



Stanford eCorner

Moving from Hubris to Confidence [Entire Talk]

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MuckerLab Co-Founder William Hsu shares his professional journey from young, headstrong entrepreneur to experienced leader working to support a thriving startup environment in Los Angeles. Hsu focuses on why building a company is different than starting a company, the importance of getting as many "at-bats" as possible, and the immense value of a pay-it-forward culture.



Transcript

Thank you. Thank you all. I can't believe people actually came, and is actually listening to me. It wasn't really that long ago, at least in my head. Actually mathematically it's almost 20 years since I was in this particular class. But actually that doesn't exist anymore. Taking this class and taking classes from Professor Krosnick, so Stanford has a quite a bit of an impact in my career especially the engineering school, the industrial engineering major and the professors that I work with here at Stanford. I want to give you guys a little bit about my personal background. My belief is that the thoughts kind of creates a picture eventually, and the personal part of who I'm is much more important than the professional part of me. I was born in Taiwan.

I lived the first 10 years in my life in Taiwan and then spent one-year living in a little island called Guam where I learned English. So yes, English is my second language. And then I moved to Saratoga which is really about 15 minutes south of here. So the Valley, the Bay Area, this is home to me. I grew up here. Back in the day when I was growing up, I was as geeky as you can get. So me and my friends would kind of ride our bikes up and down the ends in Stevens Creek, collecting computer parts and kind of building our own computers. Back then computers were kind of a hobby and today as we sit here today, you can't really separate the business of what the computer industry or technology industry really is from kind of the passion for it. And one of the things I always want myself to remember was back then before what a dollar was, what EBITDA was, what growth rate was, I cared about how fast a computer were and all the programs I was downloading and how fun it was to kind of hack at this little box that I was building. And that kind of passion should always be with you, as really think about all the interesting things that you can build, that you can become.

Hundred million or a billionaire as you kind of build your business that you can't really lose that piece of yourself in the passion. I was lucky enough to get into Stanford in 1994. I was an industrial engineering major. I graduated in 1998. Not a lot of you guys obviously remember how it was in 1998? 1998 was the beginning of a really, really crazy period in the dot-com history. I know a lot of you sit here and think about Wow! There must be a bubble outside. Well, 1998 was probably 10 times worse, or better depending on kind of your perspective. When I was invited to speak at this class. The first thing I did was I went online and looked at all the videos. It sounds like what am I really going to talk about, I'm kind of mid career, I haven't really done too much.

So let me think about and really figure out what other people are talking about. Well, I took a look at Mark Zuckerberg's video, Jack Dorsey, Larry Page, Ed Reeson, Moz Thiel and then I felt started feeling really, really tiny. I was like oh, these guys are outliers. If you look at the history of their career, the first or the second start-up they hit a gigantic homerun. I haven't hit the home run yet and I've tried multiple times. So what am I versus what are these guys? And well I call them outliers. As an industrial engineering major I like to distil everything down to math. So I put up a normal curve, right. All of you guys here, like I know the acceptance rate now for Stanford is like around 6%, assuming some sort of kind of self-selection into that pool, I'll say

that whatever you think the x-axis might be, you guys are essentially between 2 to 3 standard deviations from the mean. So the top kind of 2% to 0.1% of quote unquote the general population.

Well, these guys are, were speaking here, standing here and talking to you guys before, they're between 6 to 7 standard deviation from the mean. What does that mean? When your Mom told you you're one in a million, well that means you're six standard deviation from the mean. When you're seven standard deviation from the mean, that means you're one out of a billion. So if you're in China, there is one of you. The industry that I come from and all of you guys are interested in kind of learning more about, has a term for people or things or companies that are way outside of the mean, that's super successful, that can really kind of drive revolutionary change. They call them black swans, by a statistician and author Nassim Taleb, or they call them unicorns. Essentially impossible to find, but eventually somehow in the corner of your eyes you see it one day. So, between one out of a million and one out of a billion. Well, I had to face the fact, and I'm not a black swan and nor I am a unicorn. But what I'm is I don't give up.

I work hard, I studied harder and I try and try again. So this story and this talk is about a guy who is not a unicorn, trying to do very unicorny kind of things. And it's -- my hope is that every single one of you go out and build \$100 billion companies because I know that probability exists in all of us, right. But that's not necessarily going to happen, just mathematically. So what do we do? How do we really try to change the world, if that's the case? So rewinding back to the story. Within 18 months of graduating from Stanford, so I graduated when I was 22. By the time I was 23, I started an internet company. I was a combination of naive and dumb all at the same time and that's kind of a very dangerous combination. My first job out of Stanford was working for an investment bank. I worked for Credit Suisse for a guy named Franco Trun .

