

URL: <https://stvp.stanford.edu/clips/be-silly-and-scrappy-to-a-point>

Venture capitalist Josh McFarland explains how being frugal when he was a tech-startup founder helped in the beginning, but hindered the venture once it entered the high-growth phase. He shows a somewhat tongue-in-cheek photo marking a successful round of fundraising at the time, urging aspiring entrepreneurs to celebrate the fun moments in a startup's life because they help build culture and lore later on.



Transcript

- And so as we got to work we prided ourselves in our scrappiness.. So the first thing that we did is basically ask Greylock if we could use some of their extra space.. And their extra space was in their old office and it had kinda this hallway that nobody was using with a bunch of empty rooms on it.. So we actually just set up desks in the hallway.. So this is Sonjay who's one of our first employees sitting in the hallway.. And we did that for about nine months actually, we incubated.. And part of that was because it was really nice to save money.. And the other part is we were waiting on an office to open up that was leased by another Greylock company called Cloudera.. And so when that opened up I thought what can be more scrappy than moving ourselves.. So we piled all of our stuff into boxes, rented our own U-Haul and moved it in and it was fun..

That was kind of like a fun team bonding moment, although when I look back, if I think about the lost productivity it was probably the most expensive move in the history of man.. And then finally down here in the lower right corner you can see a picture of our lobby.. And you'll notice that everything that we did in the pictures that you'll see, like it shows really well.. It's beautiful and yet everything that you look at was either left by the previous tenant or purchased from Ikea, including these high gloss white panels that we actually put up ourselves.. And the ethos of scrappiness actually ran deep in our veins and it was useful up until a point.. And then I remember I went in to give an update to the Greylock Partnership about 18 months in and man, everything was going really well.. I think we were at a two million dollar run rate maybe, and there were only four of us and we hadn't spent very much money.. We still had most of the money in the bank.. And so I go and I give this, I just nailed the presentation, right? I'm like look at how great things are, for the low, low price of having spent almost none of your money and aren't we awesome? And I swear, like you could have heard a pin drop in the Greylock Partner meeting.. I'm like well this is weird..

And then one of the partners, Aneel Bhusri, who's a very, very successful venture capitalist and CEO, he's the CEO of Workday now, and has started multiple companies while being a venture capitalist, multiple billion dollar companies while being a venture capitalist.. He raises his hand, he's a super-nice guy.. And I'll paraphrase but he kinda said something like what the hell are you doing? And I'm like what do you mean, this is awesome.. Isn't it, isn't this great? And he's like yeah, it's awesome.. Clearly you have something here.. You have customers paying you millions of dollars for software and there's only four of you and you have no salespeople? Like what are you thinking? Go, go, go! And the conversation that came out of that is you guys should raise more money.. I'm like well that's weird.. We still have all the money.. And there were two reasons that we actually did raise more money at that point in time.. One is because it was unclear whether or not we were going to go into a double-dip recession, cause this was right when Greece was looking like it was gonna blow up..

And the second was because we could.. Like in a very short process we could go out and add another rockstar board member to our board and put a bunch more money in the bank and then we could use that to power the business.. So we can almost like get the capital worries behind us so that we could just really lean into the challenge.. So we did.. And I took another picture.. This is the gentleman second to the right is Ajay Agarwal and he was our second board member.. He's from Bain Capital Ventures and he led our Series B.. It was a \$13 million Series B and that is a metal briefcase full of cash.. Not all \$13 million.. But I think about two things in the context of these fun moments in the startup's life..

One is I implore you, I give you permission to be a tourist.. You feel kinda silly taking all these photos of these otherwise mundane moments in your startup's life and then you realize how important those are to the culture that you build and the

stories they get to tell...