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Entrepreneurial Lessons: Find Value and Make Impact (Entire Talk)

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Amit Chatterjee, founder and CEO of Hara, the growing energy management solutions company, shares the wisdom of his entrepreneurial experience. He covers an array of topics vital to launching and running a successful enterprise, including the importance of product innovation, new market development, thriving in a competitive landscape, and the critical importance of building a brilliant team.



Transcript

So what makes Amit Chatterjee so special is a few things. One is, this company that he has founded and that he is CEO of is truly a 21st century; it's at the intersection of software or information technologies and clean technology. So that's very interesting. One of the members of his board of directors is a colleague of ours upstairs, in MSNE Jim Sweeney who runs the Precourt Institute. We also are pleased that he has been an employer - and I thank him very much - of several Mayfield Fellows in the Mayfield Fellows Program, who I think we've got them in the room as well, for not only last summer, but this summer as well. And like me, he loves both Berkeley and Stanford - because I'm a Berkeley grad with him - but we also love Stanford. And we're all Stanford football fans this year, aren't we? Absolutely. We're all fair-weather fans, even if we went to Cal. So that's very, very cool. And with a background at SAP and McKinsey - we can forgive him for that - he's a true entrepreneur.

So let's say hello to him. Welcome to Stanford. Thank you very much. Yeah, I'm never going to live that taping down saying that I actually prefer Stanford football over Cal football when I go back to watch the games over there. Thank you very much for the opportunity to talk a little bit about entrepreneurship in this wonderful new auditorium. It's a great place and I love being part of a soft launch since it's apparently not yet been fully designated. I want to tell you a little bit about myself, some of the learnings that I've had in terms of how I got to the point of building Hara. And then, talk to you about what I think it takes in terms of what are the key things that you want to know as you're thinking about whether or not entrepreneurialism is a lifestyle for you and something you want to pursue. And more importantly, I'm going to try to do that in sort of 15 or 20 minutes to condense it. And then leave the questions open to you all.

Because at the end of the day the questions you're asking, probably 16 others are asking, rather than me trying to anticipate what the answers are. Really quick: As Tom said, I went to Cal undergrad. My father was a doctor, my grandfather was a doctor, my great-grandfather was a doctor, my great-great-grandfather was a doctor. So the assumption was already pre-ordained that I was not even ever going to leave the grounds of the hospital, but actually choose to, actually start medicine. But as Robert Frost often says, "You don't want to go into medicine today." Just kidding. It is, "The path not often taken is more often the way you want to go." I started, actually, in the medical field initially in a biotech company called Therazan, which essentially took ayurvedic medicines and brought them into the US market to try and create formulary-based FDA processes. We focused on arthritis. Rheumatoid arthritis is one of our first stories. Very quickly, the two co-founders, who were PhD's etcetera, really got the attention of Roche and we got acquired eight months into actually designing that whole process. So I got about that much time of really what it took to be an entrepreneur, but got a really good story of trying to figure out how to do in-licensing and out-licensing.

Second one I did was Marc Andreessen and Jerry Yang, legends in sort of the internet culture, have launched by that point

the Netscape story, the Yahoo story, and I suddenly started to realize that I could help companies get on to the internet by designing websites. And so, I started doing that. And you got paid a lot for that because it was very new, very early technologies. I spent a lot of time doing that - United Airlines, Discovery Channel, M&Ms Merrill Lynch private client site - lots of different customers across the landscape. Eventually, we got rolled up and went public because there was a lot of opportunity to do that. And one of the things you got to know, entrepreneurial lesson #1: Don't assume that building a company versus financially engineering a company are the same thing. Just because you can go public doesn't mean you will be successful in the public markets. But I didn't know that. That was a lesson I had to learn. And we went through that process, a hair-raising process, that while I would love to take a company public again, I would not want to orchestrate one again.

The third company I did was a chat instant messenger company. This was with two brilliant Java server team members who left Java - Sun Company, now part of Oracle - to go and do something net-new. And I got an opportunity to build, what was at that time one of the competitive chat instant messenger companies. We eventually sold that to Excite@Home. I think it was April 2000, I actually joined and I actually put on a "suit" and joined McKinsey & Co. Perfect timing, because the market was crashing in that era. I spent a lot of time doing that, learning that #1: There is value in putting on a suit and being able to credibly talk about strategy in international experience, managing disparate teams without actually owning payroll. And it became a great lesson for how to think critically and strategically. I was actually recruited out of there to then work at an even older company, SAP, a 38-year-old software company. I didn't even know what they did.

