Regional Oral History Office
The Bancroft Library

University of California
Berkeley, California

Ann L. Winblad

BAY AREA VENTURE CAPITALISTS:
SHAPING THE ECONOMIC AND BUSINESS LANDSCAPE

Interviews conducted by
Sally Smith Hughes, PhD
in 2012

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of Northern California, the West, and the nation. Oral History is a method of collecting historical information through tape-recorded interviews between a narrator with firsthand knowledge of historically significant events and a well-informed interviewer, with the goal of preserving substantive additions to the historical record. The tape recording is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The corrected manuscript is bound with photographs and illustrative materials and placed in The Bancroft Library at the University of California, Berkeley, and in other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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Ann L. Winblad, 2005
Photo courtesy Bob Hsiang Photography

Project Overview

Bay Area Venture Capitalists: Shaping the Business and Industrial Landscape documents through videotaped interview with the first generation of venture capitalists the origins and evolution of venture capital in California. The project explores and explains through the words of participants how venture capital in the state arose and developed, its intersection with national legislation and policy, the significance of its location, and its role in creating new companies, new technologies, and new individual and institutional wealth.

The Project

Venture capital was not a term when most of these narrators began to practice "risk investment" in the late 1960s and early 1970s. The oral histories describe the evolution of the field into the industry of today, focusing on its emergence in Northern California. The narrators describe their circuitous routes into venture capital, their individual approaches to its practice, illustrative investments in key companies, the significance of its location in the Golden State, and its contributions to creating, financing, and building new companies, nationally and, increasingly, internationally.

Conceived and generously funded by Paul "Pete" Bancroft III, the project in its second year interviewed twelve individuals. In the third year, the project scope expanded to include interviews with representative investment bankers, attorneys, and early venture-backed entrepreneurs, as well as with additional venture capitalists. The final oral history, with Ann Winblad, partially funded by Pitch Johnson and Bill Draper, moves forward in time to what might be called the "second generation" of venture capitalists. Completed oral histories, including those donated by related projects, are available at:

http://bancroft.berkeley.edu/ROHO/projects/vc/

An advisory board met periodically to select individuals for interviews and advise on general direction.

Members: Paul Bancroft III, William Bowes Jr., William Draper III, Jerome Engel, Charles Faulhaber, Franklin Pitcher Johnson, and Alan Mendelson

Project Director and Interviewer: Sally Smith Hughes, PhD

Videographers: Julie Allen, Caroline Crawford, Linda Norton, and Travis Thompson

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Ann L. Winblad

Ann Winblad is the co-founder and a Managing Director of Hummer Winblad Venture Partners. Hummer Winblad Venture Partners (www.humwin.com) is a leading venture capital firm focused exclusively on software investing and manages over $1 billion in cumulative capital. Since Hummer Winblad Venture Partners' inception in 1989 the firm has launched over 100 new software companies.

Ann has over 30 years of experience in the software industry as a successful software entrepreneur, strategy advisor, technical author and venture capitalist. Her background and experience have been chronicled in many national business and trade publications. Ann has a BA in Mathematics and in Business Administration. She has an MA in Education with a focus in International Economics from the University of St. Thomas, St. Paul, Minnesota. Ann also has an honorary Doctorate of Law degree from the University of St. Thomas.

Ann has served as a Director of numerous start-up and public companies. Ann currently serves on the Boards of Ace Metrix, Karmasphere, MuleSoft, Sonatype, Star Analytics and Voltage Security. She is also a member of the Board of Trustees of the University of St. Thomas, co-chair of SVForum and serves as an advisor to many entrepreneurial organizations.

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01-00:00:00
Hughes: Please start by saying where you came from and what that meant for what was to come. So please tell me about your family and education.

01-00:00:09
Winblad: Well, I grew up in a small town in Minnesota, Farmington, Minnesota. I'm sort of like Rebecca of Sunnybrook Farm, although my dad "Soup" Winblad was a high school basketball coach and my mom Elizabeth was a nurse. My mom is a first generation American of German origin and my dad is second generation Swedish.

01-00:00:28
Hughes: Hence the name.

01-00:00:30
Winblad: Yes, hence the name Winblad [pronouncing name in Swedish]. My parents were both born in Red Wing, Minnesota, where I was born as well, a town right on the Mississippi River where they have leather tanneries and potteries. My grandfather John Winblad was a motorcycle repairperson after his farm burned down. My other grandfather Adolph Utark worked in one of the factories in Red Wing. My dad was the first one in his generation to go to college. My mom went to nursing school and her younger brother was the first one to go to college. So my parents placed a very high value on education. I'm the oldest of six children. My dad taught us to be focused on learning but highly competitive. Therefore I'm probably unique in that I was both the class valedictorian and the head basketball cheerleader.

01-00:01:35
Hughes: Oh my!

01-00:01:37
Winblad: Usually considered an oxymoron. I was in high school just as Title IX came to be, so I missed out on competitive women's sports, although I was on the first women's track team in our high school, and I did get a medal in the district track meet competition in the long jump. The only athletic letter I had before that was in cheerleading, so I was glad to get a real one after that. And that's pretty much my story.

My dad's greatest earnings power was as a master degree teacher. He received his masters in guidance counseling. After he retired from coaching, he became the high school guidance counselor, made $18,000. My parents successfully raised six children. Four of us are college graduates. My brother went to community college and my youngest sister to nursing school.

01-00:02:31
Hughes: That's quite a story, isn't it?

01-00:02:34
Winblad: Yes, it is.

01-00:02:37
Hughes: You said that he taught you to be competitive. Did that mean in getting ahead? Academics? Or just in life in general?

01-00:02:46
Winblad: I think competition to him— My father ended up with five daughters and one son, and he grew up in a family with five brothers and one sister. So he had all these little girls. One of my fondest memories of my dad, who passed away two years ago, is when my mom would ask him to tell us bedtime stories he'd come in with his chalkboard and say, "Okay, tonight girls we're going to learn a pick and roll." So we learned the basketball plays, and we really understood that there was much more to the game than just the brute force of winning, that there really was strategy.

My father took several teams to the state tournament, and his first team in Farmington went to the state tournament. At his memorial when he passed away, three of his starters showed up. My dad was eighty-six and a really young coach when he was coaching, so these players were eighty years old. But it was great for me to hear from them what an impact being well coached made on their lives, not just winning but being well coached. So winning and achievement meant a lot of things. It meant really understanding the strategy of the game, really understanding how to be a team player, and more than anything what coaching means. In many ways, transitioning from being an entrepreneur, which I was, to a venture capitalist, means a transition from being a player to being a coach.

01-00:04:28
Hughes: That's interesting; I hadn't heard it put so succinctly. Did you feel the pressure, being the oldest? In a traditional family of that era, it's the boys that are supposed to get ahead, and the girls trail after them. But I'm suspecting that that wasn't true in your case. [laughing]

01-00:04:52
Winblad: The great thing about being the oldest girl is you get a lot of attention from your dad because you're the first one. I'm probably the only girl who actually spent time in the boys' locker room. My mom had a rule on Saturdays when my dad would take us to the gym to get things organized for the team, "Do not bring her in the locker room." Of course, the first thing my dad did was say to us, "We're going to go in the locker room. There's nothing in there to worry about. Just don't tell your mother." And of course the first thing I do is, "Where were you?" [my mother asked.] "I was in a locker room," [I replied]. Being raised a good Catholic girl, you never lie. But there was really no mystique about the men's locker room for me. I spent a bunch of time in it.

