Neil Senturia of Blackbird Venture

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and 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 and need to raise funding the startup funding espresso as a daily podcast in a short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso? You can learn about startup funding. To subscribe, go to Investor Connect. Org and put your email into the pop up box. Hello, this is Hall Martin with Investor Connect. Today, we're here with Neil Senturia , CEO of Blackbird Ventures. Blackbird Ventures is run by experienced high tech entrepreneur Neil Senturia . Neil brings his entrepreneurial experience to each of the high tech companies with which Blackbird works. Their mission is to work with high tech entrepreneurs who are passionate about the relentless pursuit of their dreams. Neil, thank you for joining us.

Speaker2: [00:01:05] All thank you. That's a very nice introduction. Great. Very kind. So how could I be helpful to your audience?

Speaker1: [00:01:15] Well, we have a few questions for you. Can you tell us a little bit about your background before investing in early stage companies?

Speaker2: [00:01:21] Yeah, I had a circuitous route. I. Got a degree in cinema, went to the American Film Institute and spent 10 years writing sitcoms and screenplays in Hollywood. Hollywood is a whole nother experience. And after 10 years of that, I'd had enough. I'd gone to nice school. At UCLA. I got a third of an MBA. Maybe I got the job, and then I started into the real estate racket. This is Los Angeles. Nineteen eighty and I bought a couple of condos and we forced around and I built some stuff. I actually. Developed a 10 unit apartment house, and then I got a job at a savings and loan. This was this is the job. This was the greatest job ever. And you got to remember this is like nineteen eighty three, four five and I'm at an SNL during the rock and roll period in SNL, which rock and roll is code for the Wild West. There were no rules, and this guy blew the SNL up from eight million in assets to six hundred and fifty million in four days. But I had the worst. I had the best job. This is also an era of Mike Milken. Milken was the head, as you know, of. Forget the company for a minute, I'm embarrassed, but he he was the master of financing. And so I had this is nineteen eighty three for IBM was a little you had little computers and I had two screens, two screens.

Speaker2: [00:03:08] Wow. And I was in the business of making loans and I was really good at this. I actually have a some patent somewhere, not patent, but a site to make what's called an exploding rap. And that was the problem of writing a rap mortgage. And then as the rents increased, you wanted to increase the amount of loans at any rate. I then bought some land in San Diego. My the boss of the S&L went to prison and I moved into the real estate racket full time here in San Diego, where I spent, I don't know, nine more years and built almost two million square feet of real estate, so you can see if you want it to be a high tech CEO. This is a perfectly straight route to getting there. I will tell you that along the way, I learned a lot about people and deals. So one of the themes, I'll jump ahead for a minute. One of the themes in my personal investing as a. As an entrepreneur is I spend a lot of time on the CEO on. Is he coachable or she? What are the real motivations and. I became I became a student of a guy named Dan Kahneman. Kahneman is the Nobel Prize winner in behavioral economics in 2002. And I've spent an enormous amount of time now that I've sort of done running companies into the ground in coaching and in this coaching racket is sort of a racket.

Speaker2: [00:04:39] I mean, you can you put a shingle out and it says, you're a lawyer? Well, you can't probably get away with that. You do have to go to law school at least for a while, but you can put a shingle out that says you're a coach. This is there's no sure. I mean, there's no qualifications other than ego and arrogance that qualify you to be a coach. So anyway, what happened ultimately is I got into the technology. I fell in love with a woman. She worked at Kinect, which is a incubator here in San Diego. And over the next period of time, ninety four to two thousand now, I guess that's twenty five years. I invested in or was the co-founder of nine companies. I are sort of semi-retired from the CEO about four or five years ago, four years ago, and now I only invest in really early stage. My investments are one hundred thousand two hundred thousand. I'm usually the first money in it comes with the requirement. Now this is a little unfair. I don't need to be on your board, but I need to be active. I'll give you a study. And by the way, you can ask a second question and I can stop, but if I'm OK, I'll keep going.

