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Entrepreneur Tracy Young and Doug Leone, global managing partner at Sequoia, discuss the nature of a harmonious relationship between a startup's founders and the VC firm investing in them. Young is co-founder and CEO of PlanGrid, which allows construction managers to oversee projects via their device. She and Leone speak with Toby Corey, a lecturer in Stanford University's School of Engineering.



Transcript

(audience clapping) - All right, you guys.. So, Tracy, let me start with you.. What's PlanGrid? - PlanGrid builds beautiful, simple, effective software for the construction industry.. We emerged from Y Combinator's winner 2012 batch.. And we partnered with Sequoia and Doug joined our board in May of 2014.. And today, over 500,000 construction projects have been built with PlanGrid.. From the smallest kitchen remodels to the largest projects in the world.. And, we're the number one mobile construction software on appstore, on Google Play.. On Microsoft Windows.. And Apple actually named us one of the top 10 enterprise apps of 2016, I don't know if you know that..

Which still blows my mind.. - So, I can feel your passion.. And you seem to love what you do.. - Yeah, most days I love what I do.. I do.. - All right, so in the past, you've advised entrepreneurs to fix your own problem.. That's an interesting statement, what'd you mean by that? - Fix your own problems, I think the first step, is to make sure we've prioritized the right problems.. Something that has worked for us is we sort of, cause as a startup, there's just this barrage of problems that are coming your way.. And we only have so much resources and time.. And so, our big task here is to make sure we're working on the right problems..

I like to sort of think out a little further.. And our team does, too.. Like, if we don't solve this problem, how bad is it gonna be six months from now? Is it going to become 10 times worse and it's gonna completely come back and bite us in the butt? If so, we should probably solve it right now.. - Fantastic.. Doug, have you seen this type of mindset from other founders, what's the common element that you see here, what did you find so unique and compelling about Tracy and PlanGrid? - Well, I think the very first thing I'd like to say is how bad 1988 sounded.. We have to kind of strike that in the future.. What we found is a few things.. First and foremost, what we saw is a company with 20, 25 people, with no sales people.. With revenues coming in.. All the employees with sales people and they were answering the phone..

And that is so unusual, because when you start a company, the toughest thing to do is product market fit.. If you can do product market fit, we can help you do everything else.. Imagine a world where you don't have product market fit.. What can we do as investors, as partners? So we had that.. And then we just saw something else and that is, we had a founder who solved a problem she had in the business.. And let me give you a whole bunch of other cases.. It's a lesson to you if you're gonna start a company, solve your own problem, I'll give you just four or five example.. The founders of Airbnb, Brian Chesky and Joe and Nathan.. Needed money.. They rented a room in their house..

And that's how they found that market, they solved the problem they have called cash flow.. The founders of Zappos couldn't find a pair of shoes.. The founders of Medallia, which is an enterprise company.. Probably one of the best private companies in the market.. They understood the mismatch between customers and vendors by being very unhappy customers at a hotel in London.. And yet, the hotel kept on using them as references.. Closer to Stanford, the founders of Yahoo.. Jerry Yang, there's a building named after him.. Couldn't find anything in the Yellow Pages, they solved the problem for themselves, they just happened to be a proxy for the next million people.. Or the founders of Sysco system here at Stanford, again..

Trying to network the campus networks.. And so, key number one, a little message, if you want to start a company, don't intellectualize some crazy stuff you know nothing about.. Solve a problem you have.. And there's a chance, that if you're up and coming and you're in the right circles, you go to the right schools, that that problem is just, you're the beta site for the

next five million people.. Tracy was that beta site.. The other thing that was saw, though, was a very passionate founder.. Domain knowledge, solved their own problem, committed, authentic.. Those are the ingredients that we look for when choosing a company with whom to partner.. - Doug, how did you first meet and tell me about what that process was from that first meeting, to an initial investment.. - So, we hired a young associate..

That, not only had he started a company right away out of college, out of MIT that he sold to Twitter, so by the age of 25, 26, he started a company, sold it, understood a few things.. But the thing that caught our eye, he had won 600,000 dollars playing online poker at MIT.. And he parlayed that in two seed investments.. And, suddenly he was an investor in four or five companies before joining Sequoia, that we were all interested in.. And so, PlanGrid was one of those companies.. He had a great nose for investing.. And so he made the introduction.. Of course, we weren't the only company that Tracy was talking, the only firm, I had to drive to San Francisco twice.. She did a whole bunch of references.. In fact, for my Christmas present, she gave me a little card that's on my desk of all the feedback she heard on the market..

On Doug Leone and Sequoia capital, just to keep me honest.. - Doug has a resume, believe it or not.. His resume, if you're Doug Leone, is a sheet with CEO and founders names and their phone numbers.. - So it's call anybody, basically.. And I'll tell you, the last two or three times, we've lost money.. Because the real measure of a partner, is not when things are going great.. The real measure of a partner is what happens when things aren't going so great.. And so I just put them all, just call anybody.. Go for it.. And she did her homework..

And we were fortunate enough to be chosen.. - That's fantastic.. Now, one of the things I'm sure you've seen is this, relentless resolve, ability to solve problems.. That focus I think, you came into some very early adversity.. I believe you had three of your four founders parents who were diagnosed with cancer and one of your founders unfortunately passed away.. How did you get through all of that? - I think the problems of genetics and biology and disease, accidents, the challenges of aging, affects all of us.. It's just unfortunate that this incredibly tragic thing happened early on in PlanGrid's life.. Life doesn't stop just because we're trying to do the hardest thing we've done before.. It's not gonna stop for any of us.. Antoine was diagnosed with cancer at 27..

