URL: https://ecorner.stanford.edu/videos/scaling-with-resilience-entire-talk/

Michelle Zatlyn is the co-founder, president, and Chief Operating Officer of Cloudflare, an internet security, performance, and reliability company that is on a mission to help build a better internet. In this conversation with Stanford lecturer Ravi Belani, Zatlyn discusses the intense challenges involved in scaling a high-growth business, and offers insights about how to find optimism and build a great team amid those challenges.

Transcript

(upbeat music) - (Automated voice) Who you are defines how you build.. 00:00:05,140 (upbeat music) - Today we are delighted to welcome Michelle Zatlyn to ETL.. 00:00:14,940 Michelle is the co-founder, president and COO of Cloudflare, an Internet Security performance and reliability company that is on a mission to help build a better internet.. Michelle, is also another testament to how America is the beneficiary of outstanding Canadian talent.. Michelle was born and raised in Canada, went to McGill, where she got her bachelor's degree in Chemistry, for all your chemistry majors out there, as well as business, and went on to do everything from being an Economic Research Analyst to marketing, to being a product manager before she came down to the good old United States for business school at Harvard.. And she got her MBA at Harvard, and at Harvard she also met Matt Prince who was going to be her future Co-founder on this wild journey of starting Cloudflare.. And at the end of business school, she also worked at Google, did a stint at Google, and then at the end of business school in 2009, she founded and started Cloudflare with Matt.. 12 years later now, Cloudflare is a $21 billion company with over 1800 employees, and Michelle is still at the helm as the COO which is very rare to have a founder for that full arc.. So, please join me in welcoming Michelle.. Michelle lots of virtual love and applause from you from the broader YouTube and Stanford communities..

- Thank you for the warm welcome Ravi.. 00:01:34,467 And I will say I do a lot of speaking, and that may have been one of the best introductions that I've ever been given.. So, maybe you should just come with me all around, and you can just do that again, because that was good.. - Oh, I'm happy to.. 00:01:44,783 Well, thank you Michelle.. Interview's over, we're done.. Okay.. (giggling) So, Michelle, but I will say that it is very rare for us to have a founder, I mean, everybody know Cloudflare is like this public darling, a poster child of entrepreneurship and it's a $20 billion plus company, but it's rare for us to have a founder who's been there when it was just two people to now when it's 1800.. And so, I wanna start, especially for all the aspiring founders out there, to go back to the beginning to what it felt like when you were actually starting out Cloudflare.. First of alL, I think a lot of people will say, a chemistry business major who's now the COO of a major deep cloud infrastructure company..

Did you always have this vision that you wanted to be the head of a cloud infrastructure company or a web infrastructure company, or how did you know that you wanted to take the leap and start and be a founder of Cloudflare? - Yeah, so no is the answer.. 00:02:46,040 I did not always know that one day I was gonna run a cloud infrastructure company.. And so, I guess that should be encouraging I hope to many of you, but then it leads to, well then how do you know and how did you kind of discover it? And I think the second part of that is I'm a big believer that opportunities appear for everybody and often, at all sorts of different frequency and times, and those sizes and the quality of the opportunities vary, and sometimes you just have to go for it, I guess is the short answer.. But no, I had no idea.. I grew up in a small city in the Prairies of the Canada, and I didn't even know what tech college scholarship was way back when I studied chemistry, because I wanted to be a doctor, and my world kept getting bigger and bigger, and I was really curious and I just was like a sponge.. I wanted to learn, and I kept seeing, "Oh my God, you can do this, you can do that." My world kept expanding and that was great.. Life has a collection of experiences, go collect a lot of them.. So, I was collecting a lot and at some point I was doing my MBA at Harvard Business School, and I met this really super smart serial entrepreneur, Matthew Prince, and Matthew always talked about something that he had done before.. A project he had, a hobby, a side project called Project Honey Pot, and he always talked about it over and over and over again when we were classmates.. And finally like after a year and a half, I kinda said to him,

"Matthew, you always talk about Project Honey Pot, what is it?" And he went on to describe that it was this open source community-based project that helped track web spammers online..

And I said, "Okay, how many people had signed up for this?" He said, "About 80,000 small businesses." And I thought, "Wow, 80,000 small businesses signed up for this." And I kind of said, "How did they hear about you? You have no budget, no one knows what you're doing, how did 80,000 people?" He was like, "Well, they talk about it." And I was like, "What do they get for being part of Project Honey Pot?" And he said, "Well, they help track web spammers online." And I was like, "Okay, and then what do you do with that?" And he's like, "Well, Project Honey Pot goes and work with law enforcement agencies to take these spammers offline." So, basically we have this banter.. And at the end of day, is like I don't understand why this thing exists, and why anyone signs up for it.. And at this point, he kind of went from being gracious to frustrated with me, because again I didn't know a lot about the space.. And he said, "One day they want us to create a service that helps protect them from this cyber attacks." And that was a big light bulb.. I did not know a ton about the space, but I did know something that whatever I wanted to do next, my post-graduation, was I wanted to be part of something where I was really proud of the work that the team did, and what the work that the company did.. That was a litmus test for me, and this idea of well, if we could help make the internet safer, whether you're an entrepreneur, bring up an idea or a developer with a side hobby project or a small business, or a global 2000, I would be really proud to work on that.. And that's, it was just this curiosity, and that now is turned into Cloudflare, which is a publicly traded company.. And I know a lot more today than I did 12 years ago, but it was that conversation in seeking to understand where the light bulb came off.. And I didn't know on day one, that's what we were going to turn this into a company, but I wanted to see where it went.. And that leads me here today with you Ravi..

