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Illuminate Ventures Founder Cindy Padnos talks candidly with Stanford Consulting Professor Tom Kosnik about the value of leveraging advisor relationships, the sometimes surprising responsibilities of a CEO, and the fundamental differences between the roles of entrepreneur and venture capitalist.



## Transcript

It brings me great pleasure to introduce Cindy Padnos to this evening.. Cindy is at her core an entrepreneur.. Her first start-up was actually spinning out of AT&T, the world's largest company at the time, to start the Southern California branch office of a new subsidiary that was really getting into the online business at that time.. And then in 1999 she was a founder and CEO of a company called Vivant, which she led to profitability and a successful exit when she was acquired by a publicly traded company.. And then in 2009, she founded Illuminate Ventures, which is a venture capital firm and we're going to focus our first set of questions on her Illuminate Ventures experience, then we're going to stop, open it up to you all and then we had some general questions that we can do at the end.. But my goal is to not have me spending too much time asking questions because I'd like you all to have a chance to ask Cindy what you want to ask her.. So Cindy what in the world possessed you to start a VC firm in 2009, probably the worst time in the history of mankind, right, to start this sort of a firm? So, I'm going to start just by saying that I was going to say thank you for inviting me to be here.. But after that question, I'm not sure I'm going to thank you anymore.. I will be nice.. So fundamentally I was at a point in my life where I knew that I really wanted to bring together a whole variety of different skills that I had developed over time..

I was in venture at the time and I had had a career as an entrepreneur, I had been in the corporate world, I had been in management consulting, I had done a variety of different things and I had realized that all of those converged into this kind of venture capital role when you had to leverage all of the relationships you'd built over years, in order to get great quality deal flow and syndicate your investments, but you also had to use all the analytic skills that you'd built as a management consultant and then the operating skills were pretty handy when you were dealing with start-up CEOs and helping to coach and mentor them and frankly help them not have to go through the same pain and suffering and mistakes that you had made over and over again.. So venture was very clear to me.. What was less clear was why start a new firm? But what happened I think I will share a slide up here with everyone is that what I recognized and what I saw is that technology innovation was really causing some major shifts.. Every time there was a shift in technology, there was actually a fundamental shift in the business processes and the ways that companies did business.. And what I saw and what I wanted to take advantage of was the fact that the whole world of SaaS applications, of cloud computing was enabling entrepreneurs to start companies much more capital efficiently.. We hear about lean start-up and people think that means cheap.. It doesn't mean cheap.. It means being capital efficient in the early years of a business while you really fine tune and figure out what you ought to be doing, whether or not you have something that can and should scale and then accelerate it.. But most of the big firms in venture capital were still putting large amounts of capital to work in the earlier stages in these companies and I saw an opportunity, there was a gap in the market and I'm still - I was then - and I still am an entrepreneur at heart and I think when you see that opportunity you just take advantage of it and create something new.. Cool..

How come the other venture capital firms reacted to you as the new kid on the block in venture? Honestly, in an interesting way I'm not exactly the new kid on the block.. And that served me pretty well.. I've been in Silicon Valley for more than 20 years.. I've been a start-up member, a start-up founder, a start-up CEO and I've - because of that, known all of these people in different capacities.. Many of them were people whose I knocked on, early in my career to raise capital for my own company or for others that I was a part of.. And so people have been unbelievably welcoming.. I've had people that approach us as well because I've had - almost my entire career has been on the B2B or enterprise side of the equation, not on the consumer internet side.. And interestingly enough for a number of years in the not so distant past that wasn't cool, that wasn't sexy, that wasn't what most VCs were investing in.. But over the last year or so it has become much more well understood and

recognized and so the skill set that we have, because we've got such deep domain and long-term experience in that category, is actually pretty sought after.. So people will welcome you and they want to do business with you and you have something to offer..

And co-invest.... And co-invest and variety of other things.. That's wonderful.. That's great.. What specific things have you done to earn the trust of the limited partners? Because this is a difficult time for any firm to raise a venture capital fund? Yeah.. I will share a little bit with you here around the investments that we made.. So what I decided was that I had to prove to myself frankly that I had the ability frankly to attract the best deals to make the hard decisions about what companies to invest in, to take other people's companies through to exit and help them to do that.. And so the first thing I actually did was start investing my own capital.. I warehoused, I don't know if you're familiar with that term 'to warehouse investments.' It means you make them, you hold them and what it really means is you go with no salary, no income, no nothing and you put your own money to work for a number of years, literally years, before you can see what the performance in those companies looks like.. That's what we did..

