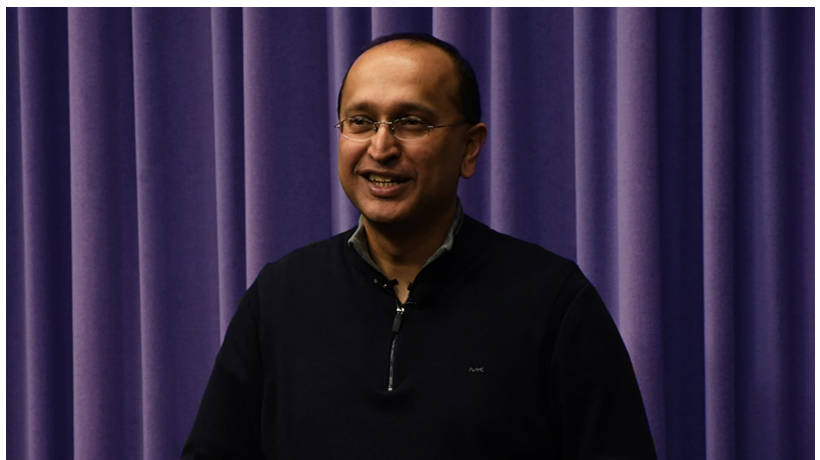


URL: <https://stvp.stanford.edu/blog/videos/building-a-people-first-company-entire-talk>

Navin Chaddha, managing director at the venture capital firm Mayfield, describes the firm's core values and examines the drivers behind several of the firm's most successful investments. Mayfield's investment strategy, he explains, is to focus on the founder rather than the company. He describes how impactful founders identify their mission early and pivot when necessary, all while maintaining a firmly people-centered mindset.



## Transcript

- [Narrator] Who you are defines how you build.. - I'm here to talk about some rules of the road for building iconic companies.. As you heard from Tom, Mayfield has been in business for over 50 years and we have partnered with thousands of innovators, many of whom who came from Stanford, and have gone on to create iconic companies.. However, if there's one thing I want you to remember from my talk today, it's that company building is a marathon, it's not a sprint.. There'll be a lot of ups and downs.. It won't be easy.. It requires patience.. It requires perseverance.. And grit.. But believe me from my own experiences as a serial entrepreneur, the journey is well worth it..

Let me start with my own journey which is an example of this belief.. As probably you can tell from my accent, and my looks, many people think I'm not from India.. But I am from India.. I went to Indian Institute of Technology, graduated at the top of the class.. Like many other Indian students, came to Stanford University.. I was blessed with a fellowship with \$500 to pursue my Masters and PHD in electrical engineering.. Back in the early '90s, the internet was happening.. Based on my PHD work, I started my first company VExtreme.. Which enabled the delivery of video on the internet.. The basic idea was, how do you take Stanford lectures, which were being broadcasted within classrooms, were available in video tapes in the Terman center, and make it available over the internet..

Once we did that, all VCs said; "This is Netscape for video." And they start chasing us.. I was confused.. I've come to this country to study and pursuing the PHD degree, I need to drop off? I call my parents, I call my friends.. They were shocked.. "You really are going to drop off" "out of your PHD program?" Well, somehow, they were nice professors, my mentors, they said, "Why don't" "you take a one year leave of" "absence, and go to this company." "Most likely you're gonna fail." "And you're gonna come back, and finish your PHD degree." But, life didn't have that.. VExtreme grew extremely fast.. And became the defacto standard for streaming video on the internet, getting used by most of the media companies, and also by corporations.. And 18 months into our founding, we were acquired by Microsoft to become Windows Media.. Once an entrepreneur, always an entrepreneur.. You taste success..

It's like lions, you taste blood.. You want more of it.. So I went on to start two companies after VExtreme.. One of them was called iBeam Broadcasting, which went public in 2000.. No better time to go public in 2000.. Especially in May 2000, and then, you go out at a billion, trade at a three billion, and by end of the year you're back to 200 million.. And you scratch your head, and you say, what happened? And I read a book, and it said, somebody moved my cheese.. I'm still wondering who moved it.. I think it was the stock market and the hedge funds.. No offense to any of them in the room..

Then I did my third company after that, which was Riveo, a software as a services company for small businesses.. 10 years early of its time, which ended up getting acquired by cpa.com, which is still a thriving business, focused on the CPA market.. Both the acquisition of VExtreme, I became one of the youngest execs at Microsoft at the age of 26.. Worked very closely with Satya Nadella, the current president and CEO of Microsoft.. We were both peers.. I was running Windows Media.. He was running Microsoft's commerce server.. Learned a lot.. Of what it takes to run companies at scale.. And to take that knowledge, I joined the venture capital business by accident in 2004..