Speaker1: [00:05:56] Tell me a little bit more. Yeah.

Speaker2: [00:05:58] Ok, so here's a study. This is a classic done at Harvard. They asked one hundred venture capitalists, big time guys, not not little pitchers like me, but the real guys in Silicon Valley and Boston. And they said if you looked at all of the investments you made, that failed. Tell me which of these four reasons was the reason that it failed and one was finance market product team. Ok, well, you're going to get this right because seventy seven percent of the failures from these hundred big time guys were attributed to the team. Now let's dig deeper. What was the issue in the team? They couldn't get along. I'm thinking to myself, wow. And I currently have. I spent a lot of time with I currently have four guest for clients and a couple of companies really getting people to act rationally now, you think, but acting rationally is easy. Of course. Irrational, rational, you think you're rational, but I'm going to tell you that the decision making often, especially in the heat of the moment with various people and product and financing, you get it wrong. You mostly get it wrong more than you think.

Speaker2: [00:07:14] And here's why I know that's true. So, Kahneman writes, he's written half a dozen about five books. The last one was thinking fast and slow, and he gets to the very end of the book that Kahneman is the expert. So it gets to the end of the book. And he says, I am the Nobel Prize winner in rational man behavior. I'm supposed to be the expert and he tells us, he says in my real life, I get it wrong 20 percent of the time. I'm telling you it's hard, and the reason companies fail when you go back to the Harvard study is not that it wasn't product market fit and public relations, and it's usually the team. And currently, if you're interested in teams, you have to take a look at Elizabeth Holmes. She's up there now and in court. Kind of interesting. We'll see how she does. But the defense for Holmes is everybody in Silicon Valley. It's OK to fake it till you make it. In other words, it's OK to lie. I mean, we've come to an interesting place in technology hall.

Speaker1: [00:08:15] Yes, it is a very interesting place, and I have to ask, what were some of the name of the sitcoms that you wrote back then?

Speaker2: [00:08:21] Oh, you're too young, but I wrote some things for MASH. Tony Randall mash. Alice Newhart. I think that there's one more

Speaker1: [00:08:33] Mary Tyler Moore Show. No, I didn't do that.

Speaker2: [00:08:36] But anyway, they're all sitcoms and I wrote screenplays. And you can make a living in Hollywood when nothing gets made or or produced. In other words, you get paid and then they throw it away. And it's you can. It's like upward failure. You don't have to have a real credit. You simply wrote something. I wrote pilots that didn't get made, that got me more jobs to write more pilots that didn't get made. And then I wrote scripts that didn't get made. And finally, I left town because I didn't have enough black T-shirts and I didn't know who to sleep with.

Speaker1: [00:09:08] Oh, that's great. And by the way, Michael Milken worked for Drexel Burnham.

Speaker2: [00:09:12] That's it.

Speaker1: [00:09:13] Drexel Burnham now called Drexel Burnham Lambert, but remember him well and remember those shows very well. I was a younger age, but those are some of my favorite shows, especially Saturday night. So I appreciate the shout out there for those. So my next question is what excites you right now?

Speaker2: [00:09:30] Well, that's an interesting question. In classic deflection, because, you know, my wife's a politician she ran for. She's been on the city council and she ran for mayor. And in classic deflection instead of what excites me, I'll tell you what doesn't excite me. Ok? I think that cloning another platform that you're going to use to aggregate people who mow lawns or repair windows or. I'm not interested. And as a matter of fact, there's there's a fascinating article, I think it's I think it's The Wall Street Journal on the subject of platforms because everybody says, Well, I'm a platform. And the interesting problem in the platform is you're a platform for what? And if you're only a platform, you can be disintermediated quickly. So what you find is copycats, whether there's one bitcoin and now there's forty seven cryptos I crypto may be great. I can't understand it. So what I'm looking for is something that has a chance at being game changing. And the other thing I've learned is that it's hard to do it in a year and a half. In other words, I see companies that start out and then two years later, they got a billion dollar valuation. I have not been that fortunate, but one company that I was actually a professor at UCSD and I taught a class for a few years in entrepreneurship, and one of my students took the class, came to me later and said, I'm doing something, but you invest.

