Bryce Roberts

The outlier investor and his search for founders who look and think nothing like him.

INTERVIEW
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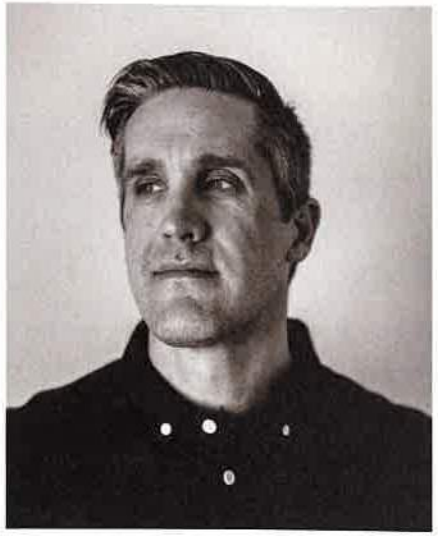
A venture capitalist with no interest in chasing the next unicorn and no desire to exercise control through equity: Bryce Roberts is not like your average investor. Far away from Silicon Valley, near the ski slopes of Salt Lake City, he runs his tiny investment firm Indie.vc. With a focus on 'real businesses' that aim for profitability and measured growth, Bryce not only advocates for a more sustainable approach to tech entrepreneurship: over half of his portfolio consists of female-led companies, setting a new standard for funding underrepresented groups whose ideas have traditionally been overlooked.



You studied philosophy in college and planned to become a lawyer, but you ended up starting a ski company after you graduated. Where did your interest in technology emerge from?

Technology was never something that terribly fascinated me. I couldn't tell you what my first computer was. But I do remember the first time I logged on to the internet: it was kind of cool, but it didn't feel like a life-changing moment for me. So many people talk about their life flashing before their eyes when they first engaged with new technology, but that never really happened for me.

As a kid, my dad gave me a piece of advice that I couldn't shake: never overplan your life. So I always tried to be open to opportunities as they came along and create as many opportunities for myself as I could. Like you said, I was a philosophy major without any real background in tech, but I was curious and hardworking. Because I got married and had a baby before I graduated, I worked full-time through college to support my young family. In 1999, someone at the company I was working for at the time pulled me onto a team tackling problems related to the Y2K software scare. They just needed bodies at that point - anybody who was curious would do. I feel fortunate to have had that experience because that's where I was first exposed to the role of technology in solving business problems. It shaped my approach: technology as part of a solution for doing business seemed a lot more interesting to me than technology itself. I started to view tech as a useful tool with great potential - a perspective I didn't have when I'd just been using computers in the lab at school.

Probably more than anything, I've been interested in trends - trying to figure out where things are going and trying to get ahead of those curves. There was a lot of energy around technology. Rather than being particularly fascinated with technology itself, I became fascinated with what it could enable us to do and where things could potentially go in the future.

How exactly did that fascination lead you to become a venture capitalist?

I never pictured myself as a VC when I was younger, but I knew I wanted to start companies and be involved in entrepreneurship.

After graduating I moved to Jackson Hole, Wyoming, and started the ski company. We were one of the first brands to sell products online and use a website to get the word out. That led me to getting involved in a classic dot-com based in Provo, Utah. The company did really well and caught the interest of a few

VCs – my first real encounter with the investor community. After we got acquired in 2001 by Monster.com, a friend invited me to come up and join his VC firm for a three-month period to help them identify ideas with potential. Those three months turned into four years.

You have framed yourself as somewhat of an outsider in the tech industry. How do you think having some distance from the bubble that is Silicon Valley has shaped your career?

I did try to play the Silicon Valley game for a while. My family and I moved out there for two years, but I was just so miserable. I felt like I lost my edge in a lot of ways and I could hear the siren song of sameness that comes out of the Valley. It's so easy to slot into the comfortable patterns that everybody else is stuck in.

