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Google Ventures Casts Wide Net In Search Of Next Google

From [Venture Capital Dispatch](#):

[Google Ventures](#) took the cover off the Internet giant's venture arm, saying it intends to invest another \$100 million in its second year, after investing about \$100 million in 10 portfolio companies in its first year.



AFP/Getty Images

Google Ventures is seeking out companies with massive potential and is not basing its investments on companies that bring strategic benefits to Google Inc., said Bill Maris, managing partner of Google Ventures, at a meeting with reporters at the company's Mountain View, Calif., headquarters.

“We’re not serving a strategic purpose and looking only for companies to help Google,” Maris said. “We’re looking for companies Google can significantly help.”

Google Ventures is also adhering to a venture capital model in seeking out strong returns, unlike its more experimental cousin Google.org.

“This is a for-profit investing firm,” Google Chief Executive Eric Schmidt said.

Google Ventures is investing across all stages and in a range of sectors from biotech to energy to its specialty, Internet technology. The investing group has been in operation since last year but had said little publicly. On Friday [VentureWire reported](#) on Google Ventures' investment staff, which is made up of members from various parts of its corporate parent.

One of the firm's differentiators is its ability to pull in experts from across its 20,000-person company to assist start-ups with design, human resources or programming.

"We leverage all Google's resources, whether technical or human resources or facilities or subject matter experts to help with everything from product launches to code reviews," Maris said.

Schmidt also said the venture arm's advantage is its technical insight and experience.

"Google Ventures can tap thousands of [employees] and understand the subtleties. The average venture firm doesn't have access to that knowledge," Schmidt said. "That's probably the nicest way to say that. In theory that gives us a competitive advantage because we have a better understanding of what people are doing. It doesn't mean we're better investors."

With its 16 venture professionals, Google's definition of a venture capitalist is different than that of a traditional fund. For example, Braden Kowitz, who is a partner in the firm, previously led design for Google products such as Gmail, Google Buzz and Google Apps for business.

Kowitz spent time with portfolio company Pixazza, an image monetization start-up, to revamp some of the company's design.

"He was able to re-jigger some their (design) which resulted in substantially higher response rates...that exceed designs that they created and tested with their in-house teams," Maris said. "It's very difficult for a start-up at that stage to get that kind of access to that expertise."

While acknowledging that Google has been active on the acquisition front, Schmidt said Google Ventures is not a "stalking horse" for finding companies to acquire.

Most corporate venture arms have a traditional salary and bonus structure while venture firms tend to compensate more based on the performance of portfolio companies. While not directly saying how partners would be compensated, Maris said Google Ventures would follow more of a venture model.

"The incentives and fund structure are similar [to venture capital] to set up to incentivize financial return," Maris said. "The venture business does one thing well - pay for performance. That's an important part of aligning everyone's incentives and objectives."

Unlike most corporate venture arms, Google Ventures is structured as a separate but wholly owned entity, with a new fund each year, Maris said. Google Inc. is the only limited partner in each fund.

While Google Ventures is only investing in the U.S. now, Schmidt said the firm could expand to international territories.

Schmidt said he is not personally involved in investment decisions.

“Venture investing is best done by partners who suffer the consequences of investing very directly,” Schmidt said. “Venture is a phenomenal achievement of America. I think all of us, certainly my entire life, was defined by early people who created the venture industry. We’re trying to follow the best practices of that model.”