That's the set of companies that you see up here that we called - ended up calling the spotlight fund.. So part of what we did was prove to investors that we had that access that we could get the best co-investors in those companies with us and that we could actually take some of those companies to exit which we've done now.. We've - two of the companies out of that original portfolio have been acquired, one of them by Autodesk here locally and the other by Hearst Corporation; both nice profitable exits.. And so there is nothing frankly that matters more to an investor than performance and I felt that we needed to be able to show it.. We then allowed those same limited partner investors that's what the category of institutional investors that we were looking for.. To participate in those earlier investments that we had already made.. So very enticing.. How have you built your team at Illuminate Ventures, especially a very large and diverse advisory board? Yeah, so two pieces of that.. I'm a really big believer that if you can complement your own skill sets, not duplicate them, and if you can do that with people that are of equal or frankly even better quality and skill than you can bring to bear, there is just a multiplier effect.. It's a really wonderful thing..

So the first thing we did and I will share another slide here, you can see what our team looks like today.. This was quite a process of putting this group together.. Rebecca Norlander, Anne-Marie and Sarah were all people that I had never met before, starting this whole process.. So this was not a situation in my case of just reaching out to a bunch of people I knew.. I knew which skills I was looking for.. They did - you might find this interesting, there are a lot of female faces on the screen there.. It was not completely intentional, but it did happen that way.. Perhaps in the same way that it doesn't happen intentionally in many other venture capital firms when most of the members are male.. And so Rebecca had a 20-year career at Microsoft.. She was Ray Ozzie's technical strategist..

What a complement to me who had a great sales and marketing and strategy kind of a background to bring someone in with that phenomenal technology background.. Anne-Marie is an EIR with us today.. Has been at Gartner Group, has been at Sharp Labs, Microsoft as well at point her career and brought a whole another set of dynamics to the table.. So each person was brought in for an interesting reason.. And we put that together.. In parallel with that what we were looking at was the complementarity or the ability to add value in the sectors that we wanted to invest in.. So we've done a pretty rigorous analysis around where we wanted to invest, strictly in the enterprise cloud space by the way.. In areas that we knew, but that didn't mean that I knew all of them by any means by myself.. So the logos that you see on this chart are all companies that I've either worked for or teams - members of our team have or that we've been actually direct investors in.. So, we felt we wanted to build up our skill sets in those areas that we wanted to invest in..

So pretty big process.. And then the last is this incredible Advisory Group you mentioned.. Two members of that group are actually here in the room today.. Tom happens to be a member of the Advisory Council as well as Heidi Roizen was one of the early members as well.. That group took two years to put together.. It was not overnight.. Two-thirds of the people in the group I had never met before in my life, but you can see what the categories are that we were particularly interested in bringing into the process.. Do you want to talk a little bit more about how you work with the Advisory Board? Sure.. Oh, by the way, I have more fun at those meetings and learn more than at any other get together that we do in the Valley.. So thank you for that..

Thank you.. So the whole goal of this Advisory Group was to augment what is intentionally a small team.. We are, Illuminate Ventures is a micro VC.. And that by its just nature, micro in a lot of ways, not just capital team size, the size of investments that we do, that stage that we invest in etcetera.. But we knew that we wanted to augment that with as many resources as we possibly could and we operate like a start-up - a lean start-up as well, we had to do that very frugally, right.. So what better way than to get people like Tom and others of his caliber to work for us for free.. It's an amazing thing.. By the way, I am sort of the least qualified person to be on this Advisory Council.. If you look at the names and the titles you can see this is an extraordinary group.. It's a pretty amazing group..

But what we found and what we hoped for are actually true.. Roughly 30% of our deal flow today comes from that Advisory Group.. Imagine having people like Sarah Friar, who was the lead tech analyst at Goldman Sachs for five years.. The head of strategy, corporate strategy at salesforce.com.. Claudia Fan Munce, who is a corporate VP of strategy at IBM.. On and on those people who can share their deal flow, who can participate in due diligence on specific topic areas when we need it.. We

were doing an assessment recently in the security software world.. And we picked up the phone and called Janice Chaffin, who is President of the Consumer Products Division there, a member of our Advisory Council and within less than 24 hours we had the chief architect of Symantec helping us to assess that investment.. So the value of that group is incredible and that's how we use them.. We only meet three times a year as a group - and one of those was yesterday morning and - but we work one-on-one with these people throughout the year; they're extremely, extremely helpful..

Nice, nice.. How is being the Founder and Managing Director of a venture firm different from being the Founder and CEO of a software company? Well, some things are the same.. But they end up taking on very different attributes, I guess, I would say.. Relationships matter a lot.. They matter in any business environment that you might work in, but they particularly matter in a start-up and they particularly matter in venture.. They're different how you leverage those relationships, but it may even be the same people.. So, for example, people who might have been customers of mine, when I was a founder now become perspective customers of our portfolio companies.. And I can make those introductions.. People who I was soliciting capital from for my own company become co-investors.. And the credibility that you built with them in that last relationship absolutely translates to the new one..