I'd always say, "What is SAP?" It was actually three letters for German. And to this day I still don't know what they mean. It's SAP, it's an enterprise software company. And I worked with a guy named Shai Agassi who's one of these great intellectual brains who really gives an entrepreneur's entrepreneur. And he has sort of revitalized my desire while I was at SAP to go back and do something that I could do back to now saying, taking consulting, taking the business of working at a Fortune 5000 company to working at entrepreneurial startups. Could I create a new startup in a different way? And that's what led me to Hara. I spent a wonderful amount of time really figuring out that what I'd done in the different places, of where I'd made mistakes, where I'd had tremendous successes, could all now be channeled into a new pull story and built it from the ground up. My wife, who's actually here in the audience, when I talked to her about this she's like, "Wow, that's really exciting. You want to do a brand new ground up startup where infotech and greentech matter. Who's going to help you do this?" And I said, "Well, you know there's only one firm that really gets it right now that I can see and it's Kleiner Perkins.

I don't know if they're interested, but it would be great to go and talk to them about that." And we went and we talked to Kleiner. And the first time when we pitched it, Ray Lane who had been a legendary operator in the enterprise software space had said, "Hey, I don't do software anymore. I'm a car guy now." And you kind of had to go, "What does that mean?" You're one of the leaders of this space, how can you move in to that story? But Ajit Nazre, who was also an enterprise guy, really sees this idea. He said, "This can be big. This can be something excellent." And we started brainstorming what it could look like and really started to partner together to say there's an opportunity to take infotech and greentech together and really transform a new end-to-end business process for companies. And so we started down that stream of basically saying, "\$30 billion of alternative energy technology that are being created, there's no one at Coca-Cola, News Corporation, or Safeway that knows how to consume that technology." If I walked up to you and I said, "Here's some biodiesel," and you've never procured biodiesel before, you don't know what to do with it, right? So there's an opportunity for us to actually start to say, "We'll help become the consumer reports of alternative energy technology and drive that into the Fortune 5000." So Hara did that and we actually stayed in very much a stealth mode for the first time that we got money. And what we did was we never done that differently. That was a new thing to do, which is "be quiet". When you build a company sometimes the first thing you want to do is tell all your friends what you're doing, tell anybody who's willing to listen that you're going to be great, right? We chose the opposite tact. We chose to actually build something that was great and then let the world find out about it.

And that was very important because it kept us focused. So the first eighteen months, the company was dead silent. People had heard of this company called Cloro, which was our stealth name. We'd go around to different greentech meetings, listen to them, talk about stuff, understand things, and walk away. And then at night - myself, one of my co-founders Udo Waibel and the other co-founder Volker Enders - would sit around and say, "OK, what does this mean to the product that we have? How do we deliver value and continue to iterate on the product like that?" We eventually triggered that into something that we could build. And the City of Palo Alto, one of our first customers, we showed it to them and they said, "Wow, we'll actually pay money for this." And then suddenly you knew you have a little business. And then we went to Coca-Cola and said, "Look at this." And they said, "Wow, with a couple of feature adjustments, we'll buy it." And so forth and so on. And then suddenly you've got this unique traction where you felt really excited. So we now said, "OK, now it's time for us to tell the world what we've done." And Hara actually went out and did start selling 15 months ago, so in June 1, 2009. And have basically been on a whirlwind tear of having gone from relatively unknown to #1 in a market that we participate in, which is called the Energy Environment Management Market.

Hara captured about 80% of the market share from June-December of 2009 and then continued on a relatively similar pace of 60-70% market share up through now, this year. Hey Jim, how are you? Thank you. Even though there's a global audience,

Jim Sweeney - one of my board members, so technically my boss - is here, so I'm going to have to even be more on point. With Hara what we ended up doing was we went focusing on cost-savings and energy efficiency. And that was fundamentally different when we came out to the market. No one else was doing this. Everyone else was talking about climate change in Copenhagen and carbon calculators. And that was what they were focused on. And when we looked at the problem, we said, "It's not just about calculating how much carbon that you have, but it's what are you going to do to reduce it? How are you going to find a way to change the world if all you do is report on how much carbon you have but you're not actually figuring out how to lower that?" So we actually took that story and we said, "If there's a way to deploy energy efficiency, if there's a way to drive costs out of energy consumption, customers will purchase this because they will have the dual meaning of 'green'. It's not just about the environment, but it's about profitability.

Always helps corporations who still are measured, especially in the public markets, by what their performance is that if you can align the change in environment to profitability, you'll actually see a better opportunity for them to purchase your product and engage with it. So what we did was we built a very successful business in the US market initially. We've now expanded out into the UK market as well as the Middle East and Japan. Very different when I had first started in startups, it was almost unheard of until you had basically tapped out the US market that you'd even look internationally. But Thomas Friedman who wrote a couple of books has it right. There is a lot of competition. There are great ideas all across the globe because the world is flat. But more importantly there are customers, because the world is flat, that can procure at the same time as Safeway which is in Pleasanton versus Reed-Elsevier which is based in the UK, versus someone that is based in Japan. And if you choose as an organization to simply focus on your one geography, you will miss a huge opportunity. So that was what Hara did.