(giggling) - And what a beautiful journey it is.. 00:06:05,683 But just to be clear about that, because I want people to understand what it feels like in the early days, you didn't need to have certainty that this was gonna be a $20 billion company.. You just needed to have enough to know that you want it to turn over another card and lock arms with Matt and jump in.. And what made that clear for you was this, part of it was, it sounds like it was an emotional sentiment that you're gonna make the world better, and part of it was just classic customer validation when you're getting these proof points back from your customers.. Even though you might not have been a web infrastructure expert.. - Well, this is actually a good point.. 00:06:42,300 So, I was a student, and it was actually really easy to pursue this idea as a student, because it became something that we did for school credit.. Like it was instead of taking a class, I signed up to do this special study with Matthew and the deliverable was to write a business plan and enter their business plan in competition.. So, instead of taking a class for credit, so we got the luxury, it was a real privilege to explore this idea for school credit, which I needed to graduate.. And so, I think that's why some really good ideas come from students on campus because you have the luxury to do these sorts of things, especially if you can sign it up as a special project that you can do for school credit, it gave us a cover..

I didn't have to quit a job, I didn't have a job, I was a student.. And I think that that is different, and that's why a lot of people who have full-time jobs maybe do things on the side because those are much harder decisions.. And so, we had that cover to say, let's just go explore this.. And what really happened the next three months was the following, the first month, I just remember kind of this, again, back to curiosity, world kept getting bigger.. The first was this huge, we're a good business school students.. So, I mean, I wouldn't just go do something because you want to do it.. You want to do something that makes an impact in my opinion.. And so, the first aha I had was, "Wow, there is a huge problem here." And the way that I saw that, was we did a survey to these 80,000 customers that they had, tried to understand, I didn't know a lot about the space, and I remember I went and did the survey, and the survey asks questions like a typical business school student will ask.. Would say, "How much do you care about this problem, and what are the solutions you're using today to solve about this problem?" And we sent it to a 150 small businesses or 500 small businesses, we got 150 people who were applying, which is a high response rate.. So that was proof 0.1..

So, clearly a lot of people responded.. This was an engaged community.. And the comments from there, there was the quantitative where people mark things, but it was a qualitative answers that gave me this huge aha.. And the quality of answers were things like web spammers or the scourge of the internet.. They're criminals, and they belong to being in jail.. Now you don't need to be a cloud infrastructure expert to realize Holy smokes, there is a huge visceral pain point here.. So, like that was the first aha case.. So, there was clearly a problem.. The was part of the survey, it was like, what do you use to solve it? And all of these small businesses had no good solution.. They were all using band-aids, like band-aid homegrown solutions..

So, first of hall was clearly there's a problem.. The next of hall for us was, well, could we come up with a solution to the problem? And this is where the technical solution and being a differentiation, like really showing through, and we were really inspired about what David Ulevitch was doing OpenDNS, how he was helping deliver a better experience on the consumer side, the user side, was like, "Can we use DNS?" We are not the end to the technical details to do this, deliver security for the business side.. And that was a huge aha, and it was kind of a shift of where businesses were buying hardware to do this, and small businesses couldn't afford the hardware, could we create a cloud based solution? And we were again right at the perfect time in history in retrospect, to start a company like Cloudflare, where there was just a huge shift happening, and we happened to kind of stumble upon, wow, there's a problem here.. There is a way to deliver this as a service that not only makes it accessible to entrepreneurs and small businesses, but if we do a really good job over time, big companies too.. So that was the second aha that we came up with a technical solution.. So, that was month two, and then month three is, as a business school student got to be like, "Is there a business here?" I think it's one thing to have a problem, another way to have

a solution.. Can you build a business around it? Which is something hopefully we'll talk more about, and again, you don't know, we can approve that up, but we assumed yes.. And it was those three things that by the time I graduated, I had another great job lined up.. It was hard to walk away from that.. Actually, I remember it was at LinkedIn, I went to LinkedIn campus, and I remember I was sitting in the cafeteria, talking to this person who's supposed to be my boss..

And I said, "Thank you so much for the offer." And this was, LinkedIn was small.. It was way before it was going public, and they were growing like a weed.. I was excited to go there, and I said, "I have this idea, we wanna see where it goes.. I'm gonna go pursue my idea, instead of come here." And he looked me straight in the eye and he said, "You were making the biggest mistake of your life." Because there were a rocket ship, and when you're offered a seat on a rocket ship, you don't ask which seat you get on.. And I kind of said, and most companies fail.. And I said, "I get it, but I have to see where this leads." And so, it was not super clear.. It was not easy, but those were my steps along the way.. And if you asked Matthew, his were different, his calculus was different, And so, I guess I like to tell the story because it wasn't super clear.. I kind of fell more and more in love with the idea.. And even when I decided to do it, I still wasn't sure, it still took a few more months after that, before I was really sure, okay..

