



## ***Breaking into VC – An Interview with Sean Carroll, SVP Pequot Capital***

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Q: What is your view of the recruiting landscape for venture capital (both from a junior resource perspective and senior officer perspective)?

~ It is important to understand that the industry is going from a position of massive expansion to one of consolidation, and as a result there will be fewer firms after the shakeout. You can witness the shrinkage with examining who has been successful and who has not; who is raising another fund and who is not. The fact that fewer firms are raising less money means there are fewer employment opportunities. Additionally, I believe the opportunities are isolated. No longer are firms or sectors expanding rapidly, so consequently, firms are no longer interested in multiple hires. However, this type of growth can be witnessed in other investment sectors. Previously (late '90s – 2000) graduate students were extremely interested in the venture industry, while now MBA students are focusing more on mid-to-late stage buyout shops, and hedge funds.

Q: How important is an MBA in getting into VC?

~ I believe it is not a necessity, but it is a good route for some people to take. If one needs a catalyst to change his or her career. In order to make the jump to a new level, analyst to associate for example, an MBA provides a credible and valuable method to make that leap. Also, it is important to mix with different types of people. For instance, interacting with different venture capitalists, professors, and alumni can help shape your path to landing in VC, post graduation. Additionally, a critical element to success in venture capital is your network and MBA programs offer individuals a means of expanding their rolodex.

Q: How important is an MBA in being successful in VC?

~ My answer is pretty consistent with the answer to the above question. An MBA is not the driver of success. It is more important to have a nose for a good deal and a strong network that gives you access to talent and deals.

Q: For those individuals who are deciding to pursue an advanced degree but can either choose MBA or Engineering (but not both), which one is more beneficial to successful VC careers and why?

~ An attractive profile for Pequot Ventures is someone with an undergraduate degree in Computer Science or EE (electrical Engineering), who participated in an investment

banking analyst program, modeling and learning deal structure, and then went to venture capital to understand the venture process. Having a base of technical knowledge combined with strong quantitative skills is a must for our firm. Understanding how to develop complex financial models is critical for us, as it would be for other later stage funds. We are often involved in M&A and roll-up transactions where Associates must understand how to model a complex deal correctly.

Q: In your experience, what do you look for in interviewing candidates?

~ Culture and chemistry fit is the most important criteria to understand when evaluating candidates. The venture capital business is an apprentice business. You are working for a partner or a series of partners and the right candidate must be able to work closely and fit into the culture of Pequot Ventures. Beyond cultural fit, each venture firm is different. We emphasize both how candidates think and how quantitatively proficient they are. Since roll-ups, spinouts and M&A are typical transactions for us; the Associate's analysis becomes more significant, and can materially impact our decisions. These quantitative skills are a crucial. Additionally, we like to see that they have a financial focus. At Pequot Ventures, no matter what the technology is, the team moves quickly to comprehend how the company makes money. Lastly, and the most difficult to determine in an interview, we like to gage the candidate's nose for a deal. Can they demonstrate ideas and sources for deal-flow? It is important to us at Pequot Ventures to see if the candidates know where the puck is going (e.g., where should we be investing). Candidates perform poorly in interviews as a result of not having thoughtful ideas. Professionals looking to become venture capitalists should have very specific ideas on what sectors and sub-sectors are interesting and sources for deals.

Q: What are some difficult questions that candidates have stumbled on?

~ If you had a \$50 million fund, where would you invest? The question is really testing the candidate's logic and thinking; we want to determine if the candidate is thoughtful about how they look at investing. Another critical aspect to understanding the candidate is by examining the questions they ask. They should ask about the firm's track record, where the firm has made money and what companies make up the current portfolio? Candidates should be prepared and want to understand the portfolio, and why certain investments were made. Lastly, many candidates have struggled when answering the question of "what makes a good venture capitalist?" Lots of candidates do not focus on how important the people element is to this business. Being brought in on a deal, means that management and co-investors want to work with you to make a company successful.

Q: What are some of the ways candidates have done well, and exceeded expectations, and where have they failed?

~ Pequot Ventures is very focused on conducting deep due diligence. Associates have exceeded our expectations through their level of detail and depth of questioning. When assignments are given to Associates, they need to address all the possible scenarios. Follow-up needs to be extremely high. If a partner pushes back on an associate with 5 or

6 items, the Associate should resolve all 5 or 6 items; the associate should never leave any issues dangling. Moreover, intellectual curiosity is a key to distinguishing yourself. Probing into a deal, management and the technology is extremely important. Associates should do this not because they have to, but because they want to. What separates the good Associate from the pack is how well they take advantage of being empowered. Many people come into this business being very task oriented and reactive to what is required to complete a deal. The ones that are empowered and proactively become experts in a given area are the ones that thrive.

Q: How should candidates aim to advance up the ladder in a VC firm?

~ Again, it is about being proactive and empowered. Executing flawlessly is a must. But in order to advance to the partner level, one must become an expert in a specific sector and drive successful deals.

Q: How important is operating experience as compared to transactional experience?

~ We at Pequot Ventures have gone back forth on this. Both are very useful. Most of our recent hires have transactional experience. Down the road, if someone is looking to join a venture firm as a Partner, proven successful operating experience becomes more important. Also, operating experience can provide more value in certain sectors. For instance, in the Biotech space, it is more beneficial to have come out of industry. But in the software and services sector, if a person is coming out of business development or marketing, it is not considered as valuable and can be a more difficult path to get into venture capital.

Q: How should interested professionals go about networking and meeting with VCs (cold calling, alumni, and organizations)?

~ Be persistent! Passionate candidates should leverage their entire network, and should use cold calling and cold emailing as a method of connecting with VCs. Again, candidates should be professionally persistent. In the event, the candidate gets a meeting, they should be extremely organized. Time is precious. You don't want to waste people's time.