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Heidi Roizen, now a partner at Threshold Ventures, spent time as the CEO and co-founder of T/Maker and the VP of Worldwide Developer Relations at Apple before pursuing a career in venture capital. Along the way, she's experienced several significant disruptions, including the dot-com crash of the early 2000s and the subsequent Great Recession. In this talk, delivered amid the COVID-19 pandemic, she shares ten concepts that can guide leaders in times of crisis.



## Transcript

- [Heidi] Who you are defines how you build.. (electronic music) - Good afternoon everybody, I'm Tom Byers, professor here at Stanford University, which is what I'm wearing today on my hat.. I'd like to welcome you to the Entrepreneurial Thought Leaders Seminar Series presented by STVP, the Entrepreneurship Center here in the School of Engineering at Stanford as well as BASES, the Business Association of Stanford Entrepreneurial Students.. We're really excited to have Heidi with us today in ETL.. Heidi Roizen is a partner at Threshold Ventures.. She last spoke in ETL live in 2014.. You may have seen her post videos from that talk or you may have seen her videos on our site before, way back from 2002, right after the dot com crash and 9/11.. She's a really popular instructor for us.. She is a full time partner at Threshold, but she's taken time off to be with us as a really terrific instructor and lecturer for many years in MSNE 178 as well as the Threshold Venture Fellows, which is a special program for Master students.. So she's gonna draw on a lotta things she's learned in the past but she's so experienced..

I've been luck to know her for decades.. And she's been through one or two crises in her life and I've witnessed those with her.. But we have an amazing opportunity, what entrepreneurship and leadership means in a period like this, right in the middle of 2020.. Welcome Heidi.. - Thank you very much Tom and hello everybody.. It's such a pleasure to back at ETL again.. Today I'm gonna talk about the things I've observed that distinguish entrepreneurs who survive a crisis from those who do not.. My observations come from four decades in tech, including more than a decade as a CEO and entrepreneur myself and over 20 years as a venture capitalist, including now, as partner here at Threshold Ventures, where I'm sitting right now, by myself, 'cause our office is closed.. And where I and my partners collectively work on about 50 active portfolio companies at this time.. I serve on four boards of private companies at this time and two public boards as well..

I wanna start by anchoring this moment in time with data, in part because this recorded and maybe watched in the future.. As of today, there are approximately two million confirmed COVID-19 cases worldwide.. In the U.S.. about an hour ago, apparently we just hit the 30,000 mortality mark, 30,000 deaths in the United States.. In the last three weeks, 17 million U.S.. citizens applied for unemployment benefits.. The vast majority of the United States is some form of lockdown and Stanford is conducting all its classes remotely, which is why we don't get to be together on campus.. If that isn't sobering enough, I also wanna remind everyone how rapidly this has all happened.. The Oscars were only 66 days ago and the Super Bowl was only 73 days ago.. It's kinda hard to imagine, you know, how little we were thinking about this, only 60, 70 days ago..

My point is this, the world has changed a lot, it has changed very quickly, and we are nowhere near the end of the change, nor a return to normal yet.. All this change is also impacting entrepreneurs and startups in rapid and unprecedented ways, some more than others.. For Bay Area startups, most have been on work from home status for about a month now.. For some companies, such as those who primarily develop and sell software, they can mostly keep working, albeit differently.. For other companies, such as those with consumer facing retail establishments, those with physical goods and complicated global supply chains, or those engaging in complex hardware development, the shutdown presents an almost insurmountable challenge.. The impact on each company's operations and outlook is also vastly different.. For example, companies who provide products that support remote work force or facilitate home deliveries are booming, while many in sectors such as restaurants, travel, or other forms of hospitality are seeing their businesses drop off a cliff.. So, while the observations I'm about to share may not be applicable in every situation, I've seen most of these be broadly employed to help entrepreneurs

make it to the other side of a crisis.. So this is my, it was gonna be my top 10 list, but I have nine of 'em, so it's gonna be my top nine list, with a tenth that's a little bit more directed at you personally.. So as they say on the news, let's get after it..

