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Frederic Kerrest is the executive vice chairman and co-founder of Okta. He is responsible for Okta's day-to-day operations, working with employees, partners, and customers to deliver on the company's vision of enabling any organization to use any technology. Kerrest is the author of "Zero to IPO," a WSJ Bestseller guidebook to building startups featuring insights from some of the world's most successful and recognizable entrepreneurs. He's also the co-host of the "Zero to IPO" podcast. In this presentation, Kerrest shares stories from his life to illustrate the challenges and excitement of being an entrepreneur and offers practical advice for students starting their careers.



## Transcript

Narrator Who you are defines how you build. 00:00:08,790 - Welcome YouTube and Stanford communities 00:00:10,530 to the Entrepreneurial Thought Leader Seminar. Brought to you by Basis the Business Association of Stanford Entrepreneurial Students and STVP, the Entrepreneurship Center in the School of Engineering at Stanford. I am Ravi Belani, a lecturer in the Management Science and Engineering Department at Stanford, and the director of Alchemist an accelerator for Enterprise Startups. Today we are thrilled to invite Frederic Kerrest to ETL. Frederic is the co-founder and chairman and former COO of Okta, which is an 11 billion publicly traded enterprise software company in the identity and access management space. And I should say that it is a particular treat to invite Frederic to ETT because he's one of our own. He's a Stanford alum who was in your figurative seats a couple years ago. He graduated with a bachelor's degree in computer science in 1998 when computer science was not as ubiquitously dominant as it is today on campus. And the buildings weren't as nice.

So it was really because of visionaries like Frederic that went on from computer science to build these world changing companies like Okta that is ushered in the generation that we are seeing now on campus. As the former CEO of Okta and co-founder and current vice chairman, Frederic is responsible for Okta's day-to-day operations, working with employees, partners, and customers to deliver on the company's vision of enabling any organization to use any technology. He's also the author of, "Zero to IPO" a book that I highly recommend that you guys all check out, which is a Wall Street Journal bestseller guidebook to building startups, featuring insights from some of the world's most successful and recognizable entrepreneurs. And he's also the co-host of the award-winning "Zero to IPO," podcast. So check out your app podcasts and load up "Zero to IPO," which features founders, entrepreneurs, and investors sharing insights from their experiences building innovative technology companies. Frederic is also the chairman and co-founder of Herophilus, which is a platform drug discovery company and partner and founder of the operator network, Angel Investment Group, where Frederic enjoys advising early stage software company founders. Before Okta, Frederic worked in sales and business development at Salesforce and in venture capital at Hummer Winblad Venture Partners. He's also a member of the MIT Corporation Visiting Committee for the Sloan School of Management and the co-chair of the Martin Trust Center for MIT Entrepreneurship Camp Capital campaign. And outside of his work, Frederic enjoys spending time with his family, reading books, skiing and playing ice hockey, and as I've already mentioned here in his bachelor's degree in computer science from Stanford, and also an MBA from MIT in Entrepreneurship and Innovation. So without further ado, please join me in welcoming Frederic.

- I am thrilled to be here with all of you today. 00:02:52,680 It is a distinct pleasure and I'm very excited about having a conversation today about entrepreneurship, about enterprise software, and about the future that you are all going to build. So I got a chance to title this presentation, so I figured that this would be a good start. Why entrepreneurship is the best job in the world. I probably don't need to spend a lot of time convincing all of you, because that's why you're all here today and that's why you follow these lecture series. That's why you're at this amazing school. I am, as Ravi said, I was a student just a few years ago. It is hard to believe that I was a freshman in 1994, which is shocking, I know, I look like I'm just 21. My experience here was fantastic. Stanford is an amazing place.

I don't need to tell all of you that, I had a chance, I met my wife here, I met many of my best friends here. I met some of the co-founders of some of my businesses here. So it's always a pleasure to come back and talk to all of you. What is a little more shocking for me actually, is that this is actually my 25th year reunion this fall, which I cannot believe. So, you know, I think there's, and we'll talk a little bit through this presentation about some of the takeaways, some of the advice, maybe some of the tips, some of the mistakes I made so that hopefully you won't all make those same mistakes. The first one is right here, time flies. I mean, I cannot believe that this is gonna be my 25th reunion in the fall. I'm excited about it. I'm looking forward to it. There's a lot of the folks there that I don't see that often anymore.

But you know, I think that the big takeaway here when I was putting this together is, oh my gosh, if I were in your seats, you know, take advantage of the opportunity. Get out there, get after what you're looking to do. Follow your dreams. You're all the best and the brightest in the world at everything that you do. There's gonna be a ton of opportunities for you in your careers and in your lives as you go forward. But like, don't wait. I can't believe that I was in your seats and that it was that long ago. And time goes by very quickly and you think, you know, I, you know, if I could, if I could go back and tell my 21 year old self or whatever it is, "Oh, you got plenty of time," actually, you don't. It goes really fast. So take advantage of it.

All right, we have a very simple plan for today. I'm gonna try and keep this presentation to 30 minutes so that we can spend some good time in Q and A. So as we go through this, feel free to take notes if you have ideas. I know we're gonna pass microphones around. We're gonna talk about three things very briefly, bless you. We're gonna start with, I'm gonna talk briefly about my career, kind of how I went from sitting in your seats to where I am today. The common thread there is gonna be all around entrepreneurship. It's gonna be about building relationships, which we won't talk enough about. Today is so important in today's world, just in the people that you have here. I'm so glad we do introductions with who's sitting next to you.