We on the one side focused on the environmental domain aspect. On the second stage what we did was we started to really innovate around information technology. This notion of cloud computing was just cracking the surface in 2007. And my co-founder Udo Waibel actually looked at this and said, "You know, the future is going to be in the cloud. Let's design our product. And more importantly, force our entire market to go cloud." Because the market by itself needs to be done in a way where we have community exchanges, where we've got to be able to pass information between end users, Faxconn working with Apple, or Safeway working with one of its consumer packaged goods manufacturers like Coca-Cola, they've got to be able to communicate about energy. They've got to be able to communicate about the environment. So what we actually pushed forward in a new highly-configurable, very leading-edge software design that is now really given us the ability to scale. So some of the fun facts that my marketing team has allowed me to talk about is so far we have about 40 customers globally, we have 94 countries that currently touch our product. If you think about it, only 15 months out in the market, you have to now make sure that as you upload something a new patch in the system, some guy who is in Bolivia on an Internet Explorer 6.0 is starting to log-in and starting to play with your information.

We incredibly stretched the performance of what our product had to do the first 15 months we were out. We just recently signed a deal where we'll actually be deploying across 250,000 buildings across an entire population size. So that's become very exciting and that's also going to challenge what our company is trying to do. We've done seven cloud product releases in over 21 months. And then lastly, we have over doubling every three months the amount of data in our system. That's completely unheard of and I didn't plan for it. When I thought about it and what I thought Hara would do would probably be like your financial system. You wouldn't really share it with the world. You kind of put it in a vault and make sure only six or seven people in your company have it. We now have customers that want thousands of people in their company to see how they're making changes around the environment.

Why? Because there's a passion behind what you're doing in the environment side. And having that type of passion is what was driving a lot of the opportunity for customers to want to continue to get more and more people on our system exchanging ideas. Hey let's do a turn-the-lights-off-at-5-o'clock. Let's do a bike ride. Let's consider insulation for all of our cold weather facilities, etcetera. It's doing a lot of programs and projects like that. So Hara is going down an interesting path. And I guess if I want to take a step back and then say, "What led all of this success? What did well to win in this market?" I think there are three things that my team is generally aligned on. Number one is passion for green. They actually care about the environment.

They're focused on climate change. They're focused on energy as a topic that they want to go after. Secondly, it's customer commitment. You know I think whether you're Zynga, or whether you're Hara, or whether you're a wind farm, you always have to have passion about who you're serving. If you don't care about them, you won't be successful. And then, three, it's honest and direct communications. People can actually tell us what we think inside our company. If they think it's a bad idea, they don't hold back. And fourth, most of my executives will say that the fourth - the hidden cultural bond of Hara - is we are all cheap. We don't spend a lot of money.

And I think frugality in an entrepreneur is very important. So hopefully that has given you a little bit of a lesson around what Hara does. When I think about what we've grown to, it's been an amazing journey for the last two-and-a-half years. And we're now set on pace to enter a very interesting market. And just to give you an example, right when we got funding with Kleiner that

was June of 08, so basically what we saw on our landscape of competition was a couple of things - #1: Guys who were 'two Bobs in a truck' competitors who did small things. And we kind of look at that and we said, "Wow, we're going to really be able to take over because we've dust off this shiny new shingle of Kleiner and say look at that! We're a Kleiner company. We're going to win this market." Well, June 2009 we had a new competitor enter, Tom Siebel, a billionaire who had spent a lot of money in the old days during software and to now he was suddenly trying to get dust off himself off and get into this space. Then there was also this large competitor, SAP. Four months before we were going to launch, that a company - this is a \$48 billion company - is now going to enter same space we were in. You can do two things in that way.

One, you can roll over and die. Or two, you can stand up and really try and establish world-class presence. That's what I mean by customer commitment. Because we serve our customers better, because we care about what we do, customers see that. They see the brand of the employees that we've built, and they see the technology and they get excited about it and they want to invest in it. And they want to invest in it along with us in a form of risk sharing. Because if they can get the success of that passion around what Hara is into their company, they know they can be successful around the energy and environment footprint. So at this point, I've kind of given you the landscape of who we are, what we did, and competitors. I'm now going to shut up and actually turn it over to you all. Steve? Thanks, Amit.

