Howard Roizen

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

Roizen had spent the first decade of his career actively building his network in order to help the software company he co-founded, T/Maker, compete against better-capitalized software developers. Through his 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; he was well known throughout Silicon Valley for hosting dinner parties at his 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 he knew. In some cases, Roizen even took it a step further and actively helped people in his network find new career opportunities, but he was careful to leverage his contacts only when he 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 his time, he had moved to 50% by the end of his second month, and 80% by the end of his fourth month—the point at which he declared a “hard-stop.” At 80%, Roizen realized he was no longer “dabbling”; rather he had fully committed himself to the life and role of a high-profile venture capitalist. He wondered what impact his role as a venture capitalist would have on his ability to build and maintain his network in the future. Going forward, would he need to tailor his approach to either venture capital or networking to allow him to do both successfully?
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 his parents divorced when he was nine years old. His father went on to start his own company, which ultimately failed. As a result, Roizen’s high school years were marked by financial conservatism. His 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 he majored in creative writing. During Roizen’s junior year there, his fiancé was killed in a plane crash, forcing Roizen to reassess his perspective on relationships and career. Roizen realized that he had slipped into more of a supporting role for his fiancé, rather than pursuing his own interests and goals. Over time, his life had increasingly revolved around her. Devastated by her death, Roizen made a life-changing decision to never again be so dependent on the fate of another person. He committed himself to finishing his studies at Stanford as quickly as possible so that he could pursue a career of his 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, he 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 his to use his 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 him the phone number of the woman in charge of the hiring process. Roizen called the woman on a Saturday to express his interest in the position, expecting to get her voice-mail. 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, he leveraged the relationship he had built with Tandem’s CEO and asked him to write a recommendation. After graduating from Stanford’s Graduate School of Business in 1983, Roizen decided not to go into investment banking and consulting as many of his classmates were. An early adopter of the personal computer, he decided to work with his 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 his outgoing personality and his 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. He 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, “Howard 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 his 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 him 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: “Howard chose to get involved with the SPA at an important time in the industry’s evolution—when there were major causes to stand for. He was passionate about specific issues and themes and he 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 he simply found
interesting and smart—as opposed to powerful—paid off repeatedly throughout the years. As Ellen Levy, a NetBatsu development officer at SOFTBANK, explained:

Howard simply likes to get to know and be friends with good-quality, talented people—that’s his primary motivation. In some ways, by investing so much time in these people, he is placing a bet—but those bets have paid off for his 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 his 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 him. A longtime personal and professional supporter of the Apple platform himself, 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

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1 “Nethatsu” 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.
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 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 his experience at T/Maker and his role as president of the SPA. Gentile commented on Roizen’s fit with Apple:

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

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

Howard spent years building his network of people and professional associations to improve T/Maker’s success. However, the first real test of his network was at Apple, where he had to call in favors. For example, he 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 he knew Bill and many of the other industry leaders he 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 Howard had reached an agreement, proclaiming their continued affinity for the Macintosh. Howard made each of those quotes happen. If it were not for Howard, 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 he really had to “call in” the network he had been building for years.

While in some cases it had been years since Roizen had spoken to the industry executives he was calling, he 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 10 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 his discussions. His ability to do this was put to the ultimate test when Roizen—a personal friend of Bill Gates—found himself 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 himself involved in helping senior management refocus Apple’s strategy, in addition to managing his 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 he was in meetings 8 to 10 hours a day, and he 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 his time. As Farros explained:

I could tell Apple was getting overwhelming based on the length of the e-mails Howard sent me. When he started there, he would send me e-mails that were at least a paragraph long. Then a few months later, his e-mails changed to short sentences. By the end of the year, he was simply using incomplete phrases—and Howard’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 he 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; he was usually brought on as the first outside director. Combining his skills in strategic planning, building organizations, and marketing with his 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 he worked; instead he contributed his 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 Howard for a while and knew he met my three criteria for a board member: he brought substantive expertise based on his experience at Apple, T/Maker, and with the SPA; he was extremely smart—I knew he would be a director who could grasp complex issues; and he was pleasant to work with.

After Howard accepted the board position, he 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 Howard’s at Apple. We really benefited from Howard’s
connections. I like to say that there’s only about one degree of separation between anyone in Silicon Valley and Howard.

