



## Stanford eCorner

### Figure Out What's Important [Entire Talk]

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Kathryn Gould, one of the first women venture capitalists in Silicon Valley, shares what she's learned after many years of picking successful startups and forging her own career path. In conversation with tech-industry author and journalist Mike Malone, the co-founder of Foundation Capital tells entrepreneurs to identify a true target customer and market opportunity, and be prepared to give 100 percent.



#### Transcript

So how did you get into venture capital? You do say you had a crazy path to Silicon Valley. Give me a little history. Yeah, okay. You guys have got to hear this. I mean the first 10 years of my life was pretty random and - of my business life. And so if any of you undergrads think you might kind of suck a career planning or don't have a career plan, listen to this, if I can do it, you can do it. So... Where were you born? I was born in L.A. but went to school at the University of Toronto because I am retarded about weather. So anyway, so I'll just run through this real quick because it's so crazy.

So raised in L.A. and this violin playing thing has been a lifelong thing with me. So I studied music at USC starting before I was in college. And so then when I decided to major in physics, like I didn't think to change. So I went to USC briefly. And CalTech didn't take women back in the late 1960s. So I would love to have gone to Caltech. But that didn't work out. So anyway - but I had a boyfriend at Caltech. So I got to use their computers.

So I bootlegged time on their CDC 6600 and I literally learned to program Fortran out of the trashcan there. I picked up listings, study them and that's how I learned Fortran. Anyway - but then I went to University of Toronto and majored in physics at a real science and engineering school and that was good. And I also wrote a bunch of Fortran programs there for their IBM 360. I was writing curve fitting routines back then. And anyway, so BS in physics and then I thought I wanted to go on for a PhD in physics but I had an opportunity to be an intern at Argonne Lab in Chicago and so I took that. And got more free programming time on mini computers and wrote a bunch of simulations for quantum mechanical processes and stuff like that. But more importantly, I figured out after a year of doing that that I didn't want to be a physicist. So I went and got an engineering job in Chicago. So I started in engineering at a big company in Chicago, Bell & Howell which is no longer in existence.

And then, I realized that I didn't know anything about accounting and all that business jazz so I went off to University of Chicago and got an MBA. Then worked at another big company in Chicago. So finally, so I - and I loved computers this whole time and I was really thinking what am I doing here, I really should be in the computer business. But I'm kind of glad I didn't jump too early because if I had, I would've ended up in Boston at a mini computer company and that's not where I wanted to be. So when the microprocessor got invented, that's when I got really interested and finally came out here. So it was the 8080 that convinced you to move to Silicon Valley? Actually to tell you the truth it was more like the Z80 but... Okay, still Federico. Yeah, really? Yeah. So when personal computers started happening, that's when I said, okay, they can't do this without me, I've got to be out there. So I left and by then, of course, I'd had kind of a big job there.

So my CEO at the large company I left was like you can't leave, you're the highest ranking woman in the company. I was a division marketing manager. So anyway - so it was a little bit hard to leave but not that hard. So I came out here and joined my

first startup. Well, I didn't know what I was doing. So I interviewed at Tandem and Apple and Intel. Those were the kind of the big companies back then. But I said, heck, I really want to do a startup. So I am not going to join one of those. So I ended up with this - weird logic of joining the smallest company that made me an offer, I just said that's what I was going to do.

And so I joined this company called Data Systems Designer, this... They are long gone. All gone, yeah. And they made PDP-11 peripherals back in the day. This is like 1980. And one of the cool things is that one of our customers was Larry Ellison who was writing Oracle and PDP-11 assembler in a little suite up at Sand Hill Road and so I went to meet Larry and somewhere along the line, and I was like, I've got to be at Oracle. And here's where chance favors a prepared mind, one of my favorite sayings because all those years that I sort of wasted at big companies, I did develop a perspective of what big companies needed and when I saw this product and I was like, this is going to change the world, the big company data world and I got to be there. That's always been a debate whether you should go work for a big company for a while and get perspective or go start in a small company and escape all the damage that a big company does to you. Yeah, right. Big debate right now and...

Yeah. Where do you come down on it? Well, in my day, and in my career in the 40 years since then, I've always advised young people to go like go get a job at Intel or Oracle or Google or some good place that's going to teach you some stuff and then go start a company. I am not so sure that's the right advice now. The advice I still have now though is whatever you do, make sure you are learning from really, really smart people but the big company thing, I don't know, it's changing so fast. But for me, it was great to have the perspective of what big companies need as far as software and data networking and all the stuff I made all that money in in the venture capital business was in part informed by the market, the end user view I had from my 8 years at big companies. So your second employer in the Valley was Oracle. Yes, sir. How many people were there? Like 15, but I wasn't an employee number 15 because Larry had gone through a few people. So... Yeah.