Here are the nine I consider the most pervasive.. Number one, the best entrepreneurs understand that their startup operates in a broader world and that they watch for leading indicators that foretell massive change.. I liken this to saying from the author William Gibson who said, "the future is here, it's just not evenly distributed." I have a corollary to that.. We'll call in the Roizen corollary, which is, the data is here, it's just not being evenly processed.. Most entrepreneurs are so inwardly focused.. It's my team, it's my product.. They don't poke their heads up and out enough to understand the impact that exogenous events might have on them.. I made this mistake as an entrepreneur in my early days until a change in regulation threatened my business model and I had to suddenly start paying attention to what those people back in Washington were doing.. It hadn't even occurred to me before then, that anything other than my own efforts would impact my business.. Those of us who've been around awhile, may not have experienced a pandemic before, but we have experienced things like major earthquakes, tsunamis, the dot com bust, the 9/11 terrorist attacks, and I can say as someone who was a running a company or on the board of one or more companies through all of those, the companies I worked with were impacted in dramatic ways and clearly through no fault of their own..

And while we couldn't have predicted any of these with specificity, we could of course anticipate that something would happen sometime and learn how to prepare for that.. Another problem in the current situation is, we humans have a hard time looking for things we've never seen before, a nod to all you "Black Swan" fans out there.. We humans also have a really hard time wrapping our heads around exponential growth rates.. Ray Kurdswell, the famous author and inventor, said something in a speech many years ago that really struck with me, stuck with me.. He said that, "linear growth rates "and exponential growth rates look a lot the same "in the beginning.. "That is they both look kinda small for a while, "'til suddenly one of them takes off "to spectacular heights." Another human error that we have is that we have a really harder time processing things that are happening to other people we don't know in lands far away, even when that thing, such as a virus, could easily happen to us.. But all that said, the data for coronavirus was there.. It was in Wuhan and then it was in Italy and in the commentary and warnings of some of the world experts about what was likely to happen, including the implications on our daily lives if it played out as expected.. In the Threshold portfolio it was interesting that our entrepreneurs who saw it first, were the ones with China dependent supply chains, and they were already talking about this in late January, early February and starting to plan how they might need to adapt.. To summarize point one, it's not good enough to focus on your product or even your competition, you have to develop an understanding about the world and how that world impacts your startup and you have to develop a sense for what data can tip you off to any big changes that may be ahead..

Point two, the best entrepreneurs understand that most of what has happened up to this moment is irrelevant.. Okay, what do I mean by that? I call it, so what now what, which is usually the answer I'll say to anyone who will say something, like for example, well but my last valuation was x.. Well so what, now what? You know your last valuation is irrelevant to the world today.. I in fact have a term for this.. I call it valuation nostalgia, because it's really not relevant to any discussion you might have today.. So what if your revenues were x, y, z last quarter? So what if your business model worked in a glowing economy? The point is now what? Now what do you do about it? The entrepreneurs that move quickly to understanding that they have to look forward and not look in the rear view mirror, and not think about whatever they may have been worth on paper at post their last round are the ones that can most quickly understand and adapt to the future environment that they're now dealing with.. Point three, great entrepreneurs learn from history, regardless of whether they experienced it themselves? How? Well they ask.. Now this is part of the reason why old fogies like me can still have a job in the tech economy because some of that old experience we have can be of value.. For example, let's talk about raising capital.. One of the things that's interesting about fund raising is, all of our venture firms, we didn't suddenly go away..

We don't suddenly not have capital more.. But what has happened in this crisis, and it's happened in crises before this is, all of a sudden we have to take a breather.. We watch the public markets and stocks are tanking which means there's not as good an exit environment for our portfolio companies.. There's not as much of a benchmark to understand how we should ultimately think about multiples.. Our portfolio has, every company in our portfolio has a dramatic issue to deal with, and so a lot of VCs spend more of their time on the existing portfolio in a crisis time.. And then the most important thing to realize about most VCs is, we don't have to invest money right now.. When you're an entrepreneur, you have to make payroll every two weeks, right? You have to pay your expenses.. As a VC we can say, why don't we take three or four months and see how this market plays out so we understand what kind of businesses are gonna succeed or fail, what kind of business models are gonna work or not.. And in this unusual case, even relative to all of the things I've been through before, we can actually meet face to face with entrepreneurs again.. Now many companies, Threshold included are still taking meetings and we're still hearing entrepreneur pitches..

