EPISODE 1296

[INTRODUCTION]

[00:00:00] JM: We talk to a lot of startups about a lot of new ideas on this show. Recently, we've heard from people innovating in blockchain, cloud infrastructure, databases and automation tools. However, in today's episode, we're going to talk about how these tech startups get investments and how they build their products in the first place. We talk about how to define new markets and how to make investments in new markets. Our guest today is Sarah Guo, a venture capitalist and general partner at Greylock. Greylock invest in market defining founders like the teams at Airbnb, AppDynamics, Cloudera, Docker, Octa, and Dropbox. Greylock is one of the most esteemed venture capital firms in the world. And Sarah brings a lot of valuable experience in identifying companies with potential. We're very excited to have her on the show today.

[INTERVIEW]

[00:00:48] JM: Sarah, welcome to the show.

[00:00:49] SG: Thanks for having me. Really happy to be here, Jeff.

[00:00:52] JM: The pandemic has changed the world of business. What are the biggest new markets that were created as a result of the pandemic?

[00:00:59] SG: So, luckily, for me, I feel like a lot of the areas I was already interested in or focused on just really came to the forefront. So there are certainly winners and losers in the post-pandemic world. But I think the obvious ones that I have interest in are tools that enable us to work together differently in a digital-first way, ecommerce infrastructure. And just as a sort of ancillary thing to that, like FinTech infrastructure for businesses. And if you think about more broadly, like every business, SMB to enterprise, becoming digital, and then collaboration through digital, that touches every category of software, right? I think not just the things that we traditionally think of as collaboration. So video meetings, or documentation, or GitHub, but all of

the cross-departmental or less technical departments, they also need to work in ways that are more digital-first. And so I think that's a multi-decade change that's going to happen.

[00:01:59] JM: A few iconic examples of that in your portfolio are Figma and Clubhouse, Clubhouse, the project management tool. How has the growth in those products and the rapid product iteration in both those companies? How has that represented a proxy on the overall knowledge work economy?

[00:02:22] SG: It's hard. And you talk to a lot of companies that are early stage and growing. It's hard to disentangle the million things that are going on and say like this was the thing, right? We did see a huge wave at both these companies and others that are very collaboration-focused in terms of new company interest and usage growing at the beginning of the pandemic, right? If you think about your opportunity, like the most basic example would of course be your opportunity to manage a board of Post-its is challenged if you're all at home. And so people were very willing to think about the new ways of like managing that workflow. And so I think it's certainly been a driver for both companies. But I think one of the things that I'm most excited about is it's gone from we have to do this, to this is better. And it's like that I think shows in the growth of both companies.

[00:03:15] JM: The pandemic affected venture capital markets by moving everything to Zoom. There was also a concurrent effect of growing software markets that were attracting the large players like Tiger. And as you just said, it's hard to disentangle these sorts of things. But I'd love to get an impression for how that's been on the ground starting to compete with these really, really big firms that move really, really quickly in the world of Zoom where you can take a bajillion meetings every day. How has that changed your investment cadence?

[00:03:54] SG: So I'd say we already operated as a distributed team before the pandemic. So there wasn't a lot that changed in sort of how we made our decisions, except that now we were looking at each other through Zoom. It was already happening before the pandemic, right? Because even if you think about – This is one of the original theses when I was making investments in sort of like hybrid and remote work tools, like the Bay Area is not one easily commutable place. As you would know yourself, right? And so we would do a partnership meeting with an entrepreneur and it's like the nice experience for the entrepreneur is not like

drive down to Menlo Park for a one hour meeting. It's if you want to do a meeting in person in the city, at your office, at our office in Menlo Park, we'll do that. If you want to do it over Zoom, because that's convenient for you, we'll do that. And so that clearly became the norm during the pandemic.