... I was probably more like, I don't know, 25-ish. Did you have any sense it was going to be Oracle? Yes, I did. Even though - our sales numbers back then were 1 million, 3 million, 5 million, 12 million. So that's not like that's good, but it's not like off the charts, that was 81, 82, 83, 84. And then after the 12 million, it doubled every year for a long time. And the reason I sensed it was going to be Oracle was, firstly, because Larry is truly the best entrepreneur I have ever met. The man is amazing. Okay. I was going to ask you about that.

Because I mean he obviously has a very unique reputation. Yeah. Yeah, yeah. No, one of them is Oracle when it was going full bore was an absolute insane pressure cooker, I mean the joke always was the first year you're there, you think you've landed the best job in the world. The second year you're there, you begin to wonder what's wrong with you; and the third year you're in intensive therapy. So was it like that when you were there? I don't think quite - Larry was still getting his style organized. And so I remember a side of Larry that I don't think lets show very often nowadays. But he loved to laugh, he had a huge sense of humor. We spent - if we weren't yelling at each other, we were laughing. And so it was a very funny but intense time and there was also - the term spitting mad.

I actually have seen that. And so - but the important thing about Oracle as a business was it was this little dinky thing in this little tiny suite in Sand Hill and the phone was ringing all the time. People were really interested in what we had and they were like couldn't wait to get the product. And of course, there was a lot of bugs to fix and it was like not an easy product to build. What did you learn about working for a company growing that fast? I mean there is really not much that gets taught about being in a comet-like<sup>3w#</sup> startup where it's doubling in size every six months or three months or... Right. And none of us had ever done it before either. So there was nobody to go ask. Yeah. Well, there was - there was Don Lucas upstairs from us who actually invested like 50k or something, I don't know and so he was kind of some gray hair around there.

But it was just breathless and all that mattered to Larry, rightly so I think, back then was engineering and sales, like marketing what I did, didn't matter. Which is why I had a sales quota. So I did the OEM sales and that was fine and that's where I really learned to sell. Very important. So all you engineers out there, if you're going to do startups, make sure you learn how to sell, really important and I know - my son is an engineer, so I know that engineers are like what, I don't want to sell, I don't like salesmen, get over that. Now there's another aspect of Larry's reputation that I wanted to bring up. You and I had lunch one day with Pat House who was just a counterpart of yours at Oracle. And I asked both of you and she went on, of course, to be CEO of Siebel Systems and all that. And I said I don't understand how two strong women like the two of you could work at a place for Larry Ellison and you guys took great umbrage at that, you almost yelled at me over the table. Why? I mean he does have a certain reputation...

I can't - I still can't remember what I said there but... You said because he is a damn good - he is the world's greatest expert on database management. Yeah, and a great entrepreneur. Larry is an amazing guy and he is agnostic as far as I can tell about women. I mean look at Safra Catz nowadays. Yeah. And so he doesn't care who you are or what you are as long as you're great at what you do. And so I am a defender of Larry. So how long were you at Oracle? I was only there for three years. And that was your last real job? It was.

That was the last time you ever worked for anybody? It was, yes. Did you have like some epiphany, you know that you're walking alongside the bay underneath the Emerald Towers and you just said I don't want to work for anybody anymore? Sort of. But my epiphany was that I got fired. Larry used to express extreme displeasure by firing people and he - I think I'd probably been fired a couple of times before but it was just bullshit and I didn't pay attention to it. Yeah. But this time, he really fired me. And like I didn't get hired back until after lunch and so he really meant it and I thought, shit that sucks, I'm not doing that anymore. So I think the term nowadays is you incorporated, I decided - sorry, I wasn't going to do that anymore. So I quit - I stayed there for a few more months but I was just grumpy and I quit. And that's what happened.

And then - but then I was like geez, I don't want to work for a startup that's not as good as Oracle and believe me, there wasn't another company as good as Oracle at the time. So I was like, oh, I got to think something up. And so... Let me ask you one quick question because I don't think this ever gets addressed either. What do you do on the morning after you quit a place like Oracle where you have no job prospects yet? You don't know exactly what you're going to do. It wasn't that bad, I had lots of job prospects, people were calling me about startups that sucked. By then this was 1984, so there was some venture capital, there was a few companies starting, so it wasn't that bad. Well other than Apple though it was kind of ugly startup era. You know Bill Cross at 3Com was talking about being marketing VP at 3Com, that would have been legit, right? But I didn't want to do that. So anyway, so I got - this is another like crazy career move.

