EPISODE 1128

[INTRODUCTION]

[00:00:00] JM: After working at VMware for 10 years, Jerry Chen developed an expertise in technology companies. Today he works at Greylock where he looks at deals in the infrastructure and developer tooling space. Jerry is an expert in go-to-market strategy and makes investments in technologies that have a good chance of becoming large and profitable businesses.

In today's episode, Jerry and I talk through the dynamics of modern infrastructure investing, including examples of deals such as Chronosphere and Rockset, both of which have been featured in previous episodes of the podcast. Jerry gives his perspective on deal terms, board dynamics and everything else that goes into a smart investment.

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[INTERVIEW]

[00:00:51] JM: Jerry Chen, welcome to the show.

[00:00:53] JC: Thanks for having me, Jeff.

[00:00:55] JM: You worked at VMware for 10 years. How did that lay the foundation for your career?

[00:01:00] JC: I tell all the friends and young engineers come at university to find the best damn company with the smartest people and just go learn and work. And so I think two things. One, just the talent VMware was attracting behind Diane Greene and Mendel and the team in the early days made my career. Because you just understand what a great engineer, a great sales team, and a great pride team looks like and learn from them. And secondly, from a technology and business model perspective, I learned what it meant to build a platform business, which is very rare. I think every 10 or 15 years we see these platform shifts. And going from client server from mainframe or client server to cloud and virtualization clue was a platform shift in the enterprise data center. So I learned all the dynamics of what it meant to build a platform business.

[00:01:50] JM: What was the hardest period of time at VMware that you encountered? What was the biggest struggle?

[00:01:56] JC: In the early days, the hardest thing about VMware was you had this kind of hyper-growth of virtualization as a technology, and there are a million things virtualization could do better. So from compute, clearly it was the start. Networking, storage, security, enterprise desktop productivity, and there are two challenges. One was rank ordering the priorities or which opportunities made sense for the company. Number two was trying to figure out how to dedicate enough resources to make these things work.

For example, I helped launched something called VDI, or virtualized desktops in the early days. And when VMware's core server business was going gangbusters growing 100%, 200% year over year, one of the hard things was, A, getting enough attention on a new business, launching that inside of VMware and accelerating kind of a zero to one a brand new enterprise desktop business inside the company, which means getting engineers, getting product, getting sales. Everyone aligned around a new effort for VMware, because I think all great companies can't be just one product or one market. So what Diane Greene wanted to do early was launch not just its server business, but also a desktop business attesting to that business, or productivity business.

So I think one of the hard parts for me as a young product manager was marshaling all the resources around the company and really testing myself as a leader within the company to get that done. And it wasn't easy, because you could imagine the distractions of hyper-growth, doubling headcount, doubling revenue. It was just an amazing time, but I think getting that done was one of the highlights of my career in the early days.

[00:03:32] JM: You helped launched Cloud Foundry, which is one of the first open source platform as a service. Can you tell me what that was like?

[00:03:39] JC: That was probably a fun second act. So launching the desktop virtualization business was kind of the first act, my kind of [inaudible 00:03:45] to VMware. The second was working for Paul Maritz, and he had this vision of creating a cloud platform that'll be independent of Amazon, and Google, and [inaudible 00:03:56], and Azure Cloud Services at the time.

So Paul hired three engineers that he had worked with in the past, Mark Lucovsky, Derek Collison, Vadim Spivak who were at Google, and the four of us kind of noodled around on what we used to call at VMware layer two, right? The first layer was the virtualization of the cloud layer. What would be a second layer? We came up with this business plan around Cloud Foundry and was going to be this like platform as a service, this middle layer that will be cloud agnostic. And one of the conversations we had was, "Hey, how do we bring this to market? Do we sell it as enterprise software or do we open source it?"

And mind you, this was the early days of VMware. We just came out of fighting kind of the open source hypervisor wars against KVM. And so there is definitely some antibodies floating around I guess open source. But Paul, given his experience of Microsoft knew Windows operating system fighting Linux how open source often has network effects has kind of a winner-take-most dynamics and a first to market dynamics. If you get there first, you kind of get the momentum going.

And so the thing with Derek Collison who was on the Cloud Foundry team and Mark Lucovsky coined it the [inaudible 00:05:08] option. Is opening sourcing Cloud Foundry, which would basically move the valley either down to layer one, the cloud layer, or in VMware's case, the hypervisor layer, or up the stack into the application layer. And in doing so, we would try to gather the ecosystem around Cloud Foundry and make it as wide and open as an ecosystem as possible for more developers.

