Stanford eCorner

Own Your Own Success [Entire Talk]

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Kate Mitchell, managing director of Scale Venture Partners, demonstrates why an optimistic, but realistic mindset is a central key for successful entrepreneurs. Mitchell also challenges entrepreneurs to play an active role in civic life by actively telling their stories to affect policy at the national and international level.

Transcript

Thank you, Tom. Well, thank you all for having me and having me back. I am an alum of Stanford and because I have a fellow classmate in the audience, I'll confess I'm in the class of '80. So that was sometime ago and it's really a treat in life to be able to come back to where you started and not to be sitting there, but actually to be standing here. So, it's a real treat for me. And it's a real treat to be speaking here, because working in Silicon Valley, STVP, BASES, you know what you guys do is very well known throughout our community. So, we talk a lot about what's happening here. We want to tap into what you guys are thinking. The trends that you guys are following, so it is great to be part of this. So, thank you for having me to be part of this.

So the agenda that I thought I would talk about is a few things. First, I thought I would start with my career. It's a bit unusual. Some of the people that you have come speak here; you don't have to google to understand what they've done. For me, you'll find some thing if you google, but you have to google to find out. So, we'll look at my career sort of as a Petri dish to talk about maybe a more unique path forward. I'll stand back then and talk a little bit about Venture Capital, the benefit of being a venture capitalist is you get the benefit of pattern recognition. You get to see lots of successes, lots of failures, lots of different flavors of success, different flavors of failures, of course, as well, and it's a great opportunity to continue to learn, so I'll share some of that back to you. And then, I'll end kind of with some thoughts about how you all might think about your career, many of you in the process of building your career. But before I do so, I want to do a poll in two dimensions.

One is students, and how many of you are students? Good, I'd say 55%, 60%, that's great, that's great, for those of you who are watching the video. And the other thing I want to know is how many of you would consider yourself whether you're students or not, having STEM degree, Science Technology, Engineering, Math, how many would fall into that. Probably slightly more maybe 65%, but not entirely, that's great, that's great. Well, I will start with, where I started, which is Stockton, California, which probably has more to do with the middle of the United States in some ways than it does here, coming here was very different for me. I'm the oldest of five daughters. My father came from a family of engineers. In fact my grandfather opened the Ames Research Center at Moffett Field. He was employee number three. He ran all the instrumentation. So, really early Silicon Valley.

My father got three engineering degrees from Stanford, two C.E., one M.E. When I told him I was going to take political science, not only was he appalled, but he couldn't believe they called it science. He is like where is the science. I get the politics, but where is the science. So his big focus for me, when I was at campus was two things. One, because we came from a solidly middle-class family. His message to me is that your inheritance is your education. There isn't going to be more after that. In fact, I took out big student loans to get through Stanford. And he said so spend it wisely.

So, my education is and was and remains my greatest treasure. Number two, he referred to all of his daughters as the guys. And for the women in the audience, that was great, because in my business, it's mainly guys, so I just respond, whenever somebody says, hey guys come on, I don't think they're excluding me. So, those lessons have stayed with me through life. When I graduated, it was in 1980, Lloyd Lance my fellow classmate and now fellow businessman. We knew it was a hard time, I mean, it was a horrible recession. It was the last big recession. I came from a family where I didn't have a big safety net financially, not longer after I graduated my father passed away, so that became very real. As the oldest daughter with my youngest of the family of five daughters with my youngest sister being 17 years younger, she was a child. Being able to care for me and help my family was really important.

I was really afraid when I graduated, frankly. So, I wasn't in the position to take kind of rest that many people can and maybe even I can now in life, I really needed to get a job. So, I ended up as I've been cycling down to University Avenue to be a teller during school, bank - at a bank to help make money to pay for Stanford. I looked around and one of the places that had opportunities was banking and you kind of wonder why banking, why did you choose banking. And it was interesting, it ended up - I'll tell you - there are two things, one is I cared because I did need a job, They paid well, relatively well. I can tell you, I made $13,000 a year, isn't that shocking and that was better than a lot of other people. So, I was thankful for that. But the most important thing and this will be a theme, you'll hear from me, is I got to learn. I didn't know what I wanted to be when I graduated, you know Stanford is not a trade school. It's a school that teaches you how to think, which was incredibly valuable, but that didn't help me figure out exactly at that point what I wanted to do.

And I didn't know a lot really about what I want to do. My father had been a civil engineer. He designed levees and water systems. Where I grew up in Stockton, most of the people here, you know most of the people worked on the land, a few people owned it. I didn't have a lot of role models, I really couldn't, I really didn't - couldn't picture necessarily what I wanted to be and the thing I really liked about banking was that and early on in my interview, one of my first job interviews, I didn't take the job but I remember this guy, I wish I could remember his name, because it stayed with me around banking specifically. He talked about and he was a Senior Vice President, he was a big guy. And he said, I've been able to have so many careers within banking. And he'd done so many different things under the auspices of a large bank and in my own career I was able to do finance; I was able to do marketing; I was able to do IT; I really got to try on different hats. So, I got to learn, I got a job which is what I really needed, a paycheck, but in particular I got to continue to scale and I will talk more about Scale Venture Partners, scale is kind of a theme that we'll talk about scaling companies, scaling us as individuals; at 5'2 that's still an inspirational statement for me; I hope to scale further. But it really allowed me to really start to scale and think about what I could possibly do.