I was like, "Oh wow, we're really doing this." And so, I think that people go through different processes and that's okay.. Sometimes I think you read these stories and you think, "Oh wow, people wake up one day with the best idea ever, and then the next day they've built a hundred billion dollar company.. That's amazing when that happens, but not all stories happen like that.. - I think it's very humbling and refreshing.. 00:11:44,120 It's like fumbling into love.. Like, it's a cascade of steps.. But what I think is interesting, is that in that short period of time, in three months, you sort of hit through that a syllogism of classic product market fit.. Like you got to product market fit and three months you validated that there was a huge pain point, it wasn't a vitamin, it was definitely a painkiller.. You validated the approach and you validated that it was a great market.. Now, I understand Michelle that, so you say no to LinkedIn, you have all these beautiful badges..

You have your Harvard MBA, you get funded by Ben Rock.. And then I understand that even if we fast forward three or four years later, you've already raised a few rounds of financing.. You have quite a few millions in the banks.. Can you share with us how you're feeling at that moment in time? - Sure.. 00:12:33,491 (giggling) It's so interesting because - And this is a bit of a, 00:12:37,263 - Well, I was gonna say, 00:12:38,740 you wanna be careful, you don't re re rewrite history, I guess, is what you wanna be careful of, and sometimes I think back to, we came to the Valley in 2009, the summer of 2009, but we really kind of launched our service to the world in September of 2010.. We kind of consider that the start of Cloudflare's history, even though we were working on it.. But that's when we launched it, people could sign up.. So, September, 2010 is kind of the date.. And if you'd had me on the show in 2015, I mean, we were less than 200 people, we were a success, and I would say that back then, I used to ask myself, I don't understand why anyone does startup.. - And let me just take a pause here, 00:13:23,440 just because I think this is so refreshing, and this is such a great sentiment because we don't get this expressed enough..

In 2015 year, you're five years in, you have 200 employees and you've raised how much money at this point in time? Do you remember? - I remember, but I mean, for sure, 00:13:38,850 I think, what was it? I mean, a lot, $120 million, like a lot.. - Yeah.. 00:13:46,310 So you are likely from all of your peers who are looking at you, they're thinking, "Man, Michelle, she chose right.. She jumped on and she's living the dream." So unpause, but can you express how it actually feels? How you were feeling if we talk to you in 2015? - Well, if you talk to me in 2015, 00:14:03,713 what I would have said is, "I don't understand why anyone does it, because it's so hard.. There's so many highs and lows." And now, as I zoomed out, and kind of have even more perspective, maybe the way that I best characterize it today, or maybe it's useful to this group is, I think if you, there are lots of ways to start companies, and there are lots of different types of companies.. Interesting, my husband's an entrepreneur and he is a kind of cashflow positive, hasn't raised any money, profitable company, small team.. But we were always swinging for the fence.. So, I guess this is kind of a swing for the fence, point of view, and I think if you're gonna start a company that swings for the fence, and by that, I mean, if you're swinging for the fence, when I was starting, a billion dollars was cool, now that's not cool anymore.. I think the bar has been raised to $10 billion market cap.. And kind of what was good enough keeps going up, because the opportunities get bigger, and it's easier, some things are easier, but anyway, my point back to what was I saying, if you're swinging for the fence, which we were, we have been from day one, we kind of knew Cloudflare that there gonna be a big company or not exist as a company..

For us like a smaller medium sized company, just never really made sense for a bunch of reasons, we can go through another time.. But my point of view on this is, if you're swinging for the fence, the first two to five years is really hard.. Like it's just, and why? It's not the money, it's how do you get the talent? How do I convince all the engineers that are listening to this call to come work for a a hundred person company.. To be the founder makes a lot of sense, to even be the first 20 employees makes a lot of sense.. You get outside equity grants, but like in between, there's so much risk, and there's so many things that don't work out.. It's so hard to convince people.. And most people wait.. It's like, "Well, come back to me once you've gotten to a $100 million revenue run rate, which is usually after five years, some companies do it faster.. We're in a B2B space.. So, like that's kind of made sense..

And so, it's hard to get people who really have done it before to come work for you.. So, you're in the space where you need great talent to come work for you, but the proposition doesn't make a lot of sense to most professionals.. They're like, "I'm just gonna wait till you're a little bit further along, where it's, de-risk more, and I'm gonna get paid the same." And it's

hard, there's so many things that go wrong.. Actually, Tom Eisenmann, a professor from Harvard business school, he was our advisor.. He just wrote a book about why startups fail, and he actually quantified all the reasons why companies actually lose steam and most like, just because you get to your series B or C stage, which is where we were, a lot of companies still fail at that stage.. They just never reached their full potential.. We know lots of those examples.. And so, it's just so hard.. You're clearly onto something, but is it sustainable? How do you make sure competitors don't respond? How do you get the right people? Is it differentiated? Will it last? There's lots of different pieces.. So, it's very, very hard..

And so, those first two to five years are just lonely.. There's lots of highs and lows.. You have way more work to do than you can possibly do, for not just you as the founder but the whole team, because the definition of a company that's startup, is there's nothing there to begin with.. You've got to do everything.. And so, it's really hard.. So, I remember cooking dinner in 2015, was small group dinner, and I remember you want all the good things.. And I was like, "I don't know why anyone does this." And they like got mad at me.. They said, "I can't believe you're saying that." They kind of said, "You have a responsibility to carry this torch." And I was just like, "It is so hard.. I really think I can go get a job as an executive at a successful company, and my life would be a lot better." Now, I'm on the other side of that.. And I can see all the amazing things and I would not trade it for anything..