And so Paul gave us the charge to do this. We ran full speed again and open sourced it. Gosh! I think it's 7, 8 years ago now, maybe longer. And it kind of I think changed the inflection of VMware in a couple of ways. One, it made VMware more of an open source friendly company. This was like one of our first major open source projects coming from a close source software company. Number two, it was moving VMware into a whole different market, this second layer of application infrastructure, which you never played before. Finally, just having a presence on the cloud. So, a legitimate story [inaudible 00:06:08] could run on a private cloud, or run in Amazon, or run in Google, or run in Azure was a strategic move for VMware. I think in ensuing 10 years, they've really taken that strategy and executed very well against in our [inaudible 00:06:23] to kind of be this common layer across all the clouds.

[00:06:28] JM: At a certain point, every major technology company has to compete with AWS at this point. Describe the dynamics between VMware and AWS and how that has evolved overtime.

[00:06:39] JC: It's interesting. One of the philosophies I had as a product manager was I worry mostly about the customers that you're not talking to. Not the customer you're talking to, because a lot of large companies tend to over-serve the customers that are the noises that have the biggest purchase orders, etc., over-serve those customers. And the customers that you don't talk to in the early days were the small engineers and small engineering teams that were on AWS and this nascent Amazon Cloud Service. And that's [inaudible 00:07:08] dilemma where you have these small teams kind of develop on AWS and eventually they grow bigger and bigger and become more significant.

And I think the early days, we didn't spent enough time at VMware talking to the customers we weren't serving. And eventually Amazon figured out this developer static of going directly to developers, an API for compute, an API for storage, an API for networking and really captured the imagination of the developers and [inaudible 00:07:36] was just going to be a major, major platform shift from on-premise data centers where VMware had a leading position to kind of cloud data centers.

Originally VMware felt like it was a huge rival in terms of you had to make a choice between VMware, proprietary software on-premise, or going to AWS and kind of this cloud solution. Pretty soon, I think, as being on the right side of history was are things moving to the cloud? And VMware realized that eventually and said, "Hey, we're not going to be able to build up our own cloud, because just the CapX and the scale require now to compete in the cloud layer is huge, right?

Look at the amount of dollars Amazon, Google and Microsoft are spending. There was no way VMware could actually become a cloud providing their own right. So, look, if you can't beat them and join them, and basically try to use the momentum of the shift to the cloud to benefit VMware, I think that you're doing a great job the past 4 or 5 years under Pat [inaudible 00:08:35] and the team there to say, "Look, we're going to embrace cloud and be this platform for Oracle, Google, Microsoft, Azure and you private data center. [inaudible 00:08:47] them, I think they've done a great job now embracing the shift to cloud and just saying, "Hey, we're going to be the trusted partner to CIOs. We're going to help you bridge from your private data center on-premises to the cloud."

[00:09:01] JM: Very interesting. What's your perspective on modern VMware more broadly? How the company is structured?

[00:09:08] JC: I haven't followed them as closely in the past few years. But what they're done a great job I think is moving to new market. So I think when they acquired Nicira in 2013 moving to kind of the software-defined networking space, they've clearly moved up the stack from computer and storage, which, really, VMware was dominating the early days. So they've moved to new businesses like software-defined networking.

And then more recently, they've used M&A strategically by kind of endpoint security companies and really moving to adjacent markets like security. So I think what modern VMware has done is, one, embrace cloud. And then two, move into new markets strategically like we tried to do with Cloud Foundry 10 years ago. So I think the [inaudible 00:09:49] remains relevant as strategic partner to most fortune 500 enterprises around the globe for that reason.

[00:09:58] JM: What's your perspective on what Dell has done more broadly becoming a sort of conglomerate?

[00:10:03] JC: Yeah. I mean, that to me both as technology investor and technology executive over the past 20 years of my career has been amazing to see Dell evolve both the company and what Michael Dell himself has done in terms of moving from PCs, to servers, to storage. To you to your point, this technology conglomerate holding company of multiple companies. And I think it's a combination, it goes beyond my expertise around what they've done on the financial engineering side in terms of creating value for shareholders through tracking stocks and through taking EMC and VMware private and public again. But at the same time, finding synergies between multiple businesses that you thought weren't interesting or were slow growth and kind of revitalizing it and then becoming this modern day technology conglomerate that I think has a lot of relevance. So, it's amazing to see what they've done compared to some other companies of their same generation. If you look at HP and IBM, which kind of 20 years ago were also in the PC server business, the fates of those two companies versus the fate of Dell. Dell I think has clearly out-distanced those rivals in the past 10 years.

[00:11:15] JM: As a venture investor, do you stay focused on your laying of the early stage, mid-stage companies and do you just think about early and mid-stage venture deals? Or do you scrutinize these kind of big M&A things? Other developments in the larger scale capital environment?

