

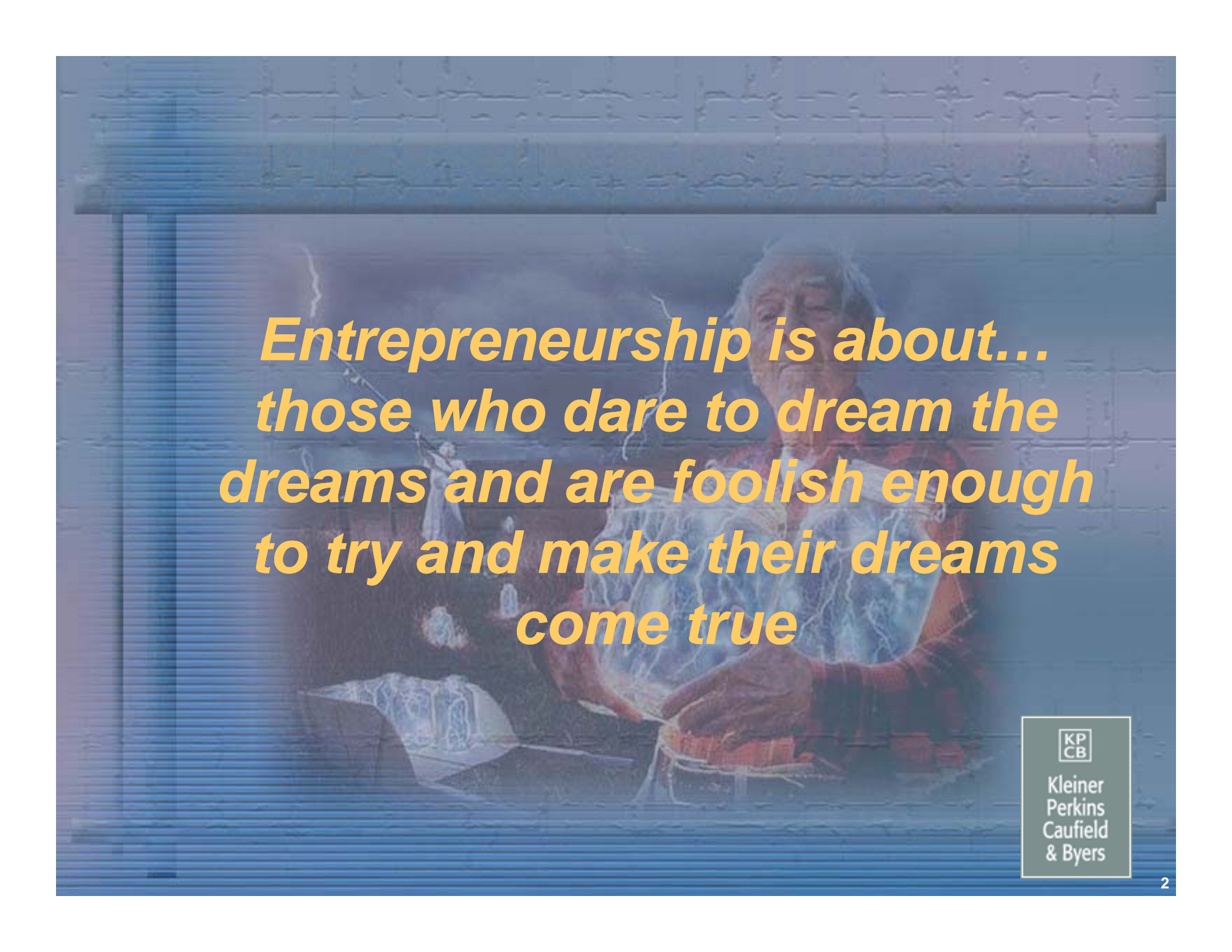
The Entrepreneurial Roller Coaster

...high highs & low lows

Vinod Khosla
Kleiner Perkins Caufield & Byers
vkhosla@kpcb.com



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***Entrepreneurship is about...
those who dare to dream the
dreams and are foolish enough
to try and make their dreams
come true***



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Know Your Goals



Fortune:

Never having to balance your checkbook



Fame:

Never having to carry the AE card



Family Business:

Never having to say you are sorry

Fervor:

Passion for a vision



Friends

Never having to leave home



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Before You Start

- Knowing what you don't know
- Who's opinion ?
- Identify your liabilities & assets
- Assess the costs



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Success Factors

- People – beyond the words
- Key questions – the good & the bad
- Leverage – riding a wave
- Managing TOTAL risk – engineering, financial, marketing, competitors,...
- Offerings – implemented value proposition
- Paranoia & persistence
- Role of trial



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Economic Contributions of a Venture

- Product Innovation
- Operational Excellence
- Customer Services
- New Brand

...in decreasing order of likelihood



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Being Realistic: Questions

- What are personal vs. corporate goals?
- Scale of thinking: \$0 vs. \$0M vs. \$0B
- What is your competitors view of you
- Competitors present vs. your future
- How would you compete against yourself?
- Why are you better & why are you worse?
- What are other's opinions: VC's, recruits?