I was one of his first analysts hired. I did that job for about 10 months and I met a bunch of CEOs of companies that I was trying to take public. And when you're naive you can't identify talent when you see one, right. So I was naive and kind of stupid enough to think wow, like these CEOs they don't seem that smart. I can do this too. So me plus two other guys from the bank quit 10 months into the program and decided to start an internet company. 1998 was a great time to start an Internet company. I had a deck and I was a banker, so my deck was really, really beautiful. So, and luckily for me I was from Stanford with an engineering degree and I happen to be Asian, so lots of VC likes to do pattern matching, so they go this guy must be just as good as Jerry Yang. So I said of course, actually my middle name is Yang! I don't know why and I won't give myself that kind of money, but in about - in two years since founding the company, we raised about \$50 million in total.

I didn't know how to actually spend that money. I was really good at talking about a vision of what the future can be with BuildPoint. And by the way it's funny, I never - I always skip this part. BuildPoint is a marketplace for commercial construction services. And the reason it always skips my mind is actually because I actually had no passion for that industry and it's actually one of the biggest mistakes I've made in my career, which is picking something I feel like is a great opportunity and therefore a VC will invest rather than because I love what I do. Well, I barely knew how to start a company. I barely knew how to design a product. I barely knew how to manage a team. And I was able to get some traction and do some good stuff. In 1998, like Jeff Bezo likes to say, in the land of the blind, the one-eyed man is king.

So nobody realized I was blind because everybody else was blind too, so I was able to raise a lot of money. But the world changed pretty quickly. In 2001 the market crashed and the world changed dramatically the other direction. Harvard Business Review, actually came out in an article and said in 2001 information technology doesn't matter. This is the end of the technology revolution. Larry Ellison, that quote is kind of disappearing on outside, but what he essentially said was there was, he was in the middle of the interview, the world is kind of clearing around us and he basically said that if he was 21 years old he would not be in the business which he is in. And I believe for the next 1,000 years there will be no more revolution around technology. And that the platform that we have today will continue to be the same platform. There will be no longer any innovation in technology. And he recommends everyone that he talks to, to become a bioengineering or a doctor, a bioengineering major or a doctor.

Which is actually an interesting forethought, like that's certainly is a future. But of course like I said, the pendulum can swing one direction or the other. I was fired in 2001 by my board. It was my own company. I owned a significant majority of the company at least in the common stock. And I was asked to leave. I didn't know that was actually possible. I didn't know actually the concept of shares and percentage ownership and common versus preferred and the board and the fiduciary duty of the board. Just one day I walked into the office and they told me hey, we didn't want a 23-year-old running a company with \$30 million in the bank. We wanted someone with more grey hair, maybe a VP from Oracle to come and run this company that we invested all this money in.

My initial first thought, like an immature 24-year-old at the time -- 25-year-old was at the time was I'm going to get all my buddies in the engineering department, we're going to walk out together and we're just gonna disappear and start a new same company, do exactly the same thing. Well, thank God I didn't do that, because we all have responsibilities. There was 250 people working at BuildPoint. They all have families, they have cars, savings accounts, they have mouths to feed, dinner to put on the table. And what an irresponsible thought I had, and what an irresponsible person I have been to start a company without

really thinking through can I truly be successful at building an internet company at the time. I spent the next year and half of my life doing self-discovery. So that's me in the red over in that picture. Actually it's not, I just found that on the Internet last night. But you get the point, it was a combination of traveling the world and trying to find myself and spending a lot of alone time, and going to a lot of parties. Because if you remember I was 25, 24, 25.

What do 24, 25 years old do? Especially since I worked so hard before then. You think that I tell you guys the moral of the story is hey, as a 23-year-old don't quit your job or don't leave Stanford and don't get a job and just don't start a company because you guys are not ready. Well, that's not the case actually. I won't never say it because there are guys out there like the Dorsey, the Zuckerberg, the Gates, the Dales of the world that are outliers. They're born to start companies. They have an inherent knowledge of understanding of how to navigate the travails, the obstacle of starting a company. They're just geniuses. They're the Beethoven and Mozart's of entrepreneurship. And they know - and in a lot of ways sitting here today I would never be able to figure out whether I was or I wasn't. So yes go chase your dream.

But very quickly understand that there are things that tell you that you might not be a Jack Dorsey or a Mark Zuckerberg or Bill Gates. And these are the things I did. I thought marketing was opened by parties. So I actually threw a lot of parties. I was at an enterprise software company throwing parties for marketing, right. The mentality was completely off. If you guys think a lot of these young entrepreneurs were overly confident to the point of having lots of hubris, I was one of them. I thought I was better than everyone else. I was 23 and on paper worth tens of millions of dollar, so why shouldn't I deserve to drive a nice car and pretend that I'm better than everyone else? Well there is a very big difference between hubris and confidence. Confidence is the willingness and the fearlessness of solving a problem.