I had gone in as an entrepreneur in residence to start my fourth company.. I didn't know anything about venture capital.. I just had fun, creating companies and having impact.. I've been a VC for over 14 years now.. I've been leading Mayfield as the

managing partner for over 10 years.. I've invested in over 50 companies.. Have been extremely fortunate to have partnered with world-class entrepreneurs, who have created companies.. 16 of which have had IPOs, and the other 18 have been acquired.. God bless them for the work they do and make the life of VCs like mine easy.. Now let's switch gears to Mayfield..

And I like asking a lot of questions.. I'm known at Mayfield.. I put people on the spot.. I ask questions.. But I do give awards.. So Mayfield, as you heard from Tom, was started in 1969, and has its roots at Stanford University.. Any takers, without searching on the internet, and none of the professors, please, where did the name Mayfield come from? The people who get it right in the first five seconds will get an award which will be handed by my colleague Kelsey.. So here you go.. One.. Two..

Yes? - [Man 1] Isn't there a street called Mayfield Avenue? - No.. [Laughter] I knew that would come.. - [Cedric] There's a city called Mayfield.. - You got it.. [Applause] You got it.. What's your name, sir? - [Cedric] Cedric.. - Good.. So Mayfield was founded in 1969.. It wasn't founded to your answer on Mayfield Avenue, which is next to where the frat parties happen.. Neither was it found after the name of Mayfield Bakery..

There we get great coffee, and great things to eat.. So Mayfield, you're absolutely right, was after the name of a thriving town called Mayfield, which preceded Palo Alto.. Fast forward 50 years.. What is Mayfield about? We're a people-first organization, where we bet on people first, market second.. We believe on betting on the jockey, not the racetrack.. Our strong belief is, if you invest in A+ people, their initial idea may not be the right one, but they'll quickly pivot to find the right market opportunity.. We are partnering with entrepreneurs who want to change the way in which we work, live, and play.. Our entire team has an entrepreneurial DNA and operational background, where we have been in the shoes of the entrepreneurs, and realize how lonely that job is and how difficult it is, to be an entrepreneur.. And in our 50 year track record, we have raised 18 funds to date, invested in over 500 companies, 200 of which have been acquired, and other 116 have had IPOs, and we have an expert network of over 500 CXOs, who help our companies from time to time as needed.. Believe me, I'm going to get to the stories, but wanted to just, rather than introducing me, introduce Mayfield..

And I know I'll keep it to 25 minutes.. For sure.. As Tom mentioned, thanks to the great work his organization has done, and STVP, we are proud sponsors of the Mayfield's Fellows Program.. I see some faces here who have been ex-Mayfield fellows.. The program was endowed in 1995.. It chooses 12 students every years to help them become leaders of tomorrow.. Tom just told me it's becoming a very popular program, and let me see, if I get the numbers right, being an electrical engineer, there were 112 applicants that applied.. 56 were interviewed.. And you chose 12.. Is that right? - [Tom] Right..

- Okay.. I passed.. The program also has over 250 alumni, many of whom might be in the room.. They have started companies, like Instagram, or are working at start-ups and well-established companies.. If you are not thinking of pursuing an MBA, if you are getting into your third year at Stanford, I highly recommend, go talk to Tom Byers.. He's the best in helping people get to this, right? - [Tom] Thanks Dad! (laughter) - Let's move gears.. And now I'm going to get into the crux of the stuff, right.. About the rules of the road for building iconic companies.. So as you heard from Tom, Mayfield is a built-to-last organization.. Very few venture firms we can count, maybe two or three, are celebrating their 50th year in business..

And this will apply as you think about building iconic companies yourself one day.. So the firm has some fundamental beliefs on which we are built.. If he cannot see eye to eye, with the entrepreneur, on these beliefs, we won't invest in them.. We'll tell them, we're the wrong partner for you.. So what's the first one? Our motto is people first, as I mentioned earlier.. We bet on people, market second.. Because people build companies.. Companies don't build people.. We are known for embracing the unconventional, the different, and the unusual.. Which means we are typically backing people who don't come from central casting..