My last assignment in banking was what then was called, it was in the early '90s. It was called Interactive Banking. I had been managing IT. I had taken computer science, before it was really a department at Stanford, it was - and if you think about it, it's taken somewhat as a minor, so my husband worked at Apple. I had obviously a lot of sense of what was beginning to happen down here. I've been managing some IT departments before then and it was great. I went to talk to at that point I was one of the youngest Senior Vice President of the bank that had at that point. This is Bank of America at this stage. And I walked into this guy and he wanted, he said you're a woman in banking. You should take the opportunity to run a big department.

And I really was interested in this whole online banking thing, but it's still, this is really '90s, I mean AOL was just starting up. And he said you know, if this Internet thing doesn't work out, no one will blame you. It will just because that Internet thing didn't work out. Well, the good news is the Internet thing worked out. I worked with Netscape, when it was still a private company, so my second interaction with Jim Clarke. Craig Newmark who some of you probably know he should be - would be a great teacher if you'd have here by the way. He is an incredible guy, really bright and incredible force in terms of the community these days as well just impressive. He actually was an employee. He was a consultant because he was starting this thing called Craigslist. So, it was sort of a wild-wild west.

And once I got bitten with that bug going and staying in banking, this no longer the right place for me to be. So at that point, I really was looking south from San Francisco was where my offices were and thinking about what I wanted to do and I was really fortunate to get swept up into what was then called Bank of America Ventures. And it was great the guy who had been running it, understood I had both finance and technology background, I understood our source of capital at the point - at that point was BofA. So they thought this is great. So move on to do that. And that was in '96. At that stage when I got out of school, venture, you know it was really nascent in '96. It had been going for a while, but it still wasn't what it is at all today. And obviously that started leading up from '96 on right into the big bubble that you've all heard about. And I ended up getting a great experience in the late '90s.

I got a quick lesson on cycles. Late '90s, 2000, that was sort of fast forward. I got to learn how to make investments. It's a very hard thing to do. It's a high risk business. You don't have a lot of data to go on. You have a lot of belief. There is a way to qualify that investing judgment but that's the best you can do. So, I learned how to make good investment decisions. I learned how to make bad investment decisions.

And hopefully to do more of the former than the latter. I learned how to be a board member which is different than when I was an operator. When I was running things and we had a group and we could make things happen. It took one set of skills. When you're a board member you're really facilitating and influence managing, helping give pattern recognition to a CEO that knows a heck of lot more than you do. It's a very different world. It took a while for me to get the hang of that and really learn to love it. Again I get to continue the opportunity to learn. And in particular, I think the most luxurious thing about venture capital is that I get to the chance to meet people like you, who know a lot more about the specific area you're studying, you come in and share with me what you're working on, your passion about it, you tell me the context, you compare it to other things. Everyday is like you - students get to sit in the class and get to learn, it's phenomenal.

It's a great experience. It played to my strengths. And later, I'll talk to you about how when you think about your own career, how to think about that. I was good in finance, despite the fact I tried really hard to be a liberal arts major, numbers are really the language that's most common to me, but I also like people. I like communicating. I like team building. So that whole piece of it worked really well for me. The other thing is as I moved along in venture, I became the Managing Director of Scale Venture Partners and what we - what my partner and I, Rory O'Driscoll founded the, what is now Scale Ventures Partners in 2000 at the peak of the bubble, not for the faint of heart. We looked around and looked at all the different firms, said should we go somewhere else and startup, should we start our own and we decided work with people that you really trust and move forward. And the other thing that we decided was each one of us should play to our strengths and one of my strengths being managing and building teams.

So, one of my portfolio companies is Scale Venture Partners. Like many of you who are or want to be CEOs, I help, I'm not the CEO, the firm I have no more economics or anything else, but I help hire think about building, think about changing, thinking about challenges when you have to fire, when you have to change, are things healthy, do they need repair that becomes one of my portfolio companies. And I love that piece of what I get to do for the firm. And after then spending some time in venture, learning a lot from it, as Tom mentioned that to be or asked to be Chairman of the National Venture Capital Association, that's an industry group that does lobbying and policy work in Washington. We'll talk a little bit about that and what I care about there, a little bit later. But also sort of speaks for the industry, because we're lucky. We're in the middle of Silicon Valley. So, many of you know what a lot of what I experience and see because you're in the midst of it here in the rest of the country and certainly around the world. This is really not as well known. So I've spent times speaking at places like Michigan, and Tuck and Pepperdine and other schools, internationally spent some time speaking in Shanghai to folks.

And so, it was a great opportunity to represent the industry. I was the third women in 40 years to have the opportunity to do that as Chairman. That is way over the average in terms of the percentage of women in the industry. It's, I think less than 5% that would be obviously closer to 7.5% or 8%. So, a great opportunity for me. And then my last task, if you will, before I stepped down from that Chairmanship, that's a part-time, non-profit sort of thing, I did in addition to my day job as being a VC, was something called the JOBS Act that Tom referred to. And that was exciting to me. I've done a lot of work around sort of inside baseball things in Washington on Dodd-Frank and other issues. This was an opportunity, I was in a meeting at the Treasury Department. They were going around the room and talking about how do you get more capital to small companies that was the theme of this meeting we had at the Treasury Department and I raised my hand and volunteered to get a group of people together, entrepreneurs, institutional investors, folks like myself, securities lawyers, etcetera to brainstorm some solutions to make it easier, in particular for small companies to go public and that was about 18 months ago.