- But if you were going back to Michelle in 2011 to 2015, 00:17:44,096 and you're talking to your Michelle self, when she's in one of those moments, when things are really hard now, not knowing what you know, is there any advice you would give to founders when they find themselves in that phase? - Yes.. 00:18:00,250 And this is where I think I hope there's more content and material, and even resources available to founders, because there's a lot of entrepreneurs who are starting companies right now.. And I think they're gonna face the same thing, and you hear a lot about depression, and I really think these things are real.. So, the first is you surround yourself with great people and it kind of goes back to, it's hard to get those, but having the right people matter a ton, and one of the things that, if I could go back in time is as soon as you realize you have a real business, you need to start and build the team like you're running a business, as well as you still build the awesome tech.. Like the tech is cool, but you also have to build a good business at some point.. And I think that bringing in people who know how to scale businesses, a couple of managers can make a huge difference and help things go smoothly.. And so, I think that we were pretty slow to do that.. So that's one thing, that I think if you can, a couple of those people make a huge difference and ultimately they make your life as a founder better.. Because now you have an executive running an area where you're like, "Oh wow, they are better at that than I could ever be, and we work well together." And so, I think trying to get to that state is very helpful to a business at that stage.. That's one, the second is, you have to take care of yourself..

And I think some people don't exercise.. Maybe they ended up drinking too much, they don't have loved ones or friends, or they would ever do anything but work.. Like they basically, they just start working all the time.. I think that's unhealthy and unsustainable.. And so, finding a way to take care of yourself, whatever that means, that's different things.. Some people maybe are working out more or prioritizing friends or prioritizing family or going on dates or whatever it is, I think that you are more than just your company, and no one tells you that.. You gotta do it yourself, and with a long list of things to do, you almost think it's selfish, but it's actually the inverse.. You got to take care of yourself, so you can bring your best self to work.. And again, no one is telling you that.. So, you really have to do it yourself..

And there's always more things to do, but you got to go home at the end of the day.. You have to have other things going on besides just what your startup is.. And so, I think those are two things that come to mind that I wish somebody would write more of, it become more common and investors would talk more about it, because they're real.. - Well, and you know, 00:20:19,260 I think there's sort of a functional classism in Silicon Valley that people don't talk about where we laud the big hairy audacious goal and the strategy, and the visionary founder who has this brilliant insight to go after this huge opportunity, and we sort of treat operations as a footnote, as just something that just, it's not real, it's not real strategy.. It's not something we put a premium on.. Can you speak to that a bit? Because, so first of all, you're the COO, can you explain to our students and others what a COO is, and why you chose to have the COO role? - Sure.. Well, it's interesting when you're, 00:20:58,920 a lot of large companies or a lot larger than us would never have that title in a company, you're kind of a CEO, and then you have all these different department heads, and there's lots of good reasons for that.. I think that back to company, when you're building a company or a startup, you have to create everything.. So, there's way more things to do than people to do it.. Like that's just every growth company in the history of growth company..

If you are getting everything on your to-do list, I'm guessing you have no customers.. And so, I think that that is just the definition, and so when you're building this company, there's just a lot to do, and so, I actually think a lot of the reasons why growth companies kind of created the COO, Chief Operating Officer role, is because it's a really strong generalist who compliment often the CEO, the founder, in other parts of their business.. And often companies bring this in, and it happened that Matthew and I made really good teammates, and I kind of grew into that role, and I earned it by great execution.. And so, that's it.. And so, really, Chief Operating Officer, I did a lot of things that Matthew, who was my business partner or CEO didn't have time for, and he trusted me with, and we made a really good partnership.. And there's lots of great articles, Allison Pickens, who was just the CEO of Gainsight, wrote a great article, different types of CEOs, why would you might need one? And a lot of people like the role, because you get to be kind of in charge of things, partnering with a CEO in different areas.. And again, it almost becomes a compliment to the CEO, where they don't have time.. And when you think about it early on, when you're 200 people, you don't have a general counsel yet, or you might have just hired your head of people.. You might not have all of the executives and all the different teams, but you need someone to say, "Okay, what about this or that?" And

help remove obstacles, and a lot of times COO always come to do that.. Fast forward to today..

Now, and again, it's changed so many times, all the time, but today I run all the good market.. So, sales and marketing and customers supported, how do we Cloudflare interact with our customers? How do we grow? How do we make sure they're happy, and they're growing with us? And then the people team also reports up into me.. And so, it's changed.. That's not where it was when I grew into this title years ago, but this is where it is today.. - So, Michelle, do you feel like there are, 00:23:05,770 first, do you feel like the shift or the focus on strategy over operations is ill placed? Do you feel like we do a disservice by not putting more of a light on the need to scale operationally and what's required for that? - I think that's a fair question.. 00:23:21,507 I might characterize it a little bit differently.. And just from what I see, especially because there's so many engineers in the audience, I kind of wanna, maybe I think what you're saying is true, I might just even position it a little bit differently.. I would say we are a very technical company, Cloudflare builds infrastructure for the internet.. We move a lot of bites around the internet for a lot of, like over 25 million internet properties.. It's a lot, we have a huge responsibility..

We are super technical and super geeky.. Like we're optimizing very low level code.. Everyone at Cloudflare is very technical, just inherently of what we do.. And what I would say is early on we loved the tech.. We loved that we had came up with this differentiated technology, and we were celebrated for that.. And I think I see that a lot in Silicon Valley where technical founders, where you're celebrated for the tech, and we loved that.. And it was amazing.. We still love that today.. What I think that we discounted early on and you described it as operations, that would even make it broader than that, what is really cool, and I don't think it's spoken enough about is when you have built the amazing tech is how do you build a great business to partner with it.. That doesn't just happen by accident? It's just like good technology doesn't just happen by accident..