The ability to tackle a problem ahead on without fear. Hubris is the belief that you can solve a problem even without tackling that actual - digging deep and understanding the components of that problem. And to be serious for a second, one of the most important things that I've ever learned, which I do want to impart on this class is to understand the concept of unit economics. I had an enterprise software product that was giving away for free. So, "here Mr. Company, take my product, have it for free." I had a sales force, I was paying about \$150,000 per salesperson to go sell a product that was for free. I was advertising at the San Jose arena with big billboards at the sharks - shark tank. I actually had ads in, you guys probably don't remember it, Red Herring, a tech magazine like Wired. The customer segment, the go-to-market strategy, the product itself, the component economics of how you become part of profitable was completely misaligned. So if there is one thing you learn, is to really understand how you're going to market, and what are the unique economics of that, and can you be profitable on a per acquisition basis.

So back to my life. After some self-discovery I decided that I'm not a unicorn, what I need to do is go back to what my parents taught me, which was work harder than everyone else, study harder than everyone else, and learn faster than anyone else. So I actually went to school at Wharton. I thought that hey, business school can potentially give me the holes of my education around how to start and build an internet company. And that was partially true. There are things that you can certainly learn when you have the hindsight of what you did wrong. The other thing I did was actually I started over. This is the picture of not the exact cube, but my cube looked exactly like this at eBay. So I took a- after being a co-CEO of an internet company that's worth tens of millions of dollars and having 250 people work for me. I decided to take an entry level job at eBay, so I didn't even have a title.

That's just purely entry level and they were paying me, God I don't even remember. It was so little that I actually had to borrow money from my parents to actually survive. And the rationale there was it wasn't really about the title or my pay or the ability to go to a cocktail party and give someone a business card that says I'm the VP of blah. I just wanted to learn and I wanted to go to the best place I can, where somebody had built a scalable Internet business and they must know something, right, and therefore I can go to that company and learn from the people there. I spent the next 10 years of my life kind of rebuilding the career. One of the things, one of the goals I had was to go to the multiple stages of an Internet company or a technology company. Whether that's new venture which I've done in my own company, Series A growth, IPO and Fortune 100. I was lucky enough to eventually end up being a very senior person at a very large technology company called AT&T And we like to joke that it's the death star. Spending 10 years kind of climbing the corporate ladder, it's not what I would consider a very entrepreneurial thing to do from the superficial perspective.

But if you understand the objective, the things that you want to accomplish, it's actually a very enlightening experience. And I will now tell you why. Building a company is very different than starting a company. Starting a company is selling a vision, it's recruiting, it is raising money, it is getting interviewed by TechCrunch, right. Building your own company is on average of 7 to 10 year road. It is hiring and firing, it is managing a product roadmap, it's motivating, setting goals for iterating goals, it's having one-on-one, it's looking up your KPIs, it's tracking your KPIs, these are very mundane and day-to-day things where you need discipline and knowledge to do. And what I did in those 10 years was to really accumulate skills and experiences and not titles. And I view that as a very important thing to do. And then one of the - just the most important thing that happened in my career was the realization that networking is actually not about networking. It's about accumulating trust from others.

One of the great examples I like to give is at AT&T I was hired to kind of build a division, a new business unit for AT&T. And one of the hardest thing you have to do is when you are given a task your job is to try to figure out and find people smarter than you to kind of solve that problem with you. And I went back to my days at eBay, right. I was very junior employee at eBay, but I worked hard, I was smart, I was collaborative and I built a great reputation or a good enough reputation. So I went back to eBay and found as many people as I can to come and work with me. At eBay they were more senior than me, they were paid more than me, but they were willing to come to AT&T because they understood that the value of what we can accomplish together is not really about the title or the hierarchy, it's about the accomplishments itself. And the last thing I will say about how do you really spend the time building a career, the 10 years of your life is how do you really accumulate experiences and iterations. It's not about the 10 years actually or the two years or the three years, it's really about how many times you can get , right. How many times you can iterate and learn and repeat? Go to companies that let you learn and repeat, release as many products into the marketplace as possible, launch as many marketing campaigns as possible, understand the feedback between your customers and the feature set that all the things that get you to understand hey, that wouldn't work if I did that again, but this will work and I'd better try it one more time. So what happened in the 10 years since I was in the game? I spent 10 years kind of building a career working at large companies and I'm not really thinking too hard about the entrepreneur side of that equation or my passion.

You guys might be too young, that's Michael Jordan playing baseball. If you guys don't remember he spent I think two years playing baseball rather than playing basketball. The Valley in 2014 is very different than the one I graduated into when I graduated from Stanford. The cost of starting a business is dramatically different. Pets.com raised \$50 million just to get a website up. At BuildPoint we needed to get a bunch of Solaris boxes so that's quarter million dollars, LL core 8 license for the database another quarter million dollars, BA app server another quarter million dollars and a web server from Netscape just to be able to print "hello world" on a browser somehow, that's \$1.5 million to \$1 million just to get started. Today I can go build pets.com in 15 minutes, right after this class through a shared hosting account that probably cost me \$5 a month. That's a dramatic difference in the cost of starting a business. So what does that mean? Well, that means that anyone here can actually go and start a company and all of you guys are probably thinking of it and lots of people are doing it. No longer do you have to go to Sand Hill Road and beg for \$4 million before getting something off the ground.