You never know you're gonna see these folks later on in life. You're gonna lean on each other, you're gonna help each other build whatever it is you're gonna build in the future. But I'm not gonna spend too much time talking about myself. I think that's one of the big fallacies of entrepreneurship is it's about storytelling, and it's about, you know, putting whoever the founder is, he or she on a pedestal and talking about them. The reality of it is you don't wanna live my life. I mean, you can if you want, but I encourage you to live your own life. And so we'll talk a little bit about how I got here and the decisions I made and what I learned from it, and hopefully you can take something from that. Secondly, we'll talk a little bit about enterprise software, and I'll talk about a company called Okta that I co-founded in 2009, where I'm still the executive vice chairman of the board. The company TA has about 6,000 employees. It's about \$2 billion of revenue.

It's a publicly traded company. And we'll talk about how that went. There were some ups, there were some downs, there was plenty in between and some lessons learned there. And then finally, we'll talk a little bit about entrepreneurship and we'll talk about some of the lessons that I've learned some of the things that I get to spend quality time with a lot of folks like you on. And in particular, I'll leave you with three big rules that I recommend you all live by in your entrepreneurial careers as you go forward. And then we'll leave plenty of time for Q and A. Does that sound good? Does that work for everyone? I'm gonna need more of those. Is that we're good? Okay, good. Great. Thank you.

All right. Very briefly, where I grew up, I was born in New York City. I lived in Montreal, Toronto, and London as a kid. I moved back to New York. I went to high school in Paris, my dad's French. And then I moved as a bright eyed bushy-tailed 17 year old to California to come here to Stanford. And it was quite a journey. I remember the year before I started, I must have been 16, and I came to visit California in the summer and my dad drove me. I got off the airplane and my dad was already here and he drove me straight to Stanford campus, like from the airport. I took the flight, I had no interest.

16 year old, you're like, "I don't want to go. Why am I gonna go tour a bunch of buildings" He's like, we, you know, he's a French guy. He's like, "We have to go check it out. It's very important." I was like what. Straight to campus, toured around and it was ultimately coming here was one of the best decisions in my life. And I don't need to explain that to all of you because you all know it. You're sitting right here. When I was at Stanford, I was started in 1994. I was class in 1998. I got my bachelor's in computer science at the time, it was a much smaller department than it is today, but some of my professors are still here.

I get a chance to come visit with them and they're amazing. Dan Bonnet and the rest of the department, some of the folks who've been here, I see a lot of heads nodding. I mean, Dan was my professor back in the day. I don't know if CS121, 221, artificial intelligence are still a thing. Maybe they've changed numbers. 244 was networking, which was one of my favorite courses. So I was just an amazing place. While I was here, I had three different internships and I went and worked for three

to six months at different companies. WebTV doesn't exist anymore. Sun doesn't exist anymore.

I promise you, they were cool companies back when I worked there. And I got to learn a lot about how companies worked and how they operated inside and from me, it was a great experience. When I graduated, I took a job at a company called Moai Technologies, which was a startup, and I was there in 2000, which was the .com crash. That was also the last time I wrote a line of production code. And the world is probably better off for it. So you can still go on to build a good software company, even if you move to the business side. And we'll talk a little bit about that today as well. When I graduated, I was like, okay, I need to go do something entrepreneurial. I've worked at some of these big companies and I got a call from a couple Stanford grads who were a few years older than me who had just moved to South America and they wanted to build and run a high-tech consulting firm in Argentina, Brazil, and Mexico. And I thought that was a good idea.

So in 2000, the summer of 2000, I moved down to Argentina and it was a great experience. I mean, it was all about how do you hire and encourage in different cultures in different languages. We were doing Fortune 500 software implementations for large companies that were operating in Latin America. So Sony, Latin America, and Procter and Gamble and Citibank. And you know, talk about jumping right into the fire. Turned out there was a revolution in Argentina while we were there. And this is a picture from what was going on right down the street while we were trying to build a company. I was 22, 23 years old. And you know, the experience there was amazing. It was really one about, I was young, I didn't know that much about management, I didn't know that much about leadership, I had all these ideas, but they were really, you know, trial by fire as it turned out.

So much so that towards the end of 2001, the government froze half of our assets, which were, you know, most of the money we had for the company. And I actually had to go every morning for a number of months to the ATM machine on my way to work with my Schwab card, my Bank of America card, and take out the maximum I could in US dollars to pay my employees to write software for that day. And they would sign a piece of paper saying like, "Yeah, on Wednesday, April 27th, you paid me to write software." And then we do the same thing the day after that. So, you know, that was quite an eye-opening experience when it comes to entrepreneurship. I know some of you and I had a chance to speak with some of the folks who are maybe born and raised in other countries or other cultures and you know that it's not always as smooth as it always appears. Certainly this was a great way of facing that, you know, right off the bat, building my career. So I came back to the United States and I said, okay, well that was the summer of 2002. I said, that was quite an experience. Let me just kind of take a break, catch my breath, figure out what's going on. I had learned how to write software when we were here at Stanford, and shortly thereafter, at the beginning of my career, it was all on-premises software, right? So we were just starting to get to the idea, I know now everything is cloud and everything is mobile and everything is blockchain and none of that existed.