I was a good example.. When I started my first company at 25, most of the VC said, hey, you don't have an MBA degree, you don't have white hair.. But today I can go and say, hey, it's okay, I don't have white hair but I have no hair.. Or I have very little hair, if you will.. Our other belief is that great people evolve.. Which means CEOs are made, not born.. If you want to do it, you can do it.. Fourth, we are loyal to a fault.. We believe if company building is a marathon, we need to be running along with the entrepreneur through the ups and downs, through the thicks and thins.. Sometimes, we are carrying bottles of water when they get exhausted, and believe me, sometimes we are carrying their sweaty cloths they use to do things I won't get into..

We don't beat around the bush because we believe in radical candor.. In any partnership, it's very important to speak the truth and don't take too long to communicate the messages.. We believe experience counts for something, both as a firm, as an individual.. And finally, the most important belief Mayfield has is, it's all about teamwork.. This is not a solo sport.. Companies cannot be built around one individuals.. All of us are better than any of us.. Now over the next 15 minutes, I'm gonna share some learnings, what I'm calling rules of the road, that we have gathered from partnering with thousands of innovators over the past 50 years.. I can go for a day.. I can go for a week..

I can go for a month.. But I'm gonna be writing a book, so be prepared.. But for today, I'm only gonna share five lessons which I think are good enough to get started because I don't want you guys dying of indigestion.. I want you to die of starvation.. So for the time I've been given, I want to focus on five examples which you can all relate to that are about current

companies.. So let's get going.. My first story is about Lyft.. I'm sure all of us in the room use it.. Not their competitor, whom I won't mention.. Is that the case? How many people, this is for prize number two..

How many people in the room know who Zimride was? Five seconds.. - [Man 3] It was a sharing pact for people who had zip cars and they could share the rides together with each other.. - Not zip cars, but who owned it? - [Man 3] Students.. It was precursor of the, they started this community and all people shared rides together.. - You're right.. Name please? - [Tee] Tee.. - Tee.. Tee has the second award.. So this story .... - [Man 4] Can you repeat what he said? - What's that? - [Man 4] Can you repeat ....

- Yes, I'll say that, right, I'll tell the story.. So, and the talk I was told, it's better to tell these examples through stories rather than the result, right.. So when we met John and Logan in 2011, their business was called Zimride, as Lyft didn't even exist.. What was the idea? The idea was a social site, a variant, of Craigslist, where people were posting requests and offers for shared rides.. It was primarily being used by students, primarily at Stanford, and commuters for the Bay Area traffic.. But it wasn't a direct consumer to consumer application.. It was distributed through universities and corporations.. It was a good idea.. But not a massive market that a VC would invest in.. Then comes the smartphone revolution, and the smartphone step..

Like any other smart entrepreneur, John and Logan pivoted the company to creating the first, now this is debatable, I'm an investor in them, so please take it with a grain of salt.. The first peer to peer ride sharing service.. Not focused on the black car market, and have grown in seven years or so to providing more than 50 million rides a month.. What led to their success, was their authentic mission of making people's lives better by providing the best transportation.. Not only did they have an authentic mission from day one, they also has a set of core values.. Any guesses on what they were? Five seconds.. One.. Two.. Three.. Four..

Five.. I get this award.. Their values still are, be yourself; uplift others; and make things happen.. And I still remember it because I just can't forget it.. Given their mission of making people's lives better, supporting local and global communities is a big priority.. They walk the walk and talk the talk.. This is one of the most mission-driven company I've seen in my career as a VC and an entrepreneur over the last 25 years.. They walk the walk, as I said, and they talk the talk.. They provide free rides to tolls, to polls.. They're supporting California wildfire victims..

And in many cases outside the United States, they're transporting people stuck in weather conditions to get them to warming centers.. So what's the lesson? If you have to build a company, which can achieve a valuation over 15 billion, a foundational company, which I'm sure many people in the room want to do, codify your mission and your values on day one.. If you don't have that, think about you're going to build a 50 story building.. And the foundation isn't there.. It's going to fall.. It'll be the Millennium Tower.. You don't want that.. You want to create a real company, so start with the right mission, and the right set of values.. My second, and I'm gonna be cheating, I'm only talking about unicorns and pentacorns and decacorns today, right.. I can also come next time and talk about companies which didn't work..