In terms of the competition from larger firms, like the Tigers of the world, I think what's happened intertwined with the pandemic and the growth of like digital businesses versus everything else everybody has realized. A much larger set of asset managers has realized in the public markets, in the private equity fields, that technology businesses are amazing businesses, and basically everything is going to be a technology business eventually in terms of the largest value creators. And it's just a massive advantage. And so of course, there's a huge influx of capital from larger players from different asset classes.

I think the question is like, where we play it, we are mostly an early stage focused firm, right? So 75% of our initial investments at Greylock are seed and series A companies. These days, and like even scrolling – I've been at Greylock for eight years. So five years back. There's not a lot of data that you're looking at at a seed or series A stage company. When we invested in Figma, it was pre product, right? It was pre-beta. And so your ability, I think, like that part of the business is still differentiated, because you have entrepreneurs who are choosing partners for a very long time. And you have companies where the level of uncertainty and decision making is extremely high, and the level of data that you can outsource to a consulting firm to analyze is very low, right? And I mean data in both qualitative and quantitative sense, right? Like it's very hard to make a series A investment based on 20 calls done by Bain to an expert network, because what are they going to say? They're going to come back to you with estimates of like there're X numbers of designers in the world, and like Sketch, and Envision, and Adobe are popular products, right?

And so I think like we don't actually end up competing a lot with some of the very good investors that come from other asset classes, because they are still most relevant at the growth stage. I think there's more that's happening with people trying to move earlier and earlier. But I think that is the toughest judgment piece of the business. And then winning is a totally different thing. But if you just think about like our point of view on how you make money in early stage software investing, it's like, “Okay, I believe that a problem is more important than others believe,” right?

Design or project management for software, right? I believe that a founder is going to grow and is going to win that others don't. I believe that a product is sufficiently differentiated to capture like time and dollars and attention that others don't. And I believe an opportunity is worth a higher price than others, right? I'd say like there's a lot more competition on this last dimension of higher price than we used to see. But I think those other dimensions, like I think the game is still pretty hard. I'm less concerned that the like skills and judgment of a very different style of technology investing that is an amazing asset class of its own are going to apply. Like, basically, like early stage venture of two guys, a gala dog, and a laptop, and a garage, it's very hard to private equity that.

[00:07:55] JM: There seems to be this element of imagination that is really important at probably up to series B at least at this point, where if you actually want to get into one of these really, really good companies at series A or seed, either you have to have the best deal flow in the universe, or you have to have really, really good imagination. Like, as you said, with Figma, even at series A, the product was not in a place where it was easy to imagine it becoming an entire platform company like it's become. And I was actually talking to another of your portfolio companies yesterday. I don't think you worked on this deal. Maybe you did, but Pragma, the gaming engine company.

[00:08:35] JM: Awesome. Eden's company. Yeah.

[00:08:36] JM: Yes. And I was talking to him. And within the first few minutes, I said, “Look, I have no idea if there's any way I can get into your Series B, if I can put some money into your company. But what you're doing is right. What you're doing is correct. And it almost doesn't matter that you're pre-product. The team is insanely good. The vision is right. The strategy is right. I know the market well enough to know that you have zero other competitors. It's just a simple extrapolation exercise. But it seems like that idea of the extrapolation exercise is still not widely understood by even some of the best investors that I talked to.

[00:09:13] SG: So I think that there are different styles, right? And I love the way you described it, which is imagination. I'm going to steal that. But it's intelligent, like risk adjusted imagination, right? And I think when I say it's like hard to private equity the early stage part of the business, we have the most success with the most valuable companies when they are building companies

that do not look exactly like some other company. Like there's a very old school way to think about software markets as like, “Well, there’s CRM, and there's ERP, and there's like Epic, right?” There's like an existing company that you go displays. There's a market that you displace. But I think the imagination that is required or that we like really have a philosophy around is I mostly invest in b2b, and SaaS, and developer platforms, right? And so the best like simplest visual explanation is just the one that pie is getting a lot bigger, right? So if you focus on like which slice of the pie does my new company correspond to, you're just not going to have a lot of confidence and imagination and conviction for the future, because you're like, all the slices, like they get divided the same way they used to be, right? But we think that there are thousands of slices. And every slice of that pie is suddenly more relevant. Like it’s bigger because you have more customers, more buyer personas, like more addressable problems, and then more value because of that. And like, as an entrepreneur, you actually have – It’s path-dependent. It depends on where you start. But you actually have so much more free will in terms of, if you execute, you can draw the lines of those markets differently than they have existed in the past.