Roizen frequently helped people he liked and respected find new career opportunities. For example, when Scott McNealy, CEO of Sun Microsystems (Sun), called Roizen to recruit his 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—he 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 Rozen’s approach:

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

In his mentor capitalist role, Roizen found his network to be one of his greatest assets. As Randy Komisar, a “virtual CEO” in Silicon Valley commented, “While other people use networks to build their business, Howard’s business is networking. He’s very effective and uses his network to add real value.” Roizen’s personal Web site explained when and how he would leverage his 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.2

Roizen’s rule of thumb for when he was willing to leverage his 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—he would consider tapping into his network. However, he was also careful to manage the number of times in one year that he asked one of his contacts to assist one of his friends or portfolio companies. Typically, the busier the person, the fewer times he felt he could ask for their assistance. Roizen described a situation in which he chose not to leverage his network on behalf of one of his 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

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2 www.Howard.roizen.com
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 Howard’s skill is that he truly understands the meaning and value of a win-win relationship. Through his role as a “catalyst”—or as some would say a “market maker”—he increases the efficiency of other people’s lives. Howard knows his role is to be the “door,” rather than a “window,” through which people make connections. He helps people connect with each other without exposing people or information himself.

As Roizen found himself leveraging his network more and more, he was careful to employ the lesson of reciprocity he 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 his to be highly efficient in his 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 he had enjoyed meeting them and to establish the communication flow. It also forced his to log their e-mail address into his system right away. In addition, Roizen had learned over the years to keep e-mails short and to the point. Roizen found that he 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 him more time to dedicate to his personal life, which consisted first and foremost of his family, but also his active social life. Roizen was well known throughout Silicon Valley for the parties he hosted at his house. (See Exhibit 1.) In fact, some of the parties even received news coverage, due to the well-known business leaders who often attended. Roizen enjoyed having small dinner parties (between 8 and 12 people) where he invited people who he thought would enjoy—and benefit from—getting to know one another. Roizen took real pleasure in putting together his invitation lists. His rule of thumb was that each person he 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 his dinner parties often included guests from the high-tech industry and were known as great networking opportunities, Roizen still treated his house—and therefore, his parties—as part of his personal life. As a result, he invited only people he liked and respected on both a personal and professional basis to his parties. Roizen’s goal for his parties was to make every person feel comfortable and at ease. To foster this feeling, Roizen preferred to cook himself—as opposed to having his parties catered—and he usually chose a purposefully “ordinary” menu, such as spaghetti and meatballs. Often he also asked guests to bring some part of the menu themselves, which eased the burden on him, but more important, contributed to making people feel comfortable. Roizen elaborated on his parties:

The number one reason my wife 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 his pajamas at 11:00 p.m. during one of our parties, saying, “I want to go Daddy party.” That was his first sentence ever!

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

Howard is a sincere, “normal” person who’s easy to be around. He’s fun, he likes to smile, and he’s really interesting. If you met him outside of a work setting when he was with his kids, you would probably think, “Now that’s a nice dad” and you wouldn’t realize you had been talking with a captain of industry.

Roizen’s unpretentious personality also meant that he was comfortable interacting with people in a variety of situations. For example, he often counted visits to the health club, jogs, or picking up his children from school as opportunities to meet with people—a fact that also helped his balance his 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. As Levy explained, “Some of my best discussions with Howard have been while he gives his young daughters a bath.”

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 he 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 his 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 2 for a listing of Roizen’s board commitments in 1999.) Roizen explained what led to his 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 his mentoring abilities and his executive contacts: “We needed someone who was pretty sophisticated at dealing with executives like Cisco’s John Chambers, and Howard has a proven track record of being able to do that well.” Roizen commented on what attracted his 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 his 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 he spent 50% of his time looking at new investments and the other 50% of his time working with companies already in SOFTBANK’s portfolio. In his 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, he 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 3.)