I'm Steve Blank, our class MS&E178 The Spirit of Entrepreneurship, surrounds the ETL lectures. And those of you who are from 178 raise your hands. Good, I'm glad some of you showed up today. Thank you. That's about a third of the audience here and millions more who are out in space. Normally our class gets to ask the first couple of questions. But Amit has generously volunteered to actually walk next door at the end of this session and sit in our class. So those of you registered in 178 can ask him those questions directly, so why don't you hold on those questions, my students, and let the rest of the audience ask theirs. So let me pass it off to the rest of the audience. Yes, sir? What's your competitive advantage for software regarding the search and mobile by SAP? Well, your competitive advantage is...

Could you repeat the question? What is the competitive advantage that Hara has over its competitive competitors? Number one is we do more than what they do in terms of we're not just a product, but we have a service component to our story which is we actually help the companies see the reductions over time. Number two is patents. Number three is creating partners. Number four is really people. As you start to build companies around this space, you can have two options. You can make it something that is part of a rounding error of your organization in terms of revenue where it is today with SAP. Or you can truly say we're going to invest and re-think an entire landscape and define a market every time we release a new product. And that's what Hara has done over the last seven product releases. And that isn't easy to defend but it is something that you continue to have to push. Motivate your employees.

Drive your strategy and vision to continue to differentiate yourself. Yes? How did you cope of the capital that you had when you started? Because this is like a risky business, not like let's say a consumer like Facebook where you need like two or three people, unlike if you tell somebody else? First round, Series A we raised about \$6 million, then Series B we raised another \$14, so we've taken about \$20 million into the company. Yes? I understand that the company has a very new concept like it's a very new kind of company. So I'm wondering are most of your customers from developed countries or like, how are your companies doing in developing countries where their environmental consciousness is not that high? So the question was, is this a developed company solution versus a developing country solution given the fact that it is a relatively new topic. The answer is it's varied upon the passion that the government or the companies that are operating in those countries are thinking about this. One organization I was working with that is in a developing country said, "Look, we have to deliver power to customers. And to open a new power plant we could spend \$3 billion dollars, or we could deploy a billion dollars of energy efficiency and potentially serve more people, but not have to spend the additional \$2 billion dollars. And if we could adjust that, that makes sense." And that was a developing country's comment on this. Other situations would be in a developed country they won't get this idea and they won't be passionate about it and you just have to know that that's not just a customer at this time. You move on and you invest elsewhere.

Yes, sir? Do you know any international problems with having the international quest cloud as in BlackBerry and everywhere seems to be having trouble in the Middle East. If you have a cloud set up it has 94 countries leading into it, does that mean you have 94 lawyers writing objections? The question was, "Do you have similar issues to what RIM has had around legal issues around where data is flowing in 94 countries?" And the answer is so far not yet. We haven't had that issue. Many other countries, because energy and environment is more of a collaborative effort around a global problem, the answers has been generally they've allowed us to actually continue to manage our business in the appropriate way. Yes, way in the back? What's your view in the Indian markets for being the... What's my view on the Indian markets for cleantech? It's going through phases. In 2008-2009, I didn't believe that the Indian market was very focused on this space. I think what I've seen in 2010 is very promising. I've seen the new Minister of the Environment step forward and really start to begin to dictate a very compelling strategy. More importantly, I've started to see real corporations in India that are currently operating in the Global Fortune 5000 story start to invest even more.

And I'm getting more excited that there are going to be more customers and more importantly more technology innovations happening in India around cleantech. And they're going to actually take that as the major strategic way. Especially when you consider that their landmass-constrained relative to their neighbor which they are being compared to which is China, that they have to deliver more power with less landmass and they have to be much more efficient with what they are using in the energy space. Yes, sir? How did you build a founding team? You know that's an interesting thing. It is an old adage in real estate - location, location, location. The same thing hold true on entrepreneurialism which is team, team, team. But you never spend money on real estate. The team is in fact probably the most important thing. And I took a big risk with the team that I had because it had never been done before. We brought on a services sales person very early on, Volker Enders, very early on in the organization because we needed to learn about how customers were actually thinking about energy and environment.

And I talked to Udo who I'd worked with as a peer at SAP. He was recruited by Kleiner into the space to want to do something. We kind of met together, we saw a vision, it made sense. We built the company together. And then lastly, with Lorena joining the company, that was helpful because she could run a lot of the HR-Finance aspects so that, frankly, the three of us - Volker, Udo and Amit - could go and do the stuff that was customer-facing or development-facing and allowed the house to sort of remain standing while we went and tried to do that. I think that combination has worked very well, but the key piece that was sort of the definite glue after that was Chris Farinacci who came on to become the Chief Marketing Officer. What he did was he provided a red thread of communication across the disparate entities of the organization to really launch us into what I think the Hara brand means today. Yes, sir? How do you see the market evolving? You mentioned your competitive landscape involves a lot of enterprise software, but as energy service companies like Enron infringe the space where they have other services that they're going to bundle with current traffic, etcetera, how will that change the market? We actually do compete with them/partner. Competition in this space is very large because we're talking about a multi-trillion dollar market of which the software/bundling of services can be a \$25-\$30 billion market by the time all's said and done. So right now, the focus for us is if you think about what each of these pieces do - whether you're building maintenance management company, you happen to be like a demand response maintenance company like at EnerNOC, you happen to be HP that manages data centers - you could always have different levels of energy management at your one scale, but you still need a global enterprise software piece that is going to have to sit across all of that and do the finance analysis around which project to do where.