01-00:05:37
Hughes: [laughing] That must have been formative—opened some doors that otherwise would be shut, I would think.

What impact has religion had on your life?

01-00:05:48
Winblad: My dad is not Catholic. My dad is Lutheran, and in order for my mother to marry him—and my mother is a very staunch Catholic—they could not be married inside the church. They had to be married in the priest's house, and my father had to pledge that he would raise us Catholic. So every Sunday my dad would drop us off at the Catholic church, and he would go to the Lutheran church. In our small town, there was not a Catholic school. In a small community in Minnesota, everybody knows the priests, everybody knows the nuns, everybody knows everybody at church. But it was much more the spirituality of the community versus the staunchness of a religion.

Today I'm on the board of trustees of the University of St. Thomas, which is a diocesan university but has a very, very strong Catholic mission. So it has become part of my life. I think it really helps you understand what having a mission as well as a goal means, really how important integrity is above everything, especially in fiercely competitive and a very Darwinian climate like Silicon Valley.

01-00:07:10
Hughes: Do you care to say more about high school? Your position as valedictorian tells me right away that you didn't have any problems academically, but were you on a track in a certain direction?

01-00:07:26
Winblad: I was very lucky when I went to school in the sixties and early seventies that the Minnesota public school system was extraordinary. I was an ungraded student for half of my elementary school classes, so when I was in third grade I was in classes with sixth graders. There were college preparatory classes, and so it was really, really a great education. I think teachers make a big difference to you, and your value of teachers do. I had extraordinary teachers in elementary school who focused on accelerated math, so I got to love mathematics. That was never something that seemed unnatural to me. We didn't have computer science when I was a high school student, so I learned that in college. In particular, my math teachers were very extraordinary. Mr. Kunesh, my sixth-grade teacher who focused on mathematics had puzzles he had us work on. Jack Ulrich, who was the advanced math teacher in high school, was really a taskmaster but he made math fun.

I remember best from my high school math class there was a boy whom I will not name who sat behind me, and he was horrible at math but he was taller than me. It doesn't take much; I'm only five two and three-quarters. And so I

was really aware that all through high school he was copying my math papers. And I thought, you know, it's his choice.

01-00:09:04
Hughes: You didn't say anything?

01-00:09:06
Winblad: I didn't say anything. But he became a millionaire. He built a very, very successful plumbing supply business, became very good at all the things that basic mathematics require—inventory management, pricing, distribution. He told me later that he actually learned math by copying my math pages.

01-00:09:32
Hughes: So you served—

01-00:09:32
Winblad: I served a purpose, because he really couldn't follow the teacher. But he was so thoughtful in copying my math that he learned a lot. So there are different ways of teaching. I'm glad I never raised my hand and said he was copying my papers. [laughter]

01-00:09:52
Hughes: Was it just a natural step to go to—is it University of St. Thomas?

01-00:09:57
Winblad: [College of] Saint Catherine's.

01-00:09:58
Hughes: Yes, Saint Catherine's. It was close by and it was Catholic.

01-00:10:03
Winblad: Well, I really wanted to go to one of the Ivies or somewhere like Stanford, but realistically there was no money even for a plane ticket to go do the interviews. I went to Saint Catherine's. It had high academic standards, and it was part of a five-college cooperative. I could take classes at Macalester, St. Thomas, Augsburg, and Hamline. And so I was part of a very good five-college set. Many of these are nationally recognized colleges, including St. Thomas. When I went there, I was very disappointed because I was an aggressive overachiever, and I didn't think it was hard enough. So I remember coming back at Thanksgiving and crying and saying, "I have to go to a better school, Dad, I have to," and my dad sitting me down and saying, "Look, you have a big scholarship here, you have jobs, there's no travel associated with it. This is all we can really afford and all that you can really afford, so make the best of it." It was a disappointment to me, but I actually did make the best of it.

01-00:11:17
Hughes: And you did find computer science?

01-00:11:20
Winblad: I did. And here I was very fortunate, because we had a semester break program, and during our break time we'd pick classes. We had Digital Equipment on our campus in a computer center that DEC ran. One of the math professors, Sister Seraphine, decided to teach programming and got DEC to agree that we could all go into the computing center for the university. She taught the interim there.

01-00:11:56
Hughes: Now was that unusual in that day?

01-00:11:58
Winblad: Yes.

01-00:11:58
Hughes: This is early seventies?

01-00:11:59
Winblad: Yes, this is early seventies. Computer science was not a major in most places. In fact it was part of the liberal arts major even at Stanford. Sister Seraphine became ill, so I had to step up to the plate and teach that class the next semester.

01-00:12:16
Hughes: Did that strike terror in your soul?

01-00:12:19
Winblad: No. [laughter] Nothing strikes terror in my soul.

Then a number of things happened. One of the professors at St. Thomas stepped forward to build a computer science-quantitative methods major there, and his name was Steve Nachtscheim. I took those classes at St. Thomas. Steve left St. Thomas to become an executive at Intel, and years later I met Steve at Intel. I later recruited Steve to the University of St. Thomas board of trustees where he and I both serve today. Steve's only a couple years older than me. So Steve said, "No, there's no way you were in my class." And I said, "I was the only woman. How could you forget me? And I was good in your class! Look—here's the textbook. I've kept it, and here is the instructor's name in it, and it is your name. And there's only one Stephen Nachtscheim."

01-00:13:25
Hughes: Not the most common name.

01-00:13:26
Winblad: So fortunately for me, classes appeared at St. Thomas. I was able to take them. There was no major but it was really fun.

01-00:13:38
Hughes: Nobody was saying to you, "Listen, this is a male purview. You're going to have trouble here." There was no anti-feminine stuff going on?

01-00:13:46
Winblad: No one ever. By the time I got to the end of the math major, it's me and three guys. The business major, it's me and the guys. No one ever said that to me. Fortunately, this whole multiple campus situation, it was liberal arts colleges for the most part with strong math and computer science offerings during that period of time that got stronger over time. In that I was lucky. Had I been five years earlier, I might have had an inferior math major, and I might have been business and liberal arts, which I don't think would have been adequate for me in the profession I chose.

01-00:14:38
Hughes: Your original ambition to go east may not have been the best place for you to be in that era.

01-00:14:45
Winblad: Yes, and when you say how could you rewrite your life, mine is like a playbook. So it was very fortunate when I graduated in '73, undergraduate, it was a big affirmative action year, so everybody wanted diversity. Well, guess what—I'm the only graduate who's got a math major, a business major, and computer science classes. I was highly sought after, so I got a very, very good job after college, in fact one that I was barely qualified for, so it was a great stretch job for me.

01-00:15:20
Hughes: And where was it?

01-00:15:22
Winblad: At the Federal Reserve Bank as a systems programmer. So my first job was as a systems programmer, right along the computer science thing.

01-00:15:34
Hughes: Had you been doing some programming in school?

01-00:15:37
Winblad: Oh yes, only as classes, but not ever commercially or professionally, so I was a novice.

01-00:15:46
Hughes: Was that a stretch?

01-00:15:46
Winblad: No.

01-00:15:49
Hughes: Nothing's a stretch, is it? [laughing]

01-00:15:51
Winblad: My job today is a stretch. Being a venture capitalist is a stretch. The job at the Federal Reserve Bank was a well-defined job. I had to learn quickly on the job. That was the expectation that was given to me, and I did a pretty good job at that. I resigned from that position thirteen months later because it was not

going to be, in my view, over my career, a stretch job. And that's when I started my own software company [Open Systems, Inc.].