So I'm not saying that we're all closed for business, but what I'm saying is what history will tell us, is usually in a crisis, even though private equity and venture firms have money, they will slow down their investment for a while while they take stock.. And that means there's a chance that you won't be able to immediately raise money right now.. Let's also talk about when to expect a recovery and what has history taught us.. Well optimistic entrepreneurs and basically that's all entrepreneurs would like to believe that things will snap back to normal, the proverbial V shaped recovery.. Yet those of us who've been through multiple cycles know that they almost inevitably take longer than that.. It's also hard for some of our entrepreneurs, since this has been a boom economy for about the last 10 years, to even understand what anything but boom

economy looks like because again going back to my point earlier, they've never, literally never experienced one.. And so it's just a lot harder for them to get their heads around what that actually feels like.. But anyway, if you didn't live it yourself, you can talk to old fogies like me and we can tell you what it was like.. Because generally speaking these sorts of things will happen again, and you may as well learn from the scars that some of us have our backs from the prior.. So number four, this sounds so simple, but surviving entrepreneurs understand early that all that matters right now is survival itself..

Okay, what do I mean by that? One of the things we deal with is entrepreneurs who say well no, no, no, I know the economy is down, but I know there's a crisis right now, but I need to keep doing what I'm doing, because you know my competition, and because this is the path I'm on and because my employees will be demotivated if I change course or my sloping's down or whatever.. There are all sorts of reasons why you don't want to change and many of those again are going to be irrelevant in the current situation and what the most important thing is survival itself.. Live to fight another day and you can bloom back out again.. One of my partners here, Emily Melton, loves to say, "must be present to win." You know, it's the old adage on the raffle tickets and things like that, but it's true for entrepreneurship too.. If you die before things recover, you will not win.. Any form of survival is better than not survival, even if it means hibernating for awhile, even if it means laying off people, slowing down your product development.. It's likely your competition is facing the same thing and so, and again though not always, usually what is slowing you down is slowing everyone else down as well.. So there is also some comfort in knowing that as long as you can make it to the other side, you're still gonna be able to reinvigorate things and have a shot at winning.. Point number five, closely correlated to the one I just talked about.. The best entrepreneurs understand what they can and cannot control, and they build a plan that allows them to survive with only what they can control..

So for example, what can you not control? Well as I just said, you can't control a fundraise.. One of the things you've gotta think about as an entrepreneur, if you're sitting right now today is, can I make it with only the money I've already raised, because not to say you may never raise money again, you might.. But the only thing you can count on is the money you already have in the bank.. And so again, the best entrepreneurs I know, they really think about, how can I actually make it only on the money I already have.. Another thing that you can't control are your revenues.. You think you can, you think that things are gonna be the same.. You have a budget, you have a plan.. People bought last quarter, especially in SaaS companies, but the reality is, that is actually also outside your control.. And so a business model that's based on certain revenue level sustaining is also going to be one that you can't necessarily count on.. Most importantly what you can control is what you spend..

And that is, you know again, these are such simple things, and yet they're so hard to discuss, because people really wanna believe that the future will look like the past.. And the sooner we all recognize that right now the future's not gonna look like the past, and the only things that we can count on are those within our control, the sooner you can make changes.. So number six, the best entrepreneurs look beyond their own walls to understand the implications on everyone and everything else in their ecosystems.. And again this one, man you learn it with experience.. You focus on yourself.. You focus on what's going on with your product, what's going on with your employees.. You forget to think about, for example, your customers.. So for example, here's something we learned in the dot com bust.. Companies who were only selling to other venture backed companies had a really big problem when a lotta those companies went away in the dot com bust.. It was a fascinating experience to realize that all your revenue's dried up, because all your customers were non-profitable companies that were counting on further investment dollars..

When the investment dollars went away, the customers went away.. Another thing you have to think about is that prospects for recovery vary dramatically by industry.. If your customers are in a bad industry, that is gonna impact your business, even if your business and what you do is working fine.. There may also be dramatic impact on your supply chain.. This is something I learned many year.. I was on the board at TiVo when the tsunamis hit and turned out some of the critical parts that we needed were impacted by the tsunamis.. And it just wasn't something that I had ever really thought about, you know where everything comes from.. So you really have to think about the knock on effect of all of the things that are going on in your whole ecosystem and not just you and your own company.. And by the way when you do this, there sometimes are positives that you discover.. There are challenges that in turn allow you to discover new efficiencies or processes or even new customers..