[00:11:29] JC: I think you have to do both, Jeff. I think, for sure, we look at the big large-cap companies for a couple reasons. One, you want to understand what those buyers are thinking strategically. So, Cisco, Dell, HP, Microsoft, from an M&A perspective, from a product perspective, what matters them. Because, one, as an investor, you're trying to figure out which companies you're going to acquire. Or number two, you're trying to find white spaces, right? These companies are going to markets around them that they're going to underserve. And so understanding what your priority for all these large companies from HP, Microsoft, Oracle, SAP, Salesforce, VMware included is one thing that as a venture investor we think about, because you're trying to see two or three moves ahead on and the chessboard.

That said, clearly, what I do day-in, day-out as a venture investor focus on seed and series A is understanding in what the new technologies, the new trends are, the new products are in the market and then trying to pin a path from where we are today to 4, 5, 6, 7, 10 years down the line to make sure both as the investor as well as a board member and a shepherd of some these startups were moving to where the proverbial puck is going so that in five, six, seven years we're in a strategic position to either, A, go public, or B, get acquired by a larger company for a strategic premium.

[00:12:57] JM: Okay. We can start talking about venture now as supposed to your past. Tell me about your two favorite investments in the developer tooling space.

[00:13:05] JC: You have to say all your investments are your favorite investments, Jeff. But focus of the developer tooling space writ large, I say two of the most recent ones are Rockset and the real-time analytics space, which I believe you had Venkat on the podcast in the past, and a more recent one called Chronosphere that I know you had Rob Skillington on in the past focus on centralized observability and high scale metrics. So both of those I think are examples of great engineering teams building deep deep, IP. But also they kind of see the future. They know where developers in the markets are headed.

In the case Rockset, they're saying, "Hey, we got batch analytics, data warehouse, a lot of kind of databases today." But the market is moving towards more real time- information, real-time analytics. And one analogy, I talked to Venkat and Dhruba, the two cofounders there, is this evolution for maybe MapReduce to Spark and streaming. MapReduce is kind of very batch-oriented processing data. Spark became real-time and led to Databricks.

I think Rockset sees the same kind of evolution towards real-time analytics and they're just building a great platform for this kind of cloud indexing database for developers and it's like an API to ingest your data at high speed and run SQL queries against it.

Likewise, Chronosphere, Martin and Rob, built M3 at Uper, which was Uber's centralized metric system for both applications, infrastructures and also business metrics. And what they saw there is that the cost using a bunch of the standard open source technologies around Prometheus and even one of the commercial offerings which just prohibitively too expensive. Didn't scale, wasn't fast enough. And so they, on purpose, build a database called M3DB that was able to serve higher scale metrics, more data, high cardinality as we call it as a fraction of the cost.

And I think, again, like Rockset, Chronosphere is on the right side of history, because even the smaller companies out there are seeing the amount of data increase exponentially. It's not just at metrics, infrastructure metrics, but business metrics. And as things get more complex, you're going to want more and more data, more and more traces, more and more logs. And so if it's centralized all their Chronosphere, you can actually have kind of a weapon, if you will, for developers to kind of see what's going on inside their apps and their business. So both of these are just examples, great founders, great teams with really deep IP on the rights side of history going to where the puck is going.

[00:15:46] JM: So those are pretty easy examples. You got basically a developer tool in Rockset that holds much data, has a bunch of API calls that are going to be tightly coupled to your infrastructure. So it's very easy to imagine that product expanding in each customer. Kind of the same thing with Chronosphere where you have a hosted database solution for metrics, basically like a Datadog with a really powerful database behind it potentially.

These are two microcosmic examples that illustrate some examples of what makes a good developer tooling investment. Do you have any other broad lessons? Themes, motifs as to what makes a valuable investment in developer tooling?

[00:16:33] JC: Yeah. I'd say it's an interesting question in terms of there's a bunch of developer tools and infrastructure technologies out there, and some, as you know, become huge companies like a Datadog and some really don't go anywhere. And for my experience in the past seven, eight years in venture, Jeff, I'm really looking for a couple things. One, large markets, which is basically a huge pain point. So you can either point to an existing market like a Datadog and say, "Okay. Chronosphere is that market, but bigger or better." Or you can say there's emerging use case, emerging new market." And so I would say the two themes are; let me look at existing market like metrics, observability logs, traits, etc., and say, "Okay, how can we make this 10X better, or 10X cheaper, 10X faster?" I think the theme around Chronosphere and my flaws around investing is, "Okay, let's go out to these large markets, large companies, but with some deep IP that can actually change the game."