Since my career began in Salt Lake City, I started with a bit of a chip on my shoulder. I knew I couldn't be successful in venture here if I applied the same patterns of Silicon Valley. You know how it's been said that when someone loses their eyesight, all of a sudden their other senses become stronger? Being an investor – or an entrepreneur for that matter – outside of Silicon Valley is a little like that: you have to develop distinctive types of superpowers.

Being based in Salt Lake City has allowed me to develop networks that don't look or talk like people in Silicon Valley. It also provided me with a lot more space to think. Even the conversations I have with people are different and result in a fresh perspective on things. That perspective changed how I assess risks and conduct myself in life and business.

Would you give us a basic overview of what the traditional venture capital model looks like, and explain how your approach with Indie.vc is different?

People seek venture capital when they have an idea but lack the resources to be able to fully fund that idea or grow it as fast as they want

to. If you were to start a business and only hire when you could afford to pay people, you would grow a lot slower than a company that can behave bigger than it really is. Founders therefore take money from other people so that they can grow faster, but that leads to dilution of their own equity since they're selling a portion of the company in exchange for that funding. VC investors will typically buy a class of shares, called 'preferred shares', that give them stronger voting rights than most other people in the company. This means that as a founder you're giving up ownership in exchange for the money you need to grow. That's venture capital in its purest form.

Unfortunately, over the years, companies have started to replace their business model with endless rounds of fundraising. For a lot of founders, building a business that can sustain itself is no longer the goal. They're just on a never-ending search for growth, because growth is what is exciting, and growth is what keeps investors investing in the business.

With Indie.vc we were hoping to encourage entrepreneurs to build companies with solid business models baked into them, rather than merely support their continuous fundraising efforts, which is so much of what you see today. A company raises a seed round, then it raises the post-seed round, then the Series A, the Series B, and so on. It's a perpetual parade of fundraising.

This process leads to a serious misalignment between the interests of the entrepreneur and

those of the investors. For an entrepreneur, a twenty-million-dollar sale is a life-changing amount of money. It's hitting the jackpot! But for an investor, that number is a rounding error, it doesn't move the needle at all. So traditional VC investors will try to encourage the founder to raise more and more money and get their company a higher valuation. The goal is an exit that will return multiple times their initial funding.

Our approach, on the other hand, is designed to help a company get to a place where it doesn't need to raise any more money. This also means we don't have to continue to invest or take successive rounds of dilution and have our ownership forced down. It creates optionality for all of us.

How do you identify 'real businesses' that have the potential to scale without needing several rounds of funding along the way?

One of the things that technology adds to a traditional business is an uncapped opportunity. Historically, a small business has been a salon in the main street or a hardware store on the corner. When you set up a hardware store on the internet, however, your addressable market expands significantly. Even small niches on the internet can morph into very big niches over time.

Traditional investors will say, 'Let's start thinking big right out of the gate and turn our attention to the five markets we need to get into right now!' From the Indie.vc standpoint, we'd say, 'Let's focus on serving the one market we're in really well and then see if the opportunity expands.' We look for evidence that what we're working with is a real business that can sustain itself and grow at a reasonable rate. And only then do we give ourselves permission to think bigger.

Sometimes an opportunity will expand and other times we might end up just serving a small niche, but our path to return accounts for each of those scenarios. A traditional VC would consider a business doing $5 million a year in revenue and $3 million a year in profit a real failure, but from our perspective, that's a real and very profitable business! Our model means that we can see returns in scenarios where traditional VCs can't.

There is plenty of advice out there for people looking to start companies. Figuring out how to sustain and slowly and painfully grow what they've started is much less talked about. What have you learned about businesses that are able to keep momentum going over the long-term?

The biggest thing to remember is that cash is often not the constraint. I think a lot of entrepreneurs think that if they just had more money in the bank they could more easily tackle larger competitors, for instance. However, the reality is that many founders simply don't push themselves hard enough to get creative with the resources they have. Having a healthy attitude about sales and a willingness to sell and engage with your customers is absolutely critical for maintaining and growing. We've found over and over again that ten sales calls will get you a lot farther than ten meetings with investors.