But my job today *is* a stretch. I'm in the business of new. My job is not really to predict the future but to find the future, so anything I invest in is unknown. It has only assumptions, not facts. I invest at the highest risk point, at the earliest stage of software companies. I invest in high-risk individuals, entrepreneurs. Most of them have never done their jobs before, just like I had never done mine. And we don't yet know until we actually start building these companies whether the assumptions we make about building great value for large markets are valid. So everything I do is a stretch every day! [laughing]

01-00:17:03
Hughes: Yes, and you love it, I bet.

01-00:17:06
Winblad: I do. I love it. It's painful when it's unsuccessful. That's why we're called venture capitalists, versus just capitalists. It's joyous and surprising when it is successful.

01-00:17:21
Hughes: So early on you knew that you wanted a job that was going to stretch you. I imagine that the Federal Reserve was looked upon by most people as a pretty good career.

01-00:17:37
Winblad: Oh, yes.

01-00:17:38
Hughes: And particularly at your young age. What were you—twenty-one?

01-00:17:43
Winblad: I was, and for me it was really a big career move because they had never hired a right-out-of college student at the grade level that they had hired me. I was able to get my master's degree [in Education with a focus in Economics] during that thirteen months in an executive program at St. Thomas. So at that point in time I would have been the only woman in the Federal Reserve Bank of Minneapolis with a master's degree. There weren't a lot of women there either. So there would have been an opportunity for me, even on the diversity card, to surge up to heights that I was totally unqualified for and to earn the right to have those jobs.

People often ask me: are entrepreneurs made or born? And I think I was made to be an entrepreneur. I didn't say look, I want to start a software company because I want to be an entrepreneur. I just said I want to start a software company because I love software, and I want out of here. [laughter] So I said okay, I really like one thing. The reason I want out of here is not that they're not paying me well, not that I still have to pay off my student loans, not that there's not a great career path for me, not that my family is already incredibly

proud of me—but it's not joyous. And so what is joyous for me? The concept that I would write software with a group of people, and we would turn it into products and actually sell them—that felt like it could be really joyous.

01-00:19:29
Hughes: You left the Federal Reserve with that in mind?

01-00:19:38
Winblad: Yes, because I convinced two guys to take a sabbatical for a year to join as vendors, and one guy quit with me. And so the three gentlemen and I started the company.

01-00:19:51
Hughes: And they were at the Federal Reserve?

01-00:19:52
Winblad: Yes. They knew what they were doing. They actually had programming experience. At thirteen months of actually writing code, I was still quite a novice. [laughing]

01-00:20:01
Hughes: Well, tell me how the company emerged.

01-00:20:07
Winblad: We basically had to find some revenue, because I had to pay off those student loans. We had to find a contract to deliver on, so we responded to a request for proposal for an accounting system for schools. That we got. So we did that during the day, and we said what kind of code are we going to write? Because there were these new PCs coming out. And I said, "Hey! Why don't we just program my accounting textbook from college?" So we took out my Pyle and White textbook, and we said, let's write software that does accounting, or what would be called ERP [enterprise resource planning] systems. So we started on page one—not that any of us were experts in accounting—and we started writing in a couple different languages, one for PCs and one for mid-range computing accounting systems.

By the way, my accounting textbook was a *used* textbook, because I couldn't afford new textbooks. I always detested textbooks where there was highlighting in them, because I didn't really understand highlighting. I could never find an accounting textbook that wasn't highlighted, so we had to take out that dreadful Pyle and White textbook, which I still have today, which had all this yellow highlighting and dog-ears on it, and that became the software that we wrote.

01-00:21:47
Hughes: Was anybody doing anything like this in accounting?

01-00:21:52
Winblad: Well, we didn't know. You have to remember now we're pretty much in almost 1976 when we start the company, so we started this company the same year Microsoft started. Microsoft started in '75, Apple in '76, Oracle in '77. It's not like we have Facebook to talk to each other or even e-mail. So anybody starting a software company at this time doesn't know anybody else. It's all spontaneous combustion. Microsoft's in Albuquerque. There's a company out here [in California] called Digital Research in Monterey. There's some stuff happening out here but it's mostly hardware, and we started coming out here to meet the hardware vendors. But nobody's saying, hey, let's all come to a conference and figure out what software we should write. We're just all on our own, thinking it's our own brilliant idea. It's so ridiculous how it all worked. And in fact there were hundreds of companies being started at that time. And it was who happened to make the right choices for the right languages, the right operating systems, and the right machines, and the right route to market that made any money or even survived.

01-00:23:15
Hughes: How do you explain this spontaneous generation? Is it that it trite to say that the technology was ready? But then you have to have the human mind that can take it somewhere.

01-00:23:30
Winblad: Yes, and one thing I will remind you of in that period of 1975-1976 is unemployment was 11 percent in Minnesota. And this period was followed by inflation, if you remember, gas lines.

01-00:23:43
Hughes: Right, the Arab oil crisis.

01-00:23:44
Winblad: I remember I had a little red Opel, and I had to sit in those gas lines. So the macro environment was not saying, hey, quit your jobs and start companies.

01-00:23:57
Hughes: And the stock market was not doing well in those years.

01-00:24:01
Winblad: Yes, but none of us owned any stocks, so we didn't notice. [laughter]

I had a little passbook from Midwest Federal, a little paper book that I had to rip out a page every month and mail in a check. That's all I knew, that Midwest Federal was getting a check from me every month for my student loans. It had a little green tree on it, and I would stare at that green tree and go—what does that green tree mean? It just means that I have to earn this much money, at *least*, every month. Well, what it does mean is that innovation is not on a curve, that it's a step function. And every once in a while, especially in the software industry, the dynamics of innovation come together. In this case, it was the beginning of the PC era. Nobody tells you it's coming.

You've heard the stories of Bill [Gates] and Paul Allen reading about the microprocessor. One of the rules that we had is we're not going to write software for any computer we have to assemble, because I don't know how to use a soldering iron, me personally. I can't imagine people soldering these things together. So we skipped a whole bunch of machines that people were trying to write software for, and we said only until it gets fully assembled. Those are the machines we'll program for. That seemed like a ridiculous choice, but people were racing to program for the Commodore PET and things that people had to assemble.

01-00:25:41
Hughes: And in the end wasting their time.

01-00:25:44
Winblad: Right, and also building software that was pretty small and really wasn't usable for businesses. We also said, look, we're not going to program for individuals because we are going to program for businesses—because who's going to run accounting systems?

So some of our early novice rules—okay, what are our rules of engagement? It gives you a great insight into entrepreneurs. Markets are new, they're fresh, the lenses some of these entrepreneurs use are lenses for survival, and they're good lenses. Some of the choices they make are not based on McKinsey's strategic assumptions. They're just based on okay, we're going to have to make some decisions, and we're going to have to make them quickly, and we're going to make them now.

The main thing that we ask entrepreneurs is, "What *are* your assumptions? How did you make them? Do you have an assumption set? Are you just winging it?" And my competitors who winged it were weaving all over, because the noise level as the PC market picked up was *unbelievable*! There was a new language, new environment, new machine every month after this thing got going. And without a core assumption set people were running all over the place.