And it's totally unfair.. It's complete chaos, right? When he passed, a month before his 30th birthday.. It was really hard on us, how could it not be? We were trying to get our product out to market, we're busy hacking, talking to users.. And I remember I turned the corner in our hacker house in Sunnyvale and I'd find one of my co-founders just sobbing quietly in the corner.. And this would go on for months.. As humans, we always find a way to cope.. We cry, we mourn.. We build these shields around our hearts to protect ourselves from anymore pain and hurt.. And then eventually we find beauty in the world again.. And we find beautiful distractions..

Delicious comforts and we're able to ease some of that pain and be able to open up our hearts again.. And so, for the founders of PlanGrid, at that point, we sort of asked ourselves, we have this one, precious, short life, to live.. And we thought that if we could build a tool that makes construction just a little more efficient.. We could probably make a good dent in the world in a really impactful and good way.. And we're also incredibly egotistical, we wanted to build a company that, we wanted to build a good company, we wanted to show the world that this is how you build a company.. Responsibly, that takes care of our employees.. And builds undeniable value for our users.. And is a good business within a community.. And so we took all of that hurt and we took all of that pain and we just fueled the company with it.. Because it was our privilege to do so..

- That's amazing.. Did you have outside help, is this something that you and the team just sort of came together to work through the bereavement period and how to keep things focused through this massive chaos and unplanned serious of events? - So it's already hard enough to like live in a house together with your co founders and working around the clock.. Part of this process with the dying co founder is, there's hospice out our house and Antoine was coding to the last days.. His code is still live in PlanGrid today.. It's actually quite incredible.. We've never seen someone get eaten up by cancer in front of us before.. And it's like so frustrating because you're feeling all of this like pain and horror and there's nothing we can do about it.. You know, our families were over a lot.. Antoine's family was over.. We had care, so..

- That's amazing.. Now Doug, I'm sure you meet with lots of entrepreneurs.. Probably look at lots of business plans, get lots of emails.. I'm sure you see this common thread of this incredible focus and this resolve.. How do you vet that out, that's obviously a common element.. I'm sure you find that with everyone.. How do you find that out, how does that character attribute surface and what's that process like? - The process has many flavors.. Imagine someone coming to you with an idea and no code.. There, you look for clarity of vision, clarity of thought.. We had the luxury, with Tracy and PlanGrid, the fact that there were sales incoming..

And that's a heck of a data point.. But then, Tracy had to, show us any way that she could go from a terrific founder, that she had the ingredients to become a terrific executive and CEO and leader of the company.. Because our best, partner companies are the ones where the founder takes them all the way.. When you lose a founder, you lose the soul of a company.. And so you want to make sure that at least one of the founders can take on.. And I always remember the meeting at Sequoia capital.. And look, we're a friendly place, but we also know reality.. And we know when people come to Sequoia, they take that quite seriously.. And so we go out of our way to make people feel comfortable.. Nobody has their iPhone up, nobody checks email..

We're as welcoming as can be, but it's a pretty important day.. And I remember the presentation.. And Tracy up there.. Look, I knew she was nervous.. But I also knew she held it in.. They say, "Hold your water." kind of thing.. She held the water and she delivered like a champ.. I remember that.. And we all came outta that meeting and said, "This founder has it." And so, she answered for us.. How far can this founder go? It was pretty clear to us..

She had the courage, to go all the way.. Because starting a company is really the tough thing.. Everything else is kind of mechanical en route.. Building a company, it's not easy, don't get me wrong.. But that doesn't require genius levels.. Starting a company is at the genius level.. Running a company requires courage, dealing with personality, lots of IQ, can you recruit? And those kinds of things.. But it was clear to us, right after that meeting, and it wasn't a long conversation.. I'll admit it to you now, I don't think I ever told you that.. It was a 15 minute conversation..

Clearly, when we all say yes, to an investment, we check ourselves.. Whoa, whoa, whoa, whoa, whoa, there's too many yeses too quickly.. It was one of those things, everybody wanted to be an investor, everybody wanted to be a partner.. Plus, she came with a co founder.. That had complimentary, kind of skills.. She knew construction, your co founder was from Pixar, if I remember correctly.. who had the coding experience, the graphics and we thought that was a match made in heaven.. it was more heaven than we ever thought, because that was her husband, so it was really in heaven.. And the next thing, became how can we convince them, to choose us? And so that was kinda the tough part for us.. - Is it true that, the only heart you've ever put on a term sheet was our term sheet? - I put a heart? - Yeah..

- Really? I don't know what to say, because I don't remember putting a heart.. If I put a heart, I don't remember putting a heart.. - I'll send it to you, got a copy.. - Isn't that nice? (audience laughing) - You actually told me, you were like, "I've never put a heart on a term sheet before, and this is how I feel about you guys." It worked.. - I have a reputation of being, a little tough.. But I'm tough when things go well.. And you'll know when things, and things have not always gone swimmingly.. But you never felt a load of pressure.. That time is, how can we help her, can we solve the problem? It is not adding stress.. It is incredibly difficult and stressful to run a company..

The last thing you need, is a partner who adds any stress.. So we like to remove stress and help.. If I put a heart, that's gonna ruin my reputation.. - All right Tracy, so.. I'm kind of astounded that you have this ability to attract incredible talent, talent's everything at the end of the day, right? It's a massive talent war here in Silicon Valley.. Even at a global level.. You've got these super sexy companies, Airbnb's of the world, et cetera, et cetera.. And slack.. How do you recruit for a construction company? Cause obviously you've been really successful in doing that, what's the magic? - Something like 20 percent of PlanGrid comes from an architectural engineering and construction background.. So by the time we meet them, they sort of understand the problem that we're trying to solve and what we're trying to do..