So it was really like hosting software in servers in data centers and putting it up there and trying to get access to the internet. And so I came back to the United States and I came back to California and a friend of mine had just started working at a company called Salesforce. And he said, "Oh, you should come and interview here." And I said, well, what are they doing? I had just come from implementing on-premises software like Epiphany and ATG and Siebel for those of you who've been around, okay, so it's old on-prem software that was doing CRM and some of these other things. And he said, "We're installing it and then we're renting it out over the internet. You can subscribe to it." And I said, well, that's never gonna work, but sure, I'll come and talk. And I joined Salesforce in 2002, so my employee number was 336 today, I think there's about 75,000 employees there. And it turned out to be a great time. I was there for five years. And a couple big takeaways there, for those of you, who I know, many of you are probably gonna go off and start your own companies, but for those of you who are gonna say, "Hey, first I'm gonna go out into industry, I'm gonna work at some larger companies, I'm gonna learn some things before I go and start my own because maybe I'm not ready to do it today or tomorrow, but I might be next week or next year." There's a lot of good lessons here. The first one is, you know, if you can pick the right company in the right industry that you wanna work in for a long time and kind of go there, and if that ends up being something that grows like this, there's a lot of benefits from it.

First of all, I built some amazing relationships with a lot of folks who ended up going off and building other companies and taking those public, so that network of people that you can call and interact with and ask questions of, especially when you're building your own company, which is very, very hard to do. You'll have a peer group to do that, which is amazing. The second thing I recommend is you go find a good company that's growing well, you go find an awesome manager. The best manager I ever had was my first manager at Salesforce, and he's still a mentor of mine today. And just what I learned about how to hire people, how to motivate people, how to direct people, how to help them grow their career in a selfless way. I mean, that is immeasurable in your career, find an amazing manager early on. And the third thing is work on things that matter at these kinds of companies. So whatever company you go to, make sure that you are working on the thing that drives the main revenue for that company. Not a sideshow, not a side project, because there's gonna be a lot of momentum and a lot of motion, a lot of energy around that. And as an example, I was very fortunate I got to, obviously I had just come from Latin America, so I got to start the Latin America group, which was great.

I got the company, went through an IPO, so I got to experience an IPO from a front row seat. I mean, the company already grown to a thousand or 1500 people, I can't remember exactly, but it was still a pretty small group. So that was great. Then I got to work on two more projects, basically one a year and start groups that are now billions of dollars of revenue, but also be

at the core of what was happening and see how things were going. You know, I did the first M and A for Salesforce of a small wireless company. And this is back in the day of Blackberries where like we were trying to do SFA, Salesforce automation. So how salespeople read their sales leads on a mobile device, it was all on Blackberry to give you an idea, but you could see that this was gonna start to be something. This is two years before the iPhone. The iPhone came out, the first iPhone came out 2007, my first year in grad school. So my, this was kind of my second stop in my career.

Go to a big company, find an awesome manager, build those relationships that are gonna be extremely valuable. I talk to a lot of those people still all the time, and it's just a great peer group that you can work with. All right, next, I went back to school, I went back to school. In my case, I know there's a lot of poo-pooing of MBAs. This was a great experience for me. My MBA experience at MIT was very, very valuable. First of all, I got to spend a little time in venture capital. I said, Hey, I want to build a company and I want to know what's gonna happen. So I wanna understand how that financing works behind the scene and kind of get a view into that, number one. Number two, again, I got to meet a super set of peers.

A lot of folks who built some amazing companies now that I'm still friends with, we get to share tips and tricks. And then third of all, I got to work on some awesome initiatives. If you get involved and you get invested, things like the MIT a 100K Entrepreneurship Competition, I got to meet a lot of amazing professors that are still friends of mine today. And for me it was like, look, I had all this experience. I didn't know enough about finance and I wanted to learn more about finance so that when I went out and started my own company, I would know how to do that. Ultimately, in the second year of my MBA, second semester we started Okta, my co-founder and I, which we'll talk a little bit about in a second, but I started that before I even graduated MIT. And here we are 13 years later. Very quickly, this is how I spend my time today. We talked a little bit about it. There's a, I wrote a book that ended up becoming a bestseller on Wall Street on the a Wall Street Journal bestseller.

I'm the chairman of a neurotherapeutics company and then I spend a bunch of time basically around entrepreneurship and helping people build and grow their companies, all right? Okay, very quickly about me. I didn't wanna spend too much time, happy to answer any questions about that later. Secondly, let's talk a little bit about enterprise software. I'm very excited to talk about that. I know it is not the most exciting topic for many people. Why is that? A lot of the presentations that I know that you all hear about is about consumer. Consumer makes sense. We all know these logos, you all use 'em every day. They're on your phone, they're on your laptop, you use 'em on the web. We're very, very familiar and comfortable with them.

Billions of people use these products, so they're very familiar with them. Enterprise software is also very, very important, but it's less well understood. And you know, some people call it boring software. I don't think it's that boring. I think it's pretty exciting. It is the software that runs companies. So when you think about a company, the job of any organization for-profit organization is to make product and sell that product to other people and support that product. All the things that go around the product, how you sell it, who you sell it to, managing your customers, managing the finances, making sure that there's HR when you join a company that you have benefits, making sure that you get paid on time, the payroll. How all of that works is the enterprise software that runs companies. It is trillions and trillions of dollars are spent every year on that kind of software.

I know you're probably a little less familiar with it because it's not your everyday life, but it's very, very exciting and interesting. And one big piece about it is you get to build relationships. You get to build relationships in enterprise software, we have tens of thousands of customers at Okta and those are individual people that are buying software from us. And you get to meet the chief information officer or the chief technology officer or the chief security officer at a large bank or at part of the government or at a large retailer. And you get to understand what their problems are. I don't know about you, I'm kind of a fickle consumer. If I'm using a product and it's free, all of a sudden they start charging me, I'm like, well, I don't know, there's another free product over there. I might switch to that. So, and then they ask me, "Oh, do you wanna use a cert?" You know, I don't know, do you often get surveys? You, you know, you fly on Delta Airlines, hey, gimme a survey. It's like, I'm not gonna give you feedback like as it is, I gave you my money to fly on your airline.