Not all change is bad change, even when it comes about because of something bad.. Point number seven, the most successful leaders of past crises that I've experienced have moved faster and cut deeper than most everyone else.. Okay, that's painful, let's face it.. It is awful to cut deeper.. It is awful to make a fast decision.. It feels extremely uncomfortable and it is painful.. Most startups that are venture backed are not yet running profitably, since mostly they're either working on something big that requires a lotta money before they can generate revenue or they often trade profit for growth.. So literally for them, time is money and delays cost money.. I have seen entrepreneurs in this current downturn move immediately to cost cutting measures and I have seen entrepreneurs who are still months after the first signs that things are gonna be bad, are still wondering what to do, because they're not just grabbing it and saying we have to make the change, we have to cut deep.. By the way, cutting deep, in way it feels bad, it feels like the wrong thing to do..

But I would argue in retrospect, usually those deep cuts are actual better for morale, than what I would call the death by a 1,000 cuts.. Because again most employees are thinking about, what's gonna happen to me? What's gonna happen to me? And if this week you lay off 10 people and then you say it's fine and the next week you lay off another 10 people and then you say

it's fine and then the week after that you layoff another 10 people, what are your employees gonna think? This is an unstable place and I can't count on it being here.. Where if you take a lotta the pain up front and deal with it once, you can allow your, I'm sorry, your employees to regroup and feel a little bit more confident, hopefully, that you've cut deep enough that you have a path forward to survive.. So I really do believe that it is better to go fast and deep and then rebuild around what is left.. Now again, entrepreneurs are optimists and it's really hard for them to think that things are really gonna be bad.. And it's really hard for them to think that everything isn't gonna just bounce back to normal.. And to those entrepreneurs I usually say, well look if it does, it bounces back sooner, if you can raise more money, if your revenues don't suffer, you can build back up again.. But don't anticipate the good stuff happening until you know the good stuff is gonna happen.. Okay, number eight, the best leaders don't forget their empathy and their humanity.. This is also so hard at a time like this when a leader has to make decisions that result in people losing their jobs..

Often the decision really is, look you can let 25% of your team go now, or you can let 100% of them go later when you run outta money.. Even then, knowing that doesn't make this easier, but recognizing the difficulty and the loss and having empathy for those affected, while it may not change the result, it's gonna change how everyone feels about what happened.. I think that you can, you know, go out and look, there've been all sorts of, you know since again, we are in such unprecedented times where people are literally being laid off by Zoom, there are even good ways and bad ways to lay off people when you can't physically be present.. There is personal approach, there are things that companies and their investors can do to help people redeploy elsewhere or come back at a later time.. You know just understanding and recognizing that we are all humans first, and we're our job second.. You can have empathy while you're still making difficult decisions.. And someday when things recover, and they will recover, you will be judged by the empathy you had and people will determine whether they wanna come back or even stay and follow you by the things you did as a leader during the difficult times.. I think the other thing to remember that's difficult about this crisis, unlike any of the ones before, is we are literally dealing with people who are not only dealing with financial issues, but health issues.. I know people who have been impact by COVID.. I know people who have passed away from COVID..

For people, who are their families who dealing with this sorts of thing, this isn't just a minor setback.. This is life changing and life or death.. And so recognize, also particularly for entrepreneurs who have employees in their companies affected personally by COVID, from a health perspective, that you need to give people time and space to cope with things outside of work, because we're just dealing with things we've never had to deal with before.. And finally, number nine, the last of my formal things.. The best entrepreneurs actively observe both the good and the bad about the changes they are experiencing and look for the opportunity that change creates.. So it is said that many of the great companies are born in times of difficulty and I've seen that.. I've seen entrepreneurs rise to the occasion.. I've seen entrepreneurs currently meet immediate needs.. Like Carl Bass, the former CEO of Autodesk, who's a tremendous entrepreneur and maker is making face masks in his Maker Labs over in Berkeley.. I've seen other people making other forms of PPE..