I thought well, heck, I'll just be an executive recruiter because I was getting called by all these recruiters and I'm thinking well they're having more from than I am having. So I started an executive search firm, which seems really crazy. But my plan was that it was going to be a temporary thing, it'd be like a cool way to look for another startup. And I thought I'd maybe do it for a year. But it turned out I did it for five years. And I really loved it although five years was enough. So I started recruiting people like me, other marketing VPs but then I branched into sales VPs and engineering VPs and then pretty soon, I started getting called to do searches for CEOs for venture capital firms and so I did all that stuff. And had a baby? True. For you ladies, it was - on my mind when I did this was also, I could have that baby which is like getting kind of late in the day for me. So I did that and I, to this day, don't know how you can have a baby and do a real startup, no clue.

So I couldn't. So I did it that way and it was great. So I got my baby who is now 27 years old. Yeah. But... And doing what? And he is a mechanical engineer, having a great time. Anyway, so yeah, so the recruiting thing turned out to be a really interesting career move. I am not recommending it but I am just saying do interesting stuff. So how did you become a VC? Yeah, most people that want to be a VC find it really hard to get into the business. But...

Most people, even very successful people go in and fail. We've seen a lot of well-known Silicon Valley figures over the last 30 years become VCs and it just doesn't work for them. Why did it work for you? Yeah, good question. Well, I think part of it was actually over the five years that I was a recruiter, I literally worked with 80 different companies and I was a retained recruiter. So I had to like strap my body to these companies and if it sucked and didn't work, I couldn't get somebody to join them. So I had learned to be very careful about who I took on as a client, which meant I had to understand the market, they had to have a market opportunity that made sense where I can recruit a superstar to join them and so I learned a lot about what kind of market opportunity makes sense, I watched these companies in various stages of success or disarray and like any time, you're recruiting a CEO, there's probably something going on. So I learned a fair amount about what can go right, what can go wrong. And in five years, I saw 80 companies, a venture capitalist doesn't get to do that. A VC might invest in, I don't know, two, three, four companies a year. So it takes a lot of years before they can see all that stuff up close.

So... So you weren't just filling job slots, you were actually studying business plans and doing due diligence. I kind of was because I didn't take - I had more business coming at me than I could handle, so I would like try to figure out which was the best one. And I only worked on three searches at a time. So yeah, I - so part of the reason I was successful was that I had all that perspective. And I guess, I don't know what... Think you have an aptitude for it? Maybe. Yeah. What in your personality makes you a good VC? Good question. I really like digging into people and I got pretty good at it.

And so I like to understand what makes people tick and what makes them motivated and so there's that whole side of it. The other side of it is like physics is a dangerous major because you know a little bit about everything and nobody is too sure what you don't know. And so I was able to always like figure out if the technology made some kind of sense if it was like doable by human beings and all that kind of stuff. And also I think really good venture capitalist is a craftsmanship job. And I am a musician and a painter and that's - I am kind of - craftsmanship matters to me. Well, we get to the other great question then. The debate has always been do you invest in the team, are you a John Doerr school of investing in the team or you do invest in the product? I am hardcore market opportunity investor. So even though I love people and I had a lot of that experience with the recruiting stuff, if you have a great market opportunity, you can get great people. And if you have a sucky market opportunity, you can't. And so the popular term is pivot these days.

I think that's way easier said than done. So thinking oh well if this doesn't work I can pivot, I think is a little bit wacky. And so I'm definitely market opportunity investor and so of all the companies I did in my venture capital career, I only broke that rule a couple of times and I should say I only had two failures, we'll come back to that. But one of them interestingly enough was

Steve Blank and Rocket Science Games. Those of you who know Steve know this story. And I know Steve is in London right now so I can say this. So Steve used to ask me, he was going like, so we're fucking up, aren't you going to fire me? And I'm like Steve, believe me, I would if I thought it would make any difference but this market sucks and there ain't nothing we can do about it. And so... And you're still friends with him all these years later? We've known each other for 35 years, we were counting it up the other day. So anyway...

Well, that's kind unusual. That says something about you as well. And about Steve? Yeah, well, a lot about Steve. We're both still alive. And he didn't hold any grudges. No, no, it was a learning experience for both of us but anyway, yeah, I am a market opportunity investor. Tell me about some of the early companies you invested in and if you have any anecdotes about them. Yeah. Well, I could talk for hours about these, you probably don't want me to get too carried away but like, the list is - you may not know all these companies but Documentum, which I invested in the early 1990s which is to this day, a very much a living product although went public and then got acquired, Interwoven, Grand Junction Networks, Applied Digital Access, primary access to telecom companies. So I did a lot of telecom networking and enterprise software that was the kind of stuff...