With Rockset, it's kind of the other theme around developer tool investing is, "Okay, [inaudible 00:17:37] market that is around today? There's no such thing as kind of a real-time analytics database or real-time converged indexing database, right? That doesn't exist today." But if I connect a couple of dots and trends and say, "What is the next evolution of a data warehouse? What's the next evolution of analytics?" and draw lines from people that have lived this battle. That led to kind of a Rockset investment in terms of real-time analytics.

And the third thing I would say is one of the things I look for as an investor is teams that have lived this battle before, right Because either, one, they're going to build this new technology, new company out in the open for the first time, which is a viable strategy. But two, a lot of the teams out there have built or handled these problems inside larger companies.

So in the case of Rockset, Venkat and Dhruba built something very similar at Facebook. And so from the lessons at Facebook in that data infrastructure, which is one of the largest, most complex in the world, came to lessons that led to Rockset. And with Rob and Martin, similar lessons at Uber where they had probably the second or third largest metric system behind Google and Facebook, they actually solved a bunch of the same problems.

So if I could say, one, existing market with better technology that's 10X faster, cheaper, or better. Or two, a new market where you can do something different. And then three, if you can find a team that's kind of walked this journey before, and that could be research in a university, coming out of an existing company, that gives you a lot more confidence as investor.

The fourth way is you know you just invest in a new team, a new product without a lot of history, and those work too, but you're really betting that this team has enough insight and technology behind them that they're going to build something new for the first time.

[00:19:27] JC: Do you separate the categories of developer tooling and infrastructure? Do you think those are two different categories, or does it even matter? Are they the same thing?

[00:19:37] JC: I think they are two different categories, but they're blurring in some levels. I'd say I had this thesis a couple years ago around developer-defined infrastructure, that what Amazon has done is put an API on top of cloud infrastructure, networking, storage, compute, data, etc. And so all of a sudden, infrastructure is now exposed as an API, and increasingly where we're going with serverless computing, it's a function call, right? API call.

And so I think infrastructure historically was very different. Like storage was deep in the layers, and API calls were definitely a lot higher, touching more of the application developer. But increasingly, they're there blurring. What cloud has done is given access to your mobile developer, your web developer and the ability to manipulate and change infrastructure with an API call.

And so I still look of these that is different markets, because sometimes they're selling to a developer. Sometimes you're selling to a storage administrator, a security administrator. And it's not just the technology that I think about. It's also who the persona is of the buyer and the percentages of the user. And more or less, I think of the persona is the developer, then I kind of think about it more from the developer lens. If the persona is going to be more of system admin, server admin, security admin, then I more or less think about it from the lens of an infrastructure company. It's more or less not just the technology layer that I care about, but it's also the buyer persona and the user persona, which a thing matters more and more going forward.

[00:21:15] JM: A lot of the go-to-market used to be around conferences before the COVID fitted pandemic, and it is changed the go-to-market for a lot of these developer tooling companies. I just use that as a small example. Do you know any kind of trends in the meta-game? What has made it different post-COVID to build a developer tooling company?

[00:21:37] JC: Yeah, it's interesting. I think in this post-COVID world, we're probably seeing a shift, for sure, more towards virtual events, online conferences, etc. And even after, we have a vaccine for COVID hopefully in a year, we'll probably see more of a shift towards online events even when real conferences return.

I would say in this post-COVID world, what happens is content marketing matters more. I think lowering the friction to trial matters. And if you think about any developer product from awareness and trial, you have to reduce the friction even more. And so in the before, awareness would come from a conference, like you said, or a webinar, or a blog, and then reducing the friction for trial would either be an open source technology that you could download. A cloud service you could spin up quickly. But increasingly what's going to happen now since there's less conferences, you're going to have to fight that awareness game better, right? Making sure that you have a very focused message for the content you're producing. Be a lot more targeted on the persona you're trying to reach. It's not just developers generically, but a data scientists, an infrastructure developer, or a security developer.

And then finally, since a lot of folks are going to get bombarded with a bunch of new technologies and products and SaaS offerings, how do you reduce the friction of trying the product, Jeff, and then showing value right away? I mean, one of things Twilio did so great was in 13 or 14 seconds you could write an API and have an SMS message, right? The time to value, the time to aha was instantaneous.

So for a lot of these developer technologies, you want to have low friction to try the product, but then also you want to also have this time kind of time to value, time to aha increase within minutes, if not seconds. And that's how you get this developer adaption hooked. And then once you got this nice loop of awareness through content or focused marketing, reducing the friction to trial, reducing the time to value, your time to aha, that's a nice loop and you just repeat over and over again and hopefully scale it up. And developer tools and developer technologies and infrastructure cloud companies that break at any one those levels from awareness, trial and time to value, that introducing friction in their sales process, that's going to be even more difficult overcome in this kind of COVID world.