A little bit over a year ago, we put together a plan in front of Congress to make that happen. It became a bill, got signed about a year ago and I ended up in a Rose Garden sitting about this far from the President watching him sign this into law. I will say there were poli sci majors in that crowd, those were my people. Those were my people. It was - finally, got to use that degree but it was a great opportunity for me and frankly at Scale Venture Partners, I'll talk more about what we do but the best part of what we do is get to spend time with entrepreneurs. It's exciting. What you guys do is really what creates growth and innovation and this is an opportunity at the policy level for me to help entrepreneurs sort of smooth the way as they got to build very big companies. So when I think about that arc of my career so far, again, one of my themes in sort of scaling and learning sort of what am I up to now, sort of two things. One is really focused on the next generation at Scale and I'm really proud of the team and really proud of what I see in the firm as the next generation leaders and it's a funny time in your career where you're sitting or at least most of you are sitting, your goal is to build your own career and to hit a phase where your goal is to build - to truly build somebody else's and let them step forward and you stand back. Probably a lot like it is to be a professor at Stanford and where your real joy comes from seeing them do really well and I'm at that stage seeing my partners do incredibly well.

The other thing is I am on the board of Silicon Valley Bank which amazingly enough is the synthesis between banking and venture capital and the whole innovation ecosystem and who knew that you can marry those two things together. So it's a wonderful opportunity for me to exercise both my long-term background and my last, almost 20 years in Venture. And it's a great opportunity for me to learn. It's really different then the boards I sit on now. The boards I sit on now as a venture investor. It's you, the owner, the entrepreneur. It's other owners who are typically investors maybe one or two independent members but everyone all the constituents are either in the room or right outside the hall. So we have a very different, much closer to the owners of the entity. Well, at Silicon Valley Bank, I am learning a few things. One is I am a fiduciary for people who are not even in the building and I take that really seriously.

I am the Chairman of the Compensation Committee, you know for those of you who follow public boards that's the hot seat right now. And I take it very seriously I am representing a group of people who don't have as direct voice as they do in the investments that I make and that's just an incredibly steep learning curve. And the other thing, again, I am used to smaller companies where culture is an easier thing to develop. It's all of us in a room. It's group this size that if we spend enough time together, we, in this room, can build a culture. Well, Silicon Valley Bank is a much larger institution with offices around the world. How do you build and maintain a culture in an organization that large and it's great to see and it's an incredible culture, it's incredible source of innovation. For those of you that are interested in thinking about, I think that's one of the reasons you're in this class about building startups. Go to their website, they have an incredible set of resources. For entrepreneurs, they have something called the accelerated program.

They do a lot to help folks like you think about how might you want to build the company and there are videos on their website. So do go check it out. So I am still learning and that's my life school. I started doing it here and I want to keep doing it forever. So one point I thought about doing slides and I was going to title this part lessons learned and then I was going to re-title and say, lessons I wish I learned earlier. So I'll share them with you because hopefully you will learn them earlier than I did because now that I look back, they seem incredibly obvious. The first thing is am I a horizontal or a vertical person? What do I mean by that? I've heard people say, do I build cathedrals or do I hit golf balls. Neither is good or bad but do you want to get, let's say, a PhD in engineering and you really - you want to be involved in core engineering, core discovery, core research, really important to the - I mean we wouldn't be here in Silicon Valley without that. The founders of Google obviously started out very vertically and obviously become very successful horizontal but very good vertically or do you have what I finally recognized in myself more horizontal skills, more about bringing things together, consensus pattern recognition, judgment, execution, sort of moving things forward, a bit more about building something. So knowing that about yourself early on is really helpful and you might decide to start with one and evolve, again the founders of Google have, Larry and Sergey.

But how do you see yourself and what is it that you really want to do and be honest with yourself about that. The thing that I probably have learned the most in the last decade is really understanding not just what your strengths and weaknesses are. If you are smart, you're listening to people around you giving you advice and you understand that but you all got here because you did well probably in all the classes you took to get here. I sort of have this view that, well, if I have weaknesses, if I work hard enough, I should be able to do that. I may need to study an extra hour than you do to pass that physics class per week but if I take that extra hour, I should be able to do that. Maybe I can't and maybe I shouldn't. One of the things I am really good at judgment, pattern recognition, people side of things, organizing things, execution. I am not terribly strategic. I wish I was. Those people that can think out of the box and be really innovative and come at things orthogonally, that's just not me.

So what I figured out over time is instead of wishing I was more strategic or trying to be more strategic, that's pitiful. I do the best when I make sure I surround myself with people who are and I listen for people instead of thinking where did that thought come from, thinking where did thought come from. That might be interesting to add to my thinking. So actually embracing that you can't be everything and that the best people in any function figure out how to complement themselves is incredibly empowering and sort of finally liberating once you finally get around to that, took me longer. The other thing and I got this early on in banking in particular and then I hung on to it was the thought about mentors. So it's one of the reasons I chose banking was I had the sense of the people I was meeting with that I had people that would be my champions. And how do I think about that? I was listening to City Arts &Lectures where Secretary Rice, I guess she is Condi Rice on campus was interviewing Sheryl Sandberg about Lean In. And they were, as a side part of that whole conversation, they were talking about mentors and I thought - think it was Condi who was saying, yes, I do these talks and afterwards somebody comes up to me and says, will you be my mentor. And she says to them, who are you? What's your name? And I thought, well, that's was revealing, and I've had that happen and you always feel so bad because somebody is really being vulnerable and asking you to do that. And this is how I think of mentors in my career and it's been incredibly useful.

