Bill Draper, general partner of Draper Richards L.P. and co-chair at Draper Richards Kaplan Foundation; excerpted from an interview with the National Museum of American History, August 19, 2015. It has been edited for clarity and ease of reading.

On the early days in the venture capital industry

I may never have ended up in California, but I was lucky to be born to a terrific father. He became Undersecretary of the Army and the first Ambassador to NATO and in charge of running the Marshall Plan in Europe. My dad had been an investment banker and, after Paris, he started Draper Gaither, & Anderson in Palo Alto, California. I was one of five young men who was asked to come join the three founders. I was 31 years old. This was in 1959, and there was no other venture capital company in the West; Silicon Valley was orchards and Palo Alto was a sleepy college town. While we were first, there were several others that followed soon after, and we all cooperated in sharing ideas and new deals and so on. Today there's not nearly as much cooperation among the venture capitalists. As a result, I don't think that either the record of successes vs losses or the financial returns are nearly as good today. So we were lucky to be first and I continue to be lucky to live and work in such a beautiful, friendly and productive environment.

A lot of the technology companies were founded because of Stanford University and one marvelous man named Ed Turman, who was the dean of the engineering school and then became provost. Ed had the idea that a lot of creative technology products coming out of Stanford Engineering weren't going anywhere unless they got connected to some financial and business enterprises. When I left Draper, Gaither, & Anderson three years later to start my own company (ultimately Sutter Hill Ventures with Paul Wythes, but initially Draper & Johnson, with another good friend, Pitch Johnson). The first company Draper & Johnson invested in, Illumitronic, was founded by a very bright technical person out of Stanford, Joe Gulie. Our role was to invest some equity and help him in any way we could. We found a financial person, Henry Riggs, who was actually teaching finance at Stanford at the time. He became the CFO, and the company did quite well after we invested around $70,000 for about 25% of the company. Their product was a checkweigher which knocked off packages that were underweight from automated lines, e.g. cereal boxes. My first investment at Sutter Hill Ventures was more significant – Corbin Farnsworth, which produced the first external defibrillator ever made.

As venture capitalists, back then we made a lot of telephone calls to learn about a company; there was no Internet. We would check with others that might know more about the market or how the service was going to be delivered and how important it would be to the customer. How easy would it be to attack that market? And how much competition might they have? And so all of that came from personal telephone calls. And then there were repeated meetings with the entrepreneur, so you could really understand what kind of person he was. There was no "she," by the way; it was all men. He would meet with you several times. I always liked to go to his office, or plant, or perhaps it was in his home. I liked to see what and who was around him in his own environment, rather than meeting him in my office.

Let me give you an example of the informality and simplicity of how venture capital worked at Sutter Hill Ventures in the early days. Here's how I got involved with Activision: Four young men came to see us because they wanted to start a company. Of course, I wondered if these people were a good bet and whether their idea of a game company devoted to only making games would work. So I said, "You know, I don't know much about these games that you're talking about." One of the men interrupted me and he said, "Do you play bridge?" And I said, "Sure, I love bridge." He said, "Tomorrow, I'll get a game over to your house." In those days everything for the computer was on tape, and so he gave me the tape for the game. I played it and as I said, I love bridge. I was able to play four handed bridge by myself. My computer partner and opponents were very good bridge players. It was colorful and fun. After that I was eager to write the check. I was on the Activision board of directors for the first five years or so. The last item on every board agenda was "Game Time". As a result we worked through the agenda very quickly at every meeting.

The whole philosophy of our venture capital company was to do something for the management team which was typically inexperienced in business. We always joined the board and usually focused on trying to get the best possible management, to build up sufficient capital to take advantage of the best opportunities. The mistake we often made was spending too much time on losers and not saying, "This is never going anywhere." I still do that. I go to the board meeting, and I know the company is never going to make any money for me, but I stay interested in the team. It is almost like your family; it is like a social event for me. We love working with these young, creative people. That is the great fun of being in the venture capital business. We spent a good bit of time with these guys, trying to help, trying to make them successful. If they are not successful, we consider it our fault as much as theirs.

On the philosophy behind venture capital

There are very few people who really make a difference in this world, but when one comes along, you don't want to miss it. Venture capitalists are constantly looking for entrepreneurs who are on the cutting edge. There are firms and banks that have well-structured productive programs that have been around for hundreds of years, and they all have a place. But venture capital has that niche where there are no guarantees, no security to assure the repaying of a debt. The willingness to plunge in with equity, unsecured and take a chance that the company will succeed despite the murky and uncharted waters ahead. That is why Silicon Valley will always need venture capital. Especially for new technology which has high risk and high reward. We wouldn't back somebody who came in and said they want to start a new grocery store, or they are going to build a chain of hardware stores. There is nothing unique. That's not our niche.

The venture capital partnership relationship with the entrepreneur is really important. There has to be a good relationship between the entrepreneur and his financial sources e.g. commercial and investment banks. The support system that the financial connections and financial experience venture capitalist gives to the entrepreneur is therefore very important but a deep understanding of other problems facing a startup may be even more important in the company's early days. Both sides should do thorough homework on the other. The venture capitalist definitely should do a lot of homework on the whole entrepreneurial team before signing on; but the entrepreneur should do his or her own homework on the venture capitalist. It is extremely important that their relationship is a good fit. It is time consuming for both parties but may make the difference between success and failure. Venture capital is a very exciting, fast moving business. The venture capitalist is dealing with young people who are curious and creative and daring. It couldn't be more fun. And it has proved to be the fuel for energizing the most promising and productive sector of the American economy – entrepreneurship. Many people think venture capitalists are only interested in making money but the venture capitalists I know are more focused on helping to build great companies.