[00:24:05] JM: Are there still undiscovered deals and infrastructure? Are all the good investments like Chronosphere or Rockset? I look at Chronosphere and Rockset, I'm like, "There are pretty obvious investments." I mean, they're super competitive deals for both of them, I believe. Are there things that are still borderline? Actually, I guess a borderline thing that comes to mind is one company that that I invested in is Render, render.com, which is like a layer 2 cloud provider, and I think it's borderline investment for a lot of people. But it seems like the vast majority of infrastructure deals are pretty cut and dry, and they just become super competitive superfast. Are there still like kind of questionable investments that are borderline that end up being sleeper hits?

[00:24:51] JC: I think so. I mean, if not, then this job would be a lot less interesting. I think referencing kind of the framework we talked about earlier on the podcast, a lot of the infrastructure vesting is known markets, right? So you say Rockset in Chronosphere are known markets, known problems, and they were very competitive investments because people saw huge market around Chronaphere, like Datadog, Splunk, etc., just a better team, better technology. And then a lot open source validation from the Prometheus community adapting M3, for example. Or Rockset, great team going for real-time analytics.

But I think what a lot of investors miss on these kinds sleeper hits is either the next generation of technology platform shifts right in terms of like, "Hey, how fast do the things change?" So either, A, we misestimate the timing to adapt things like containers or we misestimate the adaption of something like serverless computing, or AI infrastructure. We misestimate like how fast these things will become real platform. Or number two, we often misestimate or get wrong behavior change.

Now, on the consumer side, a lot of consumer vesting is all about behavior change. Imagine a world where we didn't have the ability to call a car on demand or a food on demand or a book, a bedroom in someone's Airbnb. That is lot behavior change. I would say most enterprise software, especially infrastructure, it's largely budget replacement, largely known markets. But every once in a while we find a new behavior change or new usage of a new technology, and that could be a platform shift like moving to cloud or mobile, or it could be a technology paradigm shift like going from batch to real-time, or the influence of AI. But I think the ones that are less obvious, Jeff, are these new markets that are emerging that require some kind of behavior change from the buyer or the user. And I think those are the sleeper hits.

[00:26:54] JM: The non-sleeper hits are super competitive. Tell me more about competitive dynamics of a deal like Chronosphere? Like Chronosphere is super competitive. What were the dynamics there?

[00:27:05] JC: Every VC or every investor approaches investing differently. And I'll say there's a saying, there's a founder market fit. You want to find the right founder for the marketing, say Rob and Martin, Martin Mao, Rob Skillington, these cofounders of Chronosphere were the perfect founders for this market. I will also say there's a founder VC fit, founder investor fit, and I'll be the first to say like not every founder is for me. I'm probably not the right VC board member investor for every founder. So I think, one, trying to understand the type of founders I click with, I can work with, and vice versa, is one thing that to be self-aware with.

And then number two, I think it's building a lot of trust over time. And so with Rob and Martin, I first got connected with them months before they started the company through a mutual friend at Uber. And they were just thinking about their futures and what to do post-Uber, but they weren't ready to start a company yet. And then I spend a lot of time one-on-one with each of them, and it was old-fashioned, I say, rapport building investing.

I flew to Seattle to spend some time with Martin in a weekend. I flew to New York to spend some time with Rob. Then I flew back to Seattle. Spend more time with Martin, and then went to a conference in Portland. Spend more time with Martin. So I would say over the course of four or five months and several meetings and several hours, I was able to build both understanding of the two individuals and founders. And vice versa, they got the chance to meet me and know what it would be like as a thought partner and a board member. And I got conviction not only in the two of them as founders, but conviction on the investment thesis at the same time.

And so it got to the point where you can ask them. It was like they cannot conceive of not starting the company without me as an investor, and I could not imagine not investing in these two phenomenal founders. And so when other investors try to lead the round, we really had a connection and kind of an understanding that was I'm going to be their anchor investor in the first round. So that's how that happened.

And I would say Rockset and Venkat and Dhruba were very similar. I first met the two mom, Venkat, when he was leaving Facebook, and he wasn't sure what he wanted to do post his stay and tenure at Facebook. And we spent a lot of time talking about technology careers, leadership in engineering. And at some point in time we started riffing about real-time data and data architecture, data infrastructure. And when it would came time for him to raise his series seed round, you can ask Venkat, but he probably felt like, "Oh! Jerry is a logical guy to raise money from, because not only does he understand the technology and has experience from my 10 years at VMware," but I was there from the exception.