So for us, we had to wait for these step functions of innovation, and I was fortunate to pick one of those to start a company. Our company did not need venture capital, which was good because there was no venture capital for software companies at that time. By the mid-seventies, Sequoia [Capital] and Kleiner Perkins are three- and four-year-old companies. The good news for me is one of the first hardware companies we picked to program on *was* funded by Sequoia Capital.

01-00:27:45
Hughes: Was that Don Valentine?

01-00:27:48
Winblad: It was. It was a company called CADO Systems, and we programmed for that computer. Little did I know that we should have made an assumption to only program for hardware companies that had venture funding—the others will go out of business—but I didn't know enough about venture capital to pick that.

01-00:28:07
Hughes: Looking back, do you think that you had any disadvantage geographically in being in the Midwest?

01-00:28:12
Winblad: Not at that time, and we were cognizant of that. We worked very early on with Novell and the Novell operating system, and they flew their programmers from Utah to Minneapolis, so they were geographically constrained. But we didn't try to find our market locally. That was never available to us. We never had a local hardware vendor to pick, so we had to get on airplanes early, and we decided we wanted to be part of the software *industry*, not just a local software company. So we set out goals high, and for the most part they worked.

01-00:28:50
Hughes: Were you doing most of this goal setting? How were you working with your partners? There were four of you at the head of the show at Open Systems?

01-00:29:02
Winblad: Yes. One of the co-founders, who was a really great programmer, Tim Dickinson, a really great strategic thinker, was always thinking about the broader assumption set, and that's how people program. It's an if-then world. The other two were great partners but were not as great strategic thinkers. None of them wanted to do the fly to California and get a big deal done or whatever—they wanted to build product. So it all worked out. We hired a corporate psychologist early on.

01-00:29:45
Hughes: Oh, you're kidding!

01-00:29:45
Winblad: This was just a collegiate thing, because I had business psychology—doesn't everybody do this? Just assess our strengths and weaknesses, and how we would best work together, and how we would add employees. For our first fifty employees, we had this corporate psychologist interview them. So no one ever quit. That was a bad thing. We did such a good job in hiring that everybody fit, at least the first fifty. So we said well, maybe we've got to shake it up a little. We did a lot of things very thoughtfully, some probably overthoughtfully, but that was one of them.

01-00:30:23
Hughes: And then time goes on and you sell the company in 1982.

01-00:30:36
Winblad: I actually sell the company at the end of 1984. And if I remember right, almost at the end of ’84, I move out here, because I made a commitment to stay at the company until someone else was hired to run it.

01-00:31:04
Hughes: Why did you sell Open Systems?

01-00:31:04
Winblad: We kept getting offers, and we brought back in the psychologist and said, “Well, okay, we’re going to have to make this really big or sell it. Who’s in for making it real big?” It turned out that only *I* was up for the task or willing for the task [to enlarge the company]. Everybody else said, “This is fine. This is a lot of money for each individual.” And by the way, two of the founders never worked after that.

01-00:31:34
Hughes: And of course that never occurred to you, did it? [laughing]

01-00:31:39
Winblad: No!

01-00:31:39
Hughes: I could have predicted.

01-00:31:40
Winblad: One of them did, and one of them just decided to manage his little nest egg, and the other person set up a little theater company in Wisconsin and moved there. So this just blew me away, but it told me it was the right decision, because all four of us were fundamental to going forward. It’s like, are we up to doubling again or not? So it worked out well for all of us.

01-00:32:10
Hughes: Well, before we leave the Midwest, let’s bring in Bill Gates. I’m picturing that all these very bright groups competing in the PC market are very independent.

01-00:32:28
Winblad: Yes.

01-00:32:28
Hughes: So how did you meet Bill Gates?

01-00:32:33
Winblad: Well, I’d been to Microsoft a few times, and I had met Paul and a number of other people. When Microsoft was considering a strong foray into the Unix operating system, we were the largest Unix software vendor. Now people today would refer to it as Linux in its next generation. So we ran all of our software on Unix for mid-range companies, and Microsoft was deciding whether they would stay with their version of Unix called Xenix. So we worked very closely with Microsoft, but I had never met Bill. I never thought, gee, I need to meet Bill Gates. [laughter] I was kind of busy.

01-00:33:34
Winblad: So I was a speaker at a conference in 1983. And yes, you're right—I had sold my company at the end of '82. So I'd just sold my company, because this was February of '83, and Bill was a speaker as well at Esther Dyson's conference. At that point in time, what happened is, with so few women in the industry, it was almost national news: woman does something in software industry. Nobody actually cared *what*.

By the way, I was one of the first companies to get liquidity in this early software era. Microsoft was not yet public and would not be public till '85. Remember, Microsoft in '84 was just finishing a year of $75 million in revenue, so we're talking small numbers here of everything, especially relative to today. Facebook files with $3.7 billion in revenue. So people don't realize how nascent and small the software industry was. We were the sixteenth largest software company in the world. So no software company had had $100 million in revenue and would not for a couple years. So we were all out there with picks and shovels, plowing down.

01-00:35:04
Hughes: It seems to me that at the time for most people in finance software is off the radar screen. Does that explain why venture capital wasn't really paying much attention to what was happening in software?

01-00:35:17
Winblad: Well, basically at this point in time it has been called Silicon Valley for a while. You've talked to the founders of venture capital here, and these are semiconductor guys and systems guys. For all of our software, we're not yet selling it separate from the hardware, even though it came in its own boxes. People would buy *a* piece of hardware and buy our software with it. We sold through Don Valentine's company, CADO, the CADO Systems dealer network. And the dealer sold our software every time they sold hardware. It was not *on* the machines, but they would install it with the machines. There was not yet an aftermarket. That would not really happen until we got further into the launch of the IBM personal computer, and there were enough installed machines that people would buy it for one thing and then buy more software for it. See, the install base was small, so we were still building the supply chain for software. Software was pretty rudimentary. We would have to jig around with the operating system, so it was a good thing that I was a systems programmer at one time in my life.

01-00:36:44
Hughes: You needed it.

01-00:36:42
Winblad: We did, we actually did. The three guys that were the co-founders were true systems programmers, and without that knowledge we couldn't have written code this early on that actually worked and delivered value to customers.

So back to the question of Bill. I was one of the stars of the show of that particular conference, because everybody was asking, well gee, people paid you real money for this company? And you're now a multimillionaire software girl? And who the hell are you? Where did you come from? [laughing] Where is Minnesota—is that Minneapolis or Minndeanapolis? Where is that place? And you went to St. Thomas—is that in the Bahamas? I remember Bill Gates said, "I read your bio—there's a lot of saints in that bio."

One of the first questions that Bill asked me, he goes, "What were your SAT scores?" Of course I did know what they were, but they weren't quite as high as his, but they were impressive enough for him. And I go well, here's what they were. So Bill and I became good friends. We had a lot in common, including a lot of passion for our industry. We are both avid readers, not just about technology but other things. He's a great jokester, so we became good friends, and it was at that conference that we met each other and have been really good friends since.

01-00:38:21
Hughes: Did you learn from him and he learned from you in running a business or just in leading your lives?

01-00:38:34
Winblad: Well, clearly, Bill is a natural teacher. He loves communicating what he's learned to others. And he's not at rest unless he's learned something. He is *voracious* in learning. Even today he's constantly— He really loves online learning now, so he's watching all these online lectures on topics all over the place, so he's constantly sending me an online lecture and saying, "This is the best online lecture on geophysics. You'll really love this. Watch it during your workout."

