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C. Richard Kramlich

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This collection of interviews, *Venture Capital Greats*, recognizes the contributions of individuals who have followed in the footsteps of early venture capital pioneers such as Andrew Mellon and Laurance Rockefeller, J. H. Whitney and Georges Doriot, and the mid-century associations of Draper, Gaither & Anderson and Davis & Rock — families and firms who financed advanced technologies and built iconic US companies.

Each interviewee was asked to reflect on his formative years, his career path, and the subsequent challenges faced as a venture capitalist. Their stories reveal passion and judgment, risk and rewards, and suggest in a variety of ways what the small venture capital industry has contributed to the American economy.

As the venture capital industry prepares for a new market reality in the early years of the 21st century, the National Venture Capital Association reports (2008) that venture capital investments represented 2% of US GDP and was responsible for 10.4 million American jobs and 2.3 trillion in sales. These figures, while significant, greatly understate the collective accomplishments of the venture capital industry.

I'm pleased to have supported this project, which I believe will advance the understanding of the venture capital industry. This collection, along with Paul Bancroft's Bay Area oral history project at the Bancroft Library at the University of California, Berkeley, and Paul Holland's Silicon Valley project for the Western Association of Venture Capitalists, will add significantly to a growing body of venture capital memoirs available to the public sector.

A special note of gratitude goes to each interviewee who generously gave of his time while candidly sharing his memories. Their recollections bring to life the dynamic story of venture capital in the 20th century, providing a powerful perspective on the history of this industry.

Charles W. Newhall III
Spring 2009

VENTURE CAPITAL GREATS

A Conversation with C. Richard Kramlich

Richard Kramlich is the cofounder and General Partner of New Enterprise Associates, NEA, "one of the early Silicon Valley venture capital firms that created the template upon which the modern venture economy is based." Of the over 500 companies in which the NEA has invested, more than 150 have gone public. Of these 150 companies, Richard has been a director of eight that have gone from startup to over one billion dollars in value. They are 3Com, Ascend Communications, Silicon Graphics, Dallas Semiconductor, Immunex, Macromedia, Healtheon and Juniper Networks. A mentor to many emerging entrepreneurs and one of Silicon Valley's financial architects, Richard Kramlich has helped hone venture capital as a field, and he has served as a pillar of the entire entrepreneurship economy. Prior to founding NEA, Richard was a general partner of Arthur Rock Associates and Executive Vice President of Gardner & Preston Moss. He received a Masters in Business Administration from Harvard Business School and a Bachelor of Science in History from Northwestern University. He is a past Chairman and President of the National Venture Capital Association, which in 2001 honored him with their Lifetime Achievement Award. He has represented the venture capital industry as a governor of NASDAQ. In addition to his ongoing professional commitment, he is a leader in numerous educational institutions. In addition, Richard, along with his wife, Pamela, has become a patron of the art world, supporting major museums and new media art installations.

Mauree Jane Perry: *Today is August 31, 2006. This interview with C. Richard Kramlich is taking place at his home in San Francisco, California. My name is Mauree Jane Perry, Oral Historian. I thought we would begin, Dick, right at the beginning. When and where were you born?*

Dick Kramlich: Well, I was born on April 27th – same day Ulysses S. Grant was born – 1935 in Green Bay, Wisconsin and grew up there. We moved from Green Bay to Osh Kosh, Osh Kosh to Appleton, then Appleton to Milwaukee. My father started a company and the headquarters were moving around, so that's how we evolved. I went to public schools in all those cities, except for Milwaukee. After we moved to Milwaukee, when I was 13 or 14, I went to an all boys private school called Milwaukee Country Day.