And so that means the other 80 percent does not confirm a construction background and so there's a lot of selling to do.. I think we've gotten better at it over the years.. We've had six years of practice now.. Of selling our company and the company's evolved.. It's much more compelling to sell.. But I think there's three things that we try to do when talking to people that we want to recruit.. Number one is explaining in an incredibly clear way, the problem that we're trying to solve.. And why it's so bad of a problem.. Number two, why our product and why our company is going to be the leader in this space.. What we're doing today, that makes it the best product and what we're doing tomorrow that's gonna keep us ahead of everyone..

And three, helping them understand the market size and how big the opportunity is for their careers.. Because that's all we care about at the end of the day.. It's what's in it for me? If we can nail those three things in a conversation.. It's a good thing.. - Fantastic, now.. Lots of budding entrepreneurs out here.. Recruiting is the toughest thing.. How have you been able to assess talent? I'm sure there's many more people that wanna work there that actually end up getting to work there.. What are some sort of things to look for? What are some pointers that you could give some folks out here thinking about starting a company or maybe joining a young startup? Of how to assess talent? - I would say that, past experience and what they've built in the past, is a good indicator of what they can do at your company.. Especially looking for leaders..

Early on, when we were, less than 100 people, we were sort of looking for people who had built something before.. And who had taken projects to the finish line over and over again whatever that might've been.. Now, we need people who are experts in their domain and so we definitely look for that experience.. Yeah.. - Yeah, very good.. So Doug, there's a little bit of an opportunity to do a commercial for Sequoia.. We actually had a discussion in our class on Monday, do you take VC money, do you not? So overall, what are the advantages of, when you have an opportunity to get an institutional investor like the likes of a Sequoia, to make an investment.. What could an entrepreneur expect from the type of interaction, what does a board member do? Talk a little bit about that experience.. - Look, I think the role of a board member changes as the company evolves.. Let me take you to the endgame and let's go back..

In the endgame when you've got a successful company, the board member does not help you in anything operationally.. They'll help you in strategic issues and so on.. That's when you've made it and you're a large company.. And now, why don't we take it back to one person starting a company.. The very first thing we will do is we'll help you to recruit a few world class engineers.. Because we know, unless you start with world class, you're only gonna come down.. If you miss on your first two engineers, it's very tough to recover up.. So we'll help you do that.. We will help you through the reputation we have.. Recruit

people that may not necessarily join you in your dream, because even though you're the best sales person and you're a great founder, you really don't have very much..

And so they find some comfort in the fact, folks like us are around.. It doesn't mean we don't do any of the important work.. They do the important work.. The last thing I'd say, is break away from conventional thinking.. There's a lot of people here, there's a lot of tourists in our business.. That have come and gone, they've made a few dollars.. They have a million dollars to invest, here.. And maybe they can help you with the Rolodex.. But we have 45 years of institutional knowledge.. And I will tell you that, most great companies don't need venture capital, or most great founders don't need us..

But, if we can help you get away from making one mistake.. Recruit the right person a year earlier.. give you another 10 percent of growth through some other decision.. Maybe not break a leg in a pothole.. If we can help you do one or two of those three things, that could make the difference between being a great company and a spectacular company.. The other thing is, we know that every great company has always had, the crazy looking acquisition offer.. And, recognizing when the business starts working, we've seen it now over 250 times.. They surprise you on the upside.. In many cases, we helped stiffen the backbone of the founder saying, "It looks like a great offer, but is it gonna look like a great offer two years from now?" So those conversations, playing a bit of the devils advocate and not adding, as I said earlier, an iota of stress.. Are very important, the other thing you mentioned..

How can you recruit? I'll say two other things.. It helps to recruit when you've got terrific numbers.. Somebody else can sell you a dream, yes we're gonna be the Snapchat of the next generation.. But we have something else.. We have rapidly growing revenues that you can point to.. Great gross margins that you can point to.. So those really help to recruit.. And then the education of breaking down a market to explain, hey, it is not a one billion dollar market we're chasing, it is a 15 billion dollar market.. Therefore, the opportunity to build a large company.. Getting the thought process and the recruiting system, is what makes the difference..

And then, the last part.. Is the skillset of the CEO.. So, we hired a vice president of sales, we dated way above our grade, we got something we had no right to go get.. An employ number 40.. The first board member I put in front of Tracy, was the former president of sales force.. I will tell you, when I made the intro, I would not have forecasted that Tracy on a one on one meeting would have been able to land him as a board member.. I got a call from George Hu right after meeting, "Super pumped up, I want to join this company." I almost looked at the phone.. "Oh, terrific!" Then, the former president of Autodesk, Carol Bartz.. She's a hitter.. Guess who recruited Carol Bartz? I may have said Carol Bartz, but it was Tracy and the team..

So it's that ability to tell the story, to recruit, to share the dream, to use the we pronoun.. That great founders do.. - Fantastic.. All right, Tracy.. I think it's been five years in the construction business.. Before that, you were in school.. Then you went to a CEO.. How did you do that, what skills did you acquire along the way, what gave you, first of all, the resolve to actually make that huge leap forward and take that massive risk? And tell me about being a CEO.. - So I'm trained as an engineer and I think as a founder there's just so many problems to solve.. Actually, our skillsets translated nicely, into being the founder of PlanGrid..

Five co founders were all engineers.. Two construction engineers and three software developers.. And so we sort of look at problems in our challenges and we just slice them up into smaller things that we can tackle.. And there's this funny side effect that happens, if you have any success at all as a startup, especially as a first time CEO, it's that I am constantly in the biggest job I've ever done before.. And so surrounding myself with people who can shore up in every way I'm weak on was key to my ability to being able to do the job.. Having four other co founders to help take the load.. Now we have, our executive team is quite awesome.. I'd go to war with them, any day.. And in a lot of ways, running a company feels like we are going to war.. and so, making sure I'm surrounding myself with people that I can learn from..