Like now you want my feedback. Like, you know, that's enough, right? However, if you call one of your customers and they're paying you a million dollars a year for software and you say, "Hey, I wanna ask you some questions," guess what? They're gonna pick up the phone and say, "Absolutely, I'm wanna give you all the feedback I can." And that's how you can build amazing relationships in enterprise software, which I think is very exciting. I found this slide, Jerry Chen, Greylock was an investor in Okta, great enterprise or or venture capital firm in general, but they do a lot of enterprise software. Jerry Chen's a friend of mine, I found this slide, I thought it was pretty funny. This is, you know, hindsight's 20-20 when you build this slide, I dunno when you built it, but it looks like probably 2021. It's easy to say that was pre-cloud, then there was cloud and that, okay, well this is kind of my life because in 1984 I got my first computer. My dad bought an Apple Two Plus that he put in my room. It was on floppy disks. Anyone know where the floppy disc is, okay? And it did not have enough ram to boot itself. So you actually, the first disc, everyone's laughing, I know, ha ha.

You had to put a floppy disc in so that it could boot itself and then you took it out and did whatever else you wanted to do, okay. That was definitely what we call pre-cloud, okay. I learned here how to write on-prem software became three tier architecture. The cloud transition. You know, I joined Salesforce in 2002. Company went public in 2004 and 2007 it was about a billion dollars of revenue. So it's funny to say we're cloud only now. I also found this slide from Bessemer Ventures, another very good venture firm that I respect a lot. And we started Okta in 2009, okay. So it was certainly a pretty big bet on the

future.

And now we're very fortunate on a good day, our market cap is about the total market cap of all cloud companies in 2008, okay? So we got right, we got that right. But you know, rather be lucky than good for sure. What I would also say about this is, you know, for all of you, I get a lot of questions about like, "Hey Frederic, what kind of business should I start?" Well, first of all, that's not a question for me, that's a question for you. But I would give you a couple things to think about. The first one is, what do you care a lot about? What are you excited about? What gets you up in the morning? Okay, I know today there's generative AI, there's all sorts of exciting things that are out there, and that's great and if you're super excited about that, by all means. But I will tell you that if you, you are all amazing students and you're gonna be amazing professionals as well. Whatever you are very excited about, you're gonna end up being very, very good at. And if you are very good at it, first of all, it's not gonna feel like a job. Second of all, you are gonna outperform everyone else. So if you take that and you meld it with, hey, where I like software, I like enterprise software, I consume whatever it is that you like, I like biotech, I like fine clean energy.

Wherever you think that's going five, 10 years from now, kind of take a bet on those two things, put 'em together and say that's the vector where I want to go. We took that bet in 2008 now it turned out we were right, okay, but it was kind of like an educated guess too, because Todd, my co-founder and I had spent a lot of time in enterprise software. So we kind of had a good guess. And we both had worked at Salesforce at the same time. That's where we met. And so we said, we think there's gonna be something here. And so that's how we took that bet. Before we named it Okta, Todd had called the company SaaSure. Which sounds like a French perfume. I can say that, 'cause I'm French, it does not sound like an enterprise software company.

So, and he's like, "Well, it's because SaaS and we're gonna make it sure." And I was like, that's a terrible name. We changed it very quickly. Anyway, this is the glorious days of what I looked like. You could tell I was a little taller and better looking. I know it's hard to believe, but it's true. 2009, this is our first contract for a total of \$400. Today the revenue of the company's like, I think we estimate it's gonna be 2.12 to 2.15 billion dollars this fiscal year. So we've grown a little bit since then. But this is that order form, I wrote that order form. I highly recommend you get familiar with order forms if you wanna build the enterprise software.

And then this is one of these beautiful sides I have to put up where everything's perfect and it's up until the right, look at all the logos. I pulled some of these slides, you could tell the old school fonts from original slide decks that we had back in the day. And everything's beautiful. It's up until the right. Look at this, it's amazing. Well, the reality of it is that in building companies, it is hard all the time, every single day, okay. And so I know that the mainstream media does a great job of glorifying the process and says, look at all these amazing entrepreneurs and they do things and it's perfect and here's where they go public and it's billions of dollars and all this other stuff. Let me tell you, it's hard for everyone all the time. And we'll talk a little bit about that when it comes to the podcast and the book and why I wrote it. It's just to desensitize everyone to the fact that you all wanna be entrepreneurs.

It's amazing. I think it's the best career in the world. That's why I highlighted that. But it's also very hard and it's very hard all the time. We almost died in 2011, okay. We probably almost died five times, but we almost died in 2011 and we barely raised that Series B by the skin of our teeth. And the reality of it is we had all these projections and we went through the Series B value death, where like the Series A bloom is kind of off the rose and now you have to deliver. And we were missing our projections and someone offered to buy the company and we had to consider that, it was really hard going. So you're like, oh, this is a beautiful slide. But the stories behind it, for every entrepreneur who you talk to, who's in here or doesn't matter who they are, you can talk to Bill Gates, he will tell you times.

And I have asked him and he has told me about times where it got really, really hard. So it happens for everyone, all right. Now here's the next year. What a beautiful slide. It's up until the right. The reality of it is, here's the following year when it's like we can't implement the software. This is a real slide from a real customer review we did in 2013. And you can see all the red boxes that is new product that we have rolled out that they are unable to implement, where they're gonna trip, which means they're not gonna renew anymore. So you go from the highs to the lows and the highs to the lows, and this goes on and on and on. I can keep showing you beautiful slides and then slides where everything goes sideways and this happens every day.