And so I think there's actually a piece of venture that's a lot less like pattern matching and a lot more like first principles imagination. And there are many great investors who have different styles. But like that one is mine. And it’s like you instinctively are like, “Oh, I can see this. But like there's not a company that looks exactly like Pragma.” So you're imagining something that doesn't exist yet.

[00:11:11] JM: Yeah. And I guess a lot of it comes down to do you enjoy? Do you feel comfortable in models that you can build in spreadsheets relative to the imagination exercise? If you're really, really good at making those spreadsheets, then maybe you should be like a private equity company, as you said, or be a very, very late stage company where you can actually have a little bit of both, a little bit of spreadsheets and a little bit of imagination.

[00:11:39] SG: Yeah. I think it's incredibly useful to understand the business quality of later stage companies, because then you know what you are aiming for, right? Like you know what levers matter as you are helping somebody to build a business, or as you identify like major decisions over time. But one of the cool things about like SaaS companies for a significant period of – I've been in venture for eight years. So at least that period of time is like,

fundamentally, there's not a lot that makes a software company a weaker business, right? You can have inefficient go to market, right? That's the major one that's very bad, right? And if you look at the gross margin line, like as a spreadsheet person, you're like, “Okay, am I doing a lot of compute? Is this a super data intensive company?” Or there're not that many companies that are super storage intensive. But is this a really compute intensive company? And then there's, basically, like how much human labor is it going to take to get something deployed, right? Like support, and sales engineering, and all of that.

But like software companies, you build something, and then you improve it. But it is somewhat a fixed cost, amortization business. And so like being good at like financial discipline and spreadsheets, like it just doesn't matter as much as in some amazing operational businesses. I think those mixed mode businesses, like an Amazon, for example, or an Uber, like they're incredibly interesting, and there will be more of them as like technology eats more industries. But there's this huge segment of businesses where like, besides understanding like a couple of those elements I described, I just don't think being like a great financials person helps you an awful lot. And even the great growth stage investors, like there’s as much market imagination and problem understanding and like people evaluation as I think financials.

[00:13:30] JM: Coming back to a specific product category where you've invested. So, Clubhouse, the project management tool, I see Clubhouse in an interesting contrast to the newer categories of work productivity tools, like you have ClickUp. Monday.com might be actually older than Clubhouse. But if you look at something like ClickUp, ClickUp is interesting, because they're trying to basically do everything. Like rather than just be project management, they're trying to do everything, which is kind of a dangerous strategy, but also kind of like a crazy, interesting strategy. And then you see companies, like some companies just manage their projects in different capacities. So I wonder, on this category specifically, this sort of project management and productivity tooling category, how do you see that unfolding in the future? And how does it change your investment strategy?

[00:14:26] SG: Yeah. So I'd start again with like the pie is larger. I believe the pie is very large, and it's larger than many other people maybe believe, right? And so if you ask me, if the problem matters, the problem is how do you as a team that needs to deliver technology products organize? Like that's a super hard problem. And more and more people are going to

have that problem. And with enormous respect, people are not thrilled. Like a lot of people including me in a former life, we're not thrilled with like Jira and the solutions available to me, right?

But let's go again to the spreadsheets. Like if you look at what public market investors believe, even beyond me, they think that company is going to be like five to 10 times bigger over the next decade.

[00:15:13] JM: You mean Atlassian.