So I would say every VC is going to be different, Jeff, and how they sell themselves and how they sell the firm. But for me it's a combination of understanding deeply the technology and the market and eventually my showing my value as a product executive. But also building this connection that, "Look, I am not for everybody for a category of founders that I really want to build defining companies and developer tooling and cloud infrastructure." I like to think of myself as one of the one of the short list of VCs you want to work with.

[00:30:16] JM: What have you learned about closing a deal that you wish you knew at the beginning of your career? Aside from just getting in front of it and becoming intimate with the founders in advance of a company being started?

[00:30:29] JC: I would say there's a bunch of lessons I've learned over the past 7, 8 years, and there's a lot more learning to be done. But I would say if I could go back in time, I would probably be a slightly more aggressive in terms of more investments, right? I think these markets are just huge in terms of we thought these markets were big. We thought [inaudible 00:30:49] cloud and mobile and AI and data was big. I miss the –Estimated the size of these markets by a considerable lot. So would say if I could do it again, there's a bunch of investments that I would've been more aggressive on and try to invest in more companies, because these markets are huge.

Secondly, I would say for the companies that you have conviction on early, once you have conviction, don't be shy about prize. Don't be shy about dollars, investing in the companies. Once you have conviction, you should be all in. Fund the team, fund the market, invest as much as you can, as early as you can and as often as you can round after round, because the best way to actually build a portfolio in some of these outsize returns is having at conviction and putting a lot of capital behind it. Because once you find something that's going to be outlier, like a Rockset or a Chronosphere, you just wanted be as involved to have as much capital as work as possible.

[00:31:46] JM: The different phases of venture, it's often described as the sourcing, the picking, the – What is it? The something. I don't know. I forget what stage 3 is. Then there's like closing the deal. Closing the deal, what have you learned about closing a deal that you wish you knew at the beginning of your career?

[00:32:05] JC: Yeah, the framework I figured for it is like seeing, see, decide, win and work the deal, right? Seeing the deals, deciding to do the investment and winning it, closing it.

[00:32:14] JM: So there's three stages? I thought there was four stages?

[00:32:17] JC: And then I think work. The fourth stage is working the deal. So investor, board member, company builder. How do you recruit? How do you help get advice? How do you help connect find customers? I think the fifth for us as Greylock is how to be a good partner to everyone else on the team? So we kind of look at ourselves in those five categories. Seeing the best investments, deciding which ones to chase, trying to win and close. And then we'll get back to your question. Helping work as a board member, an active builder, recruiting, employees engineers, designers, customers. And then finally being a good partner to the team that I had the lucky chance to work with at Greylock.

I think winning the deal is a combination of, A, selling. Like selling the value of Greylock, the team myself, like how can I help you, Jeff, as a founder build a category five company? And I wish that I worked on the sales skills. I mean, on the product manager by training and at heart, selling was not something the was natural to me to be honest. And the marketing aspect of try to marketing myself, I'm still working with. But I would go back and work on my sales craftsmanship.

And then number two, I would say we get hung up on the negotiation of some of these terms. And I would say there are some terms I care about. I believe in good governance of a company. Making sure the companies are well run and [inaudible 00:33:40] and investors and that founders and the employees are all aligned. There some terms I think we realize over time don't matter so much and we should hang on them.

But I'd say the closing the deal is also the most stressful time, Jeff, because it's also the most exciting. Let's say you're the founder, that negotiation or closing the deal is the only time when you and I are on the opposite side of the table, right? We're negotiating terms. We're negotiating price. We're negotiating option pool, board seats, etc. And then after that negotiation is done, we're back in the same side. And so it's interesting, because sometimes you can bruise feelings or see true colors during that negotiation process that may help or may hinder your relationship after the investment.

And I think if you do that correctly, you're not going to agree on everything and every closing of a deal. But if you agree on the process with the founder or how you decide on how many board seats, or how big the option pool should be, or other terms, then you get to see how the founders and your self is going to work as a board post-investment, post-close as a as a team trying to solve problems in the company, there's going to be a ton of problems in the company.

I think, like I said, don't over think some the terms early. Work on the sales craft for the job to kind of close the deal and convincing the founder that I'm the right person to help you build a compelling character-defining company. Number third is agreeing on a process to reach the decision on closing the deal on some of these point negotiation. Because if you do that correctly, I find you build better trust post-investment as a board member and advisor. If you do it incorrectly, do it poorly, then all of a sudden you get the relationship off on a bad foot. And sometimes it's hard to recover from that.

[00:35:31] JM: What role does a board member play?

[00:35:36] JC: It varies. I think different investors have different philosophies as a board member. My goal is to be that voice, that person you need as a founder at any given stage of the company or any given time. Sometimes it's being a cheerleader. Encourage them when they hit a tough time. Sometimes it's being the devil's advocate, the naysayer. Like, "Hey, Jeff. Are you sure you want to like buy this company or move into like the European market so soon?"