People that can lead and they are sort of my medium to lead the company through.. I think we are the average of everyone we surround ourselves with.. And then there's also this, this need to understand that if I don't grow, I won't be PlanGrid's CEO a year from now.. And so, I have to believe in myself and I have to make the effort, however painful it is to grow as an executive, to grow as a CEO, to grow professionally, personally, to dive into areas I don't understand at all and try to become an expert at it.. And so there's this, this need for change and growth and it starts with acknowledgment.. I think I would've been, an okay or decent CEO for six to eight months ago.. And so, just constantly working at that and I think it's the will and whatever it is we're trying to grow on.. It's like a muscle.. it's like running, you run enough, you can run 10 miles.. You do enough pushups and however shaky and painful it is, you're gonna be able to do that 15 pushups, in a few months from now..

- What does a typical day look like for you? Where do you spend your time? What do you think about? - I think about PlanGrid, constantly.. So, I like getting up early, because our clients are up early.. so I'm up by six o'clock.. I like to look at my emails, drink coffee at seven o'clock.. Seven to eight to night, it's nice to crush those emails, just because I can actually think.. And then it's a series of meetings, I spend a lot of time with the executive team.. I spend a lot of time with the projects that are our priorities for the month, for the quarter.. And then, I probably spend about, 20 percent of my time right now, which I'm trying to cut down on, just visiting our remote team and being with them, meeting with clients, meeting with customers, understanding the market.. And then just supporting our remote team.. - How do you manage work / life balance? I know it's always a, a brutal thing for a young company, a CEO..

- I suck at it.. - Yeah.. - I meditate a lot now.. And that helps.. - Yeah, okay.. Tell me about the culture.. Did it sort of just naturally and organically materialize? talk about your culture and how that developed.. - I would love to hear your opinion on our culture.. So, I think out of all things we've built at PlanGrid, over the last five, six years.. I'm actually most proud of the culture that we've built..

We're sort of this team of incredibly hardworking people.. We like to nerd out on whatever we like to nerd out with.. And it might all be different, but we like building things and we especially like building tools for someone of the hardest working builders in the world.. We care deeply about fairness in the world.. Respect is our number one core value.. And, we actually live it.. It's a good culture, it's a good, happy place, I would say.. but I would like to hear your perspective, cause you see companies.. - Yeah, I'd say, look, it's a healthy culture.. Just for completeness sake, when we came across PlanGrid, it was a happy culture..

It was, I'd say, it was a happening more than a company.. Forty people, all reporting to the CEO.. - [Tracy] To the founders, at the time.. - Which is cool up to a point.. But if you're gonna grow the company.. And I don't want to get into conventional thinking, but you need a little bit of structure, you have too much structure, you suffocate.. These incredible, fragile environments early on.. And so, shift one, we needed to, while not breaking the goodness of the company, Tracy, not we, we didn't do anything.. Tracy had to inject some level of accountability.. And some people just don't like that..

And most of the people can make an adjustment and some people like it when it's, "Hey, I'll do whatever I want." And so on.. So that was shift one.. Shift two, we missed on a VP marketing twice.. But we didn't miss in any of the other executives.. Our VP of engineering is out of Google, talk about recruiting.. But he came in, it took us a year and a half to find the VP of engineering.. And he came in to an engineering organization, that was loose and they were starving for leadership.. But that had to change, in order to be more productive.. But, they knew it.. And they were welcoming..

It wasn't one of these things, "Oh, no, the Google person's coming." So I think, the culture has shifted.. I like respect, I think that should be way up there.. My number one thing is performance, because if you don't have that, you don't have a company and then everything underneath goes away.. But I like respect right up there.. But you always want to take the goodness and you always want to change and evolve.. I think that the building of a company is the constant evolution of that company.. And the constant growth of people.. And most people will continue to grow.. Once and a while you lose some, because they don't want to, they're incapable.. And then you hire some more people that can do that..

So it's a dynamic entity, that changes through time.. And it must change through time, because every day's different.. - Yeah, I will add, that on a very practical and tactical level, having recruiters that just filter out, like the people who wouldn't have been a cultural fit has been key for us in our ability to maintain our culture.. And you're right.. As more people come in, the culture's dynamic.. But I would say that, whatever was important to us five years ago, is still important to us today.. And our recruiters have done an amazing job.. At making sure that by the time our managers meet these candidates, they're just a cultural fit.. - [Interviewer] Yeah, awesome.. - Write your values in pen..

And your strategies and your tactics in pencil.. - All right, so.. - Write your values in pen.. And your strategies and your tactics in pencil.. Values don't change.. Yeah.. - So, we'd all like to think we're perfect.. Some hires, maybe aren't the right fit, but.. First question is talk a little bit about when, maybe an executive, you have to have a difficult conversation with them.. Maybe the performance isn't there or there's something else..

That's always really hard, one of the hardest skills as a leader.. How do you go about doing that? - Yeah.. We're always told to, fire the wrong people fast, but we never want to be in a position where someone's surprised that they're getting fired.. Setting the right expectations is key.. I've certainly made this mistake many, many times before I learned it.. Just having a clear understanding and agreement on what we're trying to accomplish together.. And actually, it's so funny because it's the same thing in construction.. I worked for a general contractor.. And so you sort of always want to make sure that your subcontractors are agreeing to what you want them to do.. And you have that commitment and you know, hopefully have a good record of where all the stuff is, because our memories are incredibly selective and fragile..