So the relationship element is I guess, I would say similar, but different.. It maybe the same people are using, leveraged in and they leverage you in different ways as well.. It's very interesting.. Same would be true that you have to as a founder raise capital.. As a founder of a venture capital firm you have to raise capital.. You raise it from different people - I will tell you for what is worth it's a lot easier to raise capital for a start-up than it is for a venture capital fund.. And the reason I say that is if any of you have done it, you know that to raise capital for your own company you probably need one or two yeses.. You need a lot more yeses to raise fund - money for a venture capital fund.. And so - and there are different people and the metrics are different and so many things are different.. How you are measured - your performance is measured..

It's very different in a start-up than it is in a venture capital fund.. I measured on internal rate of return, on the financial performance that I returned to my investors.. How I measure myself frankly isn't that different though, have I built great sustainable companies with the help of other great entrepreneurs.. How is being the founder and CEO of a software company today in 2013 different from what it was like when you were a founder and CEO of a software company? Well, okay so I will give you this what's the same and what's different .... Okay.. .... because I don't think there is anything different in the sense that you have to recruit great talent and that it's not easy.. That has never changed.. And I don't - people always talk about during the bubble years it was much harder than to raise - to find the best team and etcetera.. But the reality is it's very hard all the time to get the best team..

And so in fact, one of the ways that I assess and I think most venture capital investors assess, a CEO, a founder is that individual able to attract the best people, surround themselves with the most talented individuals, are they willing to be challenged by other people and I've heard this said in the industry many times and I think it's true that: A quality people hire other A quality people and B quality people actually hire C quality people, because they don't have the self confidence, they don't have the ability even to attract and retain people who are even better than they are.. So I think that's just something that hasn't changed.. I was mentioning metrics before.. The metrics have changed dramatically and we focus strictly on cloud enterprise software and it used to be that a CEO cared only in terms of what the actual metrics were they cared - primarily, I shouldn't say ever only, but primarily about deals closed in the given month or quarter, whatever their financial period was.. And today in the world of subscription software licenses, in the world of recurring revenue streams rather than those old traditional one-time software license fees, you're much more likely to be concerned as a CEO about your churn or attrition, than you are just about the deals that you close that quarter or that month.. The best quality CEOs understand that if you have companies that are unable to retain their accounts, you actually may, every deal that you close, may be a loss leader.. And so churn, attrition is a whole different set of metrics than have ever had to be measured in the past.. Makes sense.. What we're going to do now is I'd like you to take a minute to talk to people sitting around you and come up with some questions for Cindy.. So introduce yourselves, come up with some questions and we will get back to you in 60 seconds..

And remember to say your question loud and clear so that Cindy can hear it and if you don't mind paraphrase before.. Who would like to start? Go ahead.. So how do you follow-up with venture capitalists without being too pushy? Because if you do it twice a day, it might be too much or once every two weeks that might be too little, so what's a good balance? Sure.. The question was what's the right way to continue follow-up with a VC? And I think the assumption that was made is that they're not responding to you.. Is that fair? They respond once, but then .... Then they go silent - they go silent, okay.. It's a good question because as you might imagine when we're looking at opportunities, we frequently aren't able to get back to the entrepreneurs quite as quickly as even we would like, let alone as quickly as they might like.. I'm going to skirt your question for just a second and I promise to come back to it, or the exact direct answer to it, because one of the things I will say is I'm a really big believer and I think not everyone is in the idea that a quick no is better than a lingering maybe.. And I know that from my own experience as an entrepreneur.. I would have absolutely preferred to have somebody who was considering investing in our company say no, rather than have to go through that process of over and over again pinging and making that assessment of is a week too long, is three weeks too, what was the right timeframe and it's a hard question to answer..

Twice a day would be a nightmare.. Every other day would still be a nightmare, so and to directly answer your question you do need to leave more time.. What you have to understand or maybe you don't have to understand, but you might want to understand is that venture investors are looking at many opportunities in parallel.. Those that don't give you an answer right

away, may or may not be doing that because they're not interested in you and that is hard to know.. At Illuminate, we really, really strictly stick to an idea that if we're not going to move forward, we let an entrepreneur know very quickly.. We have our team meetings at least every two weeks, where we do that - usually once a week, but it depends on circumstances, and we're very quick with feedback.. Now we sometimes have a long queue, because we're looking at so many opportunities.. We looked at 850 prospective new investments last year, all in the B2B cloud category and we invested in five, okay.. Those were not listed on that chart that you saw before.. The new investments you can take a look at our website if you want to see them..

And so we're very rigorous about the process we go through.. What you will find is that there are many VCs who are kind of hanging back, waiting to see you perform.. If you have said to them we expect to close three new sales in the next 30 days, they're going to wait that 30 days to see whether or not it happens.. If you're in a process with another group of investors that they know, they may wait to see where those other investors come out before they move ahead.. I mean that's really what does go on frequently in the world of venture investing.. We try not to do that.. We try to make our own decisions, independently and quickly, but that approach of watching to see what you do is actually pretty smart because it allows an investor to determine whether or not you can execute against a plan and allows you to show that you actually can.. So not such a bad thing.. Should I take this one in the front, sure.. You have a very impressive Advisory Board but my question is how do you interact with them without asking too much from them and how often do you ask them for things? I have a very amazing Advisory Council, but they're also very outspoken..