And you gotta enjoy that and you gotta embrace that and you gotta learn to love that. And that's part of the process and that's part of the trajectory. And frankly, that's part of the fun. And you know, you can derive a lot of energy from it. It's about having the right teams. It's about putting in place the right culture. And turns out there's a term called T2 D3. Everyone who knows what that stands for. Triple, triple, double, double, double. It's a good one for software as a service companies, it's kind of a goal that you have, and it's a good predicated of how you're gonna do.

It came out in like 2020 or 2021. Turns out we actually did that. We did triple, triple, double, double, double. We went public in 2017. This is April 7th, 2017. The weekend we had the roadshow, the roadshows, two weeks before that, the weekend before that, so the weekend between the roadshow, I turned 40. So I was like flying all around America, doing the roadshow. Came home 40th birthday. I'm supposed to be super excited about it. A bunch of my friends come over to my

house, they're partying at my house.

I have two little kids. I'm like, this is not fun at all because Sunday night I need to like fly to LA, continue the road show and then end up here on Friday morning, do the IPO and then fly home. So you can party with all your employees Friday night back in San Francisco and you are absolutely exhausted. So it's a beautiful picture. Now when I look at it, I'm very happy. I'm like, oh, look how happy we are. My wife's there and my parents are there and there's confetti. And let me tell you, it is anything but fun. And so people say about how amazing IPOs are, it was actually a very, very tough time for me. The by the way, nothing changes after you go public.

The following Monday morning at 7:00 AM I was on a sales call with a bank in Europe trying to sell them software as if nothing had changed. It became a very tough time for me, like mentally and emotionally. I got totally depressed because you set up these guideposts for everyone, for your company and your employees and everyone we're gonna go public. And then you're like, you know, it's like what is the success for the pieing contest? If you win the pieing contest, it's more pie. So like nothing changes and you just keep going. And here comes an earnings call. And then guess what? There's an earnings call every 91 days. You can be guaranteed of that if you're a public company. So this treadmill just continues and you gotta find ways to get excited about the process and the program and how you're gonna go through it and realize that it's just like you and whoever else is on your team building these companies. I can't underestimate the importance of having an amazing co-founder.

I was very fortunate that gentleman's Todd McKinnon, he and I started Okta together. We still run it together today. We had a lot of shared commonalities of people we knew before we both worked at Salesforce. We got to know each other a little bit, but then we really developed a relationship. I think the data is very clear on best chances of success are co-founding teams of two to four people. I think one is a very lonely number. I think over four, there's just too many cooks in the kitchen. So just figuring out the right people. And this is a great environment by the way, right? When you're in school meeting these kinds of people, people are thinking about the same things. You're in a great position to do that today.

Quick slides. This is what Okta looks like. This was last fiscal year, I think we forecasted FY 24 revenue, which is the fiscal year we are in right now. It's gonna be 2.1 to 2.15 billion dollars of revenue, 6,000 employees. Things are going great. We've started to get a lot of traction with large companies with the federal government and that's all great. Very excited about where we are today. I think the future's very bright when it comes to identity and enterprise software. I think people are really just getting started with this transition to the cloud. Most of enterprise spend is still on-prem today.

It takes a long time to change inside large companies. So you know, a lot of interesting things happen to you when you build a company, you take it public, you turn around and all of a sudden like you're the expert and people are asking you questions, you're like, why are you asking me that question? It turns out like, well people think you know more about it than anyone else, which is great. You get to talk about cool things like the future, who doesn't wanna talk about the future of enterprise software on CNBC? It's a little less fun when Andrew Sorkin is grilling you about Russian cybersecurity threats. You can kind of see my face there. Or it gets even worse when they're like, "What's going on in Ukraine? What do you think?" And you're on live TV and you're like, let me come up with something really quickly. But I really like talking about entrepreneurship and the whole process of building it and building companies and building teams and finding interesting projects to go after. Finding mountains you can go climb. Taking down flags together is a lot of fun. All right, now we're gonna talk briefly about entrepreneurship and then I'm gonna open it up to Q and A. You know, we got a lot of help from companies ahead of us in the process.

Entrepreneurs I knew from Stanford, from MIT, from Salesforce, who had taken their companies public ahead of us. We could ask them a lot of questions, they would give us a lot of feedback. And you know, this was information that it felt like was like for a select few behind a little curtain. And you had to get the codes to get in and get the information. And I thought that there must be a much better way to disseminate it. Also, as I briefly mentioned earlier, all the articles in the news are either barbell stories. They're about massive successes. Look, Jeff Bezos is now building rockets that go to the moon or massive failures where there's a billion dollars of fraud and everyone goes to jail. No one talks about what's happening 99% of the time to 99% of the entrepreneurs, which is you're getting up and you're going to work and it's a hard day at work every single day and you're doing it day after day and week after week and year after year. So what I did was I went and I found amazing entrepreneurs who everyone has heard of and I called 'em, I said, "Hey," and they were maybe a venture capital firms that had been investors of mine where we'd made 'em a bunch of money.