You can do that here, this instant, five minutes from this class ends you can go and start a company and really figure out where this product market fits between your concept and the customer that you're targeting. The other thing that happened was the funds that actually survived the dot-com boom were actually successful. So they were able to raise more and more and more money. So these venture funds went from having \$100 million under management to having \$500 to \$1 billion to \$2 billion under management. It takes \$5 to start a company. Yet these venture funds needed to play millions of dollars, \$2 million to \$10 million to make it worth their while, make a return. So all of a sudden there is a huge funding gap between the guy that says "hey, it takes me \$5 dollars to starting an internet company, maybe I need to hire four engineers, so pay them \$100,000 each, so maybe I need \$500,000 to \$1 million to get a company off the ground for about a year." Well, it's not that interesting to these venture funds. The good news is that at the same time a lot of the major Internet companies are starting to go through a cycle where the original employees or original founders are kind of leaving these companies and trying to figure out what to do. What they brought with them was a, an experience and expertise that can bring to the rest of the community. And we hear about this all the time, the Facebook mafia, the Google mafia or the PayPal mafia.

What these guys brought to the table was, hey you want to start a company and you used to work at PayPal, come over to my house, let's go through the business plan and figure out whether there is something here. And if there is, I will be an advisor and help you out. And that's the start of this culture of kind of paying it forward. And the fourth and equally important thing was these guys started out with just offering their advice and they started saying hey, I've made \$10 million, \$15 million, \$50 million in my last start-up, why don't I help you out and give you 200K, 300K, 400K. And that became this robust Angel community that kind of really built around the Valley. They never really existed when I was trying to start an Internet company. And that community grew pretty much from being an Angel, a semi-professional basis, to actually a professionally managed kind of venture fund ecosystem. They're called seed funds now. And you guys probably have heard of guys like Baseline Venture and and First Round. A lot of these guys came from the companies that we all have heard of and now they're actually acting like professional Angel investors, full time investing, looking at businesses and trying to deploy capital for their limited partners.

And they're able to manage these small funds. They usually have between \$30 million to \$100 million and they can give away 250K, 100K or 500K to an entrepreneur and really make a dent in their returns. So at the same time the bigger VCs have moved up the value chain, while this vacuum has created a whole new generation of venture funds. These guys, I call them kind of entrepreneurial run venture funds. They're typically operators and entrepreneurs running a venture fund and their perspective is not financial, their perspective is operational. And it creates a very different type of incentive and decision making. The result of these kind of four major changes in the ecosystem created kind of ripples, the democratization and the normalization entrepreneurship. When I was graduating from Stanford being an entrepreneur wasn't really a career path. It was an aspiration. I have heard about Jerry Yang, I heard about Bill Gates, I wanted to be like them, but it wasn't a career path.

Everybody still did the banking, the consulting, whatever the thing that they wanted to do kind of prove themselves as having a great degree here at Stanford. Well, today being an entrepreneur is actually a career path. You can look your mom and dad in the eye and say hey, I'm not going to go work for Google, I'm going to start my internet company. They will probably freak out a little bit, but eventually they will be like okay, I've heard about this, it's actually a viable career path, it's something that you can actually do. The other thing that happened was the near frictionless of sharing of kind of knowledge and information. The blogs, the fact that everybody is involved in this community, the pace of conversation, they all created this environment where information is almost free. In a sense that a reputation of a VC or how a company started getting scale, all those things are now you can actually learn about. In 1999, if I want to figure out what's the secret sauce for some other internet company, I got to beat my way to that CEO's door and really beg him for that information. Today that information is much more faster. Like I said, there is tons of access to capital at multiple stages.

So that means if you want 50K you can get 50K, if you want \$50 million you can get \$50 million. That wasn't the case back in the day. If you want to raise money, you got to go find someone that can give you \$4 million at a time. If you don't need \$4 million, tough luck. And then really this idea that VCs are not a separate class of people. That they're just like you and I and it's a fair exchange of equity for money and they are here to be part of the ecosystem, contribute to the success of the companies. Guys like Fred Wilson and Dave Hornick, Brad Feld really create this environment of hey lets open kimono about what exactly we do and how we make our decisions. And let's make entrepreneurs choose us rather than us choose entrepreneurs. I like to think that the ultimate outcome, and this is perhaps a little bit of a controversial statement, is that entrepreneurship has become math and I don't mean that it's completely certain. I mean that it's a series of a stochastic independent mathematical events.