We've noticed some successful hiring patterns too. The companies doing really well in our portfolio tend to be responding to growth rather than trying to get ahead of it with a bunch of early hires. Managing that burn and allowing yourself to feel the pain before you immediately hire to remove that pain is essential.

Despite your alternative approach, you've said that you're not strictly against traditional venture capitalism.

Yes, because traditional venture capital is right for a few key applications, including solving deep technical problems that require years of research and work to go into them before there's a commercial opportunity. We are hard-pressed to find investments that fit our profile which require a lot of upfront investment in hard sciences and research.

Think about the infrastructure of the railroads. Huge government and private sector investment was needed to get those tracks laid, but once the tracks were down, you could realise a lot of new opportunities, at a fraction of the cost. Indie.vc is rarely a good fit for this early development phase. We're looking to get involved in the deployment of the technology, when we can take advantage of the infrastructure and research that has already been done and then attach a business model to it.

Companies that have AI at the heart of them, for example, have required and still require really deep science and investments therein. But today, there's also a lot of open-source research out there on machine learning and artificial intelligence. There's a lot of commodity hardware available for people interested in building products on the back of that research.

Before Indie.vc can get involved, we need others to build the foundations. Traditional venture capital has worked really well in creating those foundations.

How can we ensure that those foundational technologies that do receive a lot of VC funding really are the ones most beneficial to us – to society?

I think that's really out of the control of VC. If you look at the patterns of VC investing, they tend to chase the product roadmaps of companies like Amazon and Facebook. They're often trying to get in front of where those companies have already stated they're going.

Part of the answer might be more regulation of the monopolies that are Google, Amazon, and Facebook. The more they get reined in, the more we'll see a change in what gets funded, simply because those companies set so much of the pace and roadmap that VCs end up following with their investments.

Fortunately, I think we're slowly starting to see what's unfolding at some of the companies that have chased innovation and growth at the expense of everything else. I don't know if Uber will fail, but if it does, that is going to really open up people's eyes to what it is we're actually building and why we're building it.

Culturally, I think we've finally begun to contemplate the impact of certain tools and applications on our life. We're becoming more aware of how companies may be using us and the data they have on us. For instance, the *#DeleteUber* campaign, a kind of social media protest in response to a political event, had a very real impact. I personally stopped using the Uber app and I know from contacts at Uber and Lyft that the shift in momentum between the two companies while that campaign was trending online was dramatic.

We are going to become increasingly conscious of and informed about the role technology plays in our lives. The public and government are developing new sensibilities around technology. For the first time, we're able to see through the convenience and allure of things like Facebook and Twitter and realise how they are reshaping our habits and feelings. This is a fascinating trend on a societal level that will influence how VCs invest their money – much more than any individual conference or consumer trend will.

What do you think government's role should be in fostering the right kinds of innovation?