So I don't have any concern that if I was bothering Tom too much or any other member of that group, they would be gently and nicely say, Cindy, I don't have the bandwidth, I can't do this right now.. And they know we can have that kind of a communication.. So we're not bothering them every day.. We only take serious things to them.. We take things to them that they know that we know they would have an interest in and that they could add value to.. And because there are 40 of them, we don't have to bother them all all the time.. So, I mean that's the approach we take.. And the Advisory Board meetings are really fantastic for the advisors so that's the part of it that I really want to emphasize.. Cindy has, in creating this community of advisors, given us a wonderful return on her time.. Those meetings are worth their weight in platinum, they're really good..

We have a - thank you, Tom.. We have a whole set of interns that we work with, some out of Stanford and CAL, Carnegie Mellon, my alma mater as well and we with them will do research into a variety of different sectors, we bring that data to the Advisory Meetings, we share that with them, we bring in outside speakers, we do a whole variety of different things.. Another question, anyone? At the back.. Cindy, what kind of cloud based companies do you invest in? Can you mention some of your companies you're invested in before? I'd be delighted to.. So a couple of the companies you saw up there previously, exactly corporation is a SaaS, sales performance management software company, doing extraordinarily well.. They just were on the Wall Street Journal's list of the 50 best venture-backed companies in the U.S.. I think I'm actually even more proud of the fact that they also made Fortune's list this year of the top 50 mid-sized businesses to work for in the United States.. So pretty extraordinary for a small company.. BrightEdge is a search engine optimization platform and has gone from literally zero customers when we invested to 3,000 brands using their product today across a variety of different sectors.. We - our most recent investment was done with AME Cloud Ventures and WIN Funding, so Jerry Yang and Maynard Webb's new fund and it's in a company called Yoizio that's in the mobile space and if you think about what BrightEdge does as search engine optimization for the web, what these guys are doing is download optimization using organic techniques for mobile..

So really a wide array of different companies; we're in the gamification world, we're platforms, we're applications and we're now actively looking at some infrastructure investments as well.. But all software, all cloud, all enterprise oriented.. Question? In such a fast-moving environment in the tech industry, how do you go about collecting enough information that you can rely on and then setting direction from there for where you want your fund to go and what things you believe in? That's a great question, especially based on the Advisory Council meeting we just had yesterday.. We can't predict the future and I don't want to pretend that we can.. But we are pretty proactive about looking at new sectors and we do that with the input of that group I was just mentioning of the Advisory Council.. So in October or November when we had our last Advisory Meeting, we did our own take at it and we evaluated eight different sectors, we sat down as an Advisory Group and talked about all of those and then we sent out a request to all of our advisors and said tell us the one hot new thing that you're seeing in enterprise cloud and that you expect to see over the next three years, one.. That wasn't too much to ask of our 40 people and we got an amazing set of data back from them.. We then leveraged frankly the interns that we're working with to go out and gather more data about each of those topics.. We brought that into our meeting yesterday and spent most of the meeting talking about that.. Now, are we going to miss some things? I'm sure..

Are we going to be able to forecast exactly what will happen? Absolutely not.. But it does help us fine-tune when we see those 850 opportunities where we want to spend our time.. The reality is this.. We won't predict where the future is, the entrepreneurs will.. And so we also are very active about trying to get out into the entrepreneurial community, we worked with a number of accelerators, we work on several university campuses, and we listen.. Because we're not going to generate the ideas, it's the entrepreneurs that will.. Other questions? All the way at the back.. So in your experience have you had founders continue to run their companies or have you replaced them by other CEOs? That's a great question too.. I am super proud of the fact that we have yet to lose a single founder from our companies.. Now we have had them move into different roles from time to time in those companies, they don't always stay CEO full time and forever..

And if you look at some of the most successful companies in Silicon Valley, that happens frequently, but you also see that

the best companies retain the founding teams in the right kind of roles within those organizations.. The majority of ours that started as CEO have stayed as CEO.. But in a couple of circumstances they stepped up and said this company is going to accelerate, I've never been - I've never run a team of more than 15 people in my life and I'd like to have someone else come in and help us build this company and this business.. But they were - in both of the circumstances where we've had that happen that founder CEO was actively involved in the search process, actively involved in selecting the person and absolutely still a part of the team.. Oh, sorry, here we go.. No problem.. So, I'm curious as to your experiences as being a woman entrepreneur and even as a woman in venture capital in a field that's likely to be dominated by men? What are your experiences about that? Okay.. So the question was what are my experiences as a woman in two fields, both being an entrepreneur, a founder and CEO of a tech company and a VC in a world that's primarily dominated by men? Is that fair? Yes.. You know it's had some huge advantages to be honest, especially when I was working in more the operating kind of a role because I was unique walking into a room.. In virtually any room I was in, I was almost always the only woman..