[00:15:14] SG: Atlassian, right. And so –

[00:15:16] JM: Sorry. Real quick. Do you know what percentage of revenue is Jira to Atlassian?

[00:15:21] SG: I do not recall. I would guess more than half, but they have a good portfolio mix. Like Confluence has a super high attach rate. And so I'd say like that's an amazing business. But if you look at the growth of Asana, and Monday, and ClickUp, and Clubhouse, and then like more generic productivity tools even that people are using to solve these problems, like, clearly, the problem is not fully solved, right? And so then the question is what happens in the landscape? Clubhouse is a rather – I mean, you've met Kurt. Clubhouse is a rather focused perspective that we want to both focus on software engineering teams who care about velocity, quality and collaboration. And like that means that we're not serving many use cases that you might use an all in one management application for, right? Like our entry point into teams is not going to be like I do marketing for a consumer packaged goods company. Don't use Clubhouse for that, right?

And so I think what you can do is make a lot – if that is your focus, you can make a lot of really magical experiences for that specific team. And so I think that is much more similar to the original Atlassian strategy than some of these new players. I do think that this is a market that will support multiple players, because if you think about large companies that are becoming more technology-centric, right? If you're an oil and gas company, is technology the heart of your business today? Is software engineering specifically? Probably not, right? Probably like I got to identify, depending on where you are in the cycle, I got to identify where the like wells are, and I

go drill them, I got to like manage the operating costs of that. I have to get it right. And I think like the way you might serve a team that is less tech first is different, right? Because you're more coordinating from the perspective of like the operators and the business owners, and technology is sort of secondary, right?

Clubhouse is made for teams where technology is the first thing. And I think it wants to be very inclusive. But that means like it's much more important for us to get like the best quality, like most magical GitHub integration and API documentation than it is like, "Let me make a feature for a less technical user to use it for a marketing use case," right?

And so I think, because the personas of customers are actually quite different, you'll actually have multiple of these companies exist and get really large. And where there is dissatisfaction with a very large tool already that continues to be growing amazingly well, I think there's a lot of room. And then if you ask like why did we go in this direction versus the other strategies, even if we believe multiple can exist. I'd say like, well, if you think about what's secular, I think more teams are going to be technology first, right? If you have software as an afterthought to your business, and I believe that that software is a differentiated advantage over time, more of the companies that look like the companies that Clubhouse serves, they win.

[00:18:28] JM: When you look at the timeline of a company as it goes from the employee headcount of zero, to five, to 10, to 500, to 1000. If you were running that company, what would be your edict in regards to standardization of these productivity tools? Like at a given point in the company, would you say, "Okay, everybody has to use Notion. Or everybody has to use Airtable. Everybody has to use clubhouse," or whatever. Or do you just say free reign, project-specific, team-specific, division-specific? Do you put anything in place in regards to that company-wide choice?

[00:19:05] SG: I think that there are now less. Like you have the two opposing forces of like integration and discoverability, right? People are using workflows that everybody understands, and they can get to information across different systems, and like the right tool for the right job, right? And so I'd say I think it depends on how well these companies execute, if that makes sense, right? If the sort of audience-specific tools, like Clubhouse for software teams integrates really well with the other things that you want to use, then like I don't really see a need to like

shift to like some vendor that does it all if people don't want to shift, right? And so I think one of the things that is hard as a leader looking at – And I think the productivity fabric of your company matters, right? We have companies, and they use Clubhouse and they run milestones, and they legitimately think of it as a strategic advantage for like getting things to customers really quickly, right? And so I'd say I would probably as a leader defer to the ICs and leaders of the teams that are executing, because there is a tool that makes the most sense for them. And then I would lean really hard on either my own internal infrastructure or the vendors themselves to like make it work together. Because in 2021, things should have API's, and you should be able to like stitch these workflows together in a way that makes sense, right? So, I think, first, that's probably the stance.