I've seen biotech companies pivoting to work on testing or vaccines or therapeutics.. And by the way, the opportunities aren't all just in dealing with the coronavirus itself.. We've had to disrupt our lives.. And out of that disruption, some changes will inevitably be positive and form fertile ground for new companies to emerge in ways that weren't possible when we were still stuck in our old ways.. So that's my advice about what I've seen work among the past and present entrepreneurs that I've worked with.. And I hope some of what I've said will help you in the future when you face a cataclysmic world of change while your startup is getting off the ground.. But I'm gonna close on something a little more personal, because I realize that most of you are still students today and maybe some of what I've said sounds interesting, but sort of esoteric because you're not running a company right now.. And so this all well and good, but what can I take that's actionable today.. So let me try to give you something you can put in effect today, and something that certainly is very important to me.. The truth is, I think that many of the lessons I've talked about today for entrepreneurs can apply to us in our personal lives as well..

And I can summarize this work, life advice in six words.. Those words are, embrace truth, make choices, and take action.. I actually think these words are so important that, I don't know if you can see this, I have bracelets that say embrace truth, make choices, and take action.. Oop, except they're not in the right order today.. Don't take the action before you make choices.. Here wait.. (laughs) Embrace truth, make choices, take action.. I think it's that important that I actually wear it on my wrist everyday as a reminder of not only what I should be doing at work, but what I should be doing personally as well.. So how can one apply it now? Well first, I think we all need to strive to embrace truth everyday, and it's hard because there are a lot of different sources and it's not always clear what the truth is.. But I try very hard to educate myself on how everything is evolving so I can deal with what is, not with what I wish it would be, both in the board decisions I have to make and as a member of my family, then things I have to decide in my personal life..

I'm really trying to embrace truth and I'm really trying to find that truth and incorporate immediately into the decisions that I have to make.. I think we're all being forced today with making choices that are quite odd, even about the minutia of our lives.. And I would encourage you that instead of dreading every change and everything you can't do right now, that you choose not only to embrace, but to lean into these choices.. Because interestingly, even minutia of life can add up to huge and positive changes if we act on them proactively and consistently.. I have a note on my calendar every morning at the time I'm supposed to work out.. It doesn't say workout.. It says, people do not decide their futures, they decide their habits and their habits decide their futures.. So it's pretty interesting that we can actually change our habits, right? And I'm a huge fan of the book "Atomic Habits." If any of you have habits you wanna change, read "Atomic Habits." I think it's very interesting that

right now because our lives have been disrupted, because we aren't doing our normal commutes and our normal evening activities and all of these things, we've been disrupted.. And when you get disrupted, you have the opportunity to change habits and make different choices.. What kinda choices am I talk about? Oh come on, you know what kinda choices I'm talking about..

Some people are eating more, some people are eating less.. Some are exercising more, some are exercising less.. Some are drinking more, drinking less, sleeping more, sleeping less, binging on Netflix, reading all those books you meant to read, getting in shape, not getting in shape and the list goes on and on and on.. I'm sure for each of you, your life looks different than normal and a lotta that makes it harder.. But I think for a lotta people it opens up space and it throws a wrench in your normal routines, which allows you to trade some of your bad habits for better ones, or recognize that a lotta ways you were spending your time back in that old world that doesn't exist anymore and your money and your energy, those may not have been such good ideas after all.. As my good friend, Professor Tina Selig says, "never waste a good crisis." And so I'd encourage you all to think about how you can come through this one better at a personal level as well.. I found this crystallized in sentence I read last week, and I wish I could remember what website I read it on, 'cause I'd give attribution to the person.. Well I can't.. But obviously it impacted me because here it is.. It said, "when the world goes back to normal, "what are you gonna wish you had done "during this time that it is not?" So I think that is a really great way to kinda prompt your thinking about what can you be doing right now that is gonna change your life..

I'm gonna add a few more to that one too.. What will you wish you had done for others during this time? - Yeah.. - What will you wish you had done for yourself during this time? And what will you have learned that you wanna continue doing when things do return to normal as they inevitably will? So with that, I think Tom it's time to open the floor for questions.. - My mind is exploding.. I feel like that emoji.. (Heidi laugh) You know the one with the brain comin' out.. Number 10 was very powerful, Heidi.. - Thank you.. - I've know you a long time.. That was really powerful..