You need to like be thoughtful in the architecture and decisions matter, you don't have to grind a bottlenecks and capacity constraints, like all those sorts of things.. The same thing is on the business side where I think some technical folks that I've seen early on, or even technical founders, they almost outsource the business building to other people, and they are almost bored by that.. And I think that one of the things that I've realized along the way, and now we realize it, but I wish we'd realized it even earlier is what is really magical is if you have amazing technology with a great business and an awesome team.. And then what I think is icing on the cake is a great impact in the world.. That is how you build something truly magical, and I don't think that gets spoken about enough of the business building.. I think people kind of see that as almost beneath them.. And actually that's what makes magic.. It's an important piece of the magic because that's how, and just maybe why I would say, is eventually you get measured on your financial metrics compared to others.. It's very hard to measure technical differentiation.. You know it, you can't see it in numbers, but you can very much compare, how is your revenue compared to somebody else? What's your gross margin? How faster you're growing? These are the sorts of things that early on, no one's thinking about, but 10 years later, that's what the expectation is..

And you want metrics that look even better than somebody else, because your technology is so good.. And so, I think more appreciation for the business building would go a long way for some of those technical founders.. - So, then can I ask you to share if there are any insights 00:26:21,960 on the business building piece of it? I understand that one of the purposes of ETL is to have the current leader, entrepreneurs share their insights so that the next generation doesn't have to go through the same struggles and can hopefully also even deepen what they can contribute to the generation that comes after that.. And so, with that spirit of mind, are there any insights that you would wanna share that you wish you had known when you had started? - Well, one is care about the business metrics.. 00:26:47,860 So, I'll give you an example of that is I remember we hired our first executive and he actually still works for us.. And he came in to help run sales, and we gave him such a hard time.. We're like, "No, that's not cool." Our customers are, "No, we can't do that.. No, we can't raise prices, no, no, no." Everything was no.. And I think he was just like, "Okay, if our technology is so good and delivering so much value, we should also be able to capture some of that value.' And again, I think we made things a lot harder for him, his first few quarters than we needed to.. And again, now I think we found a way where we deliver a lot of value for all the customers, but you still have to be able to capture the value as a business, and you get measured on your revenue and your revenue growth, and I can't do it with a high gross margin and all these sorts of things? I did not appreciate that, the first few quarters that we had a head of sales..

Everything was kind of like, "No, we're not gonna send an email to our customers, that's sleazy." She's like, we made everything harder than it needed to be.. Again, we've gotten a lot smarter about that, which is good.. A couple of other things that I think that were really helpful, that I think might be helpful for this group growth solves a lot of problems.. And so, actually growing quickly solves a lot of problems.. You don't have to get everything right.. I think people have this assumption that all the successful companies have everything perfect.. And the truth is they only have a couple of things really perfect.. They've got a couple of things really right, and the other 98 things are a disaster.. But because they're got the two or three things really right, they're growing quickly and it gives them time to go fix the things that aren't working without the public seeing, and that's really not intuitive, I just think, knowing that matters a lot.. You get grow quickly, and you grow quickly by getting a couple of things right, and then it gives you more turns at the bat to fix the things that aren't working., and then it kind of adds up..

So, that was.. - Can I push on that a bit? 00:28:36,973 - Sure.. 00:28:37,850 - Because I think a lot of founders wrestle with, 00:28:40,180 should I optimize for growth or profitability and being sustainably profitable.. Especially in the early days,

how do you decide if you should focus on growth at the expense of profitability, or maybe the answer is you do both.. But for the founders that are struggling with what their North Star Metric should be, if it should be growth or engagement or monetization and profitability, how do you decide? - I think it kinda goes back to, 00:29:08,040 if you're swinging for the fences or not.. So, we were swinging for a fence.. Literally, we wanted to be a huge company.. We wanted to be a $20 billion market cap company, and now there's a new goalpost that we're aiming for.. And we knew this early, like we knew this super, super early, in that case you have to grow.. I mean, profitability means nothing..

Like it doesn't matter if you're swinging for the fences.. Now, the risk, if you are grown men, then you're in trouble, but the growth matters a lot more, I would say.. If like my husband is noting outside funding, and doesn't care about one day being a public company and wants to deliver good service with a small team, well, they are doing something.. It's a growth plus profitability, it's different.. They don't have the same constraints in making different calculus, and you do make different decisions because of that.. Early on, I will say, this is something that was also not intuitive, we were focused on growth, really important, but our revenue was slow.. At first, the first way we made money early on in Cloudflare, was we had a free service and a $20 a month service.. And then years later, we added a $200 a month service.. And now we have companies paying us over millions of dollars a year.. I will tell you, it is so hard to grow revenue when you were charging $20 a month..