Speaker2: [00:11:07] No, came back and said, Will you invest? No. Finally, he came back a third time. He'd refined his pitch. I said yes, and here it is. Eight years later, the company did go public. It's got a half a billion dollar market cap. And yeah, we sort of we got lucky. We pulled it off and it's clever diagnostics and it's. But at the end of the day, it struck me as a big idea, but it took a much longer time to realize it then than anybody would have anticipated. Whereas a lot of the other things is sort of how many different platforms are there for delivering groceries? I'm in I back a company called Mercato, which is which is the software for the grocer, which is pretty unique. I mean, so you put the grocer online, but do you want to really race to the bottom between DoorDash and Whitby and Sebi and having someplace else to be to have it delivered? It was a long article on the fact that Silicon Valley, to some extent underwrites is willing to lose money to give you a service that you think is great until you finally have to pay for it. And that's a whole nother subject.

Speaker1: [00:12:22] Then it's over. So great. So you see a lot of startups 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: [00:12:35] Don't know. I have strong feelings there, I do, I do get I do help individuals who are want to invest. And what I do is I at least as a courtesy, I'll read the plan. And I give some thoughts, I think by and large, the average unsophisticated investor gets his brains handed to them more often than not. I don't believe in the safe note. I don't think the pre-money is twenty three million based on a pencil, and I don't think they really understand prefs. And so the average investor. So that argues for groups, so that argues for something like tech coast angels, where you have experts who have done this before, but the average guy meets somebody is cousin. He knows somebody and he's got twenty five or fifty thousand that somehow is burning a hole in his pocket, and he writes a check. He doesn't understand the difference b common stock and preferred stock. He doesn't understand the other rights that go with a basic term sheet. So I think my advice is. Get good advice and then really do the work you have to work at it, which is what kind of founder is this? They all look great in week one.

Speaker2: [00:13:57] And then in about week forty eight, they look a little different and finding the kind of, you know, if I could find a startup CEO that looked like Novak Djokovic, I'd back him.

I want to back guys like that who are unbelievably talented and relentless. You simply you cannot beat him. And that's a guy. And they don't. They don't grow on trees. So I'm looking. But. And they can be. They can be grown to some extent. If you have sort of the basic talent, but then one of the questions is, you know, if you say to the CEO, are you measurable? The answer is yes. I put on my pants in the morning. I mentor. I brush my teeth. I mentor. But the truth is, in my opinion, eighty seven percent of them. Aren't really memorable. They say that because they'd like you to write the check. But when it comes time to really you understand that you're driving this boat into a into a brick wall and they say, no, no, no. That ball is going to move this just it's painful.

Speaker1: [00:15:06] Oh, then, well, on the other side of that question, what's your advice for startups? What do you tell them to do before they go out to raise that first round of capital?

Speaker2: [00:15:15] I'll tell you what, I'd like to go back to Guy Kawasaki. Kawasaki is kind of famous as the garage technology incubator, and he's written this. It's now old, but he's written the what is a deck look like. A deck is no more than 15 slides, and you can go on the internet and look it up. It's 15 and the same 15 slides. I mean, I have given this lecture two hundred and eighty six, not original. It's the same 15 slides. And when I get a deck with eighty six slides and at the very end, there's still never any discussion about how we might make money at some future time. Then I'm really disappointed. So the advice to the founder is really learn how, if you can't tell my story, the famous elevator line, if you can't tell me your story in four minutes, you know, can you tell what do I do? Why does anybody care? And ultimately, this is what I think why someone will pay for it. It's so simple, but apparently it's not as simple as I think it is because I've actually invested a little less of late. But but I've spent a lot of time refining decks from forty seven slides down to 12. I'm good at that. I'm saving trees.

Speaker1: [00:16:31] Well, you've seen the startup investing world change over the years. How do you see it changing now? Where do you see us going?