And Hara has differentiated itself by continuing to sort of be the brain while the rest of the Cleantech space has been much more of the nervous system, meaning that they do their functions exceptionally well, but someone in the end needs to crunch those numbers for the CFO to say, "Direct invest here." Yes? If you were in our shoes right now, what kind of company would you launch? Obviously I'd do a Greentech software company. Secondly is, I would probably look at healthcare. Sorry about that, Tom. The question is, "What kind of companies would I try to launch?" I've been very interested in what I've seen in healthcare so far in terms of how government regulation is moving into it, how insurance companies are thinking about it and more importantly, how difficult it is for patients to deal with the system today around that entire space. I'd look at that as a very exciting space. The other area that I've always been a big fan of is biotech. And I don't mean to differentiate between biotech and nanotech - so, I won't - but I think that area is slowly starting to get the proper recognition it needs to sort of advance. I mean, a lot of times I look at what Craig Vintner has done and I say, "How can he not have a movie made about him, but we've got one for Mark Zuckerberg?" There's something fundamentally different, the disconnect, in what we think sells versus what doesn't. But what Craig Vintner is doing is equally, if not, 20 times more impressive. So I would want to participate as an entrepreneur in that space if I had the mental acuity.

Yes? Is there any significance in the name Hara and your pseudo name Cloro? Both of them are derivatives. So Hara is in Sanskrit for "fresh green". And since we needed a stealth name, so we took the "s" off of "cloros", because it was already licensed by somebody else. Greek word for green. Yes? What are the major mistakes, if any, you and your have made and what have you learned from those? Good question. What are the big mistakes we've made? So I'll tell you, the #1 mistake that any entrepreneur can make - and I've been guilty of this many times often - is when you know that somebody doesn't fit in a company, get them out. It's just easy. It's a big mistake. If you don't think about what talent fits for your culture, for your team, you will continually be on this perpetual motion of where a third of the people are 100% passionate for you, a third of the people are willing to be led, and there's a third that are always going to moan because they're not happy. And I think what you need to do is figure out who those people are, figure out of you can change them.

And if you can't, then have them move on in a different direction than when your company is headed. You have too many things on your plate to worry about that part of it. They've either got to be on the boat or not. And I think you can go down real fast as a company if you don't focus on that. That's my big learning #1. Yes, sir? Did you have a product when you went to Kleiner? No, I did not. I had a concept and a team. How many people in your team? Four. Yes, ma'am? We were talking earlier about how you didn't want to like orchestrate another company in public. Can you tell us about the challenges you faced the first time around? So that company in particular entailed services companies that were regionally focused, very little common technology, a division that would've been ripped out of another public company that could then participate in this company.

So culturally, some people had stock options, some people didn't. Some people were hoping their career would be

measured based on their career projection which works in a large company. Other people would be very entrepreneurial and didn't want to be managed. And suddenly, what happened was is if you can't have an identified synergy in an acquisition, what happens is people then begin to gravitate towards what they've done normally that works, which means that you've become highly inefficient. And that's what stretches it apart. So it wasn't the act of going public, it was the nature of the merger event first and then going public that led to that complexity. What does it mean to go public and what is the alternative? The question was, "What does it mean to go public and what's the alternative?" To go public means that you actually sell some of your shares to the public markets so they can invest in the company and then it becomes a tradable commodity on either the NYSE or NASDAQ, or one of the myriads of other trading exchanges that have opened up. You know, I'm a big believer in "you don't build to flip, you build to last". So I've always looked at it as that becomes the next necessary financing vehicle for a startup that has been build the right way. At some point, the trade off cost of going to venture capital becomes very intensive.

Going to the public markets provides you a much cheaper way to actually be able to accomplish international scaling, quadrupling the size of your company, expanding and doing acquisitions. So I would look at it as there is one direction, but there are many alternative financing mechanisms. Beyond going public, you could continue to go to venture out, you could continue to go private equity, but ultimately I think that that's just one mechanism of a financing strategy for a company that's being built to last. Yes? I believe most of the sustainability solutions out there and I think that's the reason mostly for report and CSR. How many of your 48 customers and members actually did bring information out of her in improving their supply chains and business records? I would say nearly all of them are. Most of our customers - because of our price point, because of the way we've designed our product, it's not a momentary reporting solution but it's not a sprint. You run really crazy over two or three months to get there to report and then you forget about it. We're actually more of the marathon. And in fact someone recently explained to me that we're not even a marathon, we're much more like a triathlon or a Tour de France, where you have a sprint day, then a marathon day, and then you kind of switch on and off. And that's really what we are which is funny because we have a huge number of cyclists that have signed up at Hara coincidentally.

