back and talk to me. And the world is so different today. I thought that was great advice, honestly. And I know you're going to ask me what some of my advice is later. And I think I'll refer back to that as part of it. But but I did work at Microsoft for five years and that really that bug really hit me hard.

**Speaker2:** [00:04:19] And I I knew I always wanted to be involved in the technology sector. And so I left there. And again, I don't do things sort of probably in the most traditional way. And I just started looking at deals I personally liked. And presented them to people I had worked with and sort of did what we're syndicate's before syndicates were a thing. Now, of course everybody is doing them. But after a while, people got tired of me knocking on the door and said, you know, why are you just going to do a fund? And at that point, at that point, I said that's an interesting idea. I've never done that. But what what would be differentiated about me doing a fund at the time? Microsoft was so part of the mainstream ecosystem that almost every startup wanted to know what Microsoft was thinking or doing or wanted to partner with or was worried about them competitively. And so I sort of positioned myself as the guy that's going to connect Seattle and San Francisco and help them with that, a market awareness. And that got me started. And let's fast forward. I have been a GP and three funds and. Raised over half a billion dollars in cash at this point are invested in hundreds and hundreds of startups, both through the funds and in personally and I'm having a ball.

**Speaker1:** [00:05:56] That's great. So so what I say to you right now.

**Speaker2:** [00:06:00] Well, it's the same thing that's excited me all along, but it's just become even more magnified. It's first of all, we are on the verge of society changing in a way that I don't even think we can imagine. And when I started doing this, you would have a very surreal, uni dimensional, almost rollout of the next thing. So you kind of went from mainframes to pieces to the network to to the Internet. But these were these happened and they were linear and they were all very exciting and they all changed the world. Now you have 20 things of that magnitude. And they are going to change the world probably in bigger ways than than even those, whether it's cryptocurrency or personalized medicine or MRI or blood. These are all buzzwords at this point. Right. But they're real and they're happening and they are incredibly exciting.

**Speaker1:** [00:07:15] Well, that's great, will you see a lot of start ups and you see a lot of investors out there. What's your advice for people investing in startups? What do you tell them to do before they write that check?

**Speaker2:** [00:07:26] Well, I always wonder why people are investing in startups. You know, I think for some people, startups is the is the dogecoin of their reality. Right. Let's hit it big. It's going to be easy or the GameStop. But the truth is, it's very risky. Right. But it can be very exciting. I guess the the just the pedestrian advice is if you're really interested in investing in startups and I'm a big believer, it's a great way to get great returns is you have to be, I believe, either if you're going to do it on your own. I do. I would not recommend that for most people. I would recommend a fund approach or syndicate approach with people that are doing it day in and day out. But if you are, you really can't do one or two or three and expect that you're going to get the portfolio outsized returns that you see some of the data suggest. And, you know, it is it's probably I will say this when I started doing this, there was a pretty small group of investors and funds doing this. It is is exploded. As you know, I'm also in the wine business.

**Speaker2:** [00:08:50] I have a vineyard in Argentina. When I started 15 years ago, I thought, well, I can really differentiate myself from the wine world. But if I look at the competition in the last 15 years, it's blown up by a factor of five. And I think that's probably true in the investing world. And it's great. It's democratized in some sense, people's ability to have access to private

equity. But I would just say, like anything, do your homework and go ahead, ask all the stupid question. A great thing about today is it there are so many resources available. Right. And there are so many people willing to mentor and coach and offer advice. And I would just say get online, start doing your homework, meet with people, take people out for coffees. That's that. Join angel groups, get to get to know. But before you buy, get to know. And it's never been easier. Newsletters, podcasts like yours. These are all great ways to start to understand this world because it can be a little esoteric at first, of course, like anything. And so I would just say take advantage of the incredible opportunities to learn first.

**Speaker1:** [00:10:19] Right. Then on the other side of that question, what's your advice for people running startups? What do you tell them to do before they go out to raise funding?

**Speaker2:** [00:10:26] Oh, gosh, I hope I'm investing in people who don't need my advice. That's generally what I'm looking for. You know, I always wonder why people want to do the startup journey, because it's not for the faint of heart. Right. And I really look for people's motivation. And it is it can be solitary. It can be frustrating. It can be exhausting. There's lots of failure. And so, you know, I just I just want people to know what they're getting, what they're getting into. Again, the nice thing is the resources available, the amount of books and and podcasts and videos and and online media around this stuff is so plentiful. But I kind of love the advice that I was given, which is sure, you can be Bill Gates and drop out of college and do a startup. But that's the exception that proves the rule, right? That doesn't really happen very often. That leads to major success. That's that's rarefied air. Go learn something that you can bring to a situation that makes you stand out. I've always thought in my lifetime what differentiates whether it's my original venture capital strategy as a fund or my skill set as a marketer. But what is it that you're going to bring to a situation that that will actually be better than anyone else or allow you to contribute uniquely? I don't think people ask themselves.