My second story is about a company called Marketo, the leader in the marketing automation space.. In 2006, when digital and email marketing were going mainstream, Phil and his co-founders had the mission of transforming art, transforming marketing from an art to a science, and elevate the role of marketeers.. Any people in the room thinking of becoming marketeers? Raise of hands? Good.. Good.. I know.. You're a marketeer.. Right, so what did they do? They always wanted to start small by solving a simple problem which was very critical for their customers.. But always had the vision to create an end to end platform for marketing.. Their first product was about management of Google Adwords for social marketing.. The product; met with limited success..

You all know how hard it is to build a scalable business on Google.. Separate story, separate chapter of another book.. But let's focus on what happened.. These people were tenacious.. They didn't give up.. They went back to the drawing board.. Because they believed company building is a marathon, not a sprint.. One of their core values was listening to customers, first and foremost.. Based on listening to customers, they expanded, and came up with a new product for lead management for B2B marketeers, which was the easiest to use in the market.. And became the underpinnings for the end to end marketing platform..

They worked tirelessly, not only to educate marketeers, but also to elevate their roles in organizations from being enablers to drivers of revenues' growth.. They not only created a category, they created a movement.. Marketo Nation, a community of tens of thousands of marketeers.. Think it up for marketeers.. Why was Marketo so successful? They decided to focus on one functional area, marketing.. They didn't go and defocus and said, I'll solve a problem in sales, one day in HR, one day in support.. That just doesn't work.. So what did they do? Rather than going in inch-deep in solving problems in many areas, they built trenches in solving the problems in one area.. And rather than being a jack of all trades, they became a king of one hill.. What followed? Marketo became one of the fastest growing SaaS companies in the marketing automation space, went public in 2013, and was acquired by Adobe recently for five billion..

So the key lesson is, focus.. When you're building a company, a start-up die because of indigestion, not starvation.. My third story is about SolarCity.. Today, seeing solar panels on homes is becoming fairly common.. However, that was not the case in 2006.. For that reason, Lyndon and his brother, Peter, and their cousin, the famous Elon Musk, came up with

SolarCity.. The initial idea was, they would install and maintain solar panels on people's homes.. But there was one problem with it.. Everyone had to afford how, 30, 50, 100 K upfront.. And the ROI was 15, 16, 17 years..

And people didn't want to do that.. So the initial business, met with limited success.. Not unlike other entrepreneurs, they said, hmm, what can we do? So they did the same thing.. They went and talked to customers.. They talks to advisors.. They talked to mentors.. And they came up with a simple business model in 2009, 2010, where they said, why don't we go back to customers and say, you pay us on a monthly basis on a leasing model similar to what you pay your electricity company.. What followed? People were used to buying electricity in that way.. The example I would give is, I want to have a pizza.. I know how to pay for it..

Rather than selling me a pizza, which is already ready to eat, you're giving me all the ingredients and saying make it on your own and pay for it upfront.. Neither do I have the time, neither do I have this acumen.. So sell products in the way people are used to consuming.. So what's the summary? This non-technical innovation made SolarCity a breakout company.. They generated billions of dollars in revenues, went public in 2012, and achieved a market cap of over five billion, and were eventually acquired by Tesla.. So as you look at starting your next company, I know it's Stanford, I'm a double E.. Don't just think about technical innovation.. Broaden your horizon.. Think about other forms of innovation.. I already talked about one with business model, through SolarCity..

Think about innovation in go-to market, and distribution.. Similar to what leading open source companies are doing, and at the same time, think about innovation in delivery models.. What companies like Salesforce and AWS are doing on the delivery front.. So think.. Innovation has many forms, and you can innovate across the value chain.. My next story is of Moat, and I'm gonna pick it up.. Moat is the leader in digital media advertising measurement.. I don't know if you guys know, the most successful brand advertising campaigns online are the ones which sell stories, and are memorable.. For that reason, Coca Cola, Nike, Unilever, and Apple are the gold standards.. However, even I didn't know this before I went on and invested in this company as a firm, that half the money advertisers spend on brand advertising is wasted..

The bigger problem is, they don't even know on what.. So the big pinpoint to face, is to measure the effectiveness of their digital brand advertising.. To solve that problem, Jonah and his co-founders started Moat in 2010.. They looked at existing solutions.. There always are.. There were models, like paper click, paper impressions, they looked at it, and they said, hey, this just doesn't work.. And rather than doing incremental innovation, they went back to the drawing board, talked to customers, and came up with a simple product which was a Google-like search engine to tell brand advertisers where on the internet are the most effective brand campaigns running.. So it was a competitive intelligence engine for competitors.. Based on that, they expanded.. Companies never stop..