First of all, that some of the people who were my mentors don't know they are my mentors, by the way; I don't call them that. I refer to them that now but I didn't say you're my mentor. Number two, they weren't just people who gave me advice. They were people who really believed in my success, they weren't necessarily going to tell me what they thought was important perhaps for them but really what might be best for me. And they had to earn my trust in that regard first. I had to actually spend time with them to realize he really does care about what I am thinking. He is really listening to what I am saying, he is watching my strengths and weaknesses. That's probably somebody who I want feedback from. And I actually built a composite. If I had a mentor, it was a composite of people.

I wanted people who are peers, ultimately now people not only who are senior to me but people who are junior to me who give me advice. I get - I don't want people who are close to what I do and I want people who are further away from what I do because all of those things help me put a good picture around myself that really help me understand what I'm doing well and what I'm not. I think to having champions in your career are really, really important particularly early on but think about that. You know you're earning their trust but you're - they are earning yours too and thinking about putting together this composite mentor idea. It's incredibly powerful. The other thing about those mentors. And again, you all got here because you got As and you got lots of compliments and you did well and positive reinforcement really works well. The thing that you have to learn early on is make it easy for them to tell you the hard thing. Go to them and start the conversation with. You know, I really want your advice, these are some things I want to do better and I don't think I do well.

Open the door. Some of the things they might tell you might be personal habits that you didn't know you've had, twitches. I tend to speak too quickly. I've heard that many times. I'll probably hear till the day I die. And it's always good advice to get, make it easy for someone to give you feedback. It is incredibly valuable if you really listen to it to get that kind of feedback and take it on board and ask for it repeatedly. It's hugely helpful. The other thing early on in your career is to keep as wide an aperture as possible because you don't know what's going to happen with you, you may not know yourself, you may - but you also don't know what's going to happen around you. Computer science wasn't a big major on campus.

Venture capital was nascent really in 1980. The things that I've been adapting and able to do didn't even exist. So to have become too narrow too early would have been negative. My nephew is an ME grad out of Michigan undergraduate masters. He comes from a family of artists, really fabulous, graphic artists. And early on, he said, well, maybe I want to be, by the way a very small town in upstate Michigan. So again, not a lot of exposure just like me. Traverse City is a lot like Stockton and he said, maybe I should be - I might get a graduate degree in architecture. And I said, why don't you wait for a little bit and before you narrow yourself down, think it through maybe do some - get some internships, think a little bit more. Interest to say, let's fast forward, he has worked for a series of companies helping a design hardware in technology, a lot of the companies in the valley and now works for a company called HTC, helping them with their mobile phones and he is helping sort of marry the design phase with the manufacturing phase, because he want to design things that are manufacturable, spends a lot of time traveling to Asia and really feels like the world right now is his oyster and very thrilled about that, turns out to not only be good vertically but have some great horizontal skills.

So again had he decided to do something perhaps narrower earlier, he might not have had the opportunity he's had out here and it's just - it's been great to watch. And the last thing I would say that I learned and I feel this more all the time, when you're interviewing for your first job and I will say this to anybody who comes see me one-on-one that the opportunity to learn. Think about it when you're interviewing for that job, not only are you trying to impress the person you're talking to. It's a great brand name: it's Apple, it's Google, it's Facebook, it's IBM, it's - whatever is the firm that you want to work with. You should be thinking in your mind not only do I think this will be a good job for me. What am I going to learn and will I learn from the people I am talking to because again back to that mentorship, that championship, all that, I strongly advise don't worry about the last $2,000 or $3,000. In fact, this is very popular - boy, I don't remember this one. I graduated from campus, it was very popular to go into investment banking. They did pay more than the $13,000 I made not a whole lot, but more but I was looking for an opportunity where I could distinguish myself a little bit more and where I have the opportunity to learn and where I felt I would have unique sponsors as opposed to being in kind of a class where I was being guided through. So I chose something that paid a little bit less because I thought I could learn more.

Think about that trade-off, it will repay itself to you many times over that small amount of difference day one is not really going to matter. So that is a little bit about my Petri dish. So now I'll stand back and take it back to the macro. I'll give you a little background on Scale Venture Partners. And what we do, so I'll give you context on how we think about startups. I'll talk a little bit about the industry because it's going through its own a little bit of change. Then I'll talk a bit about how you might think about building a startup and then I'll end with thinking about how you might build your own career as an entrepreneur. I'm going to check how we are with time. Oh, great. At Scale Venture Partners, as the name suggests, we like scaling companies.

We invest in - early in revenue technology companies just as they are beginning to scale. So we might work with an engineering founder who might be building out their sales and marketing team. They may - they probably - they do typically, in our case, have revenue might be a $100,000 though, could be as high as $50 million, that's rare for us the average is a bit less than $5 million when we invest. But the company is still figuring out can I sell this product, can I sell it repeatedly? Ultimately, can I sell it profitably? So we invest when it's still relatively modest burn rate. We might be figuring out is it direct, is it indirect, is it premium. I'm writing a blog for the Wall Street Journal. I just did a blog on pricing. That's a lot of what we help people think through and that's part of the experiments we're running when we initially invest. The first phase of investment is does the product work, the second phase of the investment is can we bring it to market, can we get it in the users hands and how do we that. And then after that, we invest.