It's just like, do a lot, create a spreadsheet, and you're like, "Wow, I got sign up a lot of customers." And then $200 a month, you're like, "Wow, I grow faster, but to get to that hundred million and now a billion in revenue and whatnot, like it grows slowly." And so, anyhow, my point is, early on, and again, this was very Cloudflare specific, we cared about growth, but revenue was a metric that was changing slowly for us, because of the types of customers that we originally went to market with.. We started with small businesses and we knew long-term, we'd go to larger organizations, but that took years.. It always takes longer than you think.. And so, we picked five metrics that changed really quickly to measure our growth.. And revenue was not one of them.. And I actually think that this is another thing that was unintuitive, where you as the founder, get to choose what metrics you're gonna measure, get measured on with your board or your investors.. And you can pick them, pick ones that matter to your business based on your point of view.. And so, we picked other metrics that changed a lot quicker than revenue for Cloudflare, because early on it just moved very slowly.. - Can you give the examples of what those metrics were? 00:31:28,123 - Yeah.. 00:31:29,110 So, for us early on, again, we started with small businesses or developers, or again, hobbyists like many of these engineers putting their hobby sites on us, because we had to build, so how does Cloudflare, what does Cloudflare do? We make the internet faster, safer, and more reliable..

We literally build infrastructure for the internet, which means we have to buy a lot of servers and routers and switches.. And by the way, those are really expensive, and that's not something you just snap your fingers and do tomorrow.. It's taken 11 years of a labor of love to build this global network.. So, today we're in 200 cities with a lot of points of presence, and that's how, because we're in 200 cities, if you are, I don't know, trying to access your schoolwork from Paris, France, you get routed to Cloudflare's Paris, France data center.. We make things every fast, and do all this magic to make it fast and safe.. If you're in Cape town, South Africa, you hit on Johannesburg, versus if you're in San Francisco, you hit our San Jose.. So, we cover the world, so everyone else doesn't have to.. And early on, we measured by how much traffic is going through our networks.. We said page views.. So, we said, and if you think about that, if ravisblog.com signs up for Claflin early on, Ravi's blog, I don't know how many blog posts, how many views did you get to your blog, Ravi? I don't know 1,000..

And so, it'd be that, plus somebody, I don't know if some entrepreneur had a hot website, and they put it on us, and maybe they were doing a 100,000 page views.. And so, actually page views, how many pages view we powered through Cloudflare's infrastructure was actually one of the metrics we use for the first four years, five, I think it was four years.. Every board meeting, first thing we showed on the board deck, because page views changed faster the number of customers, because it was like one customer brought so many page views, and we had to process that and made a lot of sense in our case, but it didn't represent necessarily revenue, but it just showed how much were we delivering on our promise to help make our customers traffic faster, safer, and more reliable.. Another one that we cared a lot about was, on our side, you're gonna bill a service like Cloudflare.. We're really obsessed about cost, and really obsessed about costs to deliver the service.. And so we said, "Okay, how much does this cost to us to deliver?" And we were constantly trying to bring that down.. And so, that was one of the metrics we used.. And so, these moved fast, they changed really quickly.. And again, back to early on, you have to make momentum as an entrepreneur, you gotta make progress.. Things have to be changing and progressing forward..

It's like when you play basketball, the balls gotta be going down the court.. Like you just want to be constantly making progress against what you're doing.. That's how you get people to come work for you, is how you get investors excited, that's how you get partners excited.. If you talk to that person who you want to work for you on January and July, everything's the same at your company, they're gonna be like, "This makes no sense." You want a lot of new things and change and progress along the way.. And so, we pick metrics that changed a lot, that showed a lot of progress, that were important for our business.. And I think that served us really, really well and revenue wasn't one of them.. - That's so great.. 00:34:28,710 Thank you, thank you, thank you.. I'm gonna turn it over to the students for questions.. So, we're gonna kick it off..

We have our first question is what advice would you give to a young person debating whether to go to a large established company or take the leap and join a startup small firm.. - If you're earlier in your career, 00:34:45,370 I'd go to a growth company.. And so I guess, it depends on what you mean by startup versus large established.. So, I think life is a collection of experiences.. You want to collect a lot of them.. And so, going to either the market leader or a high quality growth company

serves you really well in your career.. You learn a ton, there are more resources, you meet people, you might meet your future business partner there or future co-founder, or they go and get recruited somewhere else, and they recruit you with them, because you're so good at what you do.. So, I would optimize for growth.. I'd look at companies and how fast they're growing, and the manager that you're gonna work for.. Who you work for matters a ton, and managers that are doing a really good job, or are rising stars within organizations, have been there a little bit time, are good people to bet your career on early..

Because as their career rises, their teams rise with them.. And that's how I would prioritize it.. I personally would stay away for companies that are growing slowly by slowly, like less than 10% to 20% year over year.. There's just so many other exciting things.. Growth gives you a lot of opportunity.. You get to see a lot of things.. - That's great.. Thank you.. 00:36:03,083 The next question is, I really sincerely appreciate your talking about mental health.. How would you respond to people being judgmental or critical about not working all the time and taking time for yourself? - Yeah, I think that's changing..

00:36:27,643 I really hope it's changing.. I don't think every company is like that, I guess is what I'm trying to say.. And so, if you're a talented, especially if you're technical and an engineer, you should go find a company where it's not like that.. I mean, look, you're gonna be engaged.. You're gonna have a lot of things to do, great, but you also wanna be a place where people have something else going on in their life.. I don't think you wanna be at a place where being at your desk at 10 o'clock at night is considered a badge of honor.. I guess is maybe another way to saying it.. And I think there are lots of companies that are no longer like that, and so, seek them out, it's talent.. I feel like talent has the upper edge right now.. There's a lot of people looking for great people to come work there..