So they're like, sure, "I'll come talk on your podcast." Or someone I knew or whatever. And I said, well the thing is you're gonna come on, you're gonna talk about the toughest time you ever had when you couldn't make that sale or you couldn't close that employee, or you almost went bankrupt or, and they're like, "Why am I gonna talk about that?" Because that's the reality of what happened. So I started writing some articles about this after we went public and then I said, there must be a better way. We ended up storing a podcast, which went very well, but it was about people coming on and you'll hear the stories if you listen to those podcasts about them going through the toughest times they've ever had. It became a book. So I wrote the book. I highly encourage you all to buy it. All the profits go to two amazing nonprofits that help black and kids from under-resourced communities to stay in school, using entrepreneurship and leadership. But it's basically a field guide. So it's not a book you're gonna start and you're gonna read from the beginning and read to the end.

It's a book that has like the topics are sales and team building and culture and train wrecks. And I mess up every single topic in the book and start with a true story in each chapter of me totally train wrecking the topic at hand in a true story. And I gave a manuscript to my co-founder and he was like, "Well all these stories are true." I was like, "That's the point Todd." And he's like, "Well, are people gonna know that?" I said, it doesn't really matter. And the stories are pretty unbelievable when you get to rewrite 'em. And now you know, everything looks beautiful in hindsight, but at the time it was very, very hard. I hope you find it entertaining. So now I know that people only ever remember three things. If you read an article and you think about it the next day, I challenge you to remember more than, well you're all very smart, so maybe you remember five things. Most people only ever remember three things. So I put these three things that are the three most important rules of entrepreneurship at the beginning of the book because I'm like, well people are gonna read three pages, they'll get that and then if they put it down, that's okay.

So I'm gonna share it with you here. The first one is, these are rules that I try and live by as much as I can. The first one is time is your most precious asset. I mean there is every day that goes by, you need to think very carefully as a leader, as an entrepreneur, what should I be working on? What are the most important things I need to be working on? There's a lot of ways that you can prioritize your time. One I like to use is something called the Eisenhower Matrix that was named after Dwight D. Eisenhower, where it's basically a two by two matrix. Very simple. And you only do the things that are important and urgent things that are important but not urgent. You schedule things that are urgent but not important. You delegate and if they're not important, they're not urgent, you're just not gonna do 'em.

You just delete 'em. And so just find ways to prioritize what you should be doing because when you build companies or organizations of any kind or as any kind of leader or manager, a lot's coming at you all the time. And you know, email is a perfect example. I like to think about email as those are things that other people want you to do. They're not things that you should be doing. So in a perfect world, and I'm not perfect at this, but I try really hard, I put email away now with like multiple screens on our laptops, you can actually put email on one screen and slide away to it and work in another screen and go back and look at email like every two hours or four hours or 10 hours or whatever you want. But if you sit in front of email and you know what happens when you send an email, you respond to an email, you get more email, it's even better. So like you really have to come up with the ways of making sure that you are focused and prioritizing what is important to you. Because if you raise venture capital or you raise any other kind of capital, there's usually a fuse on that money and you're gonna run out of time. And so you really need to think hard about how you're spending your time.

Number two is keep the main thing the main thing, okay? There's gonna be a lot coming at you. People are gonna ask you all sorts of questions. You're probably gonna hire some amazing people. They're gonna have all sorts of ideas and they're all really good ideas. But like at the beginning, and even now we have 6,000 people at Okta and I'm like, we need, there's all sorts of things that we can do but we shouldn't do. We need to really stay focused. And you're like, that's crazy. You have 6,000 people. Trust me, I know, you need to stay focused. So keep the main thing the main thing, and this is true for a project, it's true for leadership, it's true for your own schedules.

Like if you're trying to hire someone and it's someone important in your company, you should have an hour blocked away every single morning. What are you doing about hiring? What are you doing about pipeline? What are you doing about interviewing? What are you doing about all the things? Because otherwise it's gonna be 90 days later you haven't made any progress and you're like, oh man, I was distracted because I was trying to figure out how to hire an employee in Canada. That's probably important, but someone else can do that. So make sure that you are focused on the main thing. I only bringing that up because an entrepreneur this morning asked me, how do I hire someone in Canada? And I was like, is that the most important thing you should be doing right now? And finally, nothing happens until somebody sells something. The point of for-profit companies is to build and sell other products to other people. Now I know there's a lot of engineers in this room, I'm a reformed engineer myself. I know the interest a lot of times can be like, let's build something cool, I'm all about it. But just realize at the end of the day, and there's all sorts of, you know, in a consumer world there's subscription, there's prosumer models, there's upsells, there's in enterprise software, we could talk about that as well. Same's true for biotech, same's true for every industry.

So just remember that if you're not comfortable with sales and you wanna be CEO, founder, you need to change that. You need to learn how to reach out to people. Don't hide behind the email. You need to learn how to pick up the phone, how to go visit people in person. I know it's very hard, but like the number one hardest thing in business is separating someone from their wallet. And the earlier you learn how to do that as a CEO, the better off you'll be. All right. I did pretty well. I'm one minute behind on time. We have 12 minutes left or 15 minutes left or something for Q and A.

I just wanna say thank you all very much for having me. It was a pleasure to be here. I'm happy to answer any questions. I still have a CS email address, yes, jfk@cs.stanford.edu. JFK are actually my initials @cs.stanford.edu. Feel free to email me, I promise you I'll read it. I'll get back to you as soon as I can. I get a lot of email and as I said, I'm not gonna spend all day doing my email, but I will try and answer your questions if you have 'em. And you know, congratulations to all of you. I wish you all the best in your entrepreneurial and professional and personal lives and thanks all for having me here.