And then I think functional leaders and ICs, like they want it to work too, right? So I guess I'm probably more inclined to believe in democratization of collaboration tools to team leaders and to individuals, because they understand the workflow, right? Like if you're the CEO of some rapidly growing company, why should you tell somebody what tool to use to do their job unless you can integrate it?

[00:21:00] JM: Agreed. You're going to be paying a lot of money for all these different subscriptions, but it'll be worth it, because you're a high-margin SaaS company. So I did Ondeck recently. You know On Deck is, right?

[00:21:12] SG: I do. Yeah. [inaudible 00:21:12] is your friend.

[00:21:13] JM: Yeah. Okay. So there are a lot of interesting things about On Deck. But one of the interesting things about it was that On Deck was the first company that I've seen that really seems to use low-code in a powerful way, that the whole organization seems to run on low-code tools. And I wonder if you have any other data points on the actual usage of low-code tools as a means for building venture scale companies.

[00:21:43] SG: It depends on what you mean by build venture scale companies. We certainly have no-code tools in our portfolio that are used by very serious customers for very serious use cases now, right? Did it make the company? Like is it all of the application? I don't think so. But this is also like an architectural point of view that everything should be more pluggable than it

used to be, right? So instead of like let me prototype something in no-code, or let me just make a landing page with some no-code editor. And then I have to like throw everything away when it doesn't scale. I think the people who are building no-code tools, they are much better at like making it plug into an overall product. Does that make sense? Like it's not like binary. It's like, "Oh, this module is made with a WYSIWYG editor. But it scales and I can rebuild it if it doesn't do what I want. But I don't have to like throw away the whole thing," right?

Actually, if you just think about, I really believe in like the no-code movement, and I think of it as like, no-code, low-code, the self-serve workflows movement, in that I think I try to serve like the audiences that I think are people who listen to your podcast, engineers, designers, data scientists, people who build software who are becoming more influential. But also business people who want to like harness data and software more directly even if they can't code, right? And so no code can actually serve both of these audiences.

And I think one of the most interesting parts of no-code is like you're asking about it. You're an engineer, right? Like things that are actually efficiency, even for technical audiences, because people have begun to build in that area. They're building in ways that like will work in the future, if that makes sense. Versus like I think there's a first generation of no-code that was just like only non-technical audiences. And then there wasn't any sense of like, someday, this will like – You can just serve an API and call it from the rest of your system, right? Or you can plug it into your CI/CD, your GitHub, like all of your development pipeline, and have quality controls and collaboration. But those are the things that I think are going to make it really scale. So I haven't seen companies that I'd say like it's all just like a WYSIWYG builder of the application forever. But I think the tools haven't been around that long. And I am seeing companies use the rapid iteration cycle of those tools to get customer validation and even show customer value, and then raise money, and then like build the product more incrementally. That is the real pattern now.

[00:24:14] JM: Now, do you think it's a reasonable philosophy to encourage engineers to try to make their software in things like Airtable if possible? Like if you have the option of building your service in an engineering-centric way, versus finding a way to build it in Airtable and perhaps standing up some middleware, some Airtable branded middleware to make this more integrated with your software. But since it has Airtable frontend, it's maybe more operational. Should you bias towards that?

[00:24:51] SG: I think this is a very – Like it kind of depends on what you understand about the vendors and who they're trying to serve and where they're going, right? And so I'd say if I was in that position, I would think about, am I ever going to have to rebuild this? What's the scale and the set of workflows it's going to have to plug into? And what's the opportunity cost of doing this thing, right?

I do think like one of the most important things as a startup engineering leader that we look for is like it's the balance of practicality, right? Instead of shiny object syndrome, use cool new technology. It's like I'm going to use things that they may or may not be scalable, but serve my purpose today, or I'm going to use like very boring components that I know will work and have like a great community that supports them. And I'm doing it because I'm trying to operate in this cycle of like a year and a half or two years, because I have never been part of a company that doesn't rebuild major parts of the product as they grow, right?