From the VC perspective or the macro perspective, entrepreneurship or new venture is almost like evolution or Darwinism, i.e. the way to find success is to have multiple mutations. And the more mutations you have the higher potential for success. So the mutation in themselves isn't a thought process or a design to be better or worse. It's simply because you have multiple mutations that success appears. So if you have 10 start-ups in a particular ecosystem the chances of one of them becoming a Snapchat, it's going to be much, much lower than if you have 10,000 start-ups and one of them becoming a Snapchat. The reverse of that which is actually more important for all you guys in this room is that now you can view entrepreneurship like a baseball game. And I have Pete Rose up there, not because I condone cheating or gambling, I don't. Lots of you guys think of him as the lifetime leader in hits, in professional baseball. The actually more impressive thing is, he is the lifetime leader, at almost 20% for at-bats.

And his - he doesn't have a significantly above average batting average. The reason that he is successful is he got a lot of at-bats. And that's what all of you guys have to really think about is guys like Zuckerberg and Bill Gates, those guys were hit 400, they're natural. They're natural, they're just really good at hitting a baseball. How do you become successful when you are just an average dude who hits 260? The way for you to be successful is you get a lot of at-bats. From a VC perspective, where I make a lot of investment these days and I work with entrepreneurs, I'd much rather bet on an entrepreneur that has 10 at-bats with a low batting average than an entrepreneur with a high average and only a couple at-bats. And the reason is because all we really care about is getting a single hit. I really don't care about how many times you tried to be successful. I care about that eventually that you are, so the speed in which you get those at-bats is important. So if you have an idea about business, how do you iterate fast enough so that you can actually become successful and the number of times that you can actually start new businesses matters as well.

So the changes in the ecosystem have created an environment where we actually don't have to be a unicorn, who actually spent 10 years like I did relearning the muscle memories of how to build a great company to become a successful entrepreneur. I'm not saying that all of you will go out there and build billion dollar companies if you follow the formula, you're not. There is still those huge companies I reserve for those who are really born with an instinct and an inherent kind of knowledge to do it. I'm saying that we can all do interesting things in our life. We can all change the world. Maybe it's one little niche, maybe it's one little segment, maybe it's not a billion-dollar exit, but we can all make a difference. If we really think about our lives as multiple at-bats, really leverage the community and the resources that's really around us. I do want to switch gears a little bit and talk about what I'm actually doing in LA. I moved in LA in 2006 for personal reasons. And what Los Angeles is today or two years ago when I started MuckerLab was what the barrier was in 2007, which is really before the advent of seed funds, the democratization of entrepreneurship, of this kind of understanding of entrepreneurship as a playbook rather than this mythical black box.

What's interesting about LA is that LA has all the major components of being a great ecosystem. And for me the most important units of measure or the most important commodity for any community is the number of engineers. Engineers are what fuels the fire to really drive the innovation cycle. And in LA although none of them are as good as Stanford, there are schools like USC and UCLA in Caltech that are really world renowned engineering schools kind of producing great talent, at building great code. What we - what LA didn't have was this ability to bring all the pieces together to create a Petri dish where an environment can really increase the probability of successful entrepreneurs and that's what MuckerLab is. I wanted to bring LA the older trappings of the ecosystem that we have here. All the benefits, all the people, all the thought process, all the

culture and bring it to LA and really create a way for LA entrepreneurs to be successful. How do we play and level the playing field? We have a big roster of mentors, people that I've worked with, and again, think about the network. That's the people I worked with here in Silicon Valley as mentors for our companies acting as advisors. People to bounce ideas off, people to kind of keep them in the driving lane as they are really kind of careering down this entrepreneurship road.

Given my partner and my - and the fact my partner and myself have spent a lot of time in the Bay Area, we actually have access to a lot of the same seed funds and the same kind of venture capital funds that LA entrepreneurs traditionally never had access to. And probably I like to think one of the most important things is my partners and I work with these entrepreneurs to help them build their businesses. I spent 10 years getting beat up. There is not a lot of replacement for that kind of knowledge, and I can save our entrepreneurs a lot of time and a lot of headache. Compress that 10 years into one or two years of learning within the confines of MuckerLab and help them build their business. And MuckerLab likes to tell entrepreneurs that you don't have to be a unicorn to build a unicorn. And how do I extrapolate to the guys, to all you guys here in this room? And the way I extrapolate it is, salaries are great, but they're really for people who are kind of lazy. All of you here can go find the right mentors or right advisors to find your network, to find the VCs, to really kind of build your business. If you understand, there's a bunch of words down there that's not showing, but I'll just talk to it. If you understand a few things about being an entrepreneur, you can actually be quite successful without being a unicorn or actually spending 10 years building a, kind of building a career.