(audience applauds) - [Audience Member 1] Wanted to ask you a question 00:35:06,761 based on the idea of going from zero to IPO and I wanted to know like how was the Frederic at the stage zero and how it, like what are the metaforces that

you went through to reach IPO and post IPO? - Man, I don't know how much time we have. 00:35:20,070 That's an amazing question. All right, well first of all, I was not married. I am now very happily married. I have three kids, I had no kids. I mean, so a lot of things happen in your life also. You know, I was, you know when you start, you work every day and you work Saturdays, you work Sundays. My wife's a physician, she was in her residency at the time, so she was working all the time. So it didn't really matter. So I really had this philosophy of like, ooh, I gotta work all the time.

I gotta, you know, I don't know, I can't even imagine how many hours I was working when we started. And what you realize is like it's a marathon. Here we are, 14 years later, the company is still going. It's a marathon, it's not a sprint. Now you gotta run seven minute miles. Which for those of you who are runners, like that's a fast mile. So you have to run fast miles, but you also have to plan like the longer term. So I think a lot of things have changed just in terms of how I think about being able to maintain the pace. People talk a lot about work-life balance, you know, I think that's possible. I think it's much hard today where everyone has an iPhone and like there's emails at all times and there's slacks and SMS and all these other things.

I think more about like work life integration. So for example, I like hockey, I play hockey, I like watching hockey. I had to go on a lot of business trips to go sell software. I'd go to the East Coast or I'd go to Europe or I'd go to Asia or whatever. Wherever I went in North America in the winter I would always try and plan it around a hockey game. So I'd say, okay, well I'm gonna be in New York, let's see if we can make it that Tuesday and I'm gonna get a box at the New York Ranger game and I'm gonna have some investors and some prospects and some customers and everyone can come. So that like I still get to go and enjoy a hockey game and I talk to all these people and they're excited to be there. And so just finding ways you can make that all work. You know, your emotional health, your emotional, your mental, your physical, like those are all, you cannot take him for granted. I think a big thing that's probably different is like, you know when you're in your twenties or even 30, like you think you're invincible and you can work all night long and you can work 24 hours a day and you, and like that is not sustainable.

So for me, I make sure that I exercise, you know, five to six times a week. I try and make it six hours of actual exercise. Like it's hard to get that if you're like, oh you can do six hours. It's actually like try and do it. It's of actual exercise time. So I end up playing ice hockey very early in the morning, late at night so that I'm not taking time away from my family. I will not have any business dinners in town. So I'm happy to get up at four in the morning and meet you anywhere you want for breakfast at five 30 or six. 'Cause I probably won't see my kids before they go to school anyway. We always have dinner as a family together at night, always like there's no exceptions.

I'll put my phone down, I'll leave it in the entrance way. They do know what the end of quarter means because my phone will be there and they're like, must be the end of the quarter. And I'm like, that's right, it is the end of the quarter because I might have to take a sales call. But we're still always having dinner together like every night. I mean it is like we, we do not violate that. So there's like just a lot of give and take as you go through this. Yeah, I think your goals probably changed too. Like at first it was just like, this is exciting, let's raise financing. Like we ended up raising 230 million dollars over seven rounds of venture capital, 170 million dollars in an IPO, 2.3 billion dollars of public debt over the last, over the five and a half years we've been public. Like you just get that, okay, it's not that exciting.

I mean it's exciting to read a billion dollars of debt but once you can do it in the morning you're like, okay, what? So just kind of keeping, finding those new challenges as you go, keeping yourself excited. Yeah, those are probably some of the things. That's a great question though. I go on forever. - [Audience Member 2] My question is, 00:38:55,380 I think you mentioned that your first manager at Salesforce was a really great mentor for you. I'm curious to hear what other mentors have you had and what kinds of things do you ask them about? - Yeah, you know, that is one peer, 00:39:07,290 I would say mentors and peers. Okay, that is something people do not do enough of. Even some of the best leaders I've ever hired and worked with, I say "Okay, well what is your peer network saying?" And a lot of times I'll get blank stares and I'll be like, "Okay, hey, over the next three or six months I want you to proactively go out and find a set of peers. We'll talk about it six months later." "Yeah, I didn't." And so you know, when you will all have amazing networks, but also like when you go out into the world, you can reach out to people on LinkedIn and say, "Hey," and, and here's a big tip, a big tip is don't start with, "This is what I want," start with, "How can I help you," or end every conversation with, "What can I do to help you?" or propose an idea. So if you know any of you reach out to me and you're gonna say, "Well I have these nine questions," I'll be like, okay, that's great.

One of reaches out and says, "Hey, you know what? I saw that you're doing this and I have these three ideas or these two people you could talk to I thought might be helpful. Also, I have a couple questions," I'm like, oh that's definitely one I'm gonna. So that's true for peers and for mentors. I just wanna be really clear and having a peer network is key because like I know there's a lot of information out on the internet now, but just being able to talk to people and go and have lunch, say, you know, here's what I'm seeing in inside sales, here's what I'm doing in outside sales. Here's what we're doing in Asia. Oh we just decided to do this in Japan. You know, whatever. Oh we're having problems getting it. We got Fed rate up high, certification in the government. It really helped me with DOD deals.

Like whatever it is, you're gonna be able to just. I'll be pretty aggressive about asking all sorts of questions. Everything from like, you know, personnel, you know, personnel challenges to cultural challenges to personal questions, to like, you



know, now more and more of my mentors, their kids have started to go off to college or whatever and it's like, okay, well how did you manage, you know, through teen, I mean whatever, all all sorts of things. I mean it's all part and parcel, right? So separating out your professional and personal life, the more you can like get comfortable and get people who could be comfortable answering that, I think the better off you'll be in like the wholesome picture. Yeah. So great question. Juan I'm Juan from Argentina. 00:41:11,820 - Juan Argentina. (foreign language) 00:41:13,920 Are you Book of Genius or River Plate? Juan Neither. 00:41:40,800 I think I have master, "not master, but like kind of like I'm kind of good at this set of skills.