MJP: *Dick, you wrote that both your mother and father were very important influences on you. Will you talk about how they were important in your life?*

DK: Sure. My father, who was born in Idaho, came from a long line of wheat farmers, which is sort of the high end of the food chain in the farming world. My grandfather along with two brothers named Skagg cofounded a company that ultimately became Safeway, which they started in a place called American Falls, Idaho. It grew to over 4,000 stores all over the western part of the United States, which is quite amazing when you think about it. It was sort of the high technology of its day in that it changed the way food was distributed in the United States. Eventually, they moved the company headquarters from American Falls to Boise, Idaho. One of the Skagg brothers stayed there, the other went to Oakland, California, and my grandfather went to Denver, Colorado, so my father grew up in

Denver. He and my mother, Dorothy Earl, who was born in Kansas, met at Denver East High School. He was infatuated with her; she was the so-called 'top girl in her class'—she could do anything. After high school, my father went to the University of Virginia. He'd won a scholarship sponsored by the University to go on a cruise around the world. The cruise started out in Oxford and Cambridge; they went to Grenoble, Salamanca, and Heidelberg; then they went all the way around through the Suez Canal and into India and China and so on. They would study the sociology, culture, and language of the various countries as well as play sports.

In September of 1929, they were in England when my father received a cable from my grandfather saying that the market had crashed. He also told him that all of his expenses for the trip were paid and that he hoped he'd have a great time and he'd see my father in Denver in a year or so. By this time, my grandfather had sold his interest in Safeway to Charles Merrill of Merrill Lynch. My father said that that trip changed his life because it gave him a much broader outlook and added a lot of depth and richness to his life. The cruise nearly broke University of Virginia–it was the only time they ever did that trip. Afterward, my father returned to Denver and subsequently transferred to the University of Denver, where he graduated in 1933. After that, he decided he wanted to start a new food chain. He began to look around the country for places that seemed to be less scarred by the Depression. He ultimately decided on Wisconsin, where he cofounded the new company, Krambo Food Stores. In the meantime, my mother had become an aeronautical engineer. She'd graduated from Denver then went to the University of Colorado.

As a sidebar, my parents had gone to junior and senior high school together. She was always quite popular with both girls and boys so she didn't want to get tied down with anyone. Nevertheless, when my father was a sophomore, he asked her to commit to going to the junior prom for the next two years, which she agreed to do! After my father moved to Wisconsin, he went home to Denver one year at Christmastime. He asked my mother out but she had no evenings available, none. He was really frustrated, so he asked her, "Well, are you tied up for lunch?" She said, "No, I'm not."(laughs) So he convinced her to have lunch with him for the next seven days. My dad was a pretty solid guy.

MJP: *You inherited that quality.*

DK: Yeah.(laughs) My mom said later that about four days into this she realized that he was the guy she probably ought to spend the rest of her life with. So, afterwards, he took the train back to Wisconsin–he was living in a little town called Antigo I think it was–and he called her and asked her to marry him. She didn't give him a direct answer; she told him to think about it and that she'd think about it, and that she really appreciated the proposal and so on. So he called his mother and said, "Will you please call Dorothy and go over to see her and go down to such-and-such jewelry store and get the best engagement ring you can possibly get for her." She did and they wound up married. My mother didn't like cold, damp weather, so she said to my dad, "As soon as you can possibly afford this, can we please move to someplace that's warm and dry?" He said they would. My dad was a fabulous guy. He was very good at many things. And he invented a lot of things–he was a bit of a tinkerer. He was direct and had a great sense of life and a great sense of humor. He worked extremely hard throughout his career. He built up Krambo Foods to the largest independent food chain in the state. Then in 1955, he sold it to The Kroger Co. and then spent the next two years kind of transitioning it to its new ownership, reporting directly to the Chairman.

When I was at Northwestern–I think I was a junior and my brother was a freshman–my dad called me. He said he had a terrific offer for the company, but he wouldn't sell it if my bother and I wanted to go back and be involved. I said, "Dad, look, you've earned this. This has been a great success for you and I know you've worked hard. You ought to improve your golf game. Don't worry, I'll be fine and I know Doug (my brother) will be fine." Besides, I wanted to do my own thing. My dad was actually a great golfer, by the way.

MJP: *Of course. (laughter) But in terms of influence–*

DK: I am getting to that (laughs). My dad was very hardworking and productive on a business level, and he was also very mindful of my mother's priorities. For 44 years, he played golf every day–except for Saturdays when the doctors and lawyers played. But we always lived on golf courses. So we lived near the Milwaukee Country Club and then my parents moved to Arizona and lived in Paradise Valley outside of Phoenix. They lived on the 11th hole of the Paradise Valley Country Club. They also bought a home in Southern California above Escondido near a club that had been started by Utah International; it was later turned into a private club after GE bought Utah International. They'd go to

Escondido in the summertime because it gets pretty warm in Phoenix. They traveled quite a bit. My dad had a lot of dimensions.

