



## Stanford eCorner

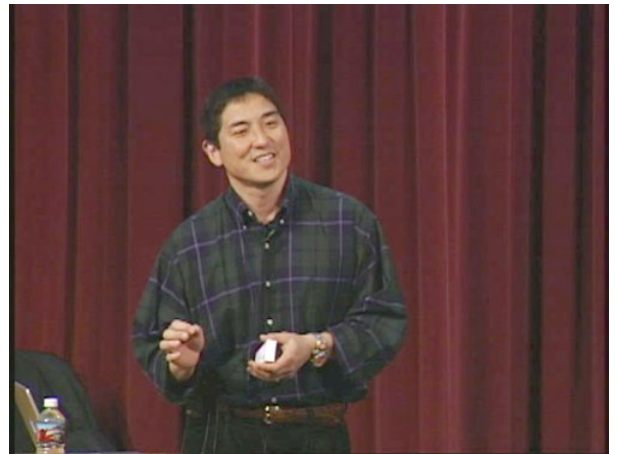
### Entrepreneurs: Then and Now

Guy Kawasaki, *Garage Technology Ventures*

February 19, 2003

Video URL: <http://ecorner.stanford.edu/videos/268/Entrepreneurs-Then-and-Now>

Kawasaki provides advice about foundation, priorities, financing, key employees, getting the word out, leveraging resources, scope, business development, raison d'etre, and the big picture. For example, a few years ago, cleverness was the priority, he says. Today, expertise in technology is important and entrepreneurs should be thinking of making the world a better place, he adds.



#### Transcript

OK, so "Then and Now -- Advice to Entrepreneurs". All right, so just remember back then, back then is 1997-1998. Now is now. OK, so this is the difference in advice to entrepreneurs. Back then, the foundation of most entrepreneurs was cleverness. Cleverness, meaning, "Oh, let's see. We got drunk one weekend, and we figured out that there are 300 million people in the United States. Roughly, one out of five owns a dog. So, that means there are 60 million dogs, or so." OK? "Each dog eats two cans of dog food per day. That's 120 million cans of dog food per day.

How hard could it be to sell 1% of that dog food thru our website everyday? So let's start dogfood.com." Well, this intermediate the brick and mortar pet food store. OK? That's an idea of cleverness. Today, the foundation of a company is technology. That's why I'm speaking at the engineering school, because it's all about technology. Early stage investors want to invest in stuff that is made out of technology. I tell our people at the Garage, if I, Guy Kawasaki, psyche major at Stanford University, can understand the technology behind the company, the company is not viable. If I'm clueless, that is a good sign. All right? Second thing is the priority. Back then the priority of a company was to build a brand. That's why people advertise at the Super Bowl.

You were going to capture 12 million eyeballs. If you capture 12 million eyeballs, somehow, you'd be able to monetize that brand. That is no longer the priority at all. The priority is to build a business. It is all about business. We have gone from a world based on PowerPoint to a world based on Excel. It has gone from pitching businesses to actually doing business. In fact, more accurately, we have gone from a world built on PowerPoint to a world built on Great Plains Accounting. The third thing is the financing. Back then financing was "raise more money." Don't worry, capture the 12 million eyeballs and figure out the business model later.

It is land grab. Grab as much of the internet as possible. If you grab a lot on the internet, we'll find a revenue model; we can always raise more money. There is \$20 billion sitting on the sideline, it's no problem. We'll raise no money. Now, it's bootstrap. Bootstrap meaning use friends, fools, and family money, use your credit card; make people pay for beta testing, you know, do whatever you have to do. I would still recommend you go to the Office of Technology Licensing. Don't do anything unethical. But, basically, you have to bootstrap.

It's a very difficult world. The fourth thing is key employees. Back then, the key employees are MBAs. These MBAs, they drove a German car. They use Brute. They had their ears pierced. Those are the refundable entrepreneurs. When people said

we wanted a serial entrepreneur a few years ago, it was spelled C-E-R-E-A-L. They still eat Cap'n Crunch. Today, when they say serial entrepreneur, it's S-E-R-I-A-L.

It's an entrepreneur who has done it more than once. So the key employee back then was an MBA. You know, if you work for a summer at McKinsey, that's all you really have to do. Work for a summer at McKinsey, pierced ear, Cornflower Blue shirt, drive a German car, that's it. Refundable. Today, the key employee is an engineer. It's you guys. Obviously, I cannot give this speech on Saturday. It's Stanford Graduate School of Business. To further limit my options with this speech, I tell you.

