NEA's Dick Kramlich Plans Year Stint in China

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Have any doubts Silicon Valley's venture capitalists are really going global? More proof: Dick Kramlich, one of the region's longest-serving technology investors, is picking up stakes and moving to Shanghai for a year.

"My daughter calls it 'senior year abroad,'" said Mr. Kramlich, 72 years old. In January, he is headed to China with his wife of 26 years, Pamela, to drum up deals for New Enterprise Associates, the venture firm he co-founded in 1978. The Kramlichs, who live in San Francisco and are known for their art collecting, already have rented a three-bedroom apartment in Shanghai's glitzy Xintiandi district.

Many brand-name Silicon Valley venture firms have been moving into China, including NEA, Sequoia Capital and Kleiner Perkins Caufield & Byers, among others. The push into overseas markets has intensified in recent years as venture returns in the U.S. have remained relatively mediocre and venture capitalists seek better returns in fast-expanding economies abroad. Still, U.S. venture firms often are criticized for not understanding the way business is done in China, and for being part-time "fly-in" investors who aren't committed to the country.

NEA, which has offices in Menlo Park, Calif., Baltimore and Chevy Chase, Md., made its first investment in China in 2000. It has put about $300 million in Chinese companies such as chip makers Semiconductor Manufacturing International Corp., known as SMIC, and Spreadtrum Communications Inc. Other investments include Redbaby Information Technology Co., which delivers baby products to new mothers at home, and Lianlian Pay Inc., a mobile-payment-service provider, said Scott Sandell, the NEA partner in charge of the firm's China practice.

But making money from Chinese investments is tough. NEA sank about $120 million into SMIC, for instance, and the company went public three years ago. While SMIC's shares were originally offered at $17.50, they were recently trading at under $5.

NEA's Mr. Sandell, 43, was the obvious candidate to move to China when NEA decided to put a U.S. partner on the ground there. But Mr. Sandell has small children and was concerned about the move, he said. So Mr. Kramlich, at his wife's urging, volunteered to go instead. "My partners couldn't believe it," said Mr. Kramlich, whose firm has about $8.5 billion in committed capital. He adds: "How many times do you have the chance to move to the eye of the storm?"

"I think Dick can advance relationships [in China] because of his stature," Mr. Sandell said. Mr. Kramlich said he will investigate launching an investment fund denominated in Chinese yuan, instead of U.S. dollars, which would allow NEA to more easily take companies public on Chinese stock exchanges.

NEA also has focused on recruiting local talent in China. In the past six months, the firm has hired two senior venture advisers: Songde Ma, a former vice minister of science and technology for the Chinese government, and Xincheng Yuan, who last year retired as vice chairman and chief operating officer of Chinese electronics manufacturer TCL Corp.

They will be working alongside Mr. Kramlich, who worked in the late 1960s and 1970s with pioneering tech investor Arthur Rock, one of the investors behind Intel Corp. and Apple Inc.

Some might view Mr. Kramlich's Shanghai adventure as a symbol of the overexuberance many investors are showing for China. Valuations for China deals, particularly at later stages, have skyrocketed, investors said. And with so many inexperienced venture firms flocking east, it seems likely there will be some big losses to mop up later.

But NEA seems sure about its strategy. "Of course it's a bubble," Mr. Sandell said of the China-investing craze. "But it might last 50 years."