We have got lots a questions comin' in.. I'm gonna remind people vote 'em up, because I'll use that as a signal.. Let's take the one for example that has a number, the most votes right now.. At a time like this, how do you decide whether or not to give your portfolio companies more money if they can't survive without more money? If we get to at time where a good chunk portfolio needs more money to survive, how do you decide which ones to give money to? - That's a great question.. So first of all interestingly, we as a firm, Threshold, we were very concerned that this boom cycle was going for a long time.. And without even knowing about coronavirus, we were just concerned that there was going, you know things have a natural cycle and we were probably coming to the end of it.. And so we had encouraged a lot of our portfolio companies in 2019 to raise money and to raise enough to be able to make it through to 2021.. And interestingly, when we do our portfolio review, most of our portfolio were very fortunate that those companies did raise money.. And they can either not change their business and keep going ahead, or for most of them, they have to recognize that change is necessary, but they have sufficient capital to reduce their expenses and stretch their runways.. In the companies where that is not the case, again, you know and again, with any venture firm what you do is you have to help those companies understand is there a viable path forward? Is there a viable business model forward? And if there is, how can that company get funded? That company can be funded, there are some debt options available..

There are some VCs who are willing to put money in.. We are willing.. We have funded some of our companies.. And every one of those is a case by case decision, working hopefully collaboratively with the entrepreneur to determine sort of what has changed what do we see as the path forward.. Now very often, and particularly if you're also bringing in new investors, which we always try to do.. Every new round you wanna bring in new investors.. The valuations at which some rounds were done in the past may not sustain right now.. And to me in the end look, you know telling an entrepreneur hey you're gonna take more dilution now and we sometimes as a prior round holder, you know, we have to alter how we're holding the companies or whatever.. The valuations impact prior investors as well in many cases.. Wouldn't you rather own a part of something that survives than a bigger piece of something that dies? So I do think in these cases, everyone has to readjust their thinking..

But again, I go back to the point of the most important thing you can do is wait out this period by stretching the capital that you do have available.. And that's what most of our portfolio companies are doing.. - All right, thank you, Heidi.. So this one's gotten a lotta votes and it also seems like one that I see that was added down below.. So let me make sure.. You can interpret it any way you want to.. What examples of initiative in crisis have you seen pay off? What have you seen fail? And I was trying to interpret that.. It may be easier for you, but down below I see somebody says, what sorts of ideas work best as startup's ideas in a crisis? I'm not sure if that's related.. - So okay, but I get the general's ideas, give me some specific ideas of things people have done.. - Yeah..

- Right.. And some of them are remarkably simple.. Some of them are people decide to proactively take pay cuts and make it up in equity in the future, just so more people can stay.. You know simple things happen.. One of the things that I think happens in time of crisis when there isn't as much equity capital available, is people make money the old fashioned way like 99% of companies that aren't appropriate for venture, they earn it from their customers.. And so one of the interesting things that I've seen people do is they go to customers and they say, "it's really important for me to keep you as a customer, "what can I do for you "to make sure you're gonna pay me." And you know and a lotta times for example, companies that are, for example, developing a product may go to three or four of their future perspective customers and say, pay me up front now and I will give you a very, very cheap license for this software for like the future.. You know free for life if you just help me get

this thing built right now by paying me.. So moving revenue around, pulling revenue in, doing creative deals with customers.. I've seen other situations where companies may have a product that's appropriate to multiple sectors, but they decide, hey for right now I cannot attack that sector, I cannot attack that geography.. So why don't I go and sell a license for someone else to do that for the next couple years and let someone else make the money off my product..

Again, things are so specific to each particular company that someone may be dealing with.. And so these are not really one sized fits all, but very creative ways to say how can I pull some revenue in? How can I make the money I have last longer? What are things people are willing to do to make those equations? And I would say the companies that do this best also encourage their whole teams to come up with these ideas.. Right, it isn't just about the leader who spouts these ideas from the top of his or her head.. You know a lotta times some of the most creative people about how to solve problems like this are the ones that are working everyday on those front lines of those problems.. So I think those are some of the examples.. I think that, you know again, there's all sorts a ways to fail at this too.. (laughs) And I've seen people do things that, you know that end up backfiring on them, right? I mean again, I mean if you're gonna do a layoff you gotta first think ahead to what things are the most important in your company and what are the things you're gonna live without for awhile and you can't just you know peanut butter it all over the company and make decisions on who you like the best, or whatever.. I mean there are you know disciplines that you have to have around making difficult decisions to position the company that are, you know that a lotta people fail at because they let their emotions and who they like gettin' in the way of the decisions they have to make to keep their business going forward.. - Thanks for expanding on that and that fits well with all your first nine points.. Again I'm glad you did number 10 about some personal advice..