So there's basically trying to be that thought partner and try be the persona, that voice in the room that they need to hear at any given time to make him think clearly, slowly, but carefully about these big decisions. And as a board member, I think there's only two or three things at any given time that should be focused on with the company, because there's only two or three decisions you as a founder, Jeff, need to care about and get right that are make you break decisions.

So in the early stage, it's trying to help find product market fit. At a later stage of the company lifecycle, it's thinking about scaling the company, launching new markets, new products. Maybe going public, hopefully if you're lucky. And so at every stage of the company, my goal is to be kind of that right voice in the room and sharing my experiences and being that thought partner.

Along the way, there's a bunch of things that any good board member would do is like help recruit early employees. Help find customers. Help navigate business development deals. Help think about culture. I think the past five months with me going on the country both on a healthcare level, economic issues, but a social level, has been pretty dramatic. And so helping the founders and the teams navigate tough times culturally with a company, with a team, when everyone’s remote. That's kind of under-talked about version of the job as well.

So there's the thought partner stuff. There's the mechanical stuff recruiting, giving advice, finding customers. But then there's also I think the coaching aspect of the job, which my job is kind of a personal trainer or a coach to you, Jeff, as a founder saying, “Hey, let me get you to be the best version of yourself as a CEO, cofounder, CTO whatever role you have.”

[00:37:48] JM: Back in the day, there were these adversarial board dynamics where the CEO often got removed by the board and got replaced with somebody in a pressed suit and tie. It seems like those board dynamics no longer exist. Are there any board dynamics? Specific ones that have changed since you started I venture or since you recall venture?

[00:38:11] JC: I think, those board dynamics happen still. I think there's fewer ties in the boardroom these days and fewer pressed suits, especially when were on Zoom. But I think one of the things I learned in the past seven years is how to be a good board member, not just the founders and CEOs, but also collaborating with my peers on the board. And they could be other venture capitalists or other outside independent board members.

And I think that dynamic still holds true today 10 years ago, 20 years ago, in 10 or 20 years, because you’re really looking to the board as a team to make the right thing, the right decision as fiduciaries for the company. And sometimes the right decision, Jeff, is, “Hey, having a conversation with the CEO, founder saying, “Maybe you're not on the right job anymore,” and making a tough decision. It's hopefully not a surprises. It’s hopefully not, to your point, adversarial, like you're fired and what you see in the movies. And it’s more of a conversation, because I’m doing my job as a coach and partner to you as a founder, you're going to reach agreement with me and the board members that, yes, we should find a new CEO. Or, yes, we should bring in a number two present CRO.

I would say it's been probably a lot more problem-solving these days than anything else. And maybe the press suit and tie, that dynamics will happen some places. But I would was say these decisions still happen in terms of when teams and founders and companies hit certain milestones and there's a bunch of disagreement on what to do with people, what to do with the company. But I think if I'm doing my job right and the board is doing their job right, it's more of a conversation to reach consensus than kind of a 5 to 4 vote, or a 3 to 6 vote where it's a lot of contention. I would say we've realized the power of a collaboration, and I think you have a generation investors now that have experience as good board members steering company with good governance versus surprise board meetings or surprise votes.

[00:40:11] JM: Can you tell me more about how a productive relationship can develop between founders and board members?

[00:40:18] JC: I think it's communication, cost communication. The goal is not to micromanage any team or company. Like I said, there's probably two or three problems or two or three decisions that the CEO has at any given time. And I think if you're a CEO, building a relationship with your board member that A, you share bad news quickly and good news slowly and they don't feel surprised, but using your board to make informed decisions.

At the end of the day, my jobs is to give you advice. Not to tell you what to do. And so I think best relationships is where the CEOs come to the board and say, "Hey, here are the three issues that I'm dealing with." It could be a hire, hiring a VP of sales, or a VP of engineering. It could be trying to figure out what markets to focus on, or even like a large pricing decision. How should I price my product? Do I open source my product or not?

And if you're for sharing communicating information with a board, which is not a surprise, get their advice. Use them strategically. And then you can have a trust relationship on those big decisions. And then on the development aspect, I think CEOs and founders that are willing to be learners, as we say at a Greylock, in terms of helping find development areas. It's like, "Hey, I want to work on my people skills, my management skills, and give me help for feedback on those aspects of me becoming a CEO."