While Roizen hoped that being very clear upfront would help reduce the number of low-potential business plans submitted, he still felt obligated to respond to every plan he received—even if he decided, on behalf of SOFTBANK, not to invest. Given that SOFTBANK invested in only one

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out of every 50 deals that met SOFTBANK’s investment criteria, Roizen found himself dedicating approximately two hours of every day providing feedback to entrepreneurs on plans he 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 he received were from people who counted his as a friend, making it even more important to his that he respond promptly and thoughtfully. Roizen reflected on the challenge of being in a role where he often found himself having to turn down investment opportunities or meetings with people that he knew personally:

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 20 other people that I also like and respect ask me the same thing this week, and I don’t have 20 extra hours, so I’m going to have to say no.”

Roizen also found that in his role as a venture capitalist his motivations and allegiances had changed when it came to helping people in his network find new career opportunities. Given his financial stake in SOFTBANK’s portfolio companies, he was more likely to refer one of his 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 his ability to work in a third-time or half-time capacity, and by his fourth month Roizen had increased his commitment to 80% time. Roizen explained what led to his decision to increase his 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 his time once again approached his Apple days, Roizen found that he had to be increasingly efficient in maintaining his network. In part, he did this by establishing very close ties with people who were the nuclei of other networks so that he 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. Howard is one of those people. As the nucleus of his own network, Howard will
forge a deep relationship with the nuclei of other networks within his vast constellation, which allows him to keep in touch with all the people in those other networks. I can only imagine how many networks Howard touches. So while he does engage in lots of functions and activities that allow him to touch a lot of people, I think he also really leverages the network constellation approach to maintain the breadth of his network.

That said, Howard does “go deep” with some people who aren’t the nuclei of their networks—they’re just average people who he likes. You could say that by doing this he thwarts the efficiency of the constellation approach, or you could say that it’s a subconscious method he 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 his time, Roizen and his wife decided in November 1999 to take a few month’s hiatus from hosting parties at their house. Roizen’s house had received an extra heavy workout during the previous six months. Over the summer, he had used his house to host a number of major events, including the Software Developer Forum Visionary Awards, his nephew’s 250-person wedding, an organizing event for a Women in Venture Capital 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 to be close to Stanford Hospital as he awaited the birth of his child. From September to November Roizen also hosted SOFTBANK’s Monday morning partner meetings at his 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 his role at SOFTBANK to 80%, he had in effect committed himself 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 him, given his wealth of contacts, industry knowledge, and leadership experience. In fact, his strong network had contributed to his ability to lead five SOFTBANK investments for a total of $40 million in his first six months at the firm (see Exhibit 4). However, as his role as a venture capitalist increased, he couldn’t help but wonder what impact it would have on the nature of the network that he had worked so hard to establish. How would his role as a venture capitalist affect his ability to continue to build his network? How would it affect the personal and professional relationships he had already established? Were there changes he would need to make to his approach to venture capital or networking in the future to allow his to do both successfully? While the slew of e-mails and demands on his time seemed never ending, Roizen felt it was important to set aside some time to reflect on these issues.
Exhibit 1  Background on Roizen

The house that Howard built: Tech 'mentor' links firms

ATHERTON, Calif. -- Howard Roizen could be known for a lot of things: building a software company, trying to save Apple Computer in its darkest days or helping launch a handful of technology companies. But despite all that, Roizen has become most famous for his house.

It's 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, not to mention Roizen's wife, two kids and two dogs. Ralph Petroff, CEO of Time Domain, describes it as "part hacienda, part Viking dining hall and part turn-of-the-century London geographic society."

The house is famous because Roizen, 41, has turned it into an important cog in Silicon Valley's machinery. It's a place of powerful and sometimes wild dinner parties, where guest lists include CEOs and entrepreneurs. It serves as a boardroom, hotel, executive retreat and hideaway for a variety of characters. It's the closest thing the industry has to a salon.

And the house is at the center of Roizen's eclectic career. If the technology industry were a high school, Roizen would be the most popular. He's the magnet that pulls various parts of the industry together. He's one of the only people who can be close friends with both Microsoft's Bill Gates and Sun Microsystems' Scott McNealy, who otherwise feud mercilessly. "He not only has the contacts, but he has a large sphere of influence," says Doug Burgum, CEO of Great Plains Software.