They learn, they pivot, and they expand.. They expanded into providing an analytics platform which measured attention and engagement.. What followed All major online brands, including internet companies like Snap, Facebook, once a leader Snapchat, all became their customers.. They became the fastest growing company in the deals-on equivalent of digital brand advertising.. And were acquired by Oracle for a hefty amount.. So what do I want to communicate in summary here? Make sure the product, or service you're building, is a must-have for your customers.. Because painkillers sell, vitamins don't.. My last and favorite example is of a company called Poshmark, I know, my friend Manish, has appeared last year, right, for an ETL talk.. So let me be quick with this story.. Poshmark was founded in 2011, and there were many unbelievers..

Most of the people didn't believe that selling used fashion through a marketplace online was a big idea.. However, Mayfield is a people-first investor.. We don't care what the idea is.. We're making the bet on the jockey.. I know nothing about fashion.. As you can see with the way I dress.. We made a bet on Manish, and gave him a term sheet, even before he had started a company, and connected him to his co-founder Tracey, who had a great background in fashion and merchandising.. Fast forward to today.. The company has expanded beyond used fashion.. They've expanded beyond women's fashion..

They're selling men's fashion, new, I don't buy used.. You can see.. It may not be the best, but it's Michael Kors, and Joe's.. Right, like what Nordstrom sells.. So they have expanded from men's, from women's to men's, to kids, to beauty, for both new and used fashion.. I'm pleased to further report, a sale is made on Poshmark every second.. And there are over five millions sellers who are selling goods from their closets online, and there are over 40 million community members.. The platform has deep engagement.. It's number three in engagement, after Facebook, and Instagram.. Users are opening the application five to seven times a day..

Spending 27 minutes on it.. There are millions of social interactions every day, when an item is posted.. And 80% of the daily shoppers are repeat buyers.. However, the main reason this company is so successful is because they embrace a people-first philosophy.. Manish, when he came here, talked about, and he still says it everyday, Poshmark is all about love.. It's all about customer first.. So let me give an example.. In the early days, when Poshmark didn't have enough people, Manish himself tried to solve every customer request from 7 AM to 11 PM daily.. Now we know.. That's no way to build a sustainable company..

But what does it speak to? It speaks to the tenacity of the company.. It speaks to the culture of customer first.. As a result, to this date, the maximum number of employees in the company are not in technology.. They're in customer success and

customer support.. More than 40% of the employees are in that organization.. When we are just a marketplace, we don't even touch the goods which are sold on our platform.. In summary, the lesson is, if you have to build an enduring company, start with people, end with people.. Take a people centric approach.. Invest in relationships.. Don't invest in transactions..

People could be your employees.. People could be your customers.. People could be your partners.. They could be your vendors, it could be anybody.. It could be even giving back to the community.. You do good, which Poshmark is doing, good happens to you.. To summarize my five rules of the road, first and foremost, you need to codify your mission and values as they are critical.. Second, focus, as start-ups die of indigestion, not starvation.. Third, innovate across the value chains.. Don't just get boxed down into tech innovation..

Make sure your product is a must-have, because painkillers sell, vitamins don't.. And finally, embrace a people-first philosophy.. What I said at the beginning of the talk.. Remember one thing.. All that stuff I told you, the slides will be available, you might forget.. But remember one thing.. Company building is a marathon, not a sprint.. It's not for the faint of heart.. There'll be many lessons you will learn everyday.. And keep a nimble mind..

If you know all the answers, don't do a company.. If you don't know the answers, like the way you bike, like the way you take the risk, jump, and do a company.. Now, I am in front of an audience, which are overachievers.. So I'm just wondering, right, like, what should I tell you at the end, right.. I want to share some tips with you.. Remember I talked about, remember only one thing.. Company building is a marathon, not a sprint.. I don't know about you, but I can speak for myself.. I'm never going to go run a marathon or climb Mount Everest unless I practice.. Unless I train, unless I read..

Similarly, I think a lot of you people, since you're taking these classes, are eager to start off a company.. But I want to share some tips and some lessons that you should keep in mind before you get started.. The first one is, start with a disruptive and big idea.. But make sure it's a painkiller, and not a vitamin.. Check with customers.. Talk to customers.. Not one, not three, not your friends.. The vast majority.. The world is noisy.. There are too many products, too many solutions, people don't have time..

Second, surround yourself with experienced mentors.. There's many of them in this room.. You have professors.. You have executives.. You have VCs.. I would go to them last because there's always a negotiation on price.. But make sure these experienced mentors have seen the movie before.. You should make new mistakes.. Not old mistakes.. Find great co-founders..