So can we go down that-- - Sure.. - Path for a little bit, 'cause we have another that's been voted way up.. - Okay.. - And that has to do with personal matters.. And you can guess where we're headed.. Some of us will be looking for internships and jobs over the summer, or maybe full time, but let's just talk about internship sort of a job.. 'Cause as you remember ETL has a demographic that's a lotta freshman, a lotta sophomores (mumbles).. All right, so given the current situation and the layoffs both at startups and larger enterprises, what advice would you give us? Industries we should be focusing on or other sorts of strategies.. - So the first piece of advice I'm gonna give you is in retrospect, nobody's gonna give a crap about what you did this coming summer.. So I think one of the things about Stanford students and I was one myself and teach a lot of them and my daughter was one you know until she graduated in 2018, is they worry that every internship has to be the perfect thing that builds their resume and all that kinda stuff..

And particularly for those of you who actually really need the money as I did when I was an undergrad, I couldn't do the resume star internship I had to do the thing for which I got paid so that I could keep paying my tuition.. Everyone's gonna cut you some slack for summer of 2020.. So it's more important to think about what needs do you need to meet.. If you need to make money, go make money.. Go be a delivery person or go do, 'cause we don't know.. I mean I think that is going to be very hard.. I think that the typical kind of internships a lotta them are just gonna dry up because those companies are focused on their own survival right now.. So a lotta startups where last year you'd say, hey take a flyer and take this student, this year you're like, we gotta survive and we may not even be back in the office.. How can we accommodate having some one? So I wish I had better advice for you, but I think just to say, relieve yourself of the obligation to build your resume this summer and do what you need to do, that's gonna be okay.. I don't think that is gonna be ding on anybody..

In fact I would argue that if somebody is applying for a job and I see that they did something that you know maybe wasn't a typical Stanford summer job, you know the crap job kinda stuff that people don't like to do, and I say, "well why'd you do that?" And you say, "well 'cause I had to pay my student loans "and this was a job that was available" I'm impressed by something like that.. - Yeah and a person, a very close person to me keeps me reminding me, this is a perfect time to work in nonprofits.. - Mm hmm.. - 'Cause the need is great.. - Yeah.. If you can afford that.. - They're looking for incredibly smart and driven Stanford student types so it's a win, win.. - Yeah, if you can go, if you can afford it, there are all sorts a opportunities.. I mean actually I have one super funny one.. Carl Bass that I talked about earlier that's making the face masks at his place in Berkeley, one of his issues is he had to figure out how to get them distributed around the Bay Area quickly because the need was so great..

He found a women's motorcycle group that was willing to volunteer to drive these face masks around.. Like isn't that awesome.. - Yeah, that's awesome.. (Heidi laughs) - All right I got another one.. - You gotta be creative about what you can do to help solve some real problems right now.. - Okay, well if you don't mind, let's get personal to you.. - Okay.. - And this question has been voted way up as well.. Who have been your most important mentors and how did you find 'em? And may I just preface this.. Folks, there is an incredible case from the best selling cases ever by Harvard Business School called "Heidi Roizen." And when was it released? In the '90s? - Actually it's 20 years old now..

It was released in 2000, but it's been rewritten.. It was rewritten a couple years ago.. - Oh really, oh my goodness.. - Yeah, but it still is, it's basically the same.. - Yeah and folks it's just an incredible read.. She wouldn't let me go on about her introduction.. She is an icon in Silicon Valley and has broken so many glass ceilings and I've been witness to this at a front row seat over the last few decades.. But people say the word mentor pretty loosely.. But who's been your most important ones and how did you choose 'em and how important have they been to you? - So, and thank you Tom and one of them was Tom Byers early in my career.. So there you go, friend and mentor..