And that included when I went out to raise venture capital and would walk in - I will say there were some downsides as well, there were times when people weren't quite sure what role I played in the company and a couple of meetings where in particular with investors they - the male VCs on the other side of the table were clearly a little bit uncomfortable asking me some of the more CEO oriented questions, but I had a team that was very aware of that and so in fact in a funny way if they turned to my VP of Engineering or my VP of Marketing who were both men and asked them a question they should have asked me, they would just turn to me and say that's probably a better question for Cindy to address.. And we got over those pretty quickly, you learned how to do that.. There are without a doubt some challenges if you will in terms of the building relationships, it's not - I didn't play basketball with all of these guys, but I will tell you it's equally challenging that instead of going to Stanford or Harvard I went to Carnegie Mellon, and being here in Silicon Valley.. If I look around, first of all my graduating class was 110 students, not 600 or 800 as many of the major programs are.. And we had about 12% women in my graduating class so my natural affinity group was pretty small and if I counted today what percentage of those are still working and for gosh sake which ones are in tech or in venture, the numbers get down to probably two.. Literally two people, not 2%, right.. So the numbers get to be pretty small.. So, the challenge I think is that we have to build and expand that natural affinity group and it's really important to have that.. I have been fortunate here to do what I do in Silicon Valley.. When I was a founder CEO there was a great group called Forum for Women Entrepreneurs and Executives that had a separate CEO group that was just women CEOs..

And you might have been surprised because this is 15 or a dozen years ago anyway but that group had 30 or 40 people at every meeting which meant we had about 200 people in the group and they were all women and they were all CEOs.. So they do exist, the myth that they don't exist is kind of a little overblown.. The numbers are still small and I'd love to see them expand.. In the middle the back there.. I would like to have your views on syndication, looking at perhaps a smaller fund.. Would that be from a time point of view, time spending point of view, risk point of view, revenue sharing point of view, how do you view syndication with other VCs or super angels? So the question was around syndication and I am not - I want to make sure I really understood it, but I think you were asking how do I - how do we decide whether we want to syndicate with a large firm, an angel group, another micro VC; is that the question? That is the question.. Okay.. So, we tend not to do what the industry calls club deals, a club deal meaning six or eight or ten smaller investors all go into the same investment.. All of our investments are early stage but we believe that a company, that the entrepreneur and that we as an investor are better off if there are a small number of investors in the deal, not this club, because we actually have skin in the game.. So, I do look very carefully at whether or not the investor, not just the firm that's coming in is putting enough capital in, enough of their own time in to really have skin in the game..

So, we do co-invest with other micro VCs from time to time.. We do co-invest with large venture capital funds from time to time but our syndication frankly is more about the people that will be around the table with us than the firm.. And so, if you look at who our co-investors are with most of our portfolio companies there are people that I know and trust, and that we have a similar view point about how to build that business and about what it takes to support an early stage company.. Don't know if that helps.. So in your experience as a CEO, a founder and managing partner who have your mentors been and that you look to in times of crisis and what was it about them that you admire the most? Wow, so there's another question that Tom was talking to me about earlier that's kind of similar but in terms of times of crisis, well I haven't fortunately, knock on wood, had a whole lot of those but I have had a few.. And when I think about in the venture world there's one guy who you saw on our chart up there, his name is Cliff Higgerson.. Cliff has founded two venture capital firms, he founded ComVentures and Vanguard Ventures and he's been through it all.. He's been in venture for, I don't know, 30, 35 years.. And he is someone who is just a Rock of Gibraltar.. You can go to him with almost any question, any problem, any issue and he is able to give the most candid, heartfelt, experienced feedback of anyone I know..

And so he's tremendously helpful in that regard.. If it comes to, oh my god this portfolio company is struggling with its next round of financing, or even simple questions around portfolio structure and other things that we sometimes deal with.. So, he's a good example of someone and there have been many others actually.. Is there an unsuccessful cases, is there an unsuccessful cases for VCs? Unsuccessful cases.. Unsuccessful cases, meaning? Is there any unsuccessful case for VCs? I think he's asking if you've had any companies you've invested in that have not been successful.. Is that what you're asking, have we had any companies we've invested in that have failed? Yeah.. Okay.. So, one; so we have done 15 investments in my experience in venture, probably another dozen that were investments that I did personally outside of the venture world.. And I have had literally one that's failed to return capital.. Now that does not mean all of them have been wild successes..