Yeah. ...that was good in my era. But your ratio was astounding. And I think you attribute it to the fact that you never accepted that standard VC ratio of 2 winners out of 10 and 4... Yeah. ...4 struggle along and the rest die. It really irritates me when VCs say, yeah, well out of 10 deals, there's going to be one winner, two or three also-rans and the rest are write-offs. I never played that game, never even thought it about it. My idea was that everyone had to be a winner. And that - this market opportunity thing, I only went into it if I was convinced that it was going to be a winner.

I didn't get it right all the time, but - and if a company was starting to fail, I worked my butt off to not that let happen even if I ended up with like two or three times my money. There is a pride thing for me and a life thing for the entrepreneurs whose life was on the line for a few years there. So I just - I didn't take failure... Yes, I am sure a lot of investors don't think about the lives of the people they are investing in. Yes, I don't take failure kindly. So I could tell one more story if we're not... Yeah, a near-death experience? Yeah. A bunch of my companies that turned out very successful had near-death experiences like so startup people get ready for this, it's like not so easy. So I'll just tell the Grand Junction Networks story. So this company made the first - 100 megabit Ethernet switch back in the early 1990s.

And they were a bunch of guys from 3Com, incredibly talented guys. And for me, the scariest part of any startup is okay, you're done with the engineering and you put the product out on the market and they don't beat a path to your door, nobody does anything and it's horrible which is why Steve Blank does his thing. But we will come back to that. Anyway, so we introduced our product, nobody bought it, and these guys were - 3Com guys, so they were used to indirect distribution channels. So they signed up a bunch of distributors and dealers and stuff like that. Well, they - those kind of channels can't deal with a completely new technology, this has to be sold direct. And I couldn't convince them of that because they were 3Com guys. And so I said, okay, here's the deal. We'll do it your way and I can't remember what it was I said for six months or until we only have 500k in cash left but I set an endpoint because I knew it wasn't going to work, but I knew this product was going to work in the market. So they kind of ran out of time, nobody had bought hardly anything.

And - but in the background, I was recruiting a direct sales force, a bunch of sales reps, there were some good ones available at the time. So when they hit my day, I said, okay, here we go, I've got these five guys, we're going to go and sell direct now. They go, well, okay, but we don't think it will work. And then it just completely took off and like quadrupled in sales every month and then it got to be like doubling in sales every month until the numbers got huge. And then, we had an interesting debate whether to go public or sell to Cisco for a pretty nice price. And that, by the way, Grand Junction Networks as well as Documentum, were both Stanford Business School cases, I don't know if you guys still study that stuff, but - so it was the - sell to Cisco versus go public, that's the case. But the more interesting case to me is the what happened in the distribution channels. Anyway, so that company is now worth billions of dollars and the seed of the whole Ethernet switching business at Cisco came from these guys. And I just saw them, we just had a 20-year reunion and got together out in Colorado and reminisced about all this jazz and six out of the seven people around the table were pilots, that was pretty cool but... Plus you? Yeah.

Yeah. Now, you are a pioneer micro venture capital firms. You, according to the records, Floodgate, Petcham & Marr , Engineering Capital, want to tell me about them? Yeah, yeah, sure. Are they alike, are they different? They're pretty different. So yes, I helped Mike Maples start Floodgate back in - we dreamed it up in 2007 but we raised the money in 2008 and at the time, the whole idea of the craftsmanship in early stage, it was partly the economics that it was now possible to start a company with a lot less money than before, so it didn't need to go raise \$10 million right out of the chute, but the other side of it was there is a good deal of craftsmanship involved in this and Mike has that skill set. And so we started Floodgate in 2008 and he is on his, I think, his fifth fund now and I'm investor in all these funds and I still coach those guys pretty often and then Petcham & Marr I worked with those guys to get started and help them bring in some investors and I coach them now and then, and then Engineering Capital, we just closed today. Ashmeet Sidana is the founder and they do - Ashmeet is going to do enterprise infrastructure software. So whereas Petcham & Marr and Floodgate both do a fair amount of consumer stuff as well

as enterprise, so kind of a mix. And interestingly enough, both Floodgate and Petcham & Marr have a woman - each of them has a woman partner who is also a PhD in some hard stuff at Stanford which is just amazing. So anyway...

Now, was there a moment when I think in everybody's career if they're pursuing a particular direction, there is a moment when they realize they are good at this? That this is what you're destined to do, did you have that moment? Yeah, I think kind of by like I had been in the business maybe three or four years when I started and my companies were just cooking. Yeah, I was starting to think, this is going to work out but I knew that like a couple years before the outside world knew that. But then it all happened. Once you get the market opportunity right, and the execution is right, you can't hardly how to stop it. So... Okay. You've said, it's not the calls you take, it's the calls you make in life too. Is that your life model? So what does it mean, first of all? This is my little saying that I love. I don't know if people even make calls anymore, don't you guys like tweet and stuff like that. But anyway, and what it means is this.