So a Tour de France type mentality is what we've put together with us as a team as well as with our customer base. Yes? What share of the value that you produce for your customer comes out of ready-made software and what share comes out of the consulting side? The question was, what's the product/service/revenue mix? I'm sorry. Let me clarify. I'm curious about both the revenue mix but also the actual value that's produced because there can be a difference, right? So #1 to give you an example, we have about six people in our services business. So it is generally 15% of any deal that we take so it's not a huge number. Most of the value actually accrues through the software. By marrying best practices of what we've identified that has worked from other companies or what Hara has identified as a community story or what has actually come out of our partners who are pre-populating our data by saying, "If you happen to be this facility in Atlanta, Georgia and you have this kind of roof, these are the kinds of strategies you might want to deploy." So, most of our balance and most of our values are actually driven through the software because we've tried to create it very much as a community network situation where we're not only providing the solution, but we're providing the solution and a mechanism for communication across the community of people on Hara to be able to solve the problem along with the customer that's looking for it. Yes, in the back? Very slightly engineering go into question. Do you gather inputs from which you could use your output dynamically, from things like smart meters, or is it purely on the basis of selling geography on who's like this or what trend would you expect to see? So the question is how do we gather a lot of the inputs before we make the recommendations. Within each facility what we can do is we'll identify the best way to gather the best proxy for what that facility looks like.

And generally there are four ways that we do it. One is web services. So if you happen to have data that's being gathered in one system that you've already purchased, we can pull the data from that. The second is we call EDI 810 immigration with the utility. So provided the utility actually has billing data that it can push down in 15-minute increments, they'll chunk it up into 96 batches, they'll push it down into the Hara system. Third is manual upload. You're factoring your entry of utility bills because you prove that all you do is you get a bill from somebody from Peru and your account payroll's the only people that actually touch that bill. And then the fourth way is through Excel uploads. A lot of times these different systems that have the data, whether it's an Itron system or a smartmeter as you were asking, they may actually publish this data and pull it and dump it somewhere else. We'll just extract it from Excel and then suck it back in.

What it does is it turns that input into a very important output with different measures of what we can do around greenhouse gas, waste water, solid waste, and then potentially actually cost-saving good reductions. Yes, sir? What percent of your customers are public and governments and non-profit sectors? How does your approach differ? Great question. So the question was, what's the mix of our customer base between private and public sector companies? I think we're about two-thirds corporate customers and one-third government. In that neighborhood. And the approach is very different. The municipalities and the states and the federal governments are often times very sophisticated because regulation has already hit them. They've either signed up for a climate action reduction program so they have to show 20% reduction by 2012 or 40% reduction by 2020 whereas the private sector is making the decision based on a cost-basis. Energy efficiency: "The less I use, the less I pay". So fundamentally, when you go into a story with a municipality, the cost saving will carry you so far but secondarily the ability to actually show and demonstrate that change to build the brand so that the City of Las Vegas can tout that it's trying to

go neutral is a very important story for the City of Las Vegas or the City of Philadelphia, both of which are our customers. On the other hand, large organizations that we work with like Safeway or News Corp are sometimes doing this because there's a tremendous cost opportunity that they now have because they're starting to explore energy in a fundamentally different way.

Energy used to be invisible, reliable, and literally that was all you worried about. You didn't think about energy. Al Gore and many of the others on the climate change side have raised that awareness. but nevertheless it's now something we go like, "Wow, this is an opportunity." I actually - just a quick side story - I knew I had a business when we walked into one of our customers and I said, "What do you think your energy footprint is? What do you think your bill is?" And he said, "Well, I don't know, \$50-80 million?" I said, "Try a quarter of a billion." I saw the eyes pop out and I knew I could actually help somebody. I read a similar story in the blueprint to a billion of how the Staples guy actually found out that he had a business and he went through the same thing. He went to a law firm, told the exact same story, found out that the supply purchasing for that law firm was five times the price of what he could deliver. So Hara sees that same kind of pattern and we're very excited about that because we think we could add a lot of value that way. Yes, sir? I'm trying to understand how cash flows in and out of your company and how far are you from being profitable? The question is how far along are we on cash flow profitability. We don't actually talk about that in public settings, but I can talk to you afterwards. Yes, sir in the back? A lot of people dream of creating a successful business, but most of them fail.