Speaker2: [00:16:39] Well, that's an interesting question, too. So in a sense, there's too much money. I looked at a I was invited to some event and the number of VCs that are attending. So there's one hundred and twenty and they're like real companies like Not Not Like Me, but a real venture fund. So if one hundred and twenty funds with. I don't know. Forty seven billion dollars to invest are chasing the same Novak Djokovic, the same guy who can win the grand slam in tennis. Ok, it's going to be hard, eh, to find them and be to get into the deal unless you're Sequoyah. So there's a little bit of a dance. It feels as if it's a little bit of the wild west for the entrepreneur, which is there's so much dumb money. If I write something on a napkin, I'll find enough. But then what that means is you've gotten started, you raise five hundred grand. The classic is I raised five hundred grand. Ok. I think. I'm in I'm dumb enough to do that also, so there certainly is a lot of five hundred grants. It's the next two million. That will break your heart. Not even the classic series, a series a two day is five six seven eight and maybe it's on a 10, 12, 15 three, but the little bitty space between five hundred grand and I got four people and I sort of have something in maybe and the next couple of million. That's hard because, you know, it's like you tell your uncle, you say your Uncle Harry and best 10 grand at a pre-money of twenty seven million. And then comes Thanksgiving, and you have to explain that Uncle Harry, the new round is that a million? Seven. He says. What does that mean? It says, Harry, you're wiped out, huh? But what if and what he turns around on says in that case, Kid, your inheritance is gone. So you can't have it both ways.

Speaker1: [00:18:32] That's great. So tell us about your investment thesis. What's your criteria for investing in a startup? What do you look for and what's your your go no go decision?

Speaker2: [00:18:42] Well, I don't believe in the guy first, the guy and then the team. And those are easy answers everybody gives it. The question is, can you quantify it? I mean, I know there's an algorithm that proves that I can buy cheap golf balls, but there is no algorithm. I don't think maybe there is. I'm just not that smart. Like, what you're trying to do is get married. So you see this woman, I'm going to pretend I'm twenty five and you're you're in love. It is. She's fantastic. And then 10 years later, you're in divorce court and you say, what didn't I see? What did I miss? Because in the euphoria of romance or the euphoria of a new idea, we're going to change the world. You get blinded. I mean, I guess I've gotten old in that, you know, and I'm now getting new glasses and I've had Lasik and cataracts, and I think looking hard is hard to do. That's the famous one from Horowitz, which is hard things. The reason they're hard to do is if they're hard to do about hard things. And I think thinking about it as a marriage is a good idea. You think you're sort of. If you're really in the deal, if you didn't just sort of write a check and call me in five years, but if you care, you're trying to make. You're going to live with this couple, this team.

Speaker2: [00:20:13] For more than six months and at the end of six months or a of two years, you've got some chance to sell and the guy says the classic, of course, is I have one company that. You know, they had a chance to get out it a couple of hundred million and they said, No, no, it's a billion dollar company, I said, no, if you can get to 50. Go away. And of course, now it's a lot less than two 50. So the number of times I don't want to ever be in the, you know, look back and having ridden the stock to zero. It's bad enough to do it in your real life. But what in your investing business in there? It's always the I could have. I would have. I think the hard part is looking like a marriage, which also means there's certain things you can't change. You got this is the, you know, see is never going to do the dishes. It's just didn't do that. And she says to me, I accept that you're never going to pick up your underwear off the floor. I mean, so there are certain things that are not going to change. That doesn't mean you don't can't have a great marriage. I've got one for twenty eight years now with the same woman. And I'm hoping she doesn't wake up from the anesthetic.

Speaker1: [00:21:22] Well, that's great, that's great, so you've worked with a lot of startups. What do you think is the main challenge most startups face that you see out there today in today's market?