And so you asked about Airtable. I'm like, "I'm sure that is fine for an experimental phase. I would bias teams to don't build things you don't have to build upfront, unless you feel like it's going to cause you massive architectural pain and it's something you like can't rebuild incrementally later. But I don't know if that's specifically one, because you can already picture so many companies, they discover relatively quickly that the complexity of their data serving needs in their application is like more than they anticipated. And I'd imagine that that would trigger a lot of people to go build more complex infrastructure. But maybe that means like you should actually start with the easiest, simplest possible thing for as many parts of your application as you can.

[00:26:36] JM: There is a term that has become so accepted, as to kind of fade into the background at this point. But a few years ago, a lot of people were talking about the consumerization of the enterprise. Basically the thing where most iconic in Slack, your consumer technologies feel less and less like something tedious to interface with, and more and more like kind of the engagement sugaryness of social media applications. And I have kind of – A term that I wonder, if it will ever have any sort of meaning, the crypto economiczation of the enterprise. Do you think there are any applications of crypto or token economics that will have a meaningful impact within the enterprise?

[00:27:21] SG: So it depends on what you mean by like in the enterprise. Like I think that there are going to be applications of crypto that fundamentally remake significant parts of our financial infrastructure that businesses use. But do I think that – I'm trying to imagine like crypto as an enterprise –

[00:27:41] JM: Okay. So here's my application. So when I was in Amazon, I worked at Amazon briefly, they had this internal system where you get badges. Like, I don't know. If you help out somebody on a different team, maybe they award you a badge. Imagine if there was instead like a currency ecosystem where you get awarded tokens based on these kinds of things. And the tokens make for – I guess you don't even really need a blockchain for this. So maybe that doesn't make any sense. But maybe there's a way of doing like intercompany loyalty points or something.

[00:28:14] SG: Yeah. So I think that there are going to be – I think it's more likely to be replacing existing financial infrastructure or replacing external party transactions than like an internal workflow application, if that makes sense, right? I don't think that the shared trust dynamics of crypto are like – I just think it's over engineering for applications I can imagine right now in the enterprise. But I'm open-minded.

[00:28:39] JM: Yeah. I mean, you got to imagine. Okay, because I agree with you on the financial innovation that you're describing. But, I mean, you got to imagine this is going to lead to some crazy financial engineering. And maybe you could have some synthetic asset that better aligns incentives between two companies. Today you can kind of like have one company purchase shares from another company, and that creates some alignment. But presumably, there's like more liquid ways of doing that. I don't know.

[00:29:07] SG: Yeah. Well, I would agree with you here. Where I look at that is it's external party trust, right? And so I think like companies, there's definitely a world where I can imagine smart contracts in between businesses, right? And that could look like business software. I mean, it could even be something as boring as like if you have that trust, then you do away with things like worrying about your DSO as a company, or you don't worry about having like deposits at a different company, right? Or like sales-based financing looks totally different, right? There are so

many things that you could have in terms of innovation that depends on trust between two parties. Like I was saying, I can't picture like the internal workflow application yet. But I think there are versions that will reduce friction between businesses.

[00:29:57] JM: As an investor, do you just look at crypto out of the corner of your eye and kind of keep track on it, but sort of stay in the lane that you know really well? And like, as a firm, I'm also curious, like does Greylock think of it as an opportunity? They should allocate a lot of resources to it? Or do they say, “No. Look, we're going to draw a line in the sand and say we're going to really – Maybe we'll look at it on the corner of our eye, but we're just going to focus on the core competency.”

[00:30:18] SG: Yeah. I'd say like we approach investing from like probably a few different lenses, right? Because it's not just one person, right? It's a collection of individuals with individual tastes and points of view on what the future looks like. I'd say, as a group, like Coinbase is a significant investment for us. And that's as much a consumer. It's a consumer business as it is a crypto business, right? If this is a massive asset, asset class, as I believe it to be, and if I believe that there are going to be huge parts of the existing financial infrastructure that get replaced with more dynamic, safer, cheaper crypto infra, then like Coinbase is a very important company. It already is, right?