When you are out in the real world, there are, both in startups and in venture capital, but for sure, venture capital so much stuff is coming at you, you're just like overwhelmed. You can stay very insanely busy just responding to the stuff that comes to you. And what that saying means is, to me is don't do that. Make sure that you keep in your mind your agenda, your goals, what matters to you and what kind of moves the state of the art forward and make sure that every week, you at least work a little bit on those things that matter to you rather than just like deal with all the shit that's coming your way which is always a lot. And I think in the venture capital context, if you look at most of my really great startups, they weren't guys that called me, I called them. I found them. And that's pretty huge. When you talk about the importance of cold calls, but cold calling is like antithetical to the engineering personality, I think. Yeah. And there's always been this dimension - in what you talk about of having to do the ugly business side of things.

It's not just designing products, it's not just chasing a market, it's actually doing the blocking and tackling of real business all the way through. Right. Yeah, designing products is really fun and there's hardly anything we can't build in Silicon Valley these days. But like - I don't know if you guys do cold calls, but I used to love it because you get through to the secretary and then you get to talk to the guy - it's usually a guy, and you've got like 12 seconds to grab his attention. I found the adrenaline of that really interesting. And I, of course, learned that in the recruiting business but it turns out to be really useful in life too like when you're selling stuff. So, yeah - and I don't know, I went through a phase in my early 20s where I was a physicist and I couldn't bothered with all that other stuff but you know what, nothing happens if you don't make it happen. So let's talk about the venture capital industry now because you are still deeply, deeply involved. In fact, you're down in town more often now than you were 10 years ago. It seems like, yeah.

Yeah. So how's it changed? Man, well, everything changes in the valley all the time. So at first, there was this thing in the early 2000s where the normal venture firm economics kind of didn't make so much sense because you could start a lot of really great companies on not very much money. And the angel investors were doing a lot of that which is why the micro VCs started. And so there's this whole bifurcation now of the venture business between micro VCs and the larger firms. But then there's also - they are like the super VCs like Andreessen-Horowitz, huge firms that do a lot of late-stage investing and we'll come back to that. And some of the kind of middle-size firms that were pretty much the model of venture capital in my day. But I think right now, the bifurcation is micro VCs and huge firms... Yeah, they talk about the chasm between angel and series A that for all the money you read about in these gigantic funds, there's hundreds of companies sitting out there right at the edge running out of money from angels and they can't make that jump to series A because it's just hard to do and harder than ever. Well, there's a lot of money out there.

You have to have a market opportunity that makes sense. And so I think if you can't raise money in this environment, you probably have to ask yourself that is your market really all that interesting. Yeah. You also pointed out that IPOs seem to take a lot longer than they used to. Yeah. Man, in my day in like the 1990s and culminating with 2000, you could get a company - my average was between four and seven years of life would be when you could expect an IPO or a liquidity event. And that just doesn't happen now. Companies have to be much larger and much more sustainable and I actually think that's really healthy because I lived through the 2000 crash and in a way individual investors got hurt in that market. At least now, there's a crash now as professional investors are going to get hurt, I think is better. Yeah.

But what's working for the super VCs right now is that companies are required to have much more revenue and much more reality to them before they go public. So all the money that used to be raised in the public market is in fact being invested by the later-stage venture capitalists and I actually think it's a very healthy system. Well we saw IPOs disappear basically by the end of the first decade of this century and now they are coming back but M&A is still awfully strong around here. I mean I can remember 2000, every business plan had an IPO as liquidation event. By 2006 or 2007, the last line was and then we'll sell to Google and in 2012, it's then we'll sell to Facebook. Yeah. How is that ratio swinging these days? Well, true. I think the bar to go public is very high now. But I think in my venture capital career, I made more money selling companies than taking them public. I think it's a great root for liquidity and a great root for the people and let me tell you, it sucks being on the board of a public company.

So there was that. So I think it's very healthy. For you entrepreneurs though, I think the trick is to keep enough, until you know a little more about what the outcome is going to be, keep your runway clear so that you don't raise so much money that you can't sell at a modest price and be happy. So it's tempting to go raise too much money and then you get yourself in a spot where nobody is happy if you don't sell for \$500,000,000 and those kind of deals are rare. So whereas if you can sell for \$80,000,000 that could be really nice of you if you only raised \$1 million. So you got to think about that. And we've been talking about the changes in venture capital, what's stayed the same? I mean you have a long history now, you can look at... Yeah. ...different generations of venture capitalists. Yeah.