Then the later stage is really ramping it up and then ultimately scaling and getting that, slope of that curve to really bend upwards. We are fanatic in the way we invest. That's our first investment decision is which markets do we think are ready for - to take off. For us to make the kinds of returns we need to satisfy our institutional investors, we really need to be in not just a company that's dominant in a sector, we need to be in a sector that has a tailwind behind it might be something you should think about with respect to your career as well because we need to be - there has to be - the wind has to be on our back. We can't just be in a good, the best company in an okay market to get that kind of doubling every year of revenue 5, 10, 20 to 50 on, it really needs to be in a market that's taking off. So we are very thematic, we spent a lot of time and in fact we bring Stanford grads like engineering and some business background to come in the summer, help us actually use technology to think it through, to really get hands on to think is this the market that's really happening now and then think about outbound calling about how we find the best company in that sector. It might be nascent, it might still be in a university; do we watch it for a couple of years or is it already formed in a little bit more mature. And then when we invest our partners have all helped build companies. I help build various entities within BofA. Ultimately took - BofA was the first bank online, first bank to have online banking, grew all that, hundreds of people as employees.

I have a partner who started at SJI and then Sun and scaled their finance business from nothing to a billion in revenue a partner that was chief marketing officer at AMD. So people that really know how to build things. So we really help, again pattern recognition help give entrepreneurs ideas, network things they can think about within something they know a lot more and they are experts on, building their company. So that's what we do and I'd say we too have evolved and learned a lot and I think the thing that we've learned a lot that applies to you all thinking about building companies now is how different financing companies startups is than it was 20 years ago, used to be you spent a lot of money to build the technology, lot of IP and then your goal is to get cash flow breakeven. That was the passion over time. So a lot of money went in initially and then you get to the point where you get more revenue and ultimately you pass over into cash flow profitability. We kind of have turned that on our heads because it is so much cheaper particularly in the tech space, particularly in software to build the technology, that can be done with really sometimes very low capital. The initial testing of sales and marketing where we come in also doesn't take a lot of capital, you do a lot online, a lot of is done self-serve, freemium, converting people from premium et cetera. It doesn't take a lot of capital. What really takes a lot of capital is that later stage scaling.

So what we do is just at the point where we think we land the plane, we know that we can sell this thing efficiently. It's capital efficient. It can get to cash flow positive that's when we starting bringing on the cash. It's actually from a risk point of view a relatively low risk stage. We're burning sales and marketing dollars, which you can turn on and off and we calibrate sales efficiency within our companies and it goes deeper than gap and I'm happy to talk a little bit more about that later. But we calibrate this, it's like watching a dashboard. When we think it's doing well, we really start burning because we really want to make this company number one, two or three in that sector because that's again how you build the big company. They are rare. We've been lucky to be in Omniture, it was sold a couple of years ago to Adobe for $1.8 billion. A company ExactTarget went public on the New York Stock Exchange the day the JOBS Act was passed in Congress and that a $1.5 billion outcome.

A lot of you may know a companies like Box in the Valley now are really high growth company. They all followed a very similar path, proving it out early on modest amounts of capital and then really working to become dominant in their sector burning a lot more capital. So it almost takes that whole equation, ultimately obviously once you go public you need to converge on cash flow breakeven, but you do that a lot later but again it's a very different risk profile and even as an entrepreneur again you're raising money later when you're doing it in higher values and you're doing it - again there is innovation even what we do. Trevor Loy I think is teaching right now a class on this topic. But again you're doing it when it's a very different risk profile. So something we have gotten a lot more conviction even over the last couple of funds. I want to make sure I leave time for questions so I'll pivot a little bit stand back and quickly on the industry. You've been reading the papers. The good news about venture is it's a small amount of capital. It's 0.2% of assets invested in the markets and venture-backed companies generate 21% of GDP and 16 million private sector jobs.

I mean it gives you a sense of the kind of impact that comes out of this kind of innovation going forward on the U.S. economy and why so many other parts of the world are looking to emulate what we do here. But we are shrinking. We are down almost 80% the venture industry itself and that's one I'm most familiar with, by the way not the only place to get capital, we'll talk about that in a second but we're down 80% from peak in 2000 when we raised - when Rory and I created our first fund, Scale Venture Partners. So a big - when I show these slides that talk about this, run up in capital up to 2000 and then it drops off. I always say as venture capitalist, we like exits, we just don't like it when it's our own. And that's true but it's the tree that needed to be pruned. It's the diet we need to go on. It's actually very healthy not just for us but for you, because what happened when there was too much capital is we formed too many companies, you competed on price. It was a mess, you talked to entrepreneurs at that point.

They didn't just have 10, 20, 50 competitors there were - I think it was real estate B2B at the peak, there were hundreds of companies formed. How are you going to succeed and stand out. There isn't an opportunity. So I think it's really healthy and the other thing that I also think is healthy is again more innovation around the different types of capital that's available and that was part of what we did with the JOBS Act in particular angels, which really to me is back to the future because a lot of venture firms, if you've seen Something Ventured, if you haven't seen the movie you should and somebody on campus should show that if you haven't, it's just fabulous, but it really gives you the arc and a lot of those firms are about the same size as lot of angels are today. So I see that as back to the future. Angels are experienced and I think really helpful to folks early on for modest amounts of capital and that whole ecosystem is healthy and alive. And also crowd funding we'll talk more about that, that's obviously still in the process of making its way through the SEC, but there are various way to get capital and by the way not every successful company necessarily needs to be venture backed. I'll talk about what we look at briefly and you probably know this well, heard this many times, when we look at startups and you walk in and are pitching the number one thing and probably I'd say the number one piece that is why somebody fails with us and I'll tell you we look at - we probably get 5,000 plans a year. We probably log into our sales force database 2,000. We probably spend time with a 150 and we do six to 10.