What I think is really an interesting aspect of the type of investing that we do is that if you put the right amount of capital in - now our investments are typically in the range of \$1 million to \$3 million financing rounds.. We are that gap, we fill that gap that exists between an angel investment and a large \$4 million to \$10 million series A that's more traditional in the larger venture capital funds today.. And if you look at that space, if a company has made a conscious decision to raise that gap round, if you want to call it that, they're doing it so that they can really validate whether or not the product they've already built, they're not just building a product at this stage, is ready to scale.. They're validating their go-to-market strategy, they're ensuring that they have the right target segments and set customers, that the feature set is appropriate, pricing, all of those things are being validated with that next small amount of capital.. We have had circumstances where we looked at a company and we said, based on the feedback from this stage we don't think we ought to put \$5 million or \$10 million or \$20 million more into this company.. Either the market may not be taking off quickly enough or there is a massive number of players that have come into the sector and it's very crowded and therefore are going to be challenging for any one company to dominate the market.. Whatever the set of parameters where those things have happened, the great news I think on the enterprise side of the equation unlike in the consumer internet world is that you can frequently find a profitable home, profitable meaning in terms of the exit for those companies, because they have had, they've built some strong technology, they're in a sector that is not just fashionable in the consumer kind of world but actually has core intrinsic value to some acquirer or some corporate buyer, and you may not make a lot of money on those investments, but the technology finds a home, the team ends up with a good job and an opportunity to see their technology have a life inside of some corporation and the original investors end up not having a goose egg in their portfolio that they have to make up for.. Yeah, we'll do some of the general questions.. Okay.. What are some of the key turning points in your career from when you were a university student like many of our audience that got you to where you are today? Okay..

So, if I go back that far and try and remember.. You know the first one is going to sound really strange and it is a little bit strange but it's true.. When I was - I was at the University of Michigan for my undergraduate school and I was a liberal arts undergrad.. I was in the languages department and I was a French major.. And so for my junior year I decided to go live in France and study at the University of Aix-en-Provence and because I was taking every course with the French students any course that I took counted towards my French major.. So, I was crazy enough to take economics, political science, I didn't take calculus there, I will tell you that, but a bunch of other classes that the French undergraduate business school students were actually taking.. And I discovered by doing that that I didn't want to be a French major, I didn't want to for god's sakes be a teacher or a translator.. I had gone into French thinking I was doing it because I wanted to, you're going to love this, I wanted to do international business and I happened to like French a lot so I thought that was going to help me.. I didn't know any better is the real truth.. And I got through that year and I came back..

I had enough credits because I had a bunch of AP credits prior to going into Michigan that I took a calculus class that summer, I graduated, I started working and took night classes in accounting, in basic programming, basic, in a whole bunch of other things, I am dating myself I know.. And took my GMATs and applied to business school.. And it literally changed my life.. So that would be one very relevant example.. That's pretty cool going to France, yes.. What are some of the biggest surprises in your career and what have you learned from them? Biggest surprises, okay.. So, one that might be relevant to some of you at some point in your career is just the responsibility that you have as a CEO.. You always know that it's your job to manage your team, to set company strategy, to even raise capital for your company; all of those things are pretty straightforward jobs, right? The one I had not anticipated and no one ever educated me about was that my job was also to manage my board, that not just that they could hire and fire me, yes that's what a board does, but that my job was to manage them, literally, that you should never show up at a board meeting with a surprise; that you had to literally sort of train them in how to work with you and your team and all of those other things.. And I found out the hard way in my first CEO job and did it a whole lot better after that.. So that would be one example..

That's great.. You had an earlier question about a company that you invested in that might not have worked out, but have you had any professional failures or mistakes and if so what have you learned from them? Well, I would actually use that company as a professional failure frankly because it didn't fail without me having failed to do some things as well.. So, a funny but true again story is that when I first went into venture I went to a very good friend of mine and asked him for some advice who had been in venture for 10 or 15 years at that point and I - he's a good, great guy, his name is Rory O'Driscoll, now at Scale Ventures - and I said Rory what do I need to know about doing this venture thing.. And he said, Cindy I only have one piece of advice for you, and that is, never do your first deal.. And it was indeed my first deal that completely was a washout.. Now the good news is it was a million dollar investment not - and this was in a large fund so I was with a firm called Outlook Ventures at the time.. We had a \$140 million fund; our typical investment in a company was actually more like \$2 million to \$3 million upfront, sometimes even \$4 million.. And the good news was we only put \$1 million into this one upfront.. But what I learned was huge.. I had, this was a deal that was very, very hot, several firms wanted into it, I can't even remember what the circumstances were but there was absolutely no way that I could participate in the meeting that was going to happen to do the technical due diligence..