Speaker2: [00:21:33] Allows the idea they you know, the fact that you're interested in it doesn't mean it's a company. I mean, I'm really make a distinction between a feature and a company. You can develop a feature great and you can sell it to somebody that's good. And it's like making a carburetor carburetor is different than making a car. So, I mean, there's a lot of people who make there's a whole industry making car. There's people who make tires. There's people who make steering wheels. But they're not that many people who make cars. And when you think that the tire is the car, you're not going to be successful. I think that is the key sentence. The other sentence is this. Of the eight or nine companies that I did, I never was never my idea. And isn't true, the first one was every other one was a co-founder with a better idea. So I didn't think I had to invent it. What I had to do was perceive that it had chance to be great with the team that I had or could or could build. Only once did I actually have the idea. And then I had to run around and convince a couple of other geniuses to join me. But going forward, I was always a co-founder or the CEO, but not my idea. I'm fine with somebody else's idea. They're smarter than I.

Speaker1: [00:22:56] Great. Well, in the last minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:23:01] I'll give you this. I don't think you can teach someone to be entrepreneurial. I think you can teach principles in how to think in an entrepreneurial way. But the idea that you can go to college and take a class in entrepreneurship, like becoming a doctor or a lawyer or a CPA or a beautician or a or a hairstylist, I don't think that's possible. They all come back. I mean, they they've taken there. I have a degree in entrepreneurship, sweetie. There is no such thing as a degree in entrepreneurship. I don't believe now I ended up there, but as I told you, I didn't exactly have like a straight route, but I waged war with rat heads in Hollywood. I raged war with rat heads in the real estate development business, you know, and so I got kind of street smart. I spent time in New York. I don't know. I learned it, but but I'm not sure I could go to college. Even though Babson, for example, I taught there, took a class there, I mean, and learned how to teach entrepreneurship so you can sort of teach it. But the idea that there's whole programs, you know, you go to college, that's two hundred and fifty thousand dollars. You come home, your father says what you learn. I learned how to be an entrepreneur. Ok, what are you going to do? I'm going to look for a job. Oh, wait a minute. That's those are that's an oxymoron. That's inconsistent. As you see, I don't have really strong feelings on the subject.

Speaker1: [00:24:30] No, I understand it. But that's true of most college classes. They teach you the ideas and the concepts, but you really have to go out and live and work it and own it eventually through practice and experience. And maybe entrepreneurship is the same thing. Or is it still a very different thing from being an engineer or a musician or whatever?

Speaker2: [00:24:51] I don't know anymore, but I knew I like musicians and engineers, I love engineers and I love scientists and I love women. And by that, I mean empowering, really smart, powerful women. That's the next change in the technology business. It's women and it's women of color, and it's different looking people. And that's what's coming. And welcome to it.

Speaker1: [00:25:20] So you believe in entrepreneurship going, you know, being distributed, diffused out to the rest of the world and not not just for an elite few, but for everyone at that point?

Speaker2: [00:25:30] Yes. There's a program here called Connect, all in San Diego, which empowers the less advantaged what they call south of eight. And they're not going to be. They may not develop unicorns, but they will develop companies that have products that someone will buy and they will have an independent life. They will. They will have a chance to have what I'll call their own. No word after their own and you put the next word to it.

Speaker1: [00:26:03] And that would be a great thing. I think. So how best for listeners, get back in touch with you.

Speaker2: [00:26:12] I like email, I'm not much of a tweet or an Instagram I got to. My idea of Tik Tok is the clock in the bedroom, so I would say Neal and I yell at Black Bird V. That's Blake KBI R.D. and then only the letter v like Victor Neal at Blackbird. I try to return emails. And if anybody is finding themselves unable to sleep at night, I did write several books, one of which is called I'm there for you, baby. The Entrepreneur's Guide to the Galaxy. I think it's twenty nine cents on Amazon. So feel free to indulge. It's funny.

Speaker1: [00:26:53] That's great. Well, I want to thank you for joining us today. Hope to have you back for a follow up soon.

Speaker2: [00:26:57] Thank you, Holly. It's really terrific.

[00:26:59] There's a lot of fun.

Speaker1: [00:27:05] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Canaccord. Paul T. Martin is the director

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