They need to be complimentary to you.. And don't need to just say yes to everything you say.. That's very very important.. Fourth, as I mentioned, define your company mission and values.. It's like the foundation.. Everything starts and ends at there.. A weak foundation, you can build as tall a building, it's gonna fall one day.. Fifth, I'm a VC.. This advisor is not a VC.. This is a very critical decision..

I was a three time founder, you need to make sure you pick the right investors.. We interview you.. We check your references.. On sheet, off sheet.. Why won't you do that on us? Right, I've invested in 50 companies, picked up the phone.. I'm also a human.. I must have some good things, I have some blind spots.. See if there's a match.. Can I be complimentary, or can the investor you are choosing be complimentary to things you need.. And finally, and most importantly, this is not an easy road..

It's harder said than done.. Smell the roses along the way, and enjoy the journey.. In the end, you can read books.. I can give you as many talks.. I can write books.. You can attend many schools, you can get many mentors.. Remember one thing.. Besides running a marathon, and not a sprint.. In the end, you are the ones who make it happen.. And since you are attending this class, I'm a very, I'm a person with a lot of ADD..

But I pick things very quickly.. So this is what I found outside the STVP office.. That's not part of my talk, I just picked it.. First.. Like you bike, and you take risk, dare like an entrepreneur.. Second.. Dream like a disrupter.. And finally, I have to read this.. It's in some cursive font.. So it's not easy to read, I'm just kidding..

I like kidding.. We'll be faced with a lot of problems in life.. But remember, it's a marathon, it's not a sprint.. All of us are blessed to be in this room, to be in Silicon Valley, where money is easily available, mentors are easily available.. So every time you get a problem, look at it as an opportunity.. And finally, I would like to end by Andy Grove saying.. Hey, your failure as an entrepreneur is very important.. Your failure this year is an opportunity to succeed next year.. So please keep this things I'm sharing with you today in mind, because it's time for you guys, as you graduate, to make the jump.. Take risk..

Think big.. And at most, what will happen? You learn something.. Then get started again.. If you fall from a bike, you don't stop biking.. You just run to the small place, they give you some injections, they tie you the stuff, and you're back to the races.. So that's what I had on the official stuff.. I would like to open up the floor for questions.. But I said before, I take questions to reciprocate.. I would like to ask questions and there'll be a few more awards.. So what's the first lesson I shared with you? You have five seconds..

- [Carmen] It's a marathon, not a sprint.. - Good.. What's your name? - [Carmen] Carmen.. - What's the last rule of the road? - [Man 5] Embrace people-first philosophy.. - You got it man, you guys were paying attention.. Good.. I only had like four awards.. They've all been given.. I'm all yours.. Anything, I know people are rushing, probably they got the things they needed..

I'm here for the next, Tom, 10, 15 minutes or more, to take on any questions.. Throw darts at me.. Ask me tough questions.. It's all fair games, I'm one of you.. I'm gonna have a little bit of water, if that's okay.. Okay.. - [Man 6] As an entrepreneur, what kind of red flags do you look out for when you're going to a VC or an investor, who's kind of starting off .... - So this is for you as an entrepreneur, or for me as a VC? - [Man 6] For us as entrepreneurs.. - So I think, as I mentioned earlier.. If you have codified your mission and values, look these people in the eye and say, are these people aligned with you? Do they believe in your values? Do they believe in your strategy? Will they be part of your team, and watch your back? Go with your gut, not with their brain..

And if you can feel that way, independent of price, make the jump and sign that term sheet.. - [Man 7] So, define missions and values? I get the values part.. On the missions one, doesn't the mission change often times for these companies? - I think there's difference, and I'm not a business school professor, there are three things, four things I tell companies.. There is a mission.. There is vision.. There is values.. And then there's strategies.. 3M, does anybody know what 3M stands for? It's one of the most successful companies.. - [Man 8] It's Minnesota, Mining, and Manufacturing.. - What do you think is their mission? - [Man 8] Just to ....

that makes lives simple, legal.. - That's it.. It doesn't matter which category they enter, that's their key thing.. Lyft today's mission is to make people's lives better, to providing the best transportation.. They didn't say, we'll only do ride sharing with people.. They're thinking of autonomous, one day they might be flying cars.. So your vision and strategies can change, but your mission is something which is core, which is more than your basic product.. So keep that in mind please.. (applause and techno music)..