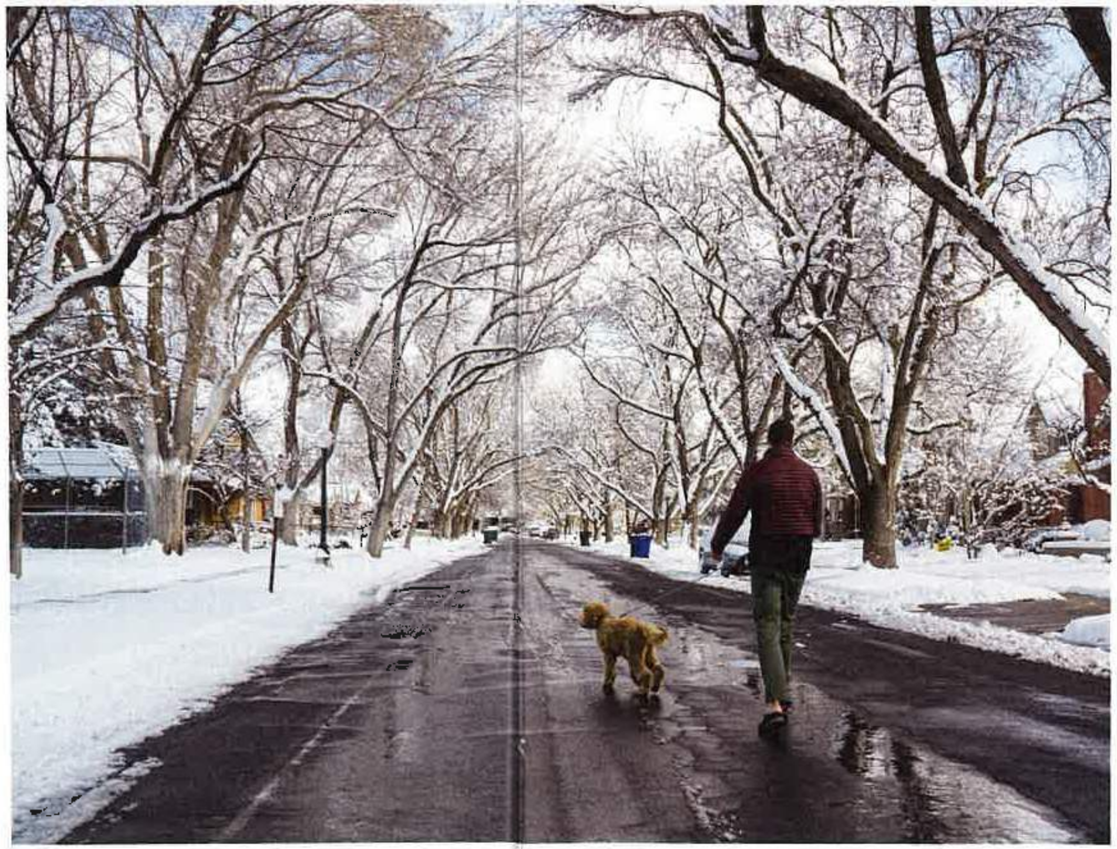
The tech world has a very weird relationship with government. Especially here in the US, we just see government as this big millstone we have to keep off our neck and out of the way so that we can innovate. So far, government involvement has mostly resulted in a lot of dollars either directly or indirectly going into startups or programs for startups that end up being ineffective.

I think a lot of us would agree that innovation is held back by government programs that stop people from branching out on their own. If you look at entrepreneurship, it's on a steady decline in the US, despite the stories of successes being louder and bigger than those of failures. The number of newly-established companies has been wildly surpassed by the number of companies that go under each year. Entrepreneurship is on the decline because fewer and fewer people are willing to take risks and leave a safe job with good benefits.

Rather than investing in trendy accelerators or funds, the most useful thing that government could probably do is to offer healthcare and childcare to everybody. If the government could address the issues forcing people to stay in stable jobs out of fear of personal bankruptcy, I think more people would be comfortable branching out to do their own thing and we'd see an explosion in entrepreneurship.

In the past, you've said that 'entrepreneurship may be the single greatest vehicle for self-expression.' Do you think that most entrepreneurs today primarily build companies to express their identities and values?

I think companies can be amazing canvasses to display who we are and what we value in the world. Sadly, when those values don't line up with investors and



what they are looking to fund, a lot of entrepreneurs are too quick to compromise.

I've heard it so many times: 'I did this because that's what I *had* to do to raise money,' or, 'I told only this part of our story because I knew *that's* what investors want to hear.' So much of what an individual brings to a company gets left on the editor's floor because it doesn't fit in the script investors want to read. To me that is not just a big missed opportunity, but it also means that many entrepreneurs pretend to be someone they're not.

I sat in on a pitch recently where someone was presenting a voice-controlled assistant of sorts. As we peeled back the idea a little more, she finally dropped her guard and admitted that she felt like she had to throw in buzzwords such as 'AI' or 'machine learning' just to get investors' attention. It's so emblematic of the chase that's happening out there. What she *really* wants to be doing and what she's uniquely qualified to do gets lost in the desperate attempt to cajole investors.