And just checking in and asking a lot of questions.. - That same question, maybe on a little bit broader level.. You're dealing with folks that are CEO for the first time.. Not a lot of real world experience.. There's egos at play, there's a lot of psychology at play.. Where's that balance when, the company's not performing.. Delicate conversation, how do you sort of guide that? And have those types of conversations that don't derail or demoralize or end up having a negative impact, how do you do that? - Well, there are many reasons why a company may not work.. Take the notion of, you threw a party and nobody showed up.. Meaning you built a product, and there are not customers.. And my always take on that, who's gonna get us outta that pickle? Am I gonna get you outta that pickle? If I were that smart or that capable, I would've been a founder..

And so to me, that's when you double down, on founders.. They're the only hope you have.. Their execution challenges, there's always lack of experience with founders, but that's where we come in to help recruit executives.. To help surround founders with operating people that have built businesses.. So you can go have dinner, you can go have lunch.. I can tell you, I'm probably not the first call, you make on an operating issue.. Even though I'm known as having operating know how.. You probably call George or someone like that, which is fine by me, just call somebody.. And then you have the extreme case.. The

extreme case where it gets really tough, is where the five vice presidents, come to our office and say, "Can't work for this person..

It's either he goes or she goes or we all go." Those are the tricky situations.. And you hope that those are the rare cases.. Look, it's happened to me, I've been in the business for, 1988.. It's only happened twice.. In that case, it's a very unpleasant choice.. Because you know the founder is the soul.. You know you're not gonna recover from that.. You basically are not.. And so you do everything you can to take this most talented people in the building.. And make sure you put them in a position to succeed..

And that's the best way and that is try to nip these things in the bud, pay attention, don't be an absentee board member.. Don't be a pontificating, let me give you the look of a pontificating board member.. They have this look, "Have you thought of?" They don't know anything about anything.. And so it's just get involved, ask the questions.. and help to recruit the right people.. And right now, if you look at our management team, the VP of engineering from Google, terrific.. The VP of marketing, wonderful.. The CFO's taken the company public.. The VP of sales, wonderful.. Tracy has an easy job..

Just kidding.. Look at the look I got.. (laughing) Shows you how tough she is, she gives me the look, the bull look.. - Now follow up to that.. So now, an average exit is nine to 11 years.. That's a decade, how much weight do you put on the idea, versus the founders, knowing you're gonna spend a decade with these people.. And what attributes do you look at? And sort of what advice would you give this group in terms of the personal side of things? - Look, I remember back five, 10 years ago, before many of you were here.. There was the debate, is it better to have a great market or a great founder? Well, let me tell you.. Great founders find their way to great markets.. The two are interrelated..

They're absolutely interrelated.. If you have a great market and you don't have a great founder, you don't have anything.. And so to us, it's a package deal.. It's a package deal with a real understanding of what the market potential and the willingness to dare to dream with the founder.. To say how big can this thing really get? I can tell you, take many cases.. Take Airbnb, imagine they come to you the first time, now it sounds commonplace.. Will you rent a room in your house? You would not think, two sided, global monopoly.. Those words wouldn't come from rent a room in your house to two sided global monopoly.. But that's where, you have a little bit of vision.. A little gets done, the vision gets brought..

And it's the same thing with PlanGrid, we have product one.. That I gotta stow in the market.. We have a long way to go there, but now we see a clear vision, how this can be a big thing for product two and three.. For, if you will, world domination.. So you have a terrific, big company.. It's the same.. - All right, Tracy, we all know this.. No plan ever works the way you draw it up.. Welcome to the wonderful world of startups and entrepreneurship.. Tell us a little bit about some of the things you either miscalculated or had wrong..

And what you learned through that.. - It's gonna be a two day conference.. So the biggest mistake, oh my gosh, we would try to be so clever.. You sort of hit on it earlier.. When everyone sort of reported to founders.. we grew ourselves from five co founders to something like 30 people.. And we had this flat management structure, this was by design because we wanted to be so clever.. And we said crazy things like, "We're never gonna hire MBA's, rawr!" Why would we ever say that? "We're never gonna hire sales people!" Just like, we're not gonna be the Redbull drinking, gong hitting, kind of culture.. Oh and by the way, we're never gonna work with VCs.. And I think that's just from a lot of us, most of us grew up in the bay area..

And we were like in high school or in college during Y2K, so we had this like distorted view of Silicon Valley and venture capitalist.. Which was we thought all of them were evil.. we've since found that, they're not evil.. And we've partnered with actually a great one.. But we just wanted to be so clever about the organizational structures, we had this flat management structure.. And we would boast that we're running PlanGrid like Star Trek, you're either in operations or you're in engineering.. If you're in engineering, you coded all day.. If you're in operations, you did everything else.. Which meant sales, support, QAQC, facilities, just everything that wasn't coding.. And that sort of works at 10 people..

Because you have to make yourselves into like five people a piece to make the startup work.. And then things just start breaking down fast when you get to 20 people, cause communication starts getting a lot more challenging, suddenly you're in a bigger office and you're not just yelling at each other and suddenly people don't really know what they're doing and I remember, one of our employees, I think she was like employee number 20 something.. And she's actually our director of director of professional services now.. She said to me, "What is my career path here?" And I remember thinking.. I was like, "We have so much work to do here." Like, why do you care about your career path? But this is what people care about.. And this is your responsibility as a business, as a company, to take care of your team members.. And so, obviously, that was when you got the call from us, because we clearly needed help on building a company.. We were managing our business off of this massive Google doc spreadsheet.. Where we managed all our finances.. And this is like a three year old spreadsheet..

