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INSEAD Community Responses to “Has Venture Capital Strayed from Its Roots?”

“Doriot’s advice to students and alumni: “Always look in the future, be constructive and ambitious, have very high moral standards, have courage in facing difficulties!”

This advice I think should apply also to venture capitalists of today!”



Claude Janssen

Honorary Chairman of INSEAD

Photo: Georges Doriot and Claude Janssen in Boston in 1957

“The past few years has seen an explosion of VC firms funding startups at the earliest stages but not willing to lead rounds or take board seats, the dreaded ‘spray and pray’ approach. While the best startups will always have strong leadership from the top firms many other companies suffer by not having truly committed thought partners during some of the hardest times in their formative years.”



Austin Arensberg (MBA'13D),

Director, OKTA Ventures

“The last few years have taught VCs and entrepreneurs of the dangerous effects of industrial-scale growth capital applied too early in a company’s life. The basics of venture investing – finding unusually gifted outsiders and believing them despite the odds, building a close working relationship and earning the right to be a candid sounding board and mirror to founders, and helping build teams to build valuable companies – still remain intact and hard to scale anywhere in the world, including here in Silicon Valley. I am quite optimistic that the pendulum has begun to swing back in the right direction – Georges Doriot would approve.”



Sandeep Bhadra (MBA'12D),

Partner, Vertex Venture

“Georges Doriot was the ultimate, early-stage VC. Having spent the last 18 years financing early-stage tech ventures, I will claim that his key principles are as valid today as ever before. And the most fascinating part is firstly his focus on people; the entrepreneurs and their personal qualities, both individually and as a team.

But secondly, his early realisation that a good VC has to go all in and be a true, passionate and understanding mentor. Following these principles, we have actually found it hard to sustainably deploy more than a few million dollars per year, suggesting that the massive funds being raised these days will either have to attract an army of partners or see a likely decline in returns, unless they focus on the later funding stages.”



Will Klippgen (MBA'03D),

Managing Partner, Cocoon Capital Management

“Georges Doriot famously commented that “someone, somewhere, is making a product that will make your product obsolete,” a statement as relevant today as when he first observed it, as is the discretion of venture investors – we still only back 1-2% of the ventures we see. And yet, he could barely have imagined the pace of growth and innovation that we see today. With unbelievably large sums of money pouring into earlier stage businesses, and an ecosystem around start-ups with almost too many resources to choose from. VCs today often help catapult entrepreneurs into fame and fortune in years rather than decades.

However, today’s venture capitalists would benefit from reminding themselves of Doriot’s principles. In particular, the “joy of building” and that “if you build great businesses, returns will come.” Too many founders and investors are targeting the next funding round or achieving unicorn status, which are entirely the wrong goals. The all-or-nothing unicorn mentality means many companies that could be viable and profitable businesses are ‘cut’ by investors when they cannot deliver the billion-dollar returns needed to justify skyrocketing valuations. We are reminded of Doriot’s approach to investing, and the need for a breadth of funding types and stages.”



Karen McCormick (MBA'04D),
CIO, Beringea

“Many of the VC firms that were established after the dotcom crash turned in mediocre performances in their 1st and (sometimes) 2nd funds but were still able to raise \$100M relatively easily. The GPs at many of these funds are making more money from ‘layered management fees’ than they are earning from carried interest which is paid out of capital gains - quite the opposite of the philosophy espoused in Doriot’s tenet.”



Deepak Natarajan
Professor, INSEAD

“The current VC model is broken, and has been for a while. Its time to go back to basics and fundamentals. We were inspired by Doriot enough to create the #FairVenturePrinciples encouraging GPs to commit to changing the way we operate in the world of venture capital.”



Anya Navidski (MBA '08J),
CEO, Voulez Capital

“Focus on making a company that is healthy and happy and moving forward always. We say this all the time at Y Combinator, startups are hard. The books written about startups talk about how hard they are, where there’s no easy decisions. It’s hard, and it’s all consuming, and it’s the most wonderful thing in the world.”



Geoff Ralston (MBA'92D),
President, Y-Combinator

“Doriot’s principle of profiting only from capital gains meant VCs would charge low management fees to pay for a simple lifestyle. Sadly, this is not true today. The % fees have remained the same while fund sizes have greatly increased. Therefore, VCs live a rich lifestyle before generating any profits. This breeds short-term mindset which did not happen when VCs received basic salaries.”



Gopi Rangan (MBA'07D),
Founder, Sure Ventures

“In my 20 years in the VC business, we have been through many cycles and with each cycle you see behaviour that deviates from the tenets above.”



Deepak Shahdadpuri (MBA'98D),
Founder and Managing Director, DSG Ventures

“VCs pulling out from committed deals (signed term sheets) after COVID 19; firms raising \$100m plus rounds for “seed” investments; Investors not willing to tell entrepreneurs the truth about their ability to back them up for future rounds signs of not following Doriot principles”



Lucian Wagner (MBA'81J),
General Partner, Privilege Management SA

“I still remember being inspired by the quote under Georges Doriot’s statue at the Fontainebleau campus, “Without action, the world would still be an idea.” We have a lot of problems to solve in this increasingly unpredictable and divisive world. I believe technology and entrepreneurship can be the answer.”



Helen Wong (MBA'99D),
Partner, Qiming Venture Partners