The thing that I learned most from Bill at the macro level is that I always think, especially to be a venture capitalist, that you have to be interested in knowing something new. [indicating with hand] My bar was here; Bill's bar was here [raising arm to a higher level]. Whenever I feel like I'm getting a little lazy, and I'm not really a good student of what's going on, I think, oh my gosh, what is Bill learning right now?

01-00:39:54
Hughes: I've got to hurry up and catch up.

01-00:39:57
Winblad: Yes, because my table stakes are not as strong as his. So Bill, from the day of meeting him, was an inspiration to me to dig in on the intellectual stamina level. And there is a lot of fun in really turning the crank on intellectual stamina. It takes a lot of physical stamina to be an entrepreneur because it's hard work, but it takes tremendous intellectual stamina to be successful. And when you slack off on that, you lose curiosity about things, curiosity about people. You lose your ability to parse how new things work. So that was my

learning from Bill, and I hope that I am a voracious enough student that I push his intellectual stamina a little bit.

01-00:41:12
Hughes: But how in heaven's name do you find time? I just looked at the number of boards that you sit on. And that, for most ordinary people, would be quite enough to occupy oneself. And then having to switch your attention from one set of problems to another set of problems and keeping it straight and not losing focus. I would think you'd get exhausted!

01-00:41:36
Winblad: You have to be a very good multitasker, and you have to be good at focusing your attention in the moment. You also cannot be a worrier to be a venture capitalist, and you have to lean forward. Yesterday's mistakes are yesterday's mistakes and tomorrow's learning. Anyone who's a handwringer should *never* approach the career path of venture capital. Anyone who needs to self-flagellate themselves more than five minutes and if you can't figure out how mistakes turns into learning, pick another profession.

One of the great gifts of meeting Bill was to meet Bill's mother, Mary Gates. Mary unfortunately passed away before her sixty-fifth birthday, but Mary took a strong interest in me. And Mary was an amazing person. She clearly was a great mother because she has three great children; a great wife; she had a great and loving husband. Mary herself was active in the schools, on the board of the University of Washington, on multiple other boards. Whenever you would meet Mary, you got a handwritten thank-you note. And she always looked put together, she never looked tired, she always was present in the moment. I said to her, thirty years ago, "Mary, how do you find time for all this?" At this point in time, I am a relatively young venture capitalist, I'm not on that many boards, I haven't yet joined my university board, I haven't joined a nonprofit board yet. She said, "You know Ann, it's amazing how much time you really have, and how much time you waste, and how much time you can find for others, how much time you can find to sit down quietly and thank others, how much time you can find for kindness, let alone how much time you can find for contributing your own intellectual capital as well as your financial capital. As you get older you'll find that you actually get even better at that." And that was a real inspiration to me, to say, hey, it's not about how fast you pedal, it's about how clearly you focus.

01-00:44:17
Hughes: California. Was that an obvious next step?

01-00:44:30
Winblad: You know, it's so long ago that people ask me why I did things and I forget the why. I just did them. Yes, it was. One of the benefits I got from being one of the pioneers in the PC software industry is I met a lot of people just like me, my age, fun, smart, and they became my friends as well because I spent so much time with them, so much time building this company. And they

weren't in Minnesota, and there was not a budding software industry there, and my passion for software just grew stronger and not weaker. I thought, I can have distant friendships and find something else to do here in the Twin Cities, which is a wonderful place, and I love the Twin Cities dearly and do still spend time there. Or I can move out here. And I moved out here.

01-00:45:34
Hughes: What were your parents saying, losing their eldest and probably most successful—

01-00:45:42
Winblad: My entire family was pretty excited, because they knew that I had discovered winter was optional, could afford to take the option, and they could visit me in someplace warm for the six months of the year when they were all living in igloos. So there was joy in the Minnesota family that I had actually taken this step.

A lot of people interviewed my dad because he was well known in Minnesota. He was in the Minnesota Athletic Hall of Fame. How did he feel about my accomplishments at that time when I was being interviewed. And he goes, "Look, all my children are *fantastic*." He just was really great about that. "They're all worth millions to me."

01-00:46:44
Hughes: Before we get into what you actually did when you arrived, please talk about the storied Silicon Valley culture, maybe in comparison to what you had experienced in the Minneapolis area.

01-00:47:05
Winblad: Well, I knew very little about venture capital. I knew one venture capitalist, Don Valentine, a very unique, skilled, focused individual, from my interaction with CADO Systems Corporation, which was a very good interaction. So this is a good segue into what I did in California and my true understanding of Silicon Valley. I didn't really think about it as I'm going to Silicon Valley. But it *was* Silicon Valley.

One of my customers at Open Systems was Altos Computers, and I had to drive out to the apple orchards where Altos was in San Jose. In fact, when they first built their first computers they shipped them in fake fruit crates, so it *was* much more like the apple orchards that you people talk about.

When I got out here—I had purchased a flat in San Francisco—I went to the little neighborhood grocery store, and the grocer said, "Ann, it's so great to meet you." I said, "Wow, what a friendly city! The *grocer* already knows me." Little did I know that I was already in the Sunday magazine as one of the new Silicon Valley entrepreneurs. I was a little late that day to buy the Sunday paper, so I was recognizable by my photo.

I started getting calls from venture capitalists, and they said, "Look, we invested in this software company, and it's not working well. Can you take a look at it?" And I go, "You know, I just got here. And in fact my furniture and clothes are not even here because the truck broke down in the Grand Canyon. So could I be here for a couple of weeks before I start looking at broken software companies?"

I had agreed to do a project for Price Waterhouse, which they had called me about, to work as a consultant on their technology forecast across all the technologies. That seemed to be a good thing to do as a warm-up project, because I knew one thing—it wasn't like I was the princess of software here. I worked thirteen months at the Federal Reserve Bank, six years in my own little software company, building PC software, mid-market ERP (accounting) software for businesses—that's it. I knew a lot of people in the PC software industry, because by this time we knew each other because we were at the same conferences. I probably knew a bit about operating systems, lots about business software, but not much more. I knew about mainframes; I actually knew about minicomputers. So Price Waterhouse wanted me to help put the forecast together. That gave me an opportunity to interview the technology leaders in every single technology segment, from systems to semiconductors to operating systems—every kind of software that was being built. I thought, I'll interview them, I'll put a team together to help build this worldwide technology forecast, and that was fantastic. So I didn't have a lot of time.

I'd also agreed to write this textbook on object-oriented software. [Ann L. Winblad, David R. King, & Samuel D. Edwards, *Object-Oriented Software*. Addison-Wesley, 1990.] By this time I was kind of well known, and I thought okay, I'll write a book. How hard can that be?

01-00:50:44
Hughes: Price Waterhouse wanted you to do that? Or you just saw a need?

01-00:50:47
Winblad: No, Addison-Wesley had called, another friend had called me to do that. And I said, "Oh, that sounds easy." That was hard, too. So that was lined up for the near future.

It's '85, and I'm lined up for '85 on all these projects. I actually hoped I could take a couple vacations here. [laughter]

01-00:51:15
Hughes: I would think!

01-00:51:16
Winblad: So these venture capitalists kept calling me, and I kept going to visit these companies, and that was really tiring, and I stopped doing that. Another venture capitalist called up and said, "Look, you really don't understand how Silicon Valley works. Venture capitalists are *important*. If you ever want to

start a company— The PC software companies had all been formed; we weren't yet in the next step function of innovation, so it was a good time for me to do these projects, and I'd overcommitted myself. "So you really should build some chits here, Ann, because if you start a software company you're going to *want* money this time around." Well, at least he was honest with me.