Where we were managing multi million dollars.. And we'd sort of like look at the final number and then look at what we had in the bank account.. And was like, "Eh, it's close enough, I think the math is right." We needed to go on to NetSuite at some point, but we didn't really even know what that meant.. And so, the lessons learned here, is be creative about the problem that you're solving.. Be creative about how you're solving the problems for your users.. Don't be creative about the business stuff.. There is degrees at Stanford for this kind of stuff.. There's a reason there's a finance team, there's a reason

why you need a sales operations team.. And you guys really helped us build all of that structure over the last few years and it was painful.. - But I wanna add something to that, and that is while you don't want to bump conventional wisdom 100 percent, I will tell you that we learned a ton from founders on how to do things better..

We learned a lot about recruiting from Google.. And so you can always evolve and improve these processes.. The point is, I'll make two points.. Don't just let them all go.. Feel for you to improve on them with your experience.. With your insights, because you may find that you may do something better than the rest of the world does, point one.. And second point, I'd say choose your first partner, extremely carefully.. And it's not the first person that approaches you with a cheque.. Choose that partner because that can make the difference between, raise as much capital as you can.. And after the series A, you find out you only own as the founder, you and the employers only own 32 percent..

Because by the time you do all these seeds.. And they have pro retroactive invested in the next round, it seems like free money at first.. So you gotta be very, very clever.. Very, very selfish with the equity.. Invest in engineers, invest in people that can really help you.. But choose your partners early on, extremely carefully.. - Did you know I was terrified of you? Which is why I called everyone under the sun, which is really strange like, reference checking.. Someone like Doug Leone.. - And what did you hear? - Surprisingly only good things.. (laughing) - Let me tell you, because you have to authentic..

There's a whole bunch of investors here that'll say, "I'm founder friendly." And that's how if you will, they bait.. And I'm very conscious of the word bait.. A young founder who is looking for comfort.. I'm founder friendly.. I'll do whatever you want to do, well, let me tell you, I don't think you want someone who's founder friendly, I think you want someone who's founder focused.. Who's super focused and helping you to succeed.. Later through life, you'll become friends.. And you can go and have beers together, but early on, you use the word war, it's you against the world, you want to find someone who was on your side, who has your back, and was gonna help you win.. That's what you really want.. Skip all this founder friendly stuff that's in the market..

It's bologna and it will not help you.. - Good point.. All right, I don't know if you have a specific example or maybe a more philosophical.. So one of the most important things that all startups go through.. Both decision making and pivots.. So when do you know, when it's time for a pivot, versus like, you're almost there? Some of the key decisions that you've made.. I'm gonna say the same question for you, Doug, too.. At a broader level.. And that's the tough thing, right? I'm not succeeding, but.. If I stay down this path and keep going, am I eventually gonna get there? I just have to keep working at it? I'm probably on the wrong path here, it's time for me to change my decision or make some type of large scale or small scale pivot..

- I've had the opportunity to meet a lot of entrepreneurs over the years.. Through Sequoia, through Y C network.. They're just random people in our space, but.. I'd say that most people don't try hard enough or spend enough time on their problem.. Like they give up too fast.. And they're good problems they've identified and solved.. Although, I'll talk about, there's this moment in PlanGrid in early, like late 2011, when we're about to launch the product.. iPads were sort of this new thing in the market.. Steve Jobs announced it in like summer of 2010.. And certainly in the enterprise and in the construction industry, it wasn't something that had been adopted yet..

And at the time, people were making fun of even the word iPad.. There's like photos on the internet with people talking to the iPad like a giant iPhone.. Totally making fun of it.. And so we would show potential clients PlanGrid and everyone would look and say "Oh, that's really great.. I would love that, but we can't really invest in these mobile devices.. We're not going to, cause no one else is." And so there was this moment where it was like, is the construction industry going to ever use tablets? And so we sort of knew that they were the perfect devices.. It's computing power that we can take out to the field for the first time ever.. And, the co founders looked at each other and we looked at our clients and said, "Well, if you had the device, would you use PlanGrid?" And our clients were like, "Yeah, we would." And so we actually went out and maxed out our credit cards, bought a ton of iPads and at the time Apple had limits on how many devices you could buy, cause they were only manufacturing so much.. So we went in, we'd buy like two or three at a time.. And then we'd go from store to store..

And swipe our credit cards until we had something like 20.. And I remember that night when we went back to our hacker house in Sunnyvale.. It was everything we had.. And they were so valuable to us.. And we were gonna go deliver it to the job sites the next day and I had convinced my co founders that we were totally gonna get robbed that night.. And so then we started shoving them into the kitchen cabinets.. And I remember Ryan had put one like above the refrigerator.. And I was like, "What if it's a tall thief that comes in? They're gonna be totally able to see it." We didn't get robbed that night, after all.. But that would've been a moment where it would've been easy for us to just say, "Well, this is never gonna work." And sort of give up.. And we kept going and it worked out for us..

- Awesome, Doug, same question to you, too, I think that's, always a difficult question.. Airbnb had, a couple spectacular pivots.. But when do you know, when to pivot? And when do you know you're almost there, you need just more resolve? - Well, one of them is when the customer has spoken.. Nobody's interested.. That's a clear signal.. That you're going down the wrong path.. And for those of you wanting to start companies, I will give you a hint, there's unlimited type of demand for a product you have not built, so the simple question, if I build it will you buy it? That is the wrong question.. Cause people will always buy product that doesn't exist.. You have to understand their second order issues in their business.. Why they might, why they may not..

So just take that as a lesson.. But first of all, is when the customer speaks.. And second, when you are trading the short term for the longterm.. That is time for you to reconsider your strategy.. Now clearly, you've gotta survive.. You have to work for tomorrow, think when she needed iPads, she'd need to get through the next day, the next month.. Assuming you have some resources you can last.. The only true north in running a business, is what's the best thing for the business over the longterm? And so if you find yourself making suboptimal short term decisions, that you're gonna pay for in the longterm.. It's time for you to pivot a little bit, maybe not 90 or 180, but at least 115.. But everything else, you want to continue to pound and press and press..