It's a big winnowing. So you have to have thick skin to be pitch and to begin with. But probably the biggest challenge when it comes to getting venture backing is, is it a big enough opportunity. Is it a large enough market. Is it a company or is it a product or is it a feature. By the way, it doesn't mean you can't be successful with a feature or product but you probably want to take less capital and think about maybe flipping it earlier to as a feature or product to a company, put in a modest, really small amount of capital and sell it off that way. But what we're trying to look at is it a big enough market opportunity. Is it a relevant team. You can be in your 20s, you can be in your 50s, you can be in Silicon Valley, you can be in Indianapolis which is where ExactTarget is. So you don't have to be - we're pretty wide open.

We just want a team that's relevant and we're open to what relevance means. Is this a winning solution? It doesn't always means it's a best technology. For that it doesn't - a best technology doesn't always win. It's really what's a winning solution and I will say that over time the lesson I've probably learned in watching companies and the way we now think about looking at investments is really understanding the user and the buyer, sometimes those are two different people by the way, but really getting the heads not of what you want them to do and what they want to see in your technology, but really understanding what the user, what that customer what the person is going to do in the office, that's why we have students come through our office and we actually try to use a lot of technology, to get in the hands of what our user is thinking when they might use this technology. And also your business strategy, what kind of capital strategy do you have, we've talked a little bit about that. We're trying to figure out why now, why this solution and why you. When you're doing your homework the things that you should think about is number one, this large market question. Am I - is it a big market I am going after or is it, is it, is it niche here, thinking about your capital strategy early on. I think it's really important part of it because by the time you are talking to a venture capitalists that's part of the mix that you need to think about. If you want to go after different sources of capital, it could be an angel, it could be venture, it could be friends and family.

But you absolutely have to network into that firm. When I first started a venture, every email I got I would think about each one, I write an email reply and we get so many I can't keep up with that and no one in our office can. What happens though is that Tom sends me somebody and says Kate there is something really special that I'm looking at. I don't know if this person is in this audience but a friend that I grew up with one of my next door neighbors in Stockton. Her son is an engineering student at Stanford. She is a teacher and sends me her son's name. Of course I'm going to take a meeting with her son. So it doesn't even have to be Tom, it can be you know a friend of mine. But some way to network in: a banker Silicon Valley Bank, a lawyer anyway you can think of, go do LinkedIn which is I am a huge fan of LinkedIn if you've read my blog; I love LinkedIn. I love reading, I love LinkedIn.

And it's hugely powerful, users and network, figure out who you know. We're always a few degrees away but figure out how to get in and get in front of me. We as you know as I talked to you about investing in companies are already in revenue. Sometimes what I have is friends call up and say, you know it's a really early stage company. I know it's in the sector you have a lot of experience in. Would you give a presentation - would you take a presentation for this company. Again really great for you because that's a safe meeting because I am a later stage investor, I want to wait till you have revenue. When Tom calls me and says will you take a meeting with those folks early on to help them figure out when they go to meet the people they might get money from and you give them some pointers about how they pitch. Really, really helpful to do. Be optimistic but be realistic.

Confident but not cocky that's a fine line to walk. If you come in and say, do you think this is a good idea. I'll think well if you don't I am not sure I do. So you really have to come in with some conviction but cockiness, it's a hard line to walk. Be optimistic and realistic about financing. I told you the numbers. It's hard. We too raise capital into our funds. You will have more doors closed on you than were open and you just have to decide that's a normal ratio; it's not you, that's normal. Be optimistic but realistic about what exists, there are very few that are big.

We've been lucky to have two multibillion dollar outcomes; a third that they may be in the hopper. And that's very rare in the last decade. I think they have been less than ten in the market overall. It's extremely rare. So but by the way you can have an incredibly successful career having multiple base hits and a lot of serial entrepreneurs do exactly that. So be realistic about that. I'll end with some thoughts about your career. First is, and I'm a proof of this, you do not need to start out as an entrepreneur, I mean it is perfectly wonderful if you want to and we're here because so many of you want to. But as a friend of mine in venture says think about whether or not you're an entrepreneur or a wantrepreneur. You have to decide if you really have it in you because look at my arc, I had no idea, I'd be standing in front of you and my dad would be so happy, I'm at the engineering school.

So you finally made into engineering. But who knew, I mean I had no idea that I'd end up where I ended up with and I get this opportunity to do what I'm doing. You are playing, you have an undiversified risk; as a venture capitalists, I get to diversify my portfolio reinvest in 20 companies or fund. You're investing your career. You only have one career to invest. It's perfectly fine. And we love seeing people with resumes in our companies, in venture that have done a variety of different things. All of them and again we're looking for a complement of skills. We don't want everyone to be the same. So think about you don't have to do this, you see somebody like Larry Page and of course you want to do it like Larry did, don't we all, but there are a lot of people who have been successful who haven't necessarily started that way.

I've talked about if you decide to go that way and if you don't decide to go that way, keep that aperture wide, keep your options open, learn, think about scaling yourself, think about in either situation, even if this doesn't work out well will my resume be better at the end and not just on paper but will I have learned something that I can sit in front of my next interviewer and say, what I learned in this job is I got to hire people, first time to I got hire people. What I got to learn in this job is I met a lot of different technology companies. What I got to learn in this job is I got to learn the competitive landscape in X, Y, Z market. Think about that consciously because that will give you good options going forward. Then individually it's all about particularly if you want to be an entrepreneur, network like mad, I've talked to you about the composite mentor that's really important. I've talked about getting a safe reality check. Think about going to your banker, go to your lawyer, go to your professor, go to your friend who is a VC, who is maybe not interested in investing in your sector, it's a different stage, try your ideas out on each other. Try your ideas out, pitching and getting a safe reality check is really great, get that feedback. Make a deposit into the karma bank. The best way to get help is to give it.