And so my associate in the firm was going to be there, one of my other partners was going to be there, this outside consultant that we had hired was going to be there but I wasn't going to be there.. And as it turned out, there was a problem with the technology.. And there were, and it's not that I necessarily would have asked the right questions or better questions, but it was very clear to me you just never, ever, ever make an investment that you're rushing into for any reason, ever.. And so that was a pretty key learning.. And the second one, and the second half of that equation of what I learned from it was,

which you didn't ask me but I'll tell you anyway, was know when to stop.. It was very clear that we could have - we had money reserved, we could have put a lot more money into this company to try to get it afloat, to try to maybe get it to some kind of an exit.. It was very clear they had built something that didn't work and that the team that had represented it could work had misrepresented what was going on and I think it was very smart of us to say no, we're not going to put any more capital in.. But you can imagine, my first investment, a million dollars and mud all over my face, it was a very hard decision to make.. But the right one.. Thanks..

Are there people who have inspired you in your career and what have you learned from them? So this is kind of personal, but I come from a family where all of my grandparents were born outside of the U.S.. and where my parents grew up as the first generation here including my mother went off to elementary school not speaking English, but I had a grandfather and grandmother on my father's side who built a family-owned business that's still in operation today.. We now have the first member of the fourth generation of our family who has come into that business back in Michigan.. And what I saw my grandparents do, the way they collaborated.. My grandfather had to leave school as a 13 year old boy in Russia.. He came to the United States completely by himself with no one at the age of 15 after working to earn passage money to get to the United States and so he never had the education that it took to do accounting or to do a lot of other things.. My grandmother fortunately did and so she was the business person in their business and he was the hard worker and together they built an amazing business that now has sustained four generations of family.. It's a significant operation with - it's a scrap metal and paper, plastics recycling company.. I laugh, because the way we tell the story my grandfather was the junk man, my father was the scrap metal dealer, my siblings are now members of the global green economy.. Yeah, and guess what it's the same business..

But it's true and that really has that entrepreneurial spirit, the willingness to believe you can do anything and that you have the opportunity to do anything really came from them.. Maybe a second piece I would say is I am going to give a huge amount of credit to Carnegie Mellon which I know is not Stanford.. It does use red and white as its colors, does that help.. Because I went into that program coming out of a French liberal arts undergraduate program and came out of it with the knowledge and learning and skillset to do what I do today.. And I have to give them a huge amount of credit for that.. And you are a very active alumnus.. I am.. I am very involved with the school.. Fantastic.. Thanks..

Should we see if there are other questions? Take another 30 seconds, buzz among yourselves and come back with some great questions, okay.. Who would like to start? I was wondering you guys started back in 2009; I think you have always been focused on enterprise cloud.. I was just wondering if kind of the recent shift to enterprise in the broader VC community changes you guys' perspective at all or do you see it changing in the near term? So I am going to take advantage of your question to show a couple of slides that we skipped over back here if you don't mind, because it's going to tell you why we focus on enterprise cloud and why we're not going to stop.. Okay, how about that? So, enterprise it turns out in the cloud world is actually about 25% larger and growing faster than the consumer internet world.. So, it's big, it's fast-growing and up until recently it's been pretty well overlooked.. Even in Q3 of last year which is when the most current data that's available was released, the most current data we have is, investment in the consumer internet was still at twice that of the enterprise cloud, okay.. So, while the talk is starting to coalesce around enterprise, the actual investment on the venture side isn't there yet.. So, that's one piece of it.. The other is we did a huge amount of data gathering, I don't want to say research because we did a little bit of research and a lot of data gathering about a year ago and then we updated it back in September of last year around what's the actual performance of enterprise cloud investments versus consumer internet investments.. And this next slide here shows you what the result of that assessment was..

We were fortunate to be able to share this pretty broadly on peHUB a few weeks ago so you could look at our article there if you like.. But what we found was that in both IPO and M&A that enterprise investments were dramatically outperforming consumer.. And there are a variety of reasons for it that are really straightforward when you sit back and think about it.. If you understand what it takes to have a big success in the consumer internet world, you understand that there's usually only one of them.. There's one Facebook, there's one Zinga and even though these companies have suffered post IPOs to some extent, there really is still only one of each of those.. If you look at the business world, business buyers fundamentally demand choice and so there's always going to be more than one ERP software company or more than one log analytics company or more than one you name it.. And while I would always like to be the investor and the market leader, even if I am an investor in one of those other categories, we're likely to do pretty well.. When I was - early in my career I was VP of marketing of Scopus Technology, one of the early CRM players.. In the year that we went public six other CRM companies went public, Vantiv, Clarify, Orum, all of us had really nice outcomes for our investors.. And so, I am not going to walk away from enterprise..

I think if you're doing early stage investing you have to invest in what you know.. This is what we know and we know it deeply and we know it outperforms.. And you love it too.. And I love it.. Question? Yes.. I am French from Aix-en-Provence.. Oh my gosh, not really.. But I have been living in Brazil for 21 years.. Fantastic.. And it's a more general question or comment that I would like from you..