But I actually think you don't need to have a point of view on like precision of exactly what DAO to be like Coinbase is going to be a great company, even when we made the investment, or at least maybe that was how it felt internally. I think then there's like the sort of what's going to be a fundamental platform perspective. And so we've made multiple investments in both of these buckets, right? Crypto companies that basically look like consumer companies, we're like, “Oh!” Like we get the application, or the application already has traction. And it could be a wall, it could be a broker, it could be a game, right? And then we've also made investments that are largely on announced, but like could be core platforms in crypto, right?

So think of this as more like Stripe-level infrastructure in the ecosystem, and new low-level chain companies, versus these consumer application companies. So we've really barbelled into like what could be fundamental, and then what is working on the consumer side where we see the engagement dynamics, the interest or the speculation, right? I've not seen a lot of – So it's

definitely not like corner of the eye. But these are the two large buckets today that we are paying attention to. And then, obviously, consumer attention is very engaged in NFT's and the potential for NFT's. I'd say like I haven't seen as many opportunities that feel real and not yet over engineered on the b2b side. But it's not for lack of looking.

[00:32:31] JM: The rise of the solo capitalist. There are these individuals these days that are raising really big funds and deploying the capital, essentially, just under their own name. You could do this. If you wanted to, you could go and raise a $50 million, a $100 million fund and just start deploying capital. But presumably, you get something out of working at a firm like Greylock. What's the decision tree when you think about the potential and the direction of your career as an investor? Because I talk to a lot of investors that are kind of like mapping out where they want to go in their career. And this is like a major question. Do you go work with a team? Or do you go strike it out on your own?

[00:33:19] SG: So part of this is an orientation question, right? Like I am an intensely ambitious and competitive person, but I'm also a team-oriented person, right? Like I want to be part of building an organization that is larger than just me, right? I think the economics of venture are good scoreboard. But that is not what I'm here for, right? I want to play in the big leagues, help my team win, and then win individually. And so that's very different than I think the calculus. And for that, as being part of a team, I'd like to think I could raise more than 50 or 100 million dollars and like go play that game.

[00:33:53] JM: I was just being modest. I agree with you.

[00:33:56] SG: But like I don't choose to, right? So I think that there's just a set of positives, and there's a set of costs to being part of a team. And so our job is always to like invest in the positives, which I think there are many, and it's like squash the costs as hard as we can, right? And so, I mean, the biggest positives are like – And it's different when you think about a solo capitalist that is like I'm an entrepreneur running my company, which as far as I can tell is in 110 hour a week job, right? Hopefully less than like something more sustainable. But I've seen Kurt. Like he work a lot, right? I've been there. And so I spent 110 hours a week on my companies. And it’s like this is the thing that I focus on all the time, like helping us win and helping our companies win. And so one is just like what is somebody here to do?

I think the second piece is like – I think people say like, “Do you learn more from success or failure?” I think you learn more from success, right? And so like being able to look to a community and then the tribal knowledge of a set of successful companies is very helpful, because if we've done well by those entrepreneurs, then they want to give back to our community, right? And our network goes beyond just our portfolio. So it's like the individual versus the team behind you. And I think that is a real value prop. And I value also like especially the support in the recruiting that we do early on, because the ability to build a great company, I think, is hugely dependent on the quality of the first 30 people in the company, which is like really where I spend my time. And your ability to get world-class customers who are going to teach you and work with you in terms of like what you build and then advocating for you. And so I think that's a differentiated value prop of like building a small team with a trustworthy partner who can – I mean, trust is earned, right? But a trustworthy partner who is pulling resources behind them. And so I think that is like the reason to go with a team. And I think we have like a differentiated view there. But I'd also say like we work with – There are individuals who are incredibly useful to companies, right? Like a solo GP just came in alongside a seed investment I made. And I'm really excited to work with him on this company, because they are relevant to the company. Multiple solo GPS, right? Because they have influence in their communities. They know something from their company journeys. But like do you really want to choose that instead of like the full package? I don't think so. And so I'm more making the case for like any great small team versus the individual. I think there's a lot that is really beneficial to founders about having that support.