If you go to somebody and say, will you help me and of course I want to help everybody and you only have so much time and guess what, when I'm running along and all of sudden there is somebody who is running run long next to me and they are helping me and pretty soon I'm helping them and it just starts to become really natural and when somebody comes to me and says I have something, I've just read this interesting article, interesting blog, and I think you should read it pretty soon we're going back and forth and now pretty soon we have - so make a deposit in the karma bank, it really comes back to you. It's a great way to think about building a network and getting folks to help you. I'm going to end before I take questions on things that are on my mind. Two things are on my mind. One, I know you'll be shocked when I say this, thinking about leaning in, as a woman I'm thrilled at what Sheryl did but when I think about leaning in, I'm thinking about everybody in this room. And when I think about what I take away from that discussion and the discussion that's engendered is that we each have to own our own success and I think about not only as leaning in but you've heard my bias about aperture, lean wide. Think about where you want to go. Aim high and aim wide. So think about leaning in I think is really important and I'm a Poli Sci major so I'm going to end on a policy note. I have to.

The policy thing I am the most passionate about and I think a number of you in the room will agree with me is immigration and immigration reform. There is nothing and even when I sat in the Rose Garden and I had the administration and Cantor staff both asking me - because it was such a wonderful opportunity by the way. It was a great dialog between people in Silicon Valley and Washington. And by the way we sit here and we get so frustrated because it seems so obvious what people in Washington should do for us, in fact so obvious that we think they should know this. They don't. They don't understand the world we live in. We are small. When I'm walking in a senator's office and big oil is walking out I'm like an ant. Even backing up all of us I am small and all of us need to speak up more. We think so much about what we do here speaking up matters.

And when it comes to immigration, I don't need to tell you how important it is to innovation, to education. I have an employee of ours who Indian-educated from Pune, engineer, business educated at Haas, worked at both Intuit and for us, challenges with his green card, is now living in Dubai and is a student and a citizen of the world is how he says it to me. It's a crime that he is not building his companies here. He has an incredible skill set. And I really think we need to look at immigration reform more broadly. I come from Italian Irish immigrants, that's part of what America has been built on but particularly when we think about the innovation ecosystem, keeping engineers, entrepreneurs, people who are building companies, what I encourage you to do - so my call to action, a lot of you are active on social media, is to get your word out, get your story out. What you don't realize is your story is even more valuable - they've heard from Apple, they've heard Bill Gates tell the story. They've heard people like me tell the story. Your story is actually more meaningful. And it may be your own personal story.

It may be the person in the class sitting next to you who may not be able to continue to build their career here or are threatened and concerned about their ability to do so. That parable, that story needs to be told. I had dinner two nights ago with Senator Warner who - from Virginia - who was out here at Madera having dinner. He is one of the sponsors of something called Startup 3.0 and he said you guys are too timid. We're not hearing you in Washington. Tell your story. So I am calling on all of you who have a story to tell. It is not too small. There aren't enough other people telling it and Tom said it's amazing. We had a ragtag group of people, 17 of us who put together the IPO taskforce for the JOBS Act.

Who knew that we would be successful in passing a law. You guys, your story around immigration will really resonate so do tell it. With that, I want to open it to Q&Aand thank you again for having me. Questions. Yes. Question from the audience. Do we have lobbyists in DC? Yes. Do we have a lobbyist for the venture capital in DC? You do. So the venture capital industry, the NVCA, the National Venture Capital Association itself lobbies on behalf of not just the venture community but its most important thing to lobby on behalf of are its companies, its portfolio of companies. So we go back and we talk about patent reform and FDA reform and things like the JOBS Act.

So that's one but there are a lot of them. TechNet is active, Silicon Valley Bank is active on behalf of entrepreneurs. Mark Zuckerberg is putting together a fund to go back and make a difference in Washington. There are more all the time actually. So look online and when you start to find one you'll find threads and others. If you want to follow somebody who is really active on issues that we care about, follow on Twitter Steve Case. Steve Case, the founder of AOL. He was a startup entrepreneur, obviously wildly successful, really active in politics. He lives in Virginia so he is in Washington all the time. Follow Steve and you will start to hear a lot of what's going on.

Questions from folks. Lloyd? Where does the JOBS Act go from here? Good question. From what I'm hearing it's sort of there but not quite there. Could you repeat the question? Good point. I'll repeat the question. Where is the JOBS Act right now? I have a copy of it that actually just got hung on my wall that got signed by - if anybody wants to come see it you can, it's very cool. It's called a red line. As a bill, or as a law it had five chapter - I think it was five chapters to it, may have been six. The piece - section 100 is the piece I was involved with which was around the IPO aspect of it. And I had good advice in this regard from the securities lawyers I was working with.

We actually didn't make a recommendation to Congress. We were prescriptive as to the Securities Act of 1933 and 1934, meaning we edited the language. The day it was signed somebody filed to go public. I believe it was a Workday, filed to go public. It was effective then. The rest of the bill unfortunately from this perspective was in essence a recommendation from Congress to the SEC saying we want to allow for Reg D, Reg A, these are - I am talking now securities geek language, crowd funding which a lot of you might have heard about, different things that general solicitation, things that also help companies throughout the spectrum from early stage through late stage meaning IPO go public. Those are still in the hands of the SEC for what they refer to as rule making. And the SEC is understaffed and underfunded which is the SEC chairman continues to rightly so speak about and it's probably easier when it comes to regulation to be careful about changing regulations than not. So I don't know when those will pass unfortunately because there is still a lot of debate. I know that Duncan Niederauer, the CEO of the New York Stock Exchange, is actually back this week with the SEC on an advisory board basis speaking to them about how to get some of these things unstuck.