Do you believe there is a responsibility beyond just self-expression? How do you strike a balance between building something that is true to yourself *and* brings something of value into the world?

Your point is well taken. Entrepreneurship should never be a completely selfish endeavour – a founder simply embodying themselves in their product or company. But I do think that authenticity is a great starting point. Authenticity allows you to attract people to a project – be they co-founders, investors, or coworkers – who share with you the belief that you're not just building a company for the sake of having a comfortable, well-paying job, but for the idea that you're contributing to something that could potentially have a positive impact on a lot of people.

I think, especially today, that we're looking for an innate purpose in the things we create. Generationally, we're starting to see entrepreneurs bringing a different mindset to the table, a different way of measuring impact besides just becoming the next Facebook or the next Uber. Sure, I think many people still want the Facebook market cap, but do they want the Facebook values? People may want that Uber valuation, but do they want to get there using unethical practices and toxic workplace culture? I think we're becoming more clear-headed about the way in which we want to achieve our goals.

For entrepreneurship to translate into social impact that is fair and beneficial to all, don't we need more entrepreneurs who truly represent all facets of society?

Totally. This is something we feel very strongly about at Indie.vc. We believe there is immense potential in people who aren't historically funded by VC investors, who have, for too long, just been ignored.

Going purely by the numbers, the vast majority of traditional VC funding goes to a very slim demographic profile: really well-educated men or male college-dropouts. Women raise less than three per cent of the venture capital that's currently out there. People of colour raise less than one per cent, *much less* than one per cent! And despite all the recent talk about increasing investments in businesses started by

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Top bookmarks
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Top apps
Tweetbot, Instagram, Swarm, Timehop, Outlook

Recommended reading
The Social Animal by David Brooks, *WTF? What's the Future and Why It's Up to Us* by Tim O'Reilly, *The Tanning of America* by Steve Stoute, *Spritual Roots of Human Relations* by Stephen Covey

Inspired by
Anna Marie Roberts: I knew I wanted to marry her in a week. We got married in three months. I've spent twenty-two years watching and learning from her. I can only hope to pour as much of myself into my work as an investor as she does into her work as a full-time mother.

Favourite accessory
My Airpods: I alternate between music and phone calls all day. I think they look a little silly, but I don't know how I ever worked without them.

Tea or coffee
Crio Bru with a little stevia and almond milk – best enjoyed in silence once the kids are at school.

On the web
indie.vc

underrepresented groups, those numbers were actually *down* again last year. There is also a geographical divide: most venture capital goes to New York, San Francisco, and Los Angeles. If you're not based in these areas, your likelihood of having access to capital drops dramatically.

There are so many 'hidden' pockets of people with unique business ideas that address specific markets which historically have not been attractive to traditional venture. So, if you're one of those entrepreneurs, running by the same fundraising playbook is unlikely to get you anywhere. We think that given the right resources and support, some of these overlooked founders are going to create and grow huge and important businesses. That's why providing an alternative form of fundraising to groups of underserved entrepreneurs has always been important to us.

How did you first manage to reach out to these underrepresented groups, and how big a role do they play for Indie.vc now?

When we first announced Indie.vc, a woman called Marci Harris wrote a blog post in response to it. She described the benefits of Indie.vc in a way I hadn't even thought of. In her post, she explored the idea that women build companies differently to men. With fewer options available to them, women have had to bootstrap more, make do with less, and focus on revenue sooner. She pointed to specific research showing that women-led private technology companies are more capital-efficient. She also observed that women tend to avoid the bombast required to win typical VC pitches. While they have no trouble thinking big and working hard, female founders generally preferred to under-promise and over-deliver. Her conclusion was that our model was a great fit for female entrepreneurs.

This post of hers really had an impact on me. We organised a tour around the country to introduce entrepreneurs in different cities to the idea of Indie.vc. Someone in Portland, Oregon, challenged us to aim for a 50/50 gender ratio. To be honest, at the time I think I responded by saying something along the lines of 'I just want to fund great companies, be they male- or female-led.' However, the idea of genuinely aiming for gender balance stuck with me.