Because, very few companies, I can't think of any, that have had clear sailing.. My partner Mike Morris, two or three years into the Google investment came to Sequoia and said, "We've never paid so much for so little." It shows you how fortunes of a company can change.. And so, it is the founder, it is you.. That are going to zigzag based on new data point marking in addition to your learnings.. But when the customer speaks, then there's nothing there.. Then you wanna pivot fast.. - So Tracy, talk a little bit about, from a methodology standpoint, how you approached the product requirement side of the business, which is absolutely critical.. And the importance of UXUY and how that's managed, my guess is you were pretty actively involved in that part of the business early on, probably still are.. - Yeah, we have a design and product team now.. They're sort of the CEOs of all the products we build..

But you can imagine something like UI is incredibly important for our industry.. Our builders are the most impatient people in the world.. If they have to wait for anything on PlanGrid to load, or if they have to press a couple times and not figure it out, that's the last time they're using our software.. Early days, I think is probably more applicable.. We used to do something called the mom test.. We would develop new features and we'd shove it in front of our mom and dad's faces and just like, "Can you use this?" And if they hit the buttons a couple times and just like, "I don't get it." Then it's like, okay, this is not gonna work.. But obviously we have a team that does that now, they take it out to our beta users and they test it out, before we launch it out publicly.. So it's just getting feedback.. The faster we can get product out to market, the faster we can get it in hands of the users, see real usage in what's happening or what's not being used.. And then we iterate from there..

- Steve Jobs talked about this quite a bit.. In his authorized autobiography and one of the things that I, really resonated with me, but a lot of the times, the bigger decision is what not to do.. So especially in the product managers side, I'm sure there's like massive features.. We need this, we need all these right now.. How do you sort of reconcile that and how do you sort of approach how to prioritize, an unending array of features and we need this and we need that, especially at a company of your size.. That's a really critical thing to focus on, what not to do.. - It's complicated, it's really hard.. And this is why there's a team around this.. We sort of like to think that, if we built out this feature, how much time would save a superintendent? How much time really would we save a foreman and would the whole industry, most of our user base benefit from it? Or is it just a specific profile the project managers would benefit from it? And so, it's all about, what we're trying to do is about increasing productivity in the field.. And so having a clear mission statement, is key here, because it helps us, make the right decisions..

If we're all driving at the same thing, then we might actually be able to move the needle there.. - Yup, okay, cool.. All right, Doug, look into your crystal ball.. Lots of folks out there, in an entrepreneurial endeavor, thinking about an entrepreneurial endeavor.. Where are the good places to focus and what advice would you give an audience member? - What advice would I give? Don't listen to anybody who tells you no.. Stop talking and do something.. Don't tell too many people what you're planning to do, don't join the bar circuit and share your secrets, an incredible thing in your early days.. Because keep in mind, your advantages, stealth and speed, you don't have any other reason.. And your brain.. And so keep your mouth shut..

Say less.. And just go for it.. Those would be my advice.. - All right, last question for both of you.. Tracy, you first.. If you could go back in time, what would you tell yourself, at 19 years old? What would you tell your 19 year old self? - So I wouldn't want to tell myself anything that would alter like my life today, cause I'm incredibly lucky to do what I get to do.. And it's actually a spectacular life, so I wouldn't want to change that.. But, I'm 32 now.. And when I think back at my twenties, I can actually remember it, very clearly.. It feels like it just went by like this..

Which is incredibly scary.. And so, it went by so quickly.. - I almost hesitated asking that question, I'm wonder if she's even 19.. - Oh, thank you.. I think that, because it went by so quickly, I wish that I was more present.. I think the most meaningful moments in my twenties, were probably the deep connections that I built with my colleagues and my friends and my family.. Just being more present in the moment.. Because everything else, so much of what we do is just planning for the future and solving problems and so we live in our heads so much.. But that just really added so little to the quality of my life in the end.. - Very insightful..

All right, Doug, if you can go back 10 years and talk to your 19 year old self, what would you say? - At 19, I was thinking, that's 1857.. (laughing) I'll just keep it brief.. I would tell him shut up.. That's what I would tell myself.. Shut up and think more.. Think more, if there's a wall.. Or the door, don't assume the only way past the door is busting that door through it.. Maybe there's a clever way you can go around it.. And I wasn't that clever back then.. - Awesome, that's fantastic..

Tracy, thank you so much, this was an incredibly insightful talk.. Doug, thank you so much, likewise.. It was a lot of fun.. Let's give them a round of applause.. (audience claps) We've got about seven or so minutes for Q and A.. I'll let you guys pick

who you like.. - [Man] What are you reading right now? Your colleague Michael Morris, he wrote a wonderful book Leading.. Are you planning to write a book? - No.. I don't have the gift that Mike Morris does.. I'm reading a book called Homo Deus right now..

- [Tracy] Me too, Doug.. - Oh, see? Homo Deus, don't ask me who the writers are, I never remember.. - [Man] You do so many things, you teach, you mentor.. You opened Sequoia, do you do so many things to save tax? Or you don't want others to work? - To save tax? No, no.. It's, look.. We thought in 2005, we were gonna head to a globalized world.. And we decided to go into those geographies.. And now we have 300 companies in China.. 150 in India.. And I will tell you, by 2010, my partners were looking at me and say, "You're crazy." And I told them..