So I started going to see these software companies again, and that's where I actually met John Hummer. I'd looked at one of these companies and had brought to the board how they might turn it around, what actually the symptoms they were seeing, what the problems really were. There were very, very few skills in really understanding how to put one of these software companies together, because there were very few that got to scale. Those people were busy; they weren't selling off their companies in droves like I was. So John started stalking me and said, "Look, I want to start a venture capital firm focused on software." And I said, "You know, these venture capitalists don't seem to know a lot about software. Why would I want to be one of *them*? I'm going to start another software company." I was waiting around for some new technologies to come into play, and I'd looked at things like artificial intelligence and done some work with a couple companies there but that looked really hard. I spent a bunch of time at Stanford looking at artificial intelligence. I'd looked at where is this Unix operating system going to go? I did a project for Microsoft there, and Unix hadn't come to fruition yet because one thing was missing. Oracle was still toiling away on server-based databases, and client-server computing had not yet started. So we were on the remnants of the PC era and not quite there. So John was starting to win the argument.

So in early '87 we said okay, let's start forming this thing, a venture capital partnership. Well, again, just as we start forming it, if you remember what happens at that time, the disk drive industry collapses, the semiconductor industry collapses, there's massive unemployment in Silicon Valley—great! Perfect time for me to change jobs again! [laughter] So we got our pitch together; we practiced our pitch. John neglected to tell me that no one has raised a new venture capital fund for five years. Everyone has abandoned the asset class; there were no new funds. We go out there and start meeting with people. We have 133 meetings—everybody says no. They said, "No, we're not funding venture capital firms, and why would we fund a software firm? The assets walk out the door at night. That's the stupidest thing we've ever heard." We go back to the drawing board—

01-00:54:43
Hughes: The programmers are leaving?

01-00:54:44
Winblad: Yes, because there's no hard assets. We're doing poorly in the semiconductor thing, why would we pick this group of venture capitalists? So we go back, and we have to come up with a trick pony. So we go back to Don Valentine,

Pitch Johnson, and Bill Edwards, who are all venture capitalists at the time, and we say, "Can you help us?" And they agree. We have to go to their respective firms and pitch this idea that they'll each put a half a million dollars into our firm, and then we can go out again and say that Pitch Johnson, Bill Edwards, and Don Valentine are supporters of our fund.

01-00:55:32
Hughes: Well, that's a big plus.

01-00:55:35
Winblad: It was a huge plus, and it was the seminal thing. We went back to St. Paul, and we pitched to two firms there, St. Paul Insurance and 3M Corporation, and they both said yes. They both said yes on the combination of, I think, the commitment of the hometown girl and the experience of John who'd been a venture capitalist for a few years. But the endorsement of Pitch, John, and Bill was seminal to me becoming a venture capitalist and the creation of Hummer Winblad Venture Partners.

01-00:56:21
Hughes: That was the 134th pitch that did it?

01-00:56:29
Winblad: [laughter] It was. But I will say one thing—I think it was Pasteur that said, "Luck benefits the prepared mind." And there really is no such thing as luck.

01-00:56:39
Hughes: Not just chance. Yes, you were lucky, but there was more to it than that, obviously. Talk about John Hummer a bit, please.

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02-00:00:01
Winblad: So you've asked me about John Hummer. Well, John is a very unique individual himself. His pedigree is much more like most of the venture capitalists here in Silicon Valley. He went to Princeton undergrad and Stanford for his MBA. One thing John did differently is in between Princeton and Stanford he played six years in the National Basketball Association. John was a first-round draft pick out of Princeton, played for the Seattle Supersonics, and was a noted center there. John is six ten. He's the tallest venture capitalist. I'm five two and three-quarters—I probably am the shortest. [laughter] So we were memorable when we were fundraising.

02-00:00:46
Hughes: I guess!

02-00:00:49
Winblad: I talked over my career decision with my dad and told him that I was going to be a venture capitalist. My mom and dad had no clue what a venture capitalist was. They'd just figured out what software was. But they didn't care. The idea for my dad that I would actually partner up with an ex-professional basketball

player was his dream come true. I brought John home to meet my parents. You know, he's a pretty big guy, so my mom cooked enough food for ten people, and my dad polished up all of his high school medals. He lettered in basketball, football, and baseball in college. He shined up all his trophies from college, all his medals from his high school tournaments, and they were *all* laid out on our dining room table. My dad was so excited to meet John Hummer. I actually didn't think about that when John had approached me, but my dad was, as we would say in Minnesota, *tickled pink* and so proud to be associated with John as much as he was proud of his own daughter.

02-00:02:18
Hughes: Nice story. You've said that John had been a venture capitalist for a few years.

02-00:02:27
Winblad: Yes.

02-00:02:29
Hughes: You'd been watching venture capital, and you'd been receiving phone calls from venture capitalists. But I'm still imagining that the jump from being an entrepreneur to venture capitalist required acquiring new knowledge.

02-00:02:50
Winblad: Well, there's a technology to venture capital. How do you actually construct a fund? And we got some good help there because you don't know how to do that. And then how do you construct term sheets, what actually makes for a good financing, what makes for a bad financing? Not how you build a company, but how do you construct the capital framework so it works for scaling for you and for the company and for the entrepreneurs? And John had been well mentored there and brought that to the table. You don't learn that in school; you get some classes on it, but you don't really learn it. I had been running a company, and then I had now spent some time consulting companies at a larger scale but still relatively small like Microsoft, or really big ones like Price Waterhouse or IBM, and small ones when I was looking at ones that I might join or I might run or whatever.

So it turned out that it was actually good that there had been a period of time between the time I was running a company to my role as a consultant, where I was coaching. You make a change from a player to a coach. Realistically, once you fully make that change you can't go back. The hardest change for a young venture capitalist is you actually do have a lot more experience if you've been in the same industry and running companies than the first-time CEO you fund. You have to learn how to teach, not tell; [learn] when it is important to grab the CEO from jumping off a cliff versus having them understand what the edge of a cliff *looks* like. There are a lot of skills in playing the supporting cast role and the board member role. There's a lot of learning how to help build the boards, how to select your co-investors, how to figure out what is your role on the board, so that you get the maximum value

not just from yourself but from others, not just the entrepreneurs but the board members themselves. And I was not fully learned on all those things.

Interestingly enough, one of the first deals we did, we offered that deal, Control Point Software up to Sequoia [Capital] as a co-lead, and Don [Valentine] was on the board with me. That was quite a learning experience for me in learning both things to do and not to do. One of the next deals we did was with a younger partner, Doug Leone, at Sequoia, where we both learned together, and that was really helpful for us both. But there is a learning curve.

We were fortunate that another thing happened when we started our fund. Because it took us so long to get the fund funded, guess what? We were at one of these innovation step functions, exactly at the point of the launch of client-server computing. So we cleaned up. We founded a company called Arbor [Software] which became Hyperion, a two-person startup, [which] was the creator of business intelligence; a company called Powersoft, which became the leading development tool company for distributed databases that Larry [Ellison] at Oracle had now brought to market; a company called Scopus [Technology], the first CRM [customer relationship management] system. So we funded sixteen companies—half of them went public. So our first fund, which was only $35 million, was a grand success. And again, timing, which is everything, was very beneficial to us. So the amount of time it took us to have those hundreds of meetings to get our first $35 million turned out to be a blessing to us, because this put us smack on the beginning of an innovation step function.