He's found a way to use that influence to create a job. He gives his time as a board member or adviser to small technology companies and in exchange gets stock options but no salary. He sits on three boards, including Great Plains, and advises four companies, including Time Domain. Instead of traditional venture capitalism, Roizen calls his role "mentor capitalism."

By all accounts, Roizen has been a screaming success. His companies say his advice and business introductions have been invaluable. His friends say he's been able to inject more fun into business than anyone they know. His family gets to see him much more than if he were an executive at a company. And as for financial success, Roizen says, "I think I'm going to make more money than I would've at a job."

Roizen got to this point through a mixture of background and character. The background places him among Silicon Valley's elite. In 1983, he graduated from Stanford University's MBA program. Soon after, he started a software company, T/Maker, which he ran for 13 years before selling it. In 1996, he joined Apple as head of developer relations. It was Apple's gloom time. His job was to keep software developers from abandoning Apple, but he took on much more. "I'd go through periods where I wouldn't see my kids awake for four days, and not because I was traveling," he says. A year later, burned out, he quit. "I decided to design a career around what's important to me."

That's when his character kicked in. The short version is: Everyone loves Roizen. Burgum had known Roizen from circular connections through Stanford, where he also got an MBA. Fargo, N.D.-based Great Plains was getting ready to go public. "I needed to strengthen the board," he says. "He was one of the first people who came to mind." He called immediately. Roizen accepted.

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Venture capitalist Ann Winblad was the first to invest in T/Maker in the 1980s. He and Roizen grew attached. "We were both high school valedictorians and football players, a combination not usually found," Winblad says. They've since become the industry's version of Laurel and Hardy, Winblad says, though "we still argue over who's Laurel and who's Hardy."

Between the two of them, they seem to know everybody who is anybody in tech. Roizen became an adviser to Microsoft and to Gates, putting him in the center of yet another circle. With his connections and CEO experience, Roizen realized he could be valuable to small companies. He came up with his mentor capitalism formula and worked on assembling a portfolio of companies, which now includes Softbook, Garage.com and Personic.

What does Roizen do? He critiques business decisions and strategy. He offers CEOs a shoulder to cry on. He introduces newcomers around, which is helpful to companies such as Great Plains and Huntsville, Ala.-based Time Domain. "They segued into Silicon Valley by being Howard's friends," Winblad says. Adds Petroff: "His batting average for who we need to talk to is very high."

And that's where the house comes in. It is an integral part of the way Roizen works. His office is here, in a grand room with a fireplace, leather chairs and walls decorated with seven masks, three spears and 14 guns. There are enough bedrooms so out-of-town CEOs can stay. Roizen's family, including wife Dana Mohler, an orthopedic surgeon, are part of the atmosphere. The dining room is big enough for board meetings. And the dinner parties can get interesting.

"I've seen everything from golfing off the rooftop to breaking chairs in the wine cellar," Winblad says.

The parties are where Roizen does some of his best work, putting people together who later end up doing deals or working together. "Howard likes to throw parties with a purpose," Burgum says.

The arrangement seems to work for everyone, and certainly for Roizen. He has received numerous offers the past month to join companies at top positions. Roizen doesn't sound tempted. "It would take a lot to get me to go back to a real job," he says.
Exhibit 2  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 3  SOFTBANK’s Investment Criteria and Funding Process

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

5 www.softbank.com
-- 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?
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 Howard 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 4  Status of Roizen's SOFTBANK Investments

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of SOFTBANK Investment</th>
<th>Investment Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preview Systems, Inc.</td>
<td>June 1999</td>
<td>IPO in December 1999</td>
</tr>
<tr>
<td>IPrint.com</td>
<td>August 1999</td>
<td>Filed for IPO in December 1999; IPO scheduled for Q1 2000</td>
</tr>
<tr>
<td>DoDots, Inc.</td>
<td>September 1999</td>
<td>Private; SOFTBANK is lead investor in Series A round.</td>
</tr>
<tr>
<td>DrDrew.com</td>
<td>October 1999</td>
<td>Private; SOFTBANK is lead investor in Series B round.</td>
</tr>
<tr>
<td>Bayla.com</td>
<td>December 1999</td>
<td>Private; SOFTBANK is lead investor in Series A round.</td>
</tr>
</tbody>
</table>

*aCasewriter interviews.*