What do you think is the key to success? Well, it depends on what you're measure of success is. I don't think it's always about the financial outcome. I think sometimes it's about the lasting impact you're going to have. So you know, I wrote out a couple of things like that in case somebody did ask me this. I think you have to demand excellence. You have to build a culture in your organization where everybody is great at doing something amazing. Number two, you hire the best. You never compromise on that topic. You make sure that everybody walking into your organization is going to be someone you're going to be able to learn from. If you're better than your sales guys then you shouldn't bring them in.

if you're better than your PR person, then you shouldn't bring that person in. But you should be in a situation where you can learn tremendously from them. And that's the way to hire your boss. That's a great way to work. The third one I would say is you focus on value creation. I think a lot of times companies focus on the financial outcome, but I think if you focus on the customer and you say, "I'm going to make this company get its goal because I'll be dragged along with their success." And I think if you focus on a customer you'll accomplish that - in this space. In the consumer space, it's very simple. Every release you guys have, you're never going to touch the customer other than that way. So if you're going to go out in the consumer space, make sure your product release is brilliantly construed because that's going to be the only way that last customer is going to be your last reference, effectively. Fourth, I think this is something that really matters, advisory board.

Surround yourself with the best and brightest minds because they're the one in times of crisis, whether it's operations or a new energy story, you're going to be able to pull them to be able to understand what to do next. Because there will be times where as confident as a CEO you are, you will not know what direction to go in. And you've got to be able to have a team around you that you can follow through on. And fifth, just build it. Believe you can be successful. Trying to steal Nike's slogan but we'll call it "just build it", right? Yes, sir in the back? How do you balance your family life with your entrepreneurialism? The question was, "How do I balance family life and entrepreneurialism?" And the reality is it's a tough trick. But what you can do is sort of have time outs where you actually turn off the cell phone, you put away the business and you just focus on family. And that requires a lot of discipline. And often times, the stress part will fall into your domestic life and you have to be able smart enough to be able to take a step back and go, "You know what, I can't do anything about the company there. I've got to focus on the family here." And actually the best example story that I've heard about this is the difference between pressure and stress.

So, do you all remember the story of William Tell? You know, when he shot the bow and then split the apple on his son's head. Someone told me the perfect story about this. He said that if you imagine William Tell, he's under pressure. His son is in stress, right? Great example. Because he can't control...he's got all the exponents, right? Sometimes when you're with your family, that's what you've got to realize. You are under pressure, but you can't exude the stress. Because there's nothing you can do about it, right? But if you focus on being pressure-driven, you'll be successful because that's what will execute that apple being sliced with the arrow. So that's kind of how I've tried to do the work/balance. You can talk to Lorena afterwards and get the real deal. What are the biggest challenges that you've had in the market...and what is your approach to that...

So the question was, "What are the biggest challenges that we face in our market?" I'd actually say that no matter what business you're in, as an entrepreneur, there are some things that you always worry about. I think number one is pipeline. You will have customers that in the near-term will turn you down no matter what business you're in. Some days you'll have less downloads, if you happen to be a consumer-based company, or you'll lose an enterprise deal, or you'll lose a big government contract. The reality is as a CEO you should never focus on the current quarter, you should be worried about building the pipeline because at some point they will come where that pipeline will be so rich that the immediate quarter will take care of itself. I think the second thing is you always have to be focused on people and team. Those core values that I talked about,

driving them into the company, and they will enable you to be able to scale. It allows me to spend more time doing this or meeting with customers or meeting with partners or going back to the office figuring out whether or not our balance sheet is appropriate. I have to be able to delegate some aspects. I think third is the challenge that you always have is consistency.

I was just looking at this the other day. From last November to January of this year, we doubled in size. How did you ensure that the culture got consistent? How do you ensure that people got the same message that had been there when it was 20? Because when it's 20 you can have lunch with your entire team around the table; now you have to suddenly deal with scale. And by the way, half of these people weren't even sitting on our core office anymore. They're scattered all across the US or in the UK or in the Middle East. And last but not least, never confuse that the product is the vision. Oftentimes, especially since I'm talking to engineering entrepreneurs, the product sometimes, you know, coding is 5% of the solution - don't ever let my CTO know that. But it is only a portion of the story. And the product versus the vision of where you're headed and what we're navigating through with those externalities is equally important. And that right now is where the challenge is.