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Internal Factors

- Maximizing assets & minimizing liabilities
- Building the “balanced” team – gene pool
- Encouraging conflicting points of view
- Organized chaos: planning too early
- Organizational learning: Nuances as pitfalls
- Incentive structures - rewarding failure
- Process vs. Instinct
- Focus vs. Exploration
- Leverage
- Entrepreneur vs. Manager/CEO



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Strategy : Assets & liabilities

- Strengths
- Weakest Links
- Competitors Strength & Weakness
- Strategy for Entry
- Strategy for Permanence

Engineering the Gene Pool

- Technology Balance
- Innovators
- Management
- Gene Pool of “Key Risks Experience”
- Culture – good guys & bad guys



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Managed Conflict

- Nexus of points of view
- Nexus of previous experience
- Unbiased conflict resolution at the top
- Role of the CEO



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Organized Chaos “Process”

The Shepherd or the Sargent?

- The flakes vs. architects vs. implementors
- Experimentation
- Execution
- Budgets, schedules, tasks vs. project stage



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Culture

- Setting the goals
- Tackling problems head on
- Persistence
- Tolerating mistakes
- Sense of urgency
- Paranoia
- Irreverence & Foolishness
- Success & complacency



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- Process vs. Instinct
- Focus vs. Exploration
- Entrepreneur vs. Manager/CEO



Leverage- Sun

- Riding a Wave: Unix
- Marketing: Universities
- Engineering: Open systems
- Sales: Compensation Model
- People: The Goose or the Golden Egg
- Perception vs Reality: Credibility by Constituency



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External Factors

- Real vs. Perceived Value
- Credibility
- Competition
- Chance & luck
- Momentum



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Market Environment

- Structure of the market
- Pace of change
- Rate of growth
- Whose rules ?



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Startup Process

- Technology Change Creates an Opportunity
- Find a Wave
- People & Gene Pool Engineering
- Market Dynamics Allow a “Change the Rules” Approach
- Strategy to Leverage Assets & Minimize Liabilities
- Long term Asset from “Short Term Wedge”



Startup Ingredients

- Passion for a Vision & a Belief System
- Real Value Proposition for the Customer
- Leverage as a Philosophy
- Gene Pool Diversity
- Organized Chaos to Execution as a Process
- Risk Management
- Change the Rules Irreverence
- Lady Luck



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Entrepreneurship: in Big Companies

- Balance - Planning vs. iterating
- Enfranchising people vs. dictating to them
- Managerial risk avoidance
- Process vs. instinct - product managers
- Incentive structures - rewarding failure

The Pleasures

- Building something to be proud of
- Freedom & control of one's destiny
- Creating a fun & compatible team
- Financial rewards



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The Societal Role of Entrepreneurship

- Driving technology and hence 40% of US GDP growth
- Driver of role models
- Driver of change & innovation



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Weather Forecast

- Rate of change will accelerate - life will be more complex, more busy...
- Innovation, opportunities & entrepreneurship will thrive
- Fun & fortunes will be in abundance
- Irrelevance: the other things in life
(family, relationships, enjoyment)



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Comments?

vkhosla@kpcb.com

Who We Are:

- A handful of professional technologists and operating execs - not financiers
- As of EOY 2002: Portfolio of 350 companies with \$81B revenue, 279k employees, \$164B market cap



Genentech, Inc.

LSI LOGIC

Lotus.



COMPAQ

amazon.com

AOL.COM

Intuit

N Netscape

Sun
microsystems

Quantum

extreme
networks

LINEAR
TECHNOLOGY

CYPRESS



What We Look For:

- People
- Unfair advantages
- Risk up front
- Characteristics: sense of urgency, corporate partners, home run swings
- Defensibility in critical mass, technology, franchise, content, distribution
- Shared upside & simple structures

What We Do:

- Technology oriented, pioneering industries
- IPO oriented big companies
- Incubations, early stage, speedups
- Co-ventures

What We Bring:

- Company building experience
- Experience with pitfalls of new markets, technology management...
- Credibility
- Relationships
- Repertoire of mistakes
- Knowledge of industry trends



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