Well, what's stayed the same for startup people is, it's still about the market opportunity. When you raise venture capital, it's really important to get a great venture capitalist on your board. Somebody who will like kind of live and die the way I did about whether you succeed or not, not just view you as a transaction but a part of their life that they are going to make successful get that, it's really important for you. And there are guys out there that can do that and women and so I would say be very particular about who your investors are and it's not always about price. I would any day recommend taking a great venture capitalist at a lower price than some person at a ridiculously high price. So get your company funding set and then later, when things are going well, you can go and raise money at crazy prices and get crazy people involved that's okay, but not until you've built your foundation. Got a few minutes. Let's dwell down into the process of being a venture capitalist. For example, you talked about the primacy of market opportunity. What does that mean? What do you look for in a great market opportunity? Yeah.

So here's what I always say. I say I am looking for a target customer with a compelling reason to buy. Now, that seems like a simple thing to say. But there - it's fraught - like target customer, I should back up one second. I did only B2B, I didn't do consumer and we can come back to that. But target customer means a target to bull customer like you have to figure out kind of who they are, where they are, how you're going to reach them that you have to have a way to reach them, they have to have certain characteristics and if you can figure all that out, that would tell you what your kind of sales and marketing strategy needs to be. This is a little bit like what Steve Blank teaches. And the compelling reason to buy is the product needs to be so good or so compelling to them in a way that they'll kind of do anything to get it like deal with a lot of bugs, stuff that doesn't work right, pay you some advance money to continue the development, I have had lots of crazy stories like that, but they have to be really compelled. Compelling usually means a revenue enhancer, not just a cost reduction. Cost reducers are fine but gets them more revenue faster is really compelling.

And... Now what if there's a company already in that market, an incumbent company? Should that keep you out? Yeah, this is something I learned over - all these years in the venture business. We - I was worried about the incumbent whoever had like a similar product in the market or there was a large company, man, it's very rare that a startup gets beat by a large company. Mostly they get beat by some other startup down the street who is smarter than they are. So I would spend time looking at my competitors - of my startup competitors not the big companies, they just - they don't have the attitude we do. Looking out over your career, it seems to me you favored B2B over consumer. Why is that? So this target customer compelling reason to buy thing is a rational process. And so you can like go do homework, you can do Steve Blank's lean startup thing and go talk to a bunch of target customers and it's a fairly logical whereas consumer to me, there has always been like an element of luck in it, and it's great fun when it works but it doesn't work all the time. And so - and I want to do the kind of numbers I did in the venture business, not some random stuff and so consumer doesn't work with kind of my way of thinking. I think consumer stuff is very cool but I don't have the guts for it.

And so it's - sometimes when I come to Stanford, I hear people talking about all these consumer ideas and it looks easy, but it's not. So you have to also ask yourself if you are a lucky person, I think. I don't think it's for everybody. So I encourage you if you're not so sure you are a lucky person, maybe think about some B2B stuff. Let's talk about the CEO now. How do you find a good CEO? What do you look for? It boils down to pretty simple stuff, but hard to find. I look for a CEO who is a great leader, and there's one of them sitting in the back right now and also who is the best salesman in the company that - like if you get that CEO in front of a customer, they are going to buy the stuff. And that doesn't mean that the CEO had to come up through sales, I have had great salesmen who were engineers or marketing people. And so it doesn't kind of matter where they came from, but they have to be a great salesman and - not just to the customers but also to recruit people into the company, to get venture capitalists to invest, it's really crucial. You've also talked about keeping them aligned.

A great CEO has to keep everybody going in the same way. Yeah, that's the leadership thing. Because the startups that fail, often have like - everybody's mad at each other and they are all going off doing in different directions and it's all crazy. It's really important that the whole team is pushing in the same direction kind of has the same vision, kind of knows what the plan is, knows who the competitors are and that comes from leadership. I have also noticed a lot of really good CEOs actually know when to stop people; that startups have a tendency to just keep designing stuff. They keep having really great ideas and if the CEO doesn't say, okay, we're going to do this one then they never do. They just go on forever. Yeah. That's also a job of good venture capitalist, too. I must say.

Yeah. Yeah. Not to bring up Larry Ellison again, but you said he was an interesting leader, because he had periods of

enormous - almost super human intensity, and then periods of abdication. Yeah, but... What does that mean? We weren't sure what it meant. We should talk about that. Larry would do his thing, but then every - I don't know, couple of months, he disappeared for three or four days, maybe a week. And we don't know where he was, a few people would get emails from him, but I think he was thinking stuff up, so Larry was a rare case of a guy who was pretty incredible on execution, but also kind of had the technology strategy in his head and the business strategy and so he used to like go away and think, I think. And we were never too sure what he was doing, but I know he would come back from these things with all these ideas that - the other things you were talking about. Yeah.

