



## Stanford eCorner

### VC Words of Wisdom for Entrepreneurs

Ann Winblad, *Hummer Winblad Ventures*

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According to Winblad, the intellectual capital in your company and the coaching it gets is more important than money. There is a high bar for hiring employees. Most companies die of self-inflicted wounds rather than from competition or lack of opportunity, she says.



#### Transcript

So, before we get to Q and A, I'd like to give you a few words of closing advice. The window, the opportunity window is now open for software. It doesn't open very often. Opportunity windows are always there. You can find the opportunities if you hunt around. But it's a little like hunting for truffles. I'm happy to say that that's our job as venture capitalists. It's truffle hunting and I like to remind people, in Italy it's greyhounds that hunt for truffles. It's only pigs in France. But right now, it's a wide opportunity window and it will not be open for long.

Second is, you need to meet engineers. One thing in common is, it is the era of engineer starting companies again. These are massive inventions. The guys at Voltage have eleven patents pending. It is a revolutionary mathematical breakthrough which eliminates certificates, which effectively obliterates the PKI security infrastructure. By eliminating certificates, the guys have a huge patent portfolio which would change disaster recovery. So it is a time for looking forward and finding out how you can actually engineer software better. And there are only a few times that this happened. It happened in the early 80's with the launch of the PC industry when there was stability in the operating systems. It happened again when people said "Oh gee, how about client-server computing".

It happened in a huge burst, of course, with Netscape and the start of the Internet and Mosaic. It was too huge of a burst. And a lot of that stuff is not done. There are a lot big customers calling us every day asking us for pieces of software that do not exist. The intellectual capital in your company and the coaching your company gets is more important than money. There is plenty of money out there. Five billion a quarter. When I started myself a company there was zero billion a quarter for software companies. We had to fund our companies the hard way. Through sweat equity.

But right now, it really is the quality of intellectual capital. Most companies are being very picky about who they hire. If any of you have gone through an interview process, I think you're probably pretty shocked. It's not like "Oh great, you're a warm body, come on in." which was a challenge in the boom era. There are multiple people interviewing you. You know you're going to have to work hard. But really, if you start a company today, set a high bar for the people that you hire. Set a high bar for yourself. Very few of the engineers coming to us are saying I want to be the CEO. They're saying "Look, I need to help you.

I need you to help me find the best CEO possible, because I need to have someone I can learn from. Someone who can compete in a challenging market. Someone who could take this from concept to company. And someone who can build a very large - can actualize the opportunity out here." Last, but not least, I didn't mention focus. It's tough to be best at anything, let

alone everything. So understanding what your core competencies are is key. Many companies that get to the fringe say "Well, why don't we just go here instead of there?" Even though they don't have any competencies in the Venn diagram piece to the right or to the left. If you fail in your core competency, you fail. You can't build a new one. But you should also understand where your core competency strength is.

It's very very hard to wander around as a company and keep trying different things that don't tie to that core competency. Last but not least, and I put it in small letters, is most companies don't die because they were killed off by a competitor or because there wasn't a market opportunity. They die of self-inflicted wounds. And that's just poor execution. They don't look hard at "Am I getting a venture capitalist that fits my team?" You want people on your board that you can call up and say "You know what? We're a little confused here. We think we got this right, but can we do a little brainstorming here." Or "Hey, I need access to this customer now." Or "I need access to this partner." You need to choose very carefully, not just the people you work with, but your coaching bench. That means your lawyer as well. And your accountant. All the people that surround the company. Because you're likely to fail not because you picked a wrong opportunity, or not because a competitor crushed you, because you made mistakes.

And that means it's easy to be successful. Because if you actually just surround yourself with excellence, really knit yourself into the market mat early, have a core competency and a real breakthrough idea. You should always look forward not backward. I had a young entrepreneur come up and talk about adoption and route to market saying "We're going to have to water down the integration of our product to make it more acceptable to our core market. Because they don't really want something so revolutionary." My answer to that was that's fine. As long as you know what assumptions you've made to start. That you've assumed that your customers will only accept this. And keep testing your core assumptions. Boil down your business plan. Tell everyone in your company what your five top assumptions are for success.

Consider a 52 deck of cards. That what you hope is over time, you could keep turning over those assumption cards and turning them into facts. But when you start, they are nothing but assumptions. They are not facts. Many companies start without knowing "What are we assuming about our product, about our competition, about our pricing strategy and about our customer and our go-to-market strategy?" Nothing more than that. Understand those core assumptions. Determine if they're true or false. If they're false, change it. If they're true, keep on going.