Have a really long view. The average company is between 7 to 10 years. And that means whether you are really successful today, whether TechCrunch is writing about you today, whether you think it was \$10 million, \$100 million or even \$1 billion, all that can change. In seven years lots and lots of stuff can change. So have a really long view around who you are and where do you want to get to for you personally and for the company, and build a business that really matches your passion and matches your vision. The other thing to look at is be confident, like I said before. Be confident, but really trust the instinct of those around you. Surround yourself with executives, that perhaps they are not entrepreneurs, but they really know how to do one thing right. You don't have all the answers and there's lots of people that's a lot more smarter than you, that can really help you become successful and share the credit because you're there. So last thing, go be a unicorn.

Thank you. Okay. So now we have an opportunity to ask some questions. I'm going to start throwing out the first question to you and then I hope all of you in the audience all think about types of the questions that you would like to ask. So let's imagine that I got accepted into your accelerator. Tell us a little about what that experience might be? How long would I be there, what sort of services would I have? Yes. I've been trying really hard not to kind of market and talk too much about Mucker because not all you guys need us, but I'm happy to talk about it. The MuckerLab program is a 6 to 12 months program. And the reason that there is a huge variable is because we don't believe there is a formula to success. We believe the formula to success is actually the iteration and the experimentation of getting to a product market fit.

So a company comes, joins a program, they actually work out of the office and I insert myself as part of the management team, my partners and I, and we actually help our companies build the product, take it to market, test different go to market strategies and try to understand if the dog will eat the dog food. Whether that means lots of people using the sites, that means 100s of \$1,000 in revenue or huge engagement metrics. Whatever it might be, our job is to help our companies get to that mythical product market fit and then at the end of that process help them fund raise with venture capitalists. Great. Questions. Are there particular sectors you focus on and why? And does your location in LA have to do anything with the kinds of sectors that you look at, because LA has a different business mix than we have? Obviously. So the answer is yes. The foundational way that we look at companies is can my partners and I add value to the entrepreneur. We look at the delta between when they join the program and the projected delta when they leave the program. Can we add enough value for that company to feel like they got enough value working with us.

And given that type of thought process, it generally means that if I don't have a personal experience in that sector, it actually doesn't make sense for us to work with that company even if I believe that's a \$1 billion company waiting to happen, because again it's a cottage industry. I want to work on something I'm passionate about, that the entrepreneur is actually passionate about and action I can actually add value. The good news is that my partner and I have those little bit of career ADD, so we have done quite a lot of different things when it comes to the landscape of Internet industries and segments. So that means things like e-commerce, marketplaces, SaaS, security, content and media in LA. These are all the things that we have experiences with running and we know how to build those businesses. Right. Questions? Yes. Could you talk to us more about your experience at AT&T Interactive? In such a large company it must have been difficult to get things moving, to get support and maintain support for your initiatives. How did you do it? Ironically the ability to sell and recruit was the most important part of being successful at a very, very large company. At a company like AT&T where there is multiple stakeholders, where there was maybe about 500 people at my same level.

The key to success is to actually gain allies and the way to build allies is to understand people's motivations. And we like here to think that big companies are not innovative and they're slow and they're like dinosaurs and the people like to play politics. Well that's actually not completely true. We all have one life to live. We all want to do interesting things or even great

things with our lives, and that means that guy that works at AT&T or the guy that's behind the checkout counter at Safeway to you and I sitting here in this room, everybody have a motivation that drives them. So if you understand their motivation and how they want to be different and how they want to change the world, you can actually help them accomplish that goal and the same thing at AT&T. If you build enough allies and have enough people that subscribe to your vision, you can get a lot done, because every company needs a role and everybody wants to be innovative. Great. Yes? Oh me. Okay, can you please explain why you decided to join the TechStars network and how MuckerLab differs from TechStars? Okay.

The question is why did we decide to start the - join the TechStars network and how we're different than the other TechStars programs? Yes. We wanted a - couple of things and I think I've never run an accelerator in my whole life. I started companies, I worked at different Internet companies at different stages, I worked at large telecom companies like AT&T and I was eating my own dog food, I listened to my own medicine. Which is if I don't know how to do something, don't be afraid, go do it. But surround yourself with people that actually know what they're doing and get their advice. And what TechStars did was actually provide us with a playbook, a way to kind of jump start and really think about how we can add value and run a great accelerator. The second part of the question is why we're different? Being in Los Angeles where we are, in the technology echelon we are a second-tier city, where the ecosystem's not robust or the capital is not as sufficient. The way to be successful is actually to be more focused on the outcome. So a typical TechStars program will be three months and you go through that program and they have a very specific cook book to go through and once they ended the program you go out and fund raise. Our program can literally last two years if you can't find product market fit, or whatever, your initial ideas doesn't work, you continue to pivot.