Kind of curious about that. - Yeah, actually I failed three times 00:41:50,640 as an entrepreneur first, so I should have talked about that. When I started my first business when I was seven, it was a aluminum can recycling business where I went around the neighborhood and I got everyone's cans back in the day when you did this kind of thing and I split the profits 5 cents, 50 50 with everyone. Anyway, it was a cash flow business. It didn't go very well. It was not scalable. Then when in high school I built a tennis racket re-stringing business 'cause I played a lot of tennis in France, they played a lot of tennis. That business didn't go very well either. So you're never really ready. And then Argentina, like I made some amazing friendships and relationships and I have some awesome experiences from there.

I don't think I would really qualify that one as success either. We ended up having to fold Argentina, sell the Brazil part of the business, roll out the Mexico part of the bid. Like it was very complicated. And I don't know, just to go back, like you don't necessarily have to go to a big company. I'm just saying a lot of people get, a lot of people are interested in entrepreneurship, but maybe going out right after you graduate and becoming an entrepreneur is not the right first step for you. Maybe there are some things that you want to learn or whatever it is in large companies before you do that, right. I had tried a whole bunch of times, hadn't worked, and then I was like, okay, let me like settle down. There's this new revolution taken off around software as a service now called Enterprise Cloud around Salesforce. So I was there, that was great. And then I was like, hang on, let me actually go and pick up a little more skills I want personally around finance and just in venture capital in general, and then go back at it.

So that was my decision, but there's no right path. So, you know, that's the beautiful thing about entrepreneurship and in particular where all of you are today. Like you could be doing things right now after school, after class on the weekends with other people. There's no right or wrong time. It's a personal decision. I just know a lot of people are like, "Hey, I'm very interested in entrepreneurship, but I don't know that I'm ready to do it tomorrow." It's like, "Hey, that's cool. If you're gonna go to a big company, here are just some things you should think about if you want to build up your career towards entrepreneurship, on what you should optimize on in terms of like vectors or direction." Right. - [Audience Member 3] My question is about the date 00:43:49,800 of your company's like founding date. It's very near the economic crash, right? How do you like convince investors and like people to - - Totally. We found out a very good question.

00:43:58,187 So the question was, we found our company during a downturn. Turns out that that's actually an excellent time to start companies. And if you go back and look at a lot of the big companies that have been built, a lot of 'em are founded during economic downturns. We founded our company in early 2009. Lehman Brothers had collapsed like months earlier. So yeah, it was definitely, well, the reality of it is, first of all, we started, we put a little bit of our own capital in it, then we raised a small round of friends and family money, about a million dollars, which I know today people are like million dollars. Like we raised \$50 million last week. Fine. This is like back in the day, that was cool. We raised a million dollars and you know, we had to build, we built an enterprise software company focused around security and infrastructure.

It takes a few years to build a good enough company that people will buy it anyway. So that's a good time to like build and slowly start to show progress. And you know, the one of the biggest thing with investors is just getting a good understanding with them of what you're trying to do, what the scale is, what the process is, and what progress is gonna look like. And I always recommend under promise and over-deliver, okay. And so I had learned that actually in venture. And so we told our investors, "Hey, we're gonna do this. It's gonna take us a year and cost this much money." And we did it in six months. And so when I went back and presented it to 'em, the first slide said, "Hey, we said we're gonna do this in a year. Well, we did it all in six months." Everyone was like, boom, that's a good sign, right? So, but yeah, this is a great time to start companies, by the way. Andres So MBAs are kind of - 00:45:20,498 - What, sorry, sorry.

What's your name? What year are you? 00:45:22,121 Andres I'm Andres Math major. 00:45:23,299 - Awesome. 00:45:24,330 That was my first major before I did computer science, math, good for you. Didn't work out, I ended up being in computer science. Sorry dude. Andres well that was, I was the opposite actually. 00:45:32,899 - All right. There you. 00:45:34,398 Andres Math is better. 00:45:36,150 - Do they still have mathematical and computational science? 00:45:37,710 Andres They just got rid of that major last year.

00:45:39,960 - Got rid of that. So I was math and then I did math 00:45:42,386 and then I just got rid of the math. I did, CS. So anyway, go ahead. How can I help you? Andres So MBAs are kind of in decline now. 00:45:49,050 And I was wondering what you think the value of an MBA is for an entrepreneur? - Yeah, well we could talk about definition of decline, 00:45:54,673 but sure. I said people like to poo poo that. I think there's a lot of value in it. You know, it, it depends. Some people are going to accelerate their careers in specific industries, whether they're in consulting or whether they're in banking.

Some people go because they want to change careers. There was a lot of career changers too. You know, for me there was a lot of value just in, I wanted to round out my education. I'd come to Stanford, my wife was from California, born and raised here. So I knew I was gonna end up living here. So I was like, let's try something else. And MIT's a great place, a new network of people who are also entrepreneurial, entrepreneurial minded. I wanted to spend a little time at Venture Capital and that was a good opportunity to do that while I was at MIT, just to understand a little bit of what was going on. And then frankly, it was just a great network of other peers and people I've met and a chance to just like take a step back. Certainly there's a cost to all these things.

I understand that both like in terms of like time, we talked about time is your most precious asset, but also like actual cost. You gotta spend money to go there and you have no income while you're doing that. And I get all that. But I still, for me it was a absolutely the right decision and it was a great inflection point in my career, so. (upbeat music)..