The other piece here is really on decisioning, right. And so, I guess, like the psychology research, and the organizational design research would say like the wisdom of crowds reduces the noise of decision making. And then we have shared context, which is useful. Not if it like destroys your imagination, as you said, and you're just like pattern matching, or spreadsheet jockeying, or whatever. But knowing what could work in the past and looking for some of those signals is very useful. I think if you now go to the con side of being in a partnership.

And the last one, I said I'm team oriented. It's really fun to work with smart people together in a boat and try to like be really valuable to the ecosystem and win, right? I think the con side are like any team requires coordination. And any team has differing opinions. And if you don't

manage it well, then you can have all sorts of decision-making biases, and like cascading bad opinions, and influences, and like that sort of thing. But I think if you're actively working to manage it, I think it's a great trade to work with great companies.

[00:37:47] JM: Alright, last question. Since I started the podcast, there's really been an increase in productivity gains in the companies that I've talked to. And this is just over a brief six years. But there have been new things. Low-code certainly came around in the last six years. Gig worker platforms really heated up, Kubernetes, data engineering, all these different things. On a macro level, how have these improvements in software changed the potential and the growth curves of modern enterprises?

[00:38:23] SG: So I think this is really exciting. This dynamic that you describe is like exciting and inspiring. And it definitely changes a couple things, right? One thing is the cost of building the same software has come down dramatically in terms of like what you can do with a couple smart engineers, and nine months, and small number of millions of dollars of capital is like a lot richer than it was given all the things that you described, right? And that's amazing, because even if you just kept capital levels at the same place, then we would have more and better software. So this is inspiring, right?

But I think like the other side of that is you have positive forces as well, right? People can discover software over the Internet, right? It's the ecommercesification of software even in the SMB and mid-market and in sort of the low-end of enterprise software. And so it costs less to build and it costs less to like reach some set of people. Because of that, there's a lot more companies, right? And there's a lot more capital feeding those companies.

And I think that the final thing is like if you have all of these vendors, people have such different expectations. And I think they should have such different expectations of what their software can do for them, right? I think the level of – This is like a huge like decade-long opportunity. For the people who come on your podcast, the level of operational toil to do so many things we do in software today is just unacceptably high, right? Like the software could be – It's not like technical research risk. People just haven't built software that is as usable, as automated, as integrated, as intelligent as it should be, right? It's not like if you could take all of what's happened in the fringe edge of research machine learning and bring it into all of the software we

have, like where would the productivity gains be then, right? I think they'd be a lot damn higher if you also had good workflow design and good change management and companies to support that. That's a pretty big thing to go try to tackle. And I think we're at the beginning of it.

And I think like – I just named a bunch of positives. The negatives is it is more competitive than ever, right? And so the noise level for any end user or customer and the competition for attention and trying to keep up with like channels and relevance for the customers and like the speed to value for any given customer, I think that game has completely changed with an extra handful of billions of dollars in the startup venture ecosystem. And so I think people are more and more – Like they're competing on very different dimensions than they used to be. But it makes me incredibly optimistic, because like I think the dominant factor is we're still going to have more teams building more cheaply, better software. You nodded when I said like if you could bring all of the fringe edge of what we know is effective in machine learning to all the software use today, we'd just be in a very different place in terms of like how companies ran, right? And so there's a lot of room. It's kind of a bloodbath out there. But as a consumer, I'm like expecting to use much better software two decades from now than I do today.

[00:41:40] JM: Well said. Sarah Guo, thanks for coming on the show.

[00:41:42] SG: Thanks for having me, Jeff.

[END]