"You can take me out, I'll remove myself, it was a mistake.. And hang it under my neck and Sequoia can go back to being a west coast investor." By 11 or 12 those questions were out and right now, every company we see has global ambition very early on.. So it was a courageous bet we made, maybe a silly bet.. But we called it right.. - [Man] Hi, first I just wanted to say thank you, it was a fantastic talk.. My question pertains the use of the first buyer.. How do you draw someone to a company, that very first engineer when all you have is your founding ability, a little bit of money behind you and not much culture, cause it may be only three or four people at the company? How do you convince them to come on board? - I would say, probably the first 10 employees were people we had worked with before.. And so just going back to the people who had worked incredibly hard with us, being able to recruit them to the team.. - There's another way.. Sell your ass off..

And I'm not kidding, just show them the vision and pound, pound, pound, sell them.. Be relentless, don't take no for an answer.. - And that's true for employee number 300, as well.. - Just sell, sell, sell, show them the vision, bring them in attend.. Get them pumped up about changing the world and a great line I have, I tell people, yes, you can work at Google, it's terrific to work at Google.. But there's nothing you can do that's gonna change the price of that stock by one 16th.. And if that's what you want, that's great.. If you want to work for someone that has a chance of changing the world, where what you do can actually make a change, then come on board.. It's that reality, it's not a sales line, by the way.. It's reality..

And some people will say no and they'll self select.. And those are the ones you don't want.. - I also think it's important to be generous with equity early on.. Just look at them, are they going to add one percent more to the company, then they probably deserve that.. - Anyone else? Yes.. - [Man] In your journey as a founder, CEO, that you had to go through personal growth, professional growth.. Can you share some unconscious competence that you came across about your own capacity that you found you were really good at that helped you navigate through all these changes as you grew the company and grew yourself? - I think over the years, my pain tolerance has just gotten higher and higher.. So much of running a startup just feels like... - It's not due to me, by the way, I wanted to make sure.. - Sometimes..

It sure feels like we're getting punched in the face over and over again and then at some point it just like, you're just standing up and you're still taking these hits.. And so, the ability to manage our emotions I think that's probably the most challenging part, is that there's bad stuff happening all the time.. On the personal side, on the company's side.. And our ability to just like, take it and then wake up the next morning.. Start a new day and just march forward.. Without letting the past hinder us is, really key to our ability to staying alive as a company.. - Yup.. - [Man] We're an Austrian startup doing construction as well so maybe could we meet up and like talk? - We would love to talk to you, yes.. - Yup, back here.. - [Man] How does Sequoia think about defense ability in hardware? And whether that exists or doesn't, in what way it does? - It's always tough when you've got atoms..

For the fence ability as you know.. But, what the fence ability means.. It's not just IP.. It could be, first to market.. It could be a 90 day advantage.. It could be known, it could be the fact that your company's known as the company that.. Does something.. It's quality of execution.. It's getting, it's what I call, pixel beauty.. Meaning, think of how beautiful, the Apple products are..

Now, they have software too, but that's beautiful hardware.. And it's amazing no one has really replicated that.. So it's possible.. And let me tell you what it's not, unless you're in health care and you're in deep tech, it's not patents.. It's wonderful execution of a beautiful product.. And getting there early and building and I don't want to use the word brand, I'm trying to stay away from that word, it's a dirty word in my mind.. Cause it means spending a lot of marketing dollars.. It's just getting it in the knowledge base of your customers that if you're serious about buying a product, this is the product you want to get.. So it's possible.. - Doug's absolutely right..

I know it's an enigma, I'm an executive at Tesla.. Living proof, right there.. Yes.. - [Man] When did you realize you needed VC? All the money you have so far was from boost dropping or? Did you have any other kind of investments? - Yeah, so we raised a small seed around I think, May of 2012 after Y Combinator's demo day.. We actually never spent that, we wanted that in the bank and then it's nice when you create real value for your customers, cause they're willing to pay you real money for it.. So we went that way up until May of 2014, so quite a long time without talking to any investors.. Again, things were just clearly not working and it was clear that, there was all these copycats on the market and we needed to grow a field team, we needed to grow a sales team and we didn't know how to do that.. And so, we went to the folks that knew how to.. And convinced them that we were worthy of a company for their investment.. - And keep in mind, they do all the work..

It's really amazing, they do all the work.. All we do is plug in a little piece here and there.. But they're really the horses that run.. And just an introduction, the ability to recruit one executive.. Really helped the company for the next two years.. And we didn't have to do very much of it.. But the right executive.. Not someone that'd run off two billion dollars in sales.. That person's an administrator, he's no longer a soul.. To find the right level of experience for this kind of company, bust conventional wisdom a little bit..

Maybe joins because a little bit of Sequoia brand.. Certainly because of Tracy.. Just doing that and then you step back.. And wonderful things happen.. And we don't have to do very much.. They do all the work.. - Last question, yup.. - [Man] This question's for Doug.. Where have you seen, co founders that come out of undergraduates succeed and where have you seen them not? What do you think are the underlying reasons why? You see people that are friends, that go to school together and not succeed.. - Look..

I think Evan Spiegel came out of Stanford.. He was raw.. Just thinking, the Airbnb founder came from RISD.. From undergrad.. Stripe founders, I don't think there is a, I don't think there is, a certain path one way or the other.. It is the founders that are engaged in the world.. And just, look.. Some kids are terrific student, just reading and studying the books and that's what they do.. And then when they get the PhD and maybe they'll solve the next great algorithms they can be great founders.. But the founders that are undergrad, are founders who have managed a huge network..

Yes, they go to university, but they also build a network of people, they ask a lot of questions, they know what's going on, they know about business more than I've ever known about business when I was an undergrad.. They know what's going on in the world.. And so that would be the issue more than, a personality traits or what succeeds and what doesn't.. Who are the ones that are aware of the world around them and have built a passion in one little area? - Let's give a big round of applause.. (audience applauds)..