And I think maybe the board member is not the right person to coach him on every aspect, but we can bring in exact coaches, or resources, or mentors to the board to help them. I think communication is the foundation of a lot of relationships, like me and my partners, me my friends and the founders I work with. And then I think focusing on the two or three things that matter really is the best leverage point, right? Because board members and investors aren't going to know all the details of your company. But if you give them enough data and say, "These are the two to three areas where I think I could use help on," then you as a founder will get the most value from your board."

And then I would say the last aspect is my job as a board members to maybe throw one or two things at you that may not be thinking about. I think founders have a lot more vision forward headlights, but maybe the peripheral vision is less clear. And so part of my job is you might say these are two or things I'm thinking. I might say, "Jeff, what about this company, this startup, this market that you may be thinking about?" And so my job is to kind of help you think slightly differently.

[00:42:50] JM: What is most misunderstood about modern venture capital?

[00:42:55] JC: It's a great question. I'd say if you ask a lot of folks, VCs are all the same? I think 30,000 [inaudible 00:43:03] talk to most folks in the community think most venture capitalist, most venture capital firms, are the say. They're just trying to throw money at the hot company and very indiscriminately trying to get lucky. I would say if you look up close to different individual VCs and venture capital firms and individual partners, you'll find that there's actually differences in how people think and work and coaching and how they invest.

I would say, one, the first myth is it's all a monolith. And I don't think it is. Number two, I would say there's an adversarial selection that VCs are just trying make money and they're not very value-add. I would say, at Greylock, we like to think we're going to be partners and company builders and if folks behind the scenes helping you. So I would say that we're not here to like just invest and walkaway and not to do anything to make a quick return. We're here to be part of the journey. The joy I get from is seeing companies like Rockset, Chronosphere or some other ones that invest in like Instabase or [inaudible 00:44:05] build, develop and grow overtime.

So I would say, really, understanding that VC is a business. It's not just throwing money and trying to buy stock, but really helping differentiate the company. And we actually are – I don't want to say human as well, but it's that we're very different in terms of like how we think about investing.

[00:44:26] JM: Do you see yourself staying in venture forever at this point or potentially going back to being an operator?

[00:44:32] JC: Forever is a long time, Jeff. I think I'll be in venture for the foreseeable future, at least this turn of my career. Who knows what the future holds for URI? But for the next several years at least, I love what I do. I have a chance to work with great founders. I know Martin Rob, when he took my terms in Greylock said, "We're going to take your money, Jerry. But we got to make sure that you're going to be our partner or you're going to be in this job for the next 10 years, right?" I said, Count on that. I want to see this company go through an ipo."

So for the next several years, I love what I do. I have a great platform at Greylock and great partners I get to work with and have a chance to be part of a journey with a bunch of incredible founders and companies. I can't see myself doing anything else differently right now.

[00:45:17] JM: What are the competitive – When I think of the modern venture landscape today, one thing that's changing is there are more and more of these sort of rogue venture people like you have these individuals raising the hundred million dollar funds, or $60 million funds, which is kind of a rogue dude or a woman making investments as supposed to these big platform VCs. What are the competitive dynamics there? How does the increase in rogue investors tilt things in any particular direction?

[00:45:55] JC: It's interesting. I don't know if we'd call them Rogue or how they would feel about that. But I'd say the following. They're both competition, but as well as allies. I would say they're allies in the following ways. Because these markets are huge, like I said. I misestimated how big and how broad some of these markets are all the time. And you see these individual operator funds are doing is they're there tapping into their network and their network of coworkers or alumni from these companies. And so they're allies, because as a one firm or one individual, it's hard for me to track every great engineer coming out of Stripe or every engineer coming out Uber or every engineering coming out of Salesforce.

And so in many ways, there's a bunch of companies getting started and it's easier to start a company today than it was 10, 20 years ago. And so all these smaller funds that are competition to be the first money in in some ways are help in the following ways that the actually surface and find great founders that I can't track as a person. And we say in venture capital, the capital is never the constraint, right? We can always raise more money if you're a great firm like a Greylock benchmark or Sequoia. But it's is hard to find more time.

And so of these new firms and these funds from individuals, I think, yup, it'd be the tough. I would love to be the first investor in this great company coming out of Airbnb. But in the flip-side, it's really hard for any firm to kind of cover every market, every trend, every technology. And so to the extent that these funds and investors can help surface the ones that actually break out. That makes my job easier. I'll do the next round. And part of the flexibility and the greatness of having a platform like Greylock is we can actually do the next round after these investors are possible.

[00:47:41] JM: All right. Well, Jerry, anything you want to add? Anything you want to close on?

[00:47:46] JC: I think, Jeff, you've been doing a great job with the Software Engineering Daily podcasts. It's a great service to the community. I listen to it all the time. And so thanks for the great questions today, and I look forward to our next conversation.

[END]