**Speaker2:** [00:12:19] And the other piece, for whatever reason, I feel like in this country sometimes sales gets a bad name. It's like a four letter word. And I got to tell you, you're always selling as an entrepreneur. You're selling internally, you're selling externally. You're selling to hire people, you're selling the customers, you're selling your ideas. And if you haven't if you're not comfortable selling, I think that always worries me. One of the things I do as an angel investor is I always think to myself, I'm not worried. If they get they'll get this round done. I'm betting that

they get the next round. But I'm always thinking one round ahead because I know having done this now for a very long time, that the plans will not go exactly as the business plan suggests. It will not take as little money as they think or as little time as they think. And I really want to make sure that if it's a great idea and just needs a little bit more resource in time, that they have it and that's where the selling part comes in. So it's a longer discussion, but those are two areas that I think about when I'm talking to startup people.

**Speaker1:** [00:13:33] Let's talk about the state of startup investing. How do you see the industry evolving from here?

**Speaker2:** [00:13:39] It's fascinating. You know, I love the fact you're bringing guests on your show that are literally all from all over the world. I mean, just think back 20 years ago, if you weren't in the six, five, four, one five area code, you weren't doing venture capital. I mean, maybe you had three firms in Austin and two firms in Seattle that a couple of firms in Boston. But you get my point right. It was basically it was like that old New Yorker poster with New York and then the rest of the world. And there wasn't much out there. And that's what it was in the venture landscape. Well, that's dramatically changed, right? I mean, it's really exciting that my town of Omaha has several venture funds now that Steve Case has made a fund to go around the country to look for some of the smaller to look for. Some of the smaller cities and towns to to invest in internationally. Oh, my gosh, look at look at what's happened with China and India. And a friend of mine just created a fund in Africa. So how is it changed? Well, it's changed geographically. And, of course, the amount of money, the number of players, the number of both on the high and the billions and billions of dollars now from the hedge fund guys. But even on the low end, the number of angels that are involved. So it's changed dramatically. It's become in some sense, a mainstream asset class.

**Speaker1:** [00:15:21] Cool. So what is the biggest change you think we'll see in, say, the next five years?

**Speaker2:** [00:15:26] I think it's I do honestly believe it's just going to continue to explode. I mean, the amount. Here's what's happened that is beyond anything I could have predicted. His company's ability to scale is unprecedented. And so what's exciting and why I still want to make bets. In fact, big bets for my overall percentage of what I invest is because I think we haven't

even seen we've seen it with Amazon and we've seen it with Google and we've seen it with Microsoft. And of course, there are some overseas companies and China, et cetera. But we haven't. I mean, where is the scale in education, in the scaling space company, the scaling you name the category, the tech enablement. You know, one of the things that no one ever talks about, which excites the heck out of me is the fact that you have seven billion people in the world and three point, I don't know, seven, five or online in the next five years, the rest of the world gets online. So another three billion people are coming online. That's that is so profound. And and the opportunities for startups and the opportunities for scaling just just have been taken to another level. So I'm very excited about that.

**Speaker1:** [00:16:58] Well, let's talk about your investment thesis. What is your investment thesis and exactly what your criteria for making an investment?

**Speaker2:** [00:17:06] Well, I don't know if I said this at the beginning, but I'm probably unlike almost anybody you've got on this show in the sense that. For better or for worse, I'm not beholden as a fiduciary and as a general partner in a fund so I can be whimsical and quixotic and chase windmills and and basically invest in people and things that I just find interesting. So I don't really have a particular thesis what what I don't invest in. And it's interesting that there are people out there that still do this, but I don't invest in or people who just throw over the transom I've never met before. Right. I'm not interested right now in investing in people who haven't done their homework. What I tend to invest in are, well, first of all, I will say that I, I do lean all things being equal to trying to be inclusive around gender and minorities, because I think it's really important and I think there's a ton of talent out there. And so I tend to look for that. If all things being equal, I'll invest in that. But but I also honestly look a lot for people that I've worked with in the past or people that have referred to people, people that I've worked with and other people around the table.

**Speaker2:** [00:18:42] For me, it's both a signal that other smart people like this. But it's also, for me, a lot of fun to be doing this with people I like and know. But I do everything just to be clear. I do everything. We just did a company in Seattle with Starbucks, people who are doing an adaptive genetic mushroom coffee that I'm really excited about. That's pretty that's pretty unusual. But then I just did a deal in India with some other people I knew around the trucking industry so early, late, what have you. So pretty broad, I guess, is what I'm saying. I know that

doesn't give people a lot to hold on to, but at this point, as I said, I'm looking for things that capture my imagination and gauge my interest rate and also where I can add value. That's really important to me. I don't just to put money into things. And, you know, if Elon Musk or Bill Gates or Bezos came along and said, I'm doing a startup and I couldn't add value, I'd still give them the money. But generally speaking, I like to think about how with my network, with my pattern recognition, with my connections, with some of my skills, how I can help, because, again, that's more interesting to me.