02-00:07:12
Hughes: So you're right. There is an element of luck, isn't there?

02-00:07:18
Winblad: There is, there is.

02-00:07:18
Hughes: I know you had one failure in that initial fund—Slate. Do you want to talk about that?

02-00:07:30
Winblad: Oh yes. Unfortunately, we had, I think, three companies out of the sixteen which were not grand successes. The one that was not a success for me was a Kleiner Perkins [Caufield & Byers] deal that we did, called Slate. We funded some very notable people, including Tom Byers, who was professor of the year the year before last at Stanford. Tom is in the engineering department at Stanford and is a renowned professor worldwide, and he teaches entrepreneurship around the world from the vantage point of the engineering school. In fact, I think he's in Abu Dhabi teaching that today. Tom had never run a company before, and Kleiner Perkins, where his brother was—

02-00:08:30
Hughes: Oh, Brook Byers.

02-00:08:33
Winblad: —and Vern Raburn of Lotus and Microsoft fame at the time, and Dottie Hall, ex-Microsoft. We built the first software for tablets. Not in anyone's memory in the time was that in the early 1990s [these] were the first tablets that came out. Everybody had one. They were huge failures. I still have five in my closet. I think I should give them to the Computer History Museum if they don't have them.

02-00:09:12
Hughes: You should!

02-00:09:14
Winblad: The company did extremely well in building the products, extremely well in getting distribution on all these tablets. But guess what, nobody bought the tablets. So our assumption about the quality of the team turned out to be fact. Their ability to build the software—fact. Their ability to find a route to the customer—fact. The assumption that customers in droves would buy tablets—not fact. So we lost—

02-00:09:50
Hughes: Was it just an assumption? Had they done any testing of the waters to see how the tablet might fly?

02-00:09:55
Winblad: Well, when you do early-stage investing, there's no waters to test. The waves are under the surface. We have to fund the waves before they break on the surface, so we have to fund the companies just as we see technologies coming together. Sometimes they don't come together.

One of the companies that we funded early that turned out to be a great success was Wind River, now the ARM division of Intel. And it was a company that I found at the Embedded Systems Conference. So they built software for printers that have embedded software in them, and other devices. We were almost too early there. There were sixteen companies that had a tiny bit of revenue, and we guessed wrong about the velocity of the embedded systems market, but we guessed right about this particular company to own it all. So they started defeating any other incumbents. So the aggregation of all the marketplaces there built a big enough company, called Wind River, for us to take public.

02-00:11:09
Hughes: Was that because they had technological advantages in their product? Why were they ahead of the crowd?

02-00:11:16
Winblad: I think the investors helped them, us as investors and co-investors, as to what it was to own a marketplace versus just to build the best software; how to

really build a high-growth business around the best technology versus always competing just with the technology; not just winning deals but owning a customer base; and owning not just a customer base but becoming number one in the marketplace. Now there was enough of a market to do it there.

In the case of Slate, there was not. [laughing] And we lost, I think, a million and change, so it wasn't what I'll call a *big* loss. But you don't want to win in all your first companies, otherwise it means you're being overselective. You're not taking enough risk; you're not pushing into where things might come together. And of course, Dottie and Vern and Tom all went on to great careers. Kleiner Perkins is still in business. We were able to co-lead that deal with the top venture capitalists of the day. They'd been around since '73; we'd been around for two years.

02-00:12:38
Hughes: That was a pretty good advertisement right there, wasn't it?

02-00:12:42
Winblad: Yes, but again, it was not that we said, gee, we'll do this because Kleiner Perkins is doing it. Our judgment at the time was there was going to be a big market opportunity, and our judgment was wrong. By the way, it was wrong by twenty-five years. [laughter] But if we'd done it today, it would be really right. And interestingly enough, Slate built little apps, so *everything* they did was right.

02-00:13:15
Hughes: It was just before the time.

02-00:13:20
Winblad: When I look at the thing you have to laugh. So again, our job is not to predict the future, our job is to find it. But to find it at the right time. And no laughing.

02-00:13:34
Hughes: Talk about how much you actually participate in the management of a company. How hands-on are you?

02-00:13:49
Winblad: Well, we are hands-on in helping build the management team. The focus of our firm is still 100 percent software, and our focus today is investing in the early stage, meaning we are usually the first venture investor in these companies. Typically, there's two to ten people, and more often than not it's closer to two than ten. So we play a very important role, both for the founders and for the company, in helping recruit and build the management team. I talked earlier about how no one helped me, but we hired a psychologist. [laughing] Even then it was important for us to build the right team and really understand our own strengths and weaknesses so that we could build the right team. The CEO reports to the board, so we play an important role in determining if the CEO is doing a good-enough job. We cannot run the

company. And in fact if we feel that we are diving in and telling the company what to do, occasionally we have—not occasionally—we are *asked* to give our recommendation, and we give firm opinions. But if we find ourselves running the company, that means that company is broken or we're broken.

02-00:15:11
Hughes: Are you unusual in that?

02-00:15:16
Winblad: No. I think all good venture capitalists will tell you, if they believe that the board is running the company, it's either time to sell that company or time to get a new CEO. Something's fundamentally broken, either on board dynamics, the CEO themselves, or the company.

02-00:15:36
Hughes: But it's a very delicate relationship, isn't it? Knowing how much to interfere—or advise. I shouldn't use a prejudiced word.

02-00:15:42
Winblad: We bring independent board members on that might be experienced CEOs if we have a first-time CEO. We do really understand that the CEO may have a real bonded experience with some of the board members and not others, where they might see not all board members as career mentors for them. That is fine as long as the mentors they pick are good ones. Sometimes it's hard for board members to adjust to the fact that they're not the chosen mentor. To me, you have to look at the bigger picture and the role of the cooperative, not your individual role. We're judged in the harsh reality of returns. Do we build good companies that have liquidity paths? And those liquidity paths can be multiple ones. Zero-sum multiples are homeruns. It's sometimes hard in doing your job every day, especially when you're a young venture capitalist, to keep your eye on what your ball is. We have to help build companies. It's not about your vanity; it's not about you feeling like you're the smartest person in the room. It's about where can you pitch in to add value to build long-term, sustainable, competitive advantage and value for this company. That's it.

I think the entrepreneurs have gotten the message from us that they need to choose carefully and find good chemistry in choosing a CEO. Even in our firm sometimes entrepreneurs I meet I think the chemistry would be better with one of my other partners. So even there we really judge that as this [startup] is a great fit for our firm and something we want to invest in—who's the right partner here to shepherd it? And that again is something you have to look for. We are equal partners here, so it makes it easy for us to do that. I think something important for entrepreneurs is they want to make sure that they're getting the whole [venture capital] firm not just the partner. They want to be able to trust their partners as confidants and build that relationship over time. Mostly they want to maximize our value. They want to maximize my Rolodex, my reach into the industry, the fact that we spend most of our time in the software industry versus in venture capital land. How would they

leverage that? How can they leverage our other portfolio companies? So I think entrepreneurs are more sophisticated in really looking at the venture capital relationship that they pick, and hopefully many of them get choices. And we're hopeful that good ones choose us.

02-00:18:52
Hughes: Very, very interesting. You listen to an entrepreneur's presentation, and is there a list of things that you're ticking off in your mind about what you're looking for to make this proposal a go? And is it pretty much the same list for any proposal? Or does it change with the proposal?