I think, you know, first of all I was really lucky that my dad was an entrepreneur, and by the way he wasn't always a successful one and we went through bankruptcies and you know he lost house and my parents got divorced and so bad stuff happened.. But he was the kinda person who always said, well why would you go work for anyone else.. Why don't you just start your, you know, start your own thing.. And he became this independent consultant and he used to say how he would only pick the jobs that he thought that were interesting unless he really needed the money.. And then if he thought the job was not gonna be a good one, he just bid a lot of money and if the client picked him then he was happy because at least he got paid a lot to do a job he didn't wanna do.. So my dad was really funny about this stuff and I was very fortunate that he was a person who believed in me and believed I could do anything and was very supportive of my decision to become an entrepreneur, you know right outta business school when I did.. You know draggin' my student loans along with me.. So I very lucky then.. I was also very lucky to be at what I would call the birth of the personal computer and the personal computer revolution.. I mean I graduated from Stanford in 1980 and I graduated from business school there in '83..

And really, you know, the people who were coming to our classes to talk and then ultimately the people I ended up working with.. I got to work closely with Steve Jobs.. I got to work closely with Bill Gates, you know Fred Gibbons, well you guys know Fred, he teachers there now.. You know a lotta people who were icons in my industry were people that I got to cut my teeth with working with.. And that made a huge difference.. I also was very lucky that when I went to raise venture capital in 1989, during the same, we closed our financing the same week as the earthquake of '89, so another one of those events you don't think is gonna happen.. I was very lucky that Ann Winblad was my venture capitalist.. And she was one of the very rare women who had actually founded a tech software company.. She found a company in the accounting space.. And so Ann was a very important mentor and dear friend of mine as well..

So I've been very lucky to find people like that.. And I would say that through my life I've always continued to collect what I would call fellow travelers.. I mean not all mentors need to be people older than you.. I think some of my, some of the people that I gain the most from are even you know my former students.. Somebody like Tess Hatch who was one of our fellows and somebody that I keep in touch and learn from Tess when we get together.. So it doesn't necessarily have to be somebody, you know ahead of you on the career path.. It can just be somebody who you respect and admire and believe in and who's willing to give you time in exchange for you giving them time as well.. You know I think a lotta the most successful mentoring relationships work in both directions.. - Well thanks.. And that brings us to our last question, so I'm gonna use my silver bullet and I'm gonna build on your number eight and that was where you talked about the best leaders don't forget their empathy, their humanity..

- Yep.. - Do they forget their ethics and values and principles? (Heidi laughs) As you know I've been working the last couple years on ethics and entrepreneurship before this happened.. Why are values and principles as important as ever? - They are, I mean as Tom knows and it's a lot about me, the case about me that HBS has written, I'm a huge believer in leading what I call a relationship driven life and not a transaction driven life.. I believe it actually makes you a happier person and more successful in your business.. And I believe that when you believe in relationships, you understand the relationship is more important than any individual transaction.. And therefore your ethics and values as an overlay, you're going to be remembered more by your long-term application of your ethics and values than, you know, than any individual transaction.. I think the challenge is that you know these down times, you know, what is the saying, character is not built, it's revealed.. There is some really bad behavior that goes on during the downturns and there are people who completely self-optimize and there are people who, and sometimes, and you know, I think sometimes people just lack empathy.. They don't think about how hard it must be for the other person.. I mean one of the things I've said to entrepreneurs very often when I'm coaching them and they're dealing with something and they're so in their head and their so into you know whatever it is, and I say to them, you know everyone else comes to work and when you talk, the whole time they're filtering it thinking what does this mean for me? What does it mean for my job? What does it mean for stability? Am I gonna have a job tomorrow? What does it mean for my income, right? That's what people are thinking about..

They're not thinking about you as a leader.. They're thinking about how it applies to them.. And so I do think that people sometimes, if you start with empathy, and if you think about you as a person in relationship with other people is gonna more important than any individual transaction.. And I think I'm sorta living proof of that, right? I've been around doing, I've been in the Valley for 40 something years working here.. I cannot look back and say any particular transaction was frankly all that important or not.. But the relationships I've built and the fact that, I think people know what they're getting when they get me, and know they can count on me, that's super important to me.. And by the way, not all these decisions are easy, right? Companies do fail and companies fail for good reasons and companies fail for bad reasons and bad timing and wrong decisions and whatever.. You know bad things will happen, but that doesn't mean you have to become a bad person.. And I try very hard to separate the things that happen from what the appropriate ethics that I try to apply everyday in what I do.. And I'm not perfect..

I mean sometimes things fail, you know, but it is my North Star.. And I think it's.... It allows me to both do work that I love and make meaningful friendships with people and sleep at night, which is very important.. (upbeat music)..