**Speaker1:** [00:20:07] So what are the challenges you see your strategist face today?

**Speaker2:** [00:20:12] Noise, noise, noise, I mean, the competition for talent has never been greater, the competition around competition has never been greater. The you know, the hot deals get picked up very quickly. And, you know, if you're if you're not able to move really fast and if you're in a hot space at scale, it can't raise money really fast. You may have a better mousetrap, but you can just get beat by sheer being out resourced. And then the other piece is you better really have a differentiator of use that word a few times in this conversation. But I, I just think too many people are like, oh, I've seen it being done in this industry. And if we just apply this and and the marginal, it's also that we used to call it it's a it's a feature, not a company. And and I just I want people often will encourage people to think bigger. And and but people are moving so fast right now that I get it. You know, we're in the Tic-Tac generation, so, you know, that's part of what I end up seeing. And very few people are sitting back and really thinking through, like, what is the next big idea? Because you can so quickly and so easily create a company. Right. You can be literally out of the garage for not very much money, a couple of people. And so you cannot sit still. You've got to be nimble. You've got to be fast.

**Speaker1:** [00:21:55] And then one of the challenges the investor faces in today's market,

**Speaker2:** [00:22:00] I think is very similar, right? I don't. How do you even how do you even keep up? It used to be you'd create an enterprise software company. You'd spend a couple of years, several million dollars. You knew the barriers were that nobody else was going to or very few other people were going to spend that time, that money. It was difficult. You were getting all kinds of feedback from potential customers. Today it's go, go, go, go. And and so as an investor, you know, you can't you've got to think about how you can add value in that

environment. I'm an old fogey at this point. And, you know, part of what I do is just spend time trying to be up on the latest stuff. So I'm still relevant. And if that's important to you as an investor got, you've got to make time for that. But but I think it's you know, look, it's exciting as hell. Even the big firms are hiring scouts. You know, these young people coming out of college and business school and saying, go, go help a source, go find interesting ideas because it's no longer the case. You can do one one guy sitting on Sandhill Road. You just can't do it. I'm involved with a really exciting venture firm called Rocketship. And they they have, if not the largest one of the largest databases of of data just looking for startups around the world. Because that's the only way I know how you can scale it more, so I think the whole game is changing and everybody ultimately is going to have to figure out how to use data, because at this at this rate, there's no way you can do it. Just having conversations a couple of times a day, five days a week, it's it's well beyond that.

**Speaker1:** [00:23:58] Right, we see a lot of different applications in sectors out there, if you had to pick one or two, you'd think a really good opportunity to pursue today. What do you put at the top of the list?

**Speaker2:** [00:24:07] You know, I see. It's for me. I'll give you a couple of areas I'm interested in. But what I think is so exciting today is if someone said that they wanted to focus on personalized medicine and nothing else, you could. That just happens not to be my background, but, my gosh, there's health tech and fintech and there's so many different areas. There's almost too many. It's almost too too much. I would encourage people because these categories are so broad and big and are going to impact every industry. I think there's at least 10 that would be worthwhile to go deep on that are going to change the world. I'm very involved in a block chain fund of funds and I think block chain is a very once in a lifetime potentially change the world kind of technology, but is an angel and not sure how to make those bets yet. And so for me, I wanted to be involved with a fund of funds, invest in 15 different funds, have three hundred portfolio companies, look at what everybody's investing and learn about those companies and and have exposure to that. So I guess my answer right now is, is probably the black world.

**Speaker1:** [00:25:29] Oh, well, in the last few minutes that we have here, what else should we cover that we haven't?

**Speaker2:** [00:25:34] Well, I'm excited just to give you a little personal side note, I am finding, quite frankly, angel investing by itself to be very difficult these days for all the reasons I've just mentioned to you. But what I but what I want to do is take what I saw was a transformation of technology into our world and apply it to other categories. I'll call it tech enablement. And America and the world runs on small businesses, lots of mom and pops, things that we often don't think about, manufacturing businesses, for example, dental clinics that the mom and pops, as I mentioned, and they're all going to be tech enabled. So one really interesting area for those entrepreneurs that are not sure how to start or not sure they want to start a tech startup, I would encourage them to look at a category called search funds, which is a pretty small area. But the concept really is small LBO small leveraged buyouts where you buy an existing company that's profitable, you buy it with some equity and some debt, and then you help build it and grow it. But what I find exciting about this is that you can now tech enable those companies and help change the trajectory of their normal growth. And I think you're going to see that all over the place in the next 15, 20 years. And it's in its own form, a kind of angel investing as well. And I think you're going to hear more about this as a prediction and the next five years.

**Speaker1:** [00:27:30] Great. Well, how best for listeners to get back in touch with you?

**Speaker2:** [00:27:35] They can certainly go to Steinberg dot com and reach out to me with my contact information there. And certainly happy to hear from any of your listeners.

**Speaker1:** [00:27:45] We will put that in the show notes. Want to thank you for joining us today and we'll have you back for a follow up soon.

**Speaker2:** [00:27:51] Well, we got to get you some hand of God wines and share a little bit of our vino with you. And I really enjoyed the conversation.

**Speaker1:** [00:27:59] Very good. Appreciate that. Looking forward to it.

**Speaker2:** [00:28:02] Thank you.

**Speaker1:** [00:28:08] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect. Doug Alti Martin is the director of Investor Connect, which is a 523 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.