In the early days of Indie.vc, we fortunately made the decision to bring on Sarah Milstein as a consultant and she was very explicit about gender and racial biases. She continuously questioned whether we were factoring those biases into the decisions we made. As a privileged white guy, it's very easy for me play down these issues, so Sarah's keen insight and persistence about keeping it at the top of our minds was formative.

In the first batch of companies we funded, six out of the eight were founded by women. Now, two and a half years into running Indie.vc, female-founded companies make up more than half of our portfolio, which is wildly different to the industry standard. Looking at the years ahead, I think having this balanced ratio gives us a huge advantage in reaching even more people who feel left out of the traditional system, but have so much to offer.

What can more traditional investors do to support more diverse groups of founders?

I think – more than anything – write cheques. It's as simple as that. They should take the money they might spend on hosting a conference about diversity, and instead issue cheques to founders from disadvantaged backgrounds. It has an incredible compounding

effect. Once women and people of colour recognised that we were particularly interested in investing in them, the word got around pretty quickly and we received lots of referrals.

Bigger investment firms looking to grow their own team should also be mindful of who they're bringing on. Whenever I've worked in teams with staff that didn't look like me, it tended to generate more interest from people that looked like them. And while I do see more women and people of colour getting added to investment teams, there aren't enough incentives yet to run their funding efforts differently. Pattern-matching is just hard-coded into the traditional venture world, so the key part, really, is being open to change and to finding new patterns of success.

Could you give us an example of what such a new pattern could look like?

Part of our first cohort of companies was The Shade Room, founded by Angelica Nwandu, an African-American woman from Los Angeles. She's aiming to build a media company the likes of Vice or BuzzFeed but with a clear focus on the African-American community. She received some initial funding from us with the only 'condition' being that she do more of what she was already doing. Within the first year, she grew her business by a factor of twenty. After finishing on a similar growth trajectory last year, she now effectively has a Series A-worth of funding on her balance sheet. She doesn't have to ask anybody for permission or seek validation of her business model from others. On the other side, I have VC investors emailing me almost weekly to ask whether she's already found someone for the next round of funding. Having results that speak for themselves instead of pitching the potential of an idea is a much more powerful position for an entrepreneur to be in.

I think there is a very real sense of stewardship that comes with what we're doing here at Indie.vc. There are a lot of folks who are hanging their support and hopes on the success of our model. If we can show that it works over the coming years, it will open the door for a lot more people and hopefully it will inspire other investors to support these alternative ways of thinking about venture capital.

In the meantime, 'traditional' investors are experimenting with new technologies, such as AI or crowdsourcing, to help identify and evaluate new investment opportunities. Ultimately, though, it's the same model, just repackaged. There is nothing fundamentally different about how they're practicing their craft.

What would it take to create a more emotionally sustainable entrepreneurship model? Entrepreneurs are expected to be 'crushing it' or 'killing it' at all times. Does it perhaps start with a change in language?

That's a tough one to answer. The biggest threat to a successful project is the thing that sits between our two ears. If telling yourself that you're 'killing it' helps you get out of bed and face another day when the entire world is telling you to quit, I'm not going to judge you.

As an entrepreneur myself and an investor in entrepreneurs for most of my career, I now possess a decoder ring: when someone tells me they're 'killing it', I know to translate that to 'I'm doing OK, but I'm scared.' So I don't think we necessarily need a change in language. I think we generally need to be gentler with each other – regardless of the language someone chooses to use.

One of the founders I work with has a simple way of checking in on where she is emotionally. She starts every conversation with what percentage her metaphorical battery is charged. Some days, it's 15% – not so good – and some days it's 110%. Of the many roles we play as investors, becoming someone's trusted advisor, someone they can be vulnerable and open with, is the one I cherish most. You don't need an investor to be that person, but I'd encourage every founder to find someone who understands their journey and stands ready to do a frequent battery health check. •