One of the questions that many, many people have asked me is "How do you figure the valuation of a company?" Because, obviously, the harder the valuation, the less of the company you sell when you raise money. So you know about Moore's Law, right? Now, I'm going to tell you Kawasaki's Law. Kawasaki's law is as quantifiable and as valid as Moore's Law. This is Kawasaki's Law for figuring out the valuation of a technology startup. You take every full time engineer. The engineer is worth half-a-million dollars. Take every full time MBA, you subtract a quarter-million dollars. Now, you laugh! You think I'm being fictitious, but generally speaking, look at tech startups. Half-a-million for an engineer, subtract 250 for an MBA. If you have an engineering degree and an MBA, you net out at 250.

That's how you figure pre-money valuation. Got that? How many have MBAs in here? I do, too! Don't get me wrong. I do, too. So there's negative 2 million right here. Guy, we know you're right. Cause there are those of us who haven't. Yeah. Now, getting the word out. Back then, we got the word out with advertising, right? Super Bowl commercial. Get 12 million eyeballs.

Today, it's PR. The difference between PR and advertising is this: Advertising, you basically pay for. You know, you're buying the space, you're buying the ad. PR is where you get other people to say good things about you. Now, to do PR, you have to do a good product or service, minor detail. But that's the key, that you really want people talking about you. You want journalists talking about you. As far as leverage, which is sort of related to this, before, there was this sort of concept of technology as leverage. Let's disintermediate all the parties that don't add value. Let's take them out of the chain.

Today is very different. It's all about evangelism. Evangelism, for those of you not familiar with the term, is the process of selling people on your dream. It is getting people to believe in your dream as much as you do. It is your dream because you believe that your product or service is a way to make the world a better place. So it's not about "I'm a stockholder." It's not about "I'm an employee." It's not about "I'm getting paid to rep this thing or sell this thing." It's because you see this product or service as a way to make the world a better place. So evangelists are unpaid. They want to do it to make the world a better place. An evangelist is much more powerful than a salesperson. To this day, Apple Computer is doing OK because of its evangelism, not because of the sales rep.

So what you want to do is recruit evangelists, not sales. The seventh thing is the scope of a company. Back then it was to think global. It was to have an office in every city that the sun would never set on a startup because it's a global economy. To put it mildly, it's now about acting local. It's about getting your sales done in your local area. If you can't sell in Silicon Valley, you won't be able to sell anywhere else. You've got to act local. You've got to sell local. You've got to prove your model local before you even think about taking it to Asia or Europe.

The eighth thing is the business development. Back then, business development was all about alliances. Everybody would announce alliances -- alliances with Stanford, alliances with IBM, alliances with Oracle, alliances with Microsoft, alliances with Anderson Consulting, you know, alliances with Enron, alliances with everybody. It was because nobody really had good business development business models. So since you don't have a model, you're capturing 12 million eyeballs, you better announce that alliance to blow some smoke. So, today, that's changed. Now, everything is about revenue. Just revenue. When all the dust settles, it's about revenue. It's not about alliances.

Partnerships don't mean crap. It's revenue. You're either doing business or you're not. The ninth thing is the raison d'etre of a company. Back then it was liquidity. You know, Trixie and Biff at the front desk have figured out they're going to be millionaires. That's in 18 months, if it takes that long. The reason for a company is not liquidity. The reason for the company is passion; that's your search engine, that's your router, that's your debugger, whatever you're building. Whatever you're building, it's about passion because you love it.

If you love it and you change the world, you will be rich. But you shouldn't do it because you want to be rich because it's not lofty enough a goal; it's about changing the world. Now, there are cases of people who changed the world who didn't make a lot of money, I must admit that. But there are lots of people who set out to only make a lot of money who didn't change the world and didn't make a lot of money. All right? So if I were you, I'd pick changing the world and just have the optimistic belief that if you do change the world, you will make money, too. Tenth thing is the big picture. The big picture is, back then, the advice to entrepreneurs was "Build me the next big thing." And I have to tell you, this is one source of goodness. I still think the big picture is building the next big thing. But today, even today, people who have built companies, you should be building the next big thing. Don't just do things that are 10% or 15% better, or 25% better.

Do something at least 10 times better. You know what, you got nothing to lose. Do something 10 times, don't be chicken shit and do something 10% better. Go for it; just go for it because, you know what, I worked for Apple in the Macintosh Division. That was going for it. That wasn't making a slightly better Apple-tude that was going for it. And when you go for it, even if you fail, that is so exciting. And it's almost better to fail at something grand than to succeed at something marginal. Just go for it. So that's "Then and Now for Entrepreneur".