In Brazil the VC market has been booming for the last one year and a half, two years.. But 10 years before it has been very, very difficult.. So this very, very particular spirit that we have here in the Silicon Valley is starting to happen in many other places in the world and this is something absolutely fantastic and in terms of, I think it's the kind of the best war in terms of mentality that we can fight when we see all the problems that we have in many different parts of the world where there are

dictatorships etcetera.. And what do you feel of being part of this ecosystem here in the Silicon Valley and what do you feel about your responsibility perhaps to take something of this mentality to other places which very much need it? Okay.. So the question if anyone didn't hear it is, we're living in this unbelievable ecosystem of entrepreneurship in Silicon Valley, what do I feel about that and what do I feel about our responsibility to take that elsewhere on the globe and help inspire and create that same kind of environment elsewhere.. Is that - okay.. I feel like the luckiest person in the world frankly to be where I am doing what I am doing.. And I wouldn't frankly want to do it anywhere else.. But, I grew up in Michigan; I went to school at Carnegie Mellon in Pittsburg, Pennsylvania and while that's not as distant as Aix-en-Provence or Brazil the reality is Ann Arbor and Pittsburg are still not anywhere near the level of entrepreneurial environment that we have here in Silicon Valley and I would love to see them have that opportunity as well.. So, I am not big on exporting - exporting? I am big on exporting internally if you will even to the United States..

I am certainly - I am not against exporting to other countries as well but I think we may have actually kind of forgotten that we can do better here in the United States as well.. So, I am involved at Carnegie Mellon in a program they call Project Olympus in the Center for Entrepreneurship there, similarly at the University of Michigan.. We have had interns out of both universities work with us in our venture environment and I think it's unbelievably important for us to take that capability and encourage others.. What I also believe though is that it's really hard to create and replicate what we have in here in Silicon Valley because it's not, it is some combination of the amazing educational institutions, the culture that celebrates failure, doesn't just say it's okay but celebrates failure.. And that encourages people, if you haven't done one company that didn't work, you probably haven't learned very much and the likelihood that your next one is a success is probably lower, right.. So, that's very hard to replicate.. I remember being in Australia once, in Adelaide looking at a possible investment and having the entrepreneur tell me that - this is only a couple of years ago - that entrepreneurs there were looked at as second-class citizens, that people assumed if you were an entrepreneur it was because you could not find a job either in government, the first choice, or in a corporate environment.. I really did almost keel right over when he told me government was actually perceived as the actual highest quality of opportunity.. Then I saw what the office of the governor of the State of Australia looked like and I understood; it was an entire floor of a building.. So I don't know, does that answer your question? Yes..

There's been a lot of talk over the last couple of years about the consumerization of the enterprise and there may be examples like Evernote or Yammer that sort of had a lot of grassroots movement amongst consumers or people that weren't sort of official decision makers in the enterprise.. And I wonder what your view is of that, whether or not you think that those sort of opportunities have the ability to perform as well as the other enterprise investments that you have been talking about? It's a really good question.. I am a big fan of consumer for the enterprise.. I have started calling it centerprize.. But I think fundamentally that it will become a core part of virtually any business application.. So, we have for example in our portfolio a company called Hoopla.. Hoopla brings gamification to the front end of the CRM process to inside sales reps and to customer support and it brings the whole engagement process and reward system and collaborative aspects of gamification into those job functions to make them more engaging, to make them more fun and rewarding, et cetera for the employees and they have shown dramatic impact amongst customers like Groupon and Electronic Arts and a wide array of different customers using it.. But, I think that what really is their strength is that they have built that into a full application suite with workflow, with big data analytics behind the scenes and they haven't gone out and just said we do enterprise gamification.. I do believe that in the future saying that you have the ability of - that you have gamification built into your application will be like saying, I have a database.. I think it's that fundamental..

So, I think there's going to be, there will be great opportunities for those companies that recognize how to bring consumer techniques and technologies to the enterprise and do the next better, faster, cheaper, more engaging version of a product that might already exist but doesn't have those capabilities.. One last question.. A lot of the ventures that you have showed have a platform, is that something that you typically seek, and what do you mean then by platform? So the question is whether - it appears as though many of the companies we invest in have a platform and is that what we invest in? Is that right? The answer is, is that many of them do but that is not a core requirement for what we invest in by any means.. Now, platform can be defined in a lot of different ways.. In some cases it means that it's a base for multiple modules, multiple applications to be built on top of something.. In another company we invested in called Wild Pockets it was a web embedded 3D development platform.. They used the word platform but what it really meant was that it was a collaborative set of tools for software development in 3D.. So, platform can be used in a variety of different ways.. I think frankly what you see there is more how many software companies like to position themselves and so we give them whatever position they choose versus a categorical investment strategy.. Cindy, we want to thank you for being our guest today..

Thank you...