Because what was great was this was one of the few things that passed in Washington and it was bipartisan. It's all about - again the nice news, it was focused on what you guys are doing here because they want to have entrepreneurs create businesses from early stage through late, so again, you know, put pressure on your local congressmen and the SEC. So it's still being made. Yes, in the back. You mentioned about looking for take-off market opportunities; could you give example first of all whether you have a some kind of process to validate it and then second is do you have examples of what works and doesn't work. That's right, yes. I will. So do we - the question was I talk about themes and kind of thinking about what markets we want to invest in, do we have a process for it. We do and I'll describe it and secondly, do I have examples of what worked and didn't work. We do have a process that involves as I mentioned university students, University of Utah has some students that we've worked with.

We use executives and residents. We've all been in industry. We have a number of AAs, one of my partners, Andy Veetus , actually is a Masters, got a Masters in electrical engineering, took Tom Byers' class here. We have a lot of engineering background but we've all been in venture now for a while so we've kind of, you know, in terms of actually doing it, we're rustier than we used to be. And so we want to keep our freshness index high. So we like to have both users and developers of technology, again university students plus executives and residents, folks that are kind of mid-career who have been building companies in technology come work with us and help us think through markets and we actually go off site multiple times a year. We don't talk about deals, we actually debate - and we actually do more debating about markets than we actually do about deals because once we agree on the market it's actually easier for us to identify a winner, both its opportunities and its risk. Everything we do has high risk but we know kind of better what we're looking for. So we really debate that quite a bit there and now I'll talk about things that have succeeded and failed. In '09 we did a study and actually some Stanford students helped us, try a lot of technology in what we called at the time backup, sync and share.

The idea was that you could use the cloud to back up data, think Carbonite, sync data, think Dropbox, or share, think Box and we were an early investor in Box and that has grown like a weed and been successful for us and we really use that, this backup, sync and share concept as a way to go out and we just really mapped every company we thought in that space, we tracked them, we tracked Box for a while. We tracked Dropbox, they didn't do a fundraising while we were looking at that sector, and really tried to get to know that space, we used a lot of the technology ourselves. I'll give you an example of ones that have not worked out as well for us. You know we did a lot in the healthcare space for a period of time. We stopped investing in healthcare. I did a blog on this sadly to my point, separate topic really because it's very difficult for us to underwrite the FDA's process. But we had a real thesis about different ways to go about that market. We were using repurposed drugs, going after new indications. It has been successful clinically. It has been less successful because the FDA has required so many more tests and that's taken hundreds of millions of dollars and taken many more years.

So that was an example of one we believed in early on that we've stopped doing a number of years ago and then one that's been really successful. We all have our successes and our failures and if we don't learn from them, that's really the issue. The last question. Yes. Just as a follow-up to that previous question, what are your thoughts currently on which sector or what are you focused on. There are so many interesting things. I'll tell you we're looking - we think - you know I talked to you earlier, we think of the buyer. We segment the world. We've got big trends, mobile is a trend, cloud is a trend, those are big trends. I can't really invest behind a trend per say.

When you start combining trends and buyers you start getting to things that you can invest in. So we think of the world as three types of buyers. There are many more but we think of a consumer and we hadn't done a lot. We to this date still have not done a lot around consumer; huge markets, Facebook, I mean you know... But, you know, consumer can go up and it can come down. There are not a lot of barriers to entry always. It can be difficult. We believe in the consumer market but we've been more interested in selling picks to miners and by that I mean B2B2C. So we like enterprises. So we really divide the world into two kinds of people in enterprise; the Poli Sci major, the business person like me, and we think of that just a business user, a marketing person, a finance person, CEO, whatever.

And that would be something like digital marketing. We love digital marketing. It's been the gift that's given - has kept giving to us. Omniture was online web analytics, ExactTarget has been web and now social marketing. We're in a company we just invested in called Demandbase which is really targeted kinds of technology, we love that around the business user. The other part we are really interested in is the IT manager. And Andy who is a Stanford grad has really taken the lead on this and we're really looking at a lot of sort of the back-end to mobile and the cloud computing so we've invested in a company called Boundary. That really helps you, an IT guy used to have their - all their - even in the early days of the web you still had your apps in your center. Well now it's on Amazon Web Services. How do I make sure that my store is up and now it's my store and it's not on my premises any more.

How do I make sure it's right, well Boundary helps you do that. So those are the kinds of things that we look at. Well I'll end briefly with maybe just to reinforce one more time about learning. For those that haven't done the math, if I graduated in 80, Lloyd you know the answer to this question. I am 54. I'm going to be 55. And I'm an avid skiier. And I believe that I can get better even at 54. Now I don't have an ACL on one knee and I have half an ACL on the other, I'm going to be going into Stanford this summer to get the one fixed but I still believe I can get better. And part of it is you know A, I like learning.

I am really into mobiles right now and I love - that's how I did my ACL in January. But I still think I can do it better and the point is I love the process of learning. And I hope that's something that for all of you that are sitting here at Stanford take with you for the rest of your life. It is a gift. And it's what will power you through a lot of things. So thank you so much for having me, Tom, and thank you so much for having me. Thank you.