We will not let our entrepreneurs pivot in the wind. And that means we will not push them out the door and let them figure it out on their own. Our job is to help entrepreneurs, and every entrepreneur's dream deserves the chance to be successful. Our job is not to have 80 companies a class and pick the one that, or be lucky enough to pick one, that becomes successful. Our job is to be 100% referenceable with every entrepreneur we work with, and that means every entrepreneur we will work with them until they give up. And as long as they are added, then we will be working with them. Great. Yes? Not being rude, just curious, why should I move to Los Angeles if I could find better engineers here, that would rather work in a garage than work in a cubicle? You shouldn't. The Silicon Valley or the Bay Area or even Palo Alto or Soma is a very unique place. If you're lucky enough to stay here, to be from this area to pursue your passion here in Silicon Valley, you should stay here.

The chance of success here will be infinitely higher than anywhere in the world. But if you happen to have a family in Los Angeles, if you happen to love the sun, if you happen to love the beach, if you happen to just want to be in Los Angeles because you have a dream to one day become a great director. Go pursue your dreams and then if one day you happen to want to start an internet company and you don't want to move, MuckerLab is a great choice for you. We level the playing field. But if you're here then stay. Great. Question? What's the maximum size of the company that you're, let's say letting in - if the company is comfortable do you accept them to the accelerator? Yes. Because the way we work with the companies, so hands on and so customized, the stages of our companies are actually significantly different than other accelerators. We definitely take companies where it's three guys with an idea on a piece of napkin and we help them get that going. There are times we take companies that's two years old.

Our most - the largest company we've ever taken from an employee perspective is 15. From the fund raising perspective they already have a \$1.5 million raised. From the longest perspective is three years. Again, what we looked at is the delta in which we can help accelerate their business and how much value we can add. A lot of these companies are going through kind of huge strategic shifts where the market is going through significant changes, and we can be of value. For, an interesting anecdote to that is for our most recent investment we have a company that actually moved from China. They're a company that's three years old. They were selling a premium app in the app store, doing about a million downloads a year and they wanted to create a larger business. It was a great cash flow business and they were making good money. But they were thinking about how do I really change the world and we helped them pivot to a different, completely different model and gain scale and reach that they never thought possible.

So it really depends on what your goals are and how we can get you there. All are on the stage, obviously if you're square or one of these later stage companies, it wouldn't make a lot of sense, but any early stage company that's still looking for product market fit, we can help. Do you take equity in the companies? We do. We take between 6% to 8% of the company and we make investments between 25K all the way to 500K at some point in the future. Right. Another questions, yes. What percentage of your companies are focused on B2B business versus B2C versus both? And the second part of this, do you expect that to change in the future? So from the MuckerLab perspective, about 60% of our company is consumer focused and 40% is enterprise. And ironically if you actually look at the GDP that split is about the same. We're not an index fund. So that means my goal is actually not to match what's going on in the marketplace.

I want to find great entrepreneurs targeting on a white space opportunity with a disruptive idea. If that means all 10 companies that I work with right now is consumers so be it. If that means all 10 is enterprise, so be it. It's really about the

opportunity itself. We're very bottom up in our approach rather than very top down. Question. Yes, I was, you mentioned that you weren't necessarily very prepared when you started your first company. So I was just curious whether you were able to pick up anything that was useful to you during your time at Credit Suisse, or with your particular career, do you think it would be useful for people who actually want to start businesses down the line? Yes. It's very important to have some basic financial skills. And I learned that working as an investment banker.

It doesn't mean that you can't pick that up, taking a class here or going online or taking a book, taking a book and just reading. The key here is to accumulate applicable skills and applying to the business that you're working on. That could be working at a job, that could be chasing down Professor Krosnick in the hall and asking a few questions, take any opportunity to accumulate knowledge. So that doesn't mean that working at a certain industry matters or not matters. There is a lot of ways to build knowledge that doesn't require you to actually commit one or two years of your life doing something. But I will say that no matter what job you do, to be successful, the discipline and the - that's a commitment you need to be successful at that job is something that is transferable to anything that you do. So there is always something you can learn no matter what job you are in to help you become successful in the future. So be cognizant, work hard and really think hard about what you're doing right now today and how that really helps you in the future. So let me build on this. Let's go back to when you were a student here, what would you have done differently when you were a student to prepare you for your first venture.

Is there something you could have done differently? And also how much can you actually learn in a classroom setting versus the real-life experience that you've got in all these ventures? I think classrooms give you a framework to understand the problem that you're facing. What it doesn't do is help you actually create the solution to that problem. But I always like to believe the process is much more important than the outcome. How you arrive at a solution is much more important than the solution itself. And that's what Stanford and education provides you with. That also means that the muscle memories of applying a framework to a problem you're facing in real life is something that can only be accumulated in real life. But that doesn't mean that sitting here at Stanford that you can't actually go and launch a product and try to figure out product market fit. Sell something build something or come up with an idea and really test your ability to figure out whether something you learnt in class X can actually help you in doing Y. One of the things I wish I'd done more is actually go out and actually do it. Of course back in 1999 for me to build a website cost me \$2 million.