Because when you look at the market I'm in, energy and environment has pretty much taken a Mike Tyson-Michael Spinx-type beating over the last few months. Should I have done a UFC one so you guys know what I'm talking about here? A complete pummeling of regulations going awry, of gas prices not going as high as they should be. If gas prices were higher than more people would worry about their energy bills. We've seen situations where people are now trying to repeal AB32. So there's all these regulatory competitive areas. And if you continue to just focus on the product you're going to miss the point of where you need to steer the company to get it to the next level. Yes, sir? You talked about hiring the best and building a great team, so how do you actually attract talents to your company, especially during the early stages in stealth mode? The stealth mode is probably the most difficult. "Hey, come work for me!" "What are you doing?" "Can't tell you." But what you do do is you talk about the art of the possible. What I'm a big fan of is "we're here today, but we could be this tomorrow". By giving someone excitement and passion...

Generally, if you have an idea, you're excited about it. Share that passion with somebody. And if they resonate that passion and they build on it, and they go home and they tell their wife or their husband about it, they get excited and they come back to the company and you feel the passion coming back. That's how you recruit them. You really sell a part of you and a part of what you're going to deliver to them and that they're going to have an opportunity to put their fingerprints on your business. That's amazing because it no longer becomes your business, it becomes "our" business. And I think that's what you have to do. The second thing is you have to make it a big part of your job. If you happen to be a technical guy or sales guy, you can spend a ton of time doing everything else but recruiting. But recruiting is a core asset of being able to go through a bunch of people and eventually find the right person that can join the company.

Yes, sir? You've said that keeping the company hidden helped you keep your focus. How do you think that affected market reaction to the company once you let it be known? The question was, "Keeping it stealth, and then what was the implication when we actually released the company?" I think we shifted the market. When we came out of stealth mode, we did a couple of things. Number one, we actually had customers. We had customers that were testifying on our behalf saying, "This is a really special company. These are really special people. This is a really special product." Number two was we shifted the mindset of what you could do in energy and environment management. Before we got there, everybody thought it was about CSR reporting and a carbon calculator. When we got to the space, it became about cost-savings, the opportunity to thrive energy strategically in an organization. And I think when we did that, we shifted the business prospects and reporter's prospects.

And partners had a latent demand. There was a desire to not have to go completely to drilling my own oil well, but away from just simply carbon reporting. And in the middle was what Hara filled. Yes? So knowing what you know now and thinking back to those Berkeley days as an undergrad in Chemistry and Political Science, why do you think it's important for students to learn about entrepreneurship and innovation? So the question was, "Why is it important to learn about entrepreneurship?" I think there's something that I heard someone once say: "You are the CEO of what?" And it's a story that emanates from Jim Collins' books where he's talking about the Empire State Building and at the bottom floor there's a guy clearing garbage out and they ask him, "What do you do?" And everyone's like, "Well, this is obvious, you're clearing garbage out." And the guy said, "My responsibility is to make the Empire State Building immaculate for when people walk in the next day." He was a CEO of the cleanliness of that building. Entrepreneurship is about finding value in what you do, not about getting the right organic chemistry equation to balance. Or not - in Political Science, we explain "5% of the world, 95% of the way through," it's not about that. It's about finding what it is that you do that every day you wake up you're excited about. Magic Johnson once said that the world he lives in is so exciting, he doesn't need an alarm clock. The first few companies I had, I never had that feeling. Now I have that feeling.

I don't need an alarm clock to get out of bed because the excitement that I have around what I do, just passion, drives me to want to get out. And I think that's where entrepreneurialism gets really exciting. Yes? How did knowing the right people and having certain connections impact your success? "How did knowing the right people and the connections have the right success?" I think it definitely helps, but it is what opens the door. And then once you're in that door, it's up to you to actually

work that story. A great example is actually how I got in touch with Jim Sweeney. I had an advisory board member named Sam Chiu who's also a Professor at Stanford. He got me a meeting with Jim around what we were trying to do. And it was that meeting, I had that one shot, and I had to know that I had no way to turn back to get him, to convince him to become a board of directors member. And by the way, Jim now it's your first board of director, isn't that? It's the first one I said yes to. And in fact I had several other opportunities and I always said no.

But this, there was a vision of changing the world in ways that was absolutely consistent with my values structure and what I was doing. And a belief... Amit communicated an idea that they were going to succeed in doing it. So it's a vision and the probability of success. I said, "OK." Let's do one more question. OK, last question. Who wants it? Elly, you've got to have one. You've already asked it over the summer. One of our Mayfield Fellows. What's the biggest thing that you've taken away from your experience at Hara relative to your experience in previous start-ups? What is the biggest thing that's different this time? "What is the biggest thing that I've taken away from Hara versus the other startups?" I think it's truly a passion around making an impact of not just being successful.

But hopefully, Hara will be seen as a significant company because over time what we will have done is taking kilowatt hours out of the utility problem that we see in the environment and the energy world today. And I think that that fundamental connection that I can have to my children, their children, is fundamentally different than what I've done in previous companies. And so I feel that that's really the biggest difference between Hara and everything else I've been involved with. Thank you.