He would have like 50 ideas and then we'd all go - dump on all those ideas and we'd hone them down, but you - often, he would come back, there was a nugget in there. And so, I think that's what he was doing; an interesting case. And I don't think that's normal for a CEO, but it worked for Larry. Let's talk about life and being a CEO? I'll give you anecdote of my own, I was interviewing Mr. Scott McNealy for my PBS series and we got talking, and I asked the question, I said, you got little kids at home, how do you balance having a family with running a Fortune 100 company. He got his terrified look in his eyes and he said, I can't, I just can't. And the PR person ran on to the set, grabbed him and said, Mr. McNealy has to go, he took him off, end of the recording, because you can't allow the CEO of the company that size to show him a weakness, right, not in the public eye. Yes, so you have said, if you're trying to find a work life balance as a startup CEO, forget. I'd say that's right.

Yeah, people talk about this balance thing, but like, I never figured it out. I literally had to stop my recruiting firm to have a baby, I couldn't figure it out. Venture capital is way easier than a startup, so like, I could sort of do that, but you can't do it, I don't think, and do a great job, you can do a so-so job, but a so-so job in a startup will get you killed. So, I think, like I quit playing violin for five years, I was doing startups; that's how bad it was for me. So, I think, you've got to be ready to really put everything into it. And like, and it reminds me of an anecdote, because Martin Brauns is sitting in the back, so one night, I used to do my best worrying at night, because I didn't have time during the day, and so I was sitting there - trying to sleep, thinking about some - I can't - it was some dumb pricing issue, or something at Interwoven. And I had it all figured out, so I called up Martin's voicemail, this is back in the day; thought I would leave him this big long dump because it was like too long to type, so I called him up, it was like 3:30 in the morning, he answers the freaking phone and I go what are you doing? He goes, I'm working, and what are you doing? I'm like, we got to talk. And that's the kind of life - well, venture capitalists maybe don't have to live like that but CEOs do. So, don't think too much about balance. What advice do you have for someone starting a company today and I'll give you the first one, which is, you've said, listen to Steve Blank.

Yeah. Well, I presume a bunch of you guys have heard Steve Blank's stuff, but the whole... Everybody know who we're talking about, hands? You guys all know Steve Blank, right. Good. Okay. He does a great job. So, this thing I was saying about the - back in the old days, the day you've got your product all done and you put it out there on the market, it's the most scary day for me, because nobody buys it, then you have to go actually to figure out what the hell you're doing, so what Steve has invented is a methodology for getting to that spot way earlier before you've spend all the money, and built maybe the wrong product. And so take his lean startup thing seriously, figure out what your market is and how it works and who are the target customers, and all that stuff, much of which can be done without a complete product, so that's really important. I would say the next thing is to surround yourself with incredible people and be that people in your company, as I've talked earlier, your venture capital investors. And I'll encourage all you guys that are starting companies not just to get venture capital, great venture capitalists, and great employees, but also to get somebody else on your board than an investor, some outside person who has wonderful industry experience and who might like to share that, I encourage all my companies to have an independent director and that's just been invaluable.

So, there's a couple... What about money. Money. Wow. Yeah, we've talked about raising money from the best venture capitalists you can in the early days, and don't worry about getting the best price until later and this whole thing of keeping your runway clear until you're sure that you're not going to have to sell for 80 million bucks, you don't want to raise too much money. You've said that finding customers is the hardest thing to do right now. And I've seen an awful lot of really good startups on paper, they even had a good prototype of their product, but they can't break through all that noise out there, there is so much noise, especially in the consumer sphere of branding and marketing out there, that it seems almost impossible to get enough customers... That's why I don't do consumer deals. No. I saw Reid Hoffman a couple of months ago, and he said, to be frank, if we were trying to start LinkedIn right now, we would fail because we did it when there was not a lot of noise out there.

Well, yeah, but Ma Hershing is right here in the audience and she has a bunch of consumer deals that are doing incredible and... So, how do you rise above the noise? I don't know. I do think, of course, you have to have great stuff, but that's not, I think there's an element of luck and element of style. I think, it's risky business. How do you get the right - you talked about you want to get people with experience on your board, how do you get them? I mean, if you go to a venture capital firm these days a lot of them are so bloated with people that are younger than you. You know, I mean, people who are just out of college and they're getting enormous responsibility and there's always that former CEO sitting there, somewhere in that firm. How do you get his or her attention? How do you get that expertise, that wisdom? Well, I don't think you get it from a venture capital firm, I mean, occasionally, you can find a venture capitalist who had a great operating experience, but even still you want to counter-

balance that, so I think you as a founder of a company, you sort of make a list of the 20 guys you admire most in the business and cold call them or cold text them or whatever... Whatever... ..go make it happen, pick them out and you know, you'll be surprised, you'll find somebody who is, I don't know, in their late-30s, just had a successful startup, maybe they're still working at it, you'll be surprised to how interesting it is for people like that to sit on a board, particularly if they're not on a board, so they don't have to be like professional board sitters and it's great advice for you and it's great counter-balance to the venture capitalists, because they're not always right, so it's nice to have a guy who is like independent and good. Before we run out of time, when you look back on your career, what are you proudest of? Well, in the venture capital side of it, I'm really proud that I did right by my investors.