And so, be deliberate and be purposeful where you go.. And if you go somewhere where it's not valued, then maybe think about, "Can I help change it?" Because maybe they just haven't gotten to it yet, and they need someone to help change it.. And if not, maybe go somewhere else where it is valued, because I do think it's not one company in the whole world that cares about it, I think there's more, and this is becoming a more topic.. So, I think it's a growing trend, and I think that's a good thing.. - And can I ask you Michelle, just to follow up on that? 00:37:37,990 I mean, you're married to an entrepreneur, so you both are like, you both took the red pill in double doses.. You have two (indistinct) - I don't know what that means, but okay Ravi.. 00:37:46,702 - Yeah, sorry 00:37:47,535 (giggling) You jumped into the matrix and you both took the leap.. So, sometimes you have these couples that are hedged.. You have like one person who is either dedicated to the couple and the family, or one person who's taking the risk or something like that.. But I'm curious to stuff tailing this question..

Have you had any insights on work-life balance between your competing interests with what you want on your personal life, what you want on your professional life? And are there any times when you have the sense of worry about being judged, because you're not putting enough in, but also wanting to protect what you know you need for your own personal health, or your sphere of health that you wanna protect.. - Yeah, there's so many pieces to that question, Ravi.. 00:38:34,511 I mean, maybe a couple things that I'll, I mean, and again, if I don't answer exactly and if somebody wants to follow up, it's fine.. One of the things I will say, and again, I'm married, I have two kids, and when I was graduating from my business school, I really wanted, I was super ambitious in my career, I really wanted to have like a life partner and I really wanted to have a family.. And so, I like wanted all three, and I happened to marry a partner who wanted that too.. And that's 10 years later, sometimes over the last year you reflect on your life.. you're like, "Wow, I've done it." But am I like, love my career, happy life partner, and we have really great kids, and I love that, and I'm very satisfied by that, and proud of that.. And like I purposely sought that out and kind of made decisions along the way to help tilt the risk reward ratio in my favor.. And I'm proud of that.. And so, I think that that's 0.1, that if that's something that you want, I think it's possible..

Now, not everybody wants that and that's fine too, but that it is.. And so, my husband's career, he's also done lots of super interesting things and he left a great job to go be a founder because he really wanted having entrepreneurship experience.. And again, he's doing it a different way, but it's super successful in other ways.. And I love that I'm his biggest champion, and I would say he's my biggest champion.. And I hope lots of people in their life get to experience that, because it's great when you can find the life partner who believes in that.. When we went public, I brought my two kids to the New York stock exchange, and we opened the bell together.. So, if you go look at photos, like my kids are there, and I often referenced mom's big day in New York.. Do you remember mom's big day in New York? I mean, they were three and five.. They had no idea what going public means, but it's like, this is mom's big day, and it was really important for you to be there, to see it and to celebrate together.. Like I just, I don't know, I love that..

I've been able to carve that path for myself and for my family.. So, I guess there's that piece.. I don't worry about getting judged.. I have put a lot of pressure on myself, I wanna win, I want Cloudflare to be super successful.. I wanna win, and I wanna do the best work I can.. I wanna be proud of the work I can.. I think that when you're at a growth company, what was good enough last month is no longer good enough today.. And that is a set.. Like that's just the reality of a growth company.. Like what was good enough last year is the bar gets raised every single year of what, because the expectations go up and the bigger cost customers and just the expectations, bigger team, we have almost 2000 people, just different than when you have a hundred people, just different..

And I think that you have to grow, you have to grow and you have to want.. You gotta be like, "Wow, I did that poorly, I gotta fix that." And so, I don't ever feel judged, ever, I think it's more of a desire to a really good job and to win.. And it's fun

being part of a winning team.. Like it feels so good to be on a winning team, I played a lot of sports growing up, it so fun to be on a winning team.. It's so fun to be on a winning team where you do it as a team.. Like, I think what I'm proud of about Cloudflare is like a team.. It doesn't matter how good I am or Matthew is, it's our amazing team.. Best part of my job with people I get to work with, and I go to meetings sometimes, I'm like, "Oh my God, I'm so lucky I get to work with that person." Like I love that feeling and it's, again, I think if you can find that in your career, I've had a lot of jobs where that's not the case.. And so, I really value that I have that, and I try not to look, the grass is greener, where not everything is perfect, things are hard and there's never enough time.. And you're like, "Oh my goodness, like there's lots of things that are hard, but you're just like, but I'm showing up and I wanna win, and I'm a player on the field, and I'm gonna stay here as long as I possibly can, keep earning my spot on the team..