So I couldn't even if I wanted to. You guys have an incredible opportunity to actually go out and do, and turn your dream into actual reality or a concept into an actual product. And the cost of that is almost nothing, especially given the resources that's available here. So go take advantage of it. I don't believe any of the Stanford workload will so overwhelm you that you can't actually pursue the things that actually drive your passion. Great. Question. Yes? You said that you tend to take a - you said that you take a managing part in the companies that you actually are hands on managing, which seems to be a little different from lot of other accelerators. What was your reasoning for doing that? My reason is because from the outside in I wanted to create a program where I'm fully invested in success of every single entrepreneur I'm working with. And that means I got to be a coach rather than just be some guy that actually just manages the program.

And to really ensure the success I got to bring my experiences to bear to these companies, and that's really truly the only way to do it. The other reason that the way that we structured the program is because again this is Los Angeles, so that means the entrepreneurs that we are seeing are, have great potential for being a great entrepreneur, but they just don't have the muscle memory or the knowledge or the experiences that all of you are lucky to have here by being in Palo Alto. So us working with them more hands on just helps them train them faster to become what we need them to become, which is a certain type of great entrepreneur. So given your stint at Credit Suisse, what's your perspective on why banks have such a hard time innovating? Well, the caveat there is I spent 10 months there. So I can't consider myself an expert in banking. But I have a couple of theses. One is regulatory, and everything in a bank is - it touches some sort of regulatory body and laws are always slow to change. And so therefore innovation runs up against an immovable object is always hard to execute. The other is really around the fact that banks work with virtual goods, if you will. That's kind of a weird statement to say.

Well, money is a virtual good. Most of the money in the world is actually not in hard cash. So that means it's very intangible. \$10 million is just a number on a spreadsheet, \$1 billion is another number on the spreadsheet. It's really hard for banking companies to really think about the concreteness of their innovation and the thing that the product itself, that they can take to market. They think of themselves as services, a services company providing number crunching rather than providing innovative products. It's easier to innovate on something much more concrete than just a powerpoint presentation, bunch of numbers, number crunching, some analysis to give someone. And at MuckerLab, is there interaction between the different ventures that are working there? Absolutely. Is there opportunity for crosspollination? Absolutely. At any given time there is about 10 companies working on MuckerLab and they're physically working in our office.

So there is now 80 companies spread across kind of Mountain View. They literally in the office every single day. And like I said to our companies, leverage the resources around them, the experiences and the knowledge. And my partners and I are obviously one kind of vector into achieving that goal, and the people that they are working with that they see eye to eye was

across the cube, across the desk. These are also other people that they can gain, either network or solve a problem for them. So a lot of our companies end up being each other's customers. They help each other recruit other engineers and other potential employees. And sometimes they end up becoming advisors for each other. No one is smarter than someone else and peers are actually great ways to kind of bounce ideas off each other. Great.

One final question. Yes? It seems like you have gone through multiple transformations in your life and worked with so many different companies. I just was wondering, when starting this new company coming out at 22 years old. What were your goals coming out of Stanford? What are your goals now and what's next? Can you please repeat that? It's a multiple stage question. So the question would be what was my goal? What I wish to accomplish when I first graduated from Stanford, and what's my goal and objective right now? So when I first graduated from Stanford, I had two objectives. One was to do something great, which is kind of generic. And that's part of the reason I failed. I wasn't very specific about what I wanted to do. Another thing which I'm actually ashamed to say is I want to make a lot of money. Today that's certainly important, I want to send my kids to Stanford and it's really expensive here.

But it is a side product of what I want to accomplish rather than the main outcome. And that speaks to what do I want to do. After spending three years at AT&T I quickly realized that my passion was still around this community I grew up with here in the Bay Area. It is Apple in Cupertino, HP in Palo Alto, being one of the epicenter of starting to change the world one bits and bytes at a time. And I wanted to do that again, but I thought that it would be very selfish of me to start a company of my own and go do the thing that I wanted to do. At this point in my career, I have some flexibility. I have saved up and I actually have a safety net in the fact that I've a nice career so I can go do whatever I want to do eventually. So MuckerLab and making investments in kind of C stage companies in LA is my way of giving back. I realize that the path I've taken certainly is one path to success, but if I can help someone actually shortcut that process and become successful and achieve a dream, I can actually get just as much utility or benefit or sense of accomplishment doing that. The question is then what else we're going to do 10 years from now? Well, I don't know.

That's kind of the hard question that everybody have to answer. I love what I'm doing now. It's something that we have been really successful at doing and I've never enjoyed a better, more fulfilling job than I'm doing now. Helping other people become successful is actually more fulfilling than making yourself successful. This is actually one of the biggest revelations of the last two years. And if I'm lucky enough where the returns are great and entrepreneurs love, continue to love working with us, maybe I will do this for the rest of my life. For those that can't do, maybe they will teach and this is my way of teaching. Wonderful. Join me in thanking Will for his wonderful talk.