02-00:19:26
Winblad: There is sort of a standard pitch in what you want to communicate to a venture capitalist, but there's not a standard entrepreneur. You're first looking for the ability of the founders to communicate their idea. Even if you don't really like the idea, are they great communicators? And they have to be, because they're going to have to raise money, recruit employees, sell software, communicate to analysts and the industry at large why they're a big company. So if they're not a good communicator, it's a little hard for us. People have different communication skills. A technical communicator might be less salesy than a person who comes out of the sales ranks, and that's fine. We're not expecting everybody to be an infomercial. But we're expecting them to be passionate communicators.

We're also expecting them to have a strong sense of a big opportunity and be able to communicate that while diving down on their product. Unfortunately, we see a lot of really, really great product pitches. And we can't fund products. We have to fund companies. So there's a lot of pattern matching that goes on. At best we're pattern matching—does this fit the pattern of a winner? [laughing] Does this look like somebody that is a first-round draft pick? When I was a young venture capitalist, I would say, "Would I go work there?" I ask our young partner to think about that himself—would you go work there? If you had to quit your job, would you think about working there? Does it seem big enough and interesting enough? It's hard for me to ask that to myself right now, because I know I'm not going to quit this job and go work at a software company.

[I ask myself:] What sense do I have of the competitive environment? How new is this? How breakthrough is it? Do I like it? Would I like to work with this team? Because I'm going to work with them for five or six years. So all of those dynamics come in. Are my partners getting the same kind of mojo going about this? There's a lot of pattern chemistry that comes into play. It's not just their mouths are moving up there, and we don't care what words come out, but there is some of that. And they have to be able to communicate scale. Even if we find, wow, that's not going to be that big, we'd rather reel you in a little bit than try to push you out to the opportunity.

02-00:22:14
Hughes: Are all the partners there when something's being pitched?

02-00:22:25
Winblad: We're all there when it's being pitched.

02-00:22:27
Hughes: And then you get your heads together afterwards and decide whether it's a go?

02-00:22:32
Winblad: Yes, and we have to achieve what we call a *venture consensus*, which means there are not strong naysayers and hopefully there are strong yeasayers.

02-00:22:43
Hughes: If there is a strong naysayer, can that kill the deal?

02-00:22:48
Winblad: We'll think twice about it, and it will likely kill the deal because we're worried about our own lens, and we also know that companies aren't perfect. We've now committed to spin straw into gold. That is a fairy tale, but we have to do that. Along the way the spinning wheel breaks—you don't want that one partner coming in and saying, I told you so. Even if they don't do that, you can hear it coming. [laughter] So you want everybody to say, well, that was a little bump in the road, or we're going to have to slightly help this company change course. You want everybody to grab an oar and to say yes, we all rooted for this company. Let's keep going.

02-00:23:41
Hughes: It must be exciting.

02-00:23:40
Winblad: On most days it is. Sometimes it's a different kind of excitement than you want. [laughter] One thing to remember about software is the intellectual capital trumps the financial capital all the time, so what happens when the intellectual capital is the most important; psychodrama? [singing] So there's a lot of stuff that happens there.

The course I loved in school was business psychology. I remember we were all being filmed, and we were given different roles. I got the card saying you're going to get fired, and you're going to cry. I was the only woman in the class, and so the guys would tromp in one by one, and they would fire me, and I would burst into tears, and they would completely lose it and forget exactly what they were going to do. They even forgot that they were in class because they just couldn't handle this. I remember how hard it was for them to fire me, because I said things like, "My livelihood depends on this. I have a family." Well, I've had to go through that script many times [since]. And it is not easy. It is really hard to abstract yourself from the people that you've spent time with. So the people skill things are something that— We are mostly nerds in this industry. We're nerdulent and tough businesspeople, and every day we

have to work on are our nurturing skills, not our nerdulent skills, and really helping really, really skilled people do their really hard jobs.

02-00:26:01
Hughes: Really demanding stuff, isn't it?

02-00:26:03
Winblad: It's much less demanding being the venture capitalist than the entrepreneur. And that is something that is really important to remember. I'm really glad that I was an entrepreneur myself, so I know that my job now is so much easier.

02-00:26:21
Hughes: Is that because the entrepreneur's whole stake is in this company that either has to make it or not?

02-00:26:30
Winblad: It could be that. They may have already made a ton of money. But they're making really hard decisions every day. The hours that these entrepreneurs work are unbelievable. The commitment that they have to make of their physical and intellectual stamina is extraordinary. Much greater than any venture capitalist. They also have lives. They have families, friends, children, and they are really, really close to these people. Our job is only to hire and fire CEOs. Their job is to hire and fire every single executive in that company. And so the emotional strain that their job puts on them— They have to be fiercely competitive and willing to win. They have to see the glass half full just like we do every single day. Every morning stand naked in front of the mirror and know what their faults are. Our job is not nearly that brutal; it's just not.

02-00:27:35
Hughes: In both cases, the entrepreneur and the venture capitalist have a responsibility to produce, to make a venture successful. You to the people who have invested in your fund and similarly—

02-00:28:00
Winblad: Yes, our goals are aligned and should be aligned. They are shareholders in the company as well. Big wins have big results for these entrepreneurs as well, and also it sustains their livelihood as the companies grow. So for our good companies, we see really tight alignment here. That alignment also requires the willingness to grow into large companies, and that takes time. That means the eye on the big prize, not the eye on the small prize. That's why it's so hard to find great CEOs that are willing to take the risk for the long game and the big prize, because that's the same prize that we have to keep our eye on. At the same time, good entrepreneurs also realize when that prize diminishes, and when we have to accept a silver or a bronze versus a gold medal, and then how we would work for that and make that successful outcome for everybody and their careers. One of the things that we have to do as venture capitalists is align all of our goals, otherwise it's just an awful experience.

02-00:29:19
Hughes: Well, I think we have to wind up.

02-00:29:24
Winblad: Yes we do, because I have four more minutes! [laughing]

02-00:29:28
Hughes: I read and I can well believe after hearing you talk that you are considered a power broker of the industry. I don't know whether you accept that willingly, but regardless of that, what are people thinking when they give a term like that to a person, which isn't done very often? Where does the power come from?

02-00:30:08
Winblad: I'll graciously accept that compliment only because I think more women should accept that they have some power. Power to me means that you have gained respect in your career, and that respect allows you to pick up the telephone and walk into the circle of key decision-makers in your industry. [It means] that you are consulted by those decision-makers on some of their core strategies, that people recognize you—even when you are a competitor—as a collaborator to your industry, and that when they do reach out to you or you step into that circle of big decisions, that you're willing to state your opinion based on your collective experience and knowledge, and that you're not afraid to state it and that you're not afraid for your opinion to be wrong. I think that's what power means. I think that experience gives you the courage to make mistakes, and the courage and then the power to state your own opinion.

My father always said one thing to me as the oldest child—I never had curfews, I never had rules, and when I would ask, "What should I do? What time should I be home?" I can remember asking this as a very young girl, and my father said, "Ann, trust your own good judgment. I do." And that told me that I had to build good judgment, and the only judgment I had to trust was my own.

02-00:32:04
Hughes: Wonderful answer, wonderful interview.

02-00:32:08
Winblad: Thank you.

02-00:32:08
Hughes: And I thank you!

02-00:32:10
Winblad: Thanks.

[End of Interview]