- And is it more joyful now? 00:42:19,580 In the entrepreneurial journey, is there a moment as you reflect back on the last 12 years, where you had the most joy? - I remember, I don't know of some people, 00:42:28,034 I went for coffee with someone named Chris Neil, he's somebody in the Valley, and I said, "My goal," and this is before we went public, "Is to enjoy the journey more." Because I used to kinda bogged down, think about starting companies are highs and lows, and 10 times a day, early on.. Like literally you go from, "Oh my God, I just closed this person to, oh my God, the company's not going to exist." It's like 10 times a day that these huge highs and lows that overtime gets spread out, as you become successful and you build a business, you build a team and there's so many highs and many lows, which is much more spread out.. And so, it was a couple of years ago, a couple of years after that dinner where I'm like, why does anyone do this? So, it was a couple years after that that I just realized, like I think it's back to this mental health piece, if you read a lot of the mindfulness books, it's about just finding the joy in the moment, (giggling) Jamie, my husband was saying, "Yeah so, when our kids are crying, I'm gonna try and enjoy that more." And I kinda laughed.. He's like, "But that's what it's about." And so, I kinda took that and I was like, "You know what, I'm gonna enjoy the journey more." And so, I think it was in 2018, so a couple of years before, a year and a half before we went public, and I just said, "I'm gonna enjoy it." So, when things are bad when there's that lull at work, I'm gonna be like, how could I learn from this? And I really like, it was like a mental switch overnight that I'm like, I'm just going to enjoy the journey more, and it has been more enjoyable since I've said, "I'm gonna enjoy the highs and the lows." And when we're in a low, I'm gonna be like, "What can I learn, I'm grateful to be with a teammate who wants to solve this together, we're gonna get out stronger, it means if it's a low point that means we are all gonna be better, like, all these sorts of things.. And so, I did make a mental switch and I have enjoyed it more since I have done that.. - You have.. 00:44:10,667 So, it's not just, okay it's real.. - It's not destination, 00:44:16,230 It's not like, "Oh my God, I'm gonna go public and everything is gonna be magically better." No, it's not.. The problems get bigger, The expectations get higher and so you just, I just wish you should just, I've gotten much more comfortable as I've enjoyed it more along the way.. - I think there are few people who can actually say that 00:44:30,680 with the authority that you can, because I think now that you're at a $20 billion company, not even a billion or 10 billion or 20 billion, you have the authority to say that, the goalpost keeps shifting..

Even when you're at 20 and there you are thinking about 200, and so, achieving the goal is a relentless pursuit if the goal will keep shifting, and you'll never ultimately be satisfied in that sense.. - I remember I went to a dinner, 00:44:59,057 it was, as you get more successful, you get invited to a lot of things pros and cons to that, and so, I got invited to this dinner and it was a new fund that somebody was sitting up and they had their LPs there, these LP basically said, "This fund is about investing in companies that will be one day worth a hundred billion dollars or more." And I was so offended, because we were way passed the billion dollar market cap, and I just was like, you throw your a hundred billion dollars as a new goalpost, just like it's casual, I feel like that's dishonoring all the hard work and all the other amazing businesses that get built between now then.. I'm like sure, some might be big winners like that but not every company has to be a big winner like that to be considered worthy of your time, I was really offended.. Anyway, so those are the sorts of things that you have to deal with but yeah, the goalposts keep moving and again, you can either fight it or you can just embrace it and say, "All right, let's see what else we can accomplish.. - We have two more questions.. 00:45:58,410 This first one is, wants to double-click on the sentiment about how, in the context of the 2000 feeling that you were relaying, that you had along the lines of why does anyone do a startup? Can you please share additional reasons if any beyond team building that made you feel that way.. - Of why to do it, or why I felt like not to do it? 00:46:16,878 - Yeah, why you felt like not to do it.. 00:46:19,400 - Oh, the first two to five years were so hard.. 00:46:20,380 When you're swinging for the fence, it's so hard.. Financially, you're not making a lot of money early on..

Again, there's some exceptions, but it just not, there's just not enough resources.. I mean, you're getting compensated, but not well.. And so, you're working incredibly hard for not a lot of direct compensation in the moment.. Again, it's an investment for the future, and for some people that's not a big deal, if you have family money, or whoever, but like, for my husband that was a big deal.. Like we just didn't have a lot of that.. So, it was just like, "Oh my God, like we lived in a studio apartment for many years.. So, two of us, like anyway, so that I can laugh about it now.. But anyway, so there's that.. It's so stressful, like, I mean, you have to make decisions that you were totally ill-equipped to make.. But there's no one to ask, because you're in charge..

So you have to make a decision, and you think that sounds great until you're like, wow, these are people's lives that you're responsible for.. They have a family, they're relocating their family to move wherever, to work with you, and you have to make sure that you can make their payroll and that your company is gonna actually exist.. So, I think those sorts of things that it's you just making decisions that you are feel really unprepared and you don't have, sure you can call a board member, or you might call somebody, but like you kinda run out of people to call, and nobody really knows.. And actually what it really is hard

is you face these hard questions, you ask five smart people who you really respect what to do, and they give you five different answers.. And then you're like a deer in headlights.. You're like, "Oh my goodness.. Okay, so I have a hard decision, I just asked five people that I respect and they all give me different answers, what do I do?" And you gotta make a call.. And so, that's really tricky.. Again, for us, this was five years in.. I had a lot of friends that were entrepreneurs, started companies at the same time..

Some were going really well, Some literally were not successful.. And so, you see that too, you realize just because you start a company, doesn't mean you're going to be successful.. It actually is, you have a lot of responsibility in whether it is going to be successful or not.. And so, I took that responsibility, I took that to heart, Matthew did too.. And so, that was just, you kind of say, "Oh my goodness, we're responsible for this.. Whether we make a good call or a bad call actually impacts a lot of things, the quality of the outcome here." And so, that stuff, it's hard to put into words, but when you find yourself, you're just like, "Wow, I have to make a call but to me, I'm not really equipped to do, and it matters." Like there's implications to a bad decision, and you see it really quickly, and just never enough resources to go around.. And so, it's just, you're working all the time and you're not paid very well, and you've gotta make hard calls all the time.. (upbeat music)..