My investors were all university endowments, foundations and a few pension funds. And so that - 90% IRR - all the funds I've been active in earn six to eight times, so huge IRR for those, so I'm really proud of that for the investors. And I got to have the fun of creating some great companies with some amazing people and of course now in my dotage a bunch of those CEOs are like my personal friends and that's a gift. Now seems to me that you found a balance, if I'd asked you 15 years ago, if someone said, how's Kathryn does she have a good life balance? I would say, I don't know, she's always in the office. But now I visualize you with a ranch walking among the grape vines, checking out the crush. Oh, yeah. You know, and more than that you became a philanthropist, I mean, at one point, weren't you the world's leading supporter of original classic music. I was. Of composers. Composers.

Yeah. I did that for a while. And yeah - but I mean, I'm retired now, I have great... Yeah. How many days are you in the Valley per week? Seriously, I'm here like every other week, maybe. Okay. How many companies are you watching right now? Zero. But, I'm working with the three micro-VCs, so I visit them. And... Is that when you find the balance you find it after your career? I think so.

As far as I know. Yeah. So, I have a good life on all that right now. What advice do you give to the young women in this audience? Oh, okay. So... I really want you to address that, you mentioned the term - you've said, it's valuable to be oblivious. Yeah, I really want to know what that means. Yeah. Okay. So, for you women, we skipped over the fact that I was at Merrill Pickard, an old line venture firm, and then in the mid-1990s started Foundation Capital.

And the reason I started Foundation Capital was that I couldn't get a job. And by then, my track record - I was already well on the way to this 90% IRR, had a bunch of great companies - but Merrill Pickard blew up and Andy Rachleff some of you may know and Bruce Dunlevie went off to form with some other guys, Benchmark Capital. And I went off eventually to form Foundation Capital, but before I did that, I thought, maybe I'll just go like join an existing fund, but I was kind of picky, there were a large handful of firms that I would have joined, and I went and started talking to those guys, mind you with this track record and I was like, I spent maybe three months doing that and it was clear that was going to take like a really long time. And so this is the only time in my career that I feel like I've reached a wall, because I was a woman. Because if I had been a guy I am sure that I would have been snapped up really quickly. And so I was like, shit, I'm not going to spend a year doing this, because I was right in the middle of this - I had all these companies and on all these boards, all those companies going public left and right, and I had lots of good things happening and I didn't want to spend a year kind of looking for a job. So, I decided, well, hell, I'll just start a firm. So, I started my firm and hooked up with a couple of other people who were lose in the business, and we started the firm. And so, I had the money raised in a few months and - now as it turns out, that's kind of sour-grapes-sounding theme, but I loved it, I was so glad that I got to start my own firm and do things my way and it was great - almost all of our investors - our original investors were investors in my previous firm, so they knew me, so that part wasn't hard. In fact, endowments and foundations, those kind of entities, a goodly number of the Chief Investment Officers of those companies are women, so raising money was no problem.

But there was this weird thing about venture capital and all-male firms and if you look around the Valley even now, there are very few higher level women that have gone into those all-male firms, I think like Mary Meeker has done it at Kleiner, but she's amazing, and there aren't - I can't, I have a hard time thinking of too many more. So, what is oblivious. Oblivious oh yeah, so. I was sitting with Steve Blank a couple of weeks ago going, Steve, this whole women thing is like maybe blown out of proportion, because I've had absolutely no problems in my life, it's just been great, except for that one exception. And he says, no Kathryn the problem with you is you're oblivious. I'm like, oh. And I would say, being oblivious is a great strategy for women, just forget about it, just plough right through those walls and don't think about it, because if you sit there and dwell on, oh god is he not listening to me, because I'm a woman, or because I suck. Better to assume this, because you suck and you've got to clean it up, then to assume that you're a woman, because that's just kind of a loser attitude anyway. So, be oblivious. It's a good plan.

Worked for me. What if you discover you suck and you need to clean it up, what you got to do? Introspection. But you talked about demeanor and manner... Oh, yeah. Yeah, it is important to have - I mean, I think, most of you women here get this. You have to have like the right demeanor you don't want to be having guys flirting with you and stuff. But, I really believe that if you carry yourself in the right way that's not going to happen.