MJP: *Were you close to him?*

DK: I was very close to him. I think the world of him. He's great. And my mother was also a very solid person. My father never had any fear about anything. He really wasn't afraid of anything. He knew in a quiet way that he could do anything. He'd give his money away, and it didn't bother him (laughs) he knew he could go back and start all over again if he had to. Of course he never did. But my mother was more cautious. From a woman's standpoint, her hero was Amelia Earhart. My mother was an extremely talented lady. When we were growing up, she was always putting on recitals and acting in plays. She was always reading. She was just tremendous.

MJP: *You said she focused academically on engineering. So she was a woman ahead of her time.*

DK: Way ahead of her time. And she was very much a student in every way. She was more conservative than my father relative to finances and she was very knowledgeable about finance, you know, sort an engineering mind. She ran the family finances. She actually wound up managing portfolios, and she also wound up with a lot more money than my dad because she didn't spend anything. (laughs) My dad spent everything. And he gave her capital because he knew money was important to her. He didn't care. (laughing) It was really quite something.

MJP: *If one were to draw a chart of the core attributes of your parents, on your dad's side there's competence, there's gentleness, keen intelligence and an awareness of the world at large, and there's inventiveness. And on your mom's side, there's discipline coupled with this financial acumen—*

DK: Right.

MJP: *—and you've assimilated all of those qualities.*

DK: Well, I don't know about that. But my parents were fun to grow up with. We had lively conversation at the dinner table. My mother was always extremely interested in world affairs. My dad was also pretty interested, but only to the extent that it was practical.

MJP: *Did your parents have high expectations of you from a professional standpoint?*

DK: Well, yes, of course. My dad sort of quietly expected the best from us.

MJP: *That word, quietly, you've said before. What does that mean?*

DK: Well, he never said you have to do this or you have to do that or I expect you to do this — nothing like that. Both my parents were very supportive, you know, they came to all the games and so on. But they just expect the best from people, that's just who they are, that's their whole ethos. Remember when they would come to all the NEA meetings?

MJP: *Yes. And how would they acknowledge your performance?*

DK: Oh, they were pretty normal about it I'd say. They'd say things like, you know, you're doing well. And they were strong advocates for their children. As an example, the Milwaukee Country Day School had this A and B section classroom placement based on academic standing, A being higher than B. They were also big on athletic ability. When my parents were being interviewed during the admissions process, the Headmaster, a man named A. Glidden Sander, an Englishman who'd grown up in India — he was a terrific guy — said to them, "Anyone who comes from a public school we automatically put back one year." And my father said, "Well, you don't have to worry about Dick, he's No. 3 out of 150 in his 8th grade class." There were two girls ahead of me — both great girls by the way.

MJP: *Of course. (laughs)*

DK: I liked them both; they were terrific–Gretchen Schwebs and Marilyn Warner, I'll never forget. Anyway, my day said, you know, "Dick will do well". But Mr. Sander said, "Yes, but it is public school and our standards are different." Well, after a lot of discussion, my father convinced Mr. Sander that I ought to be able to come into the 9th grade in the B section. Now all the fellows in this school — I mean they were the cream of Milwaukee. And by the time they'd gone from kindergarten through the 8th grade and then been segregated into the A and B sections, you know, everybody kind of knew where they stood. And I was plunged into the middle of this in the B section. I'd never had any trouble at all in school. I learned just from bouncing around that if you wanted to be accepted you had to do well academically — in a quiet way — and then you had to do well athletically, that's how you earned your stripes. The first test I took in Latin, I scored a 55.

MJP: *Out of a hundred?*

DK: Out of a hundred. I said to myself, this isn't very good. And then the second test I took, I scored a 15. And I said to myself, you know, Dick, you're going to be taken out of here and this is the B section. So I decided from that point on I was going to study like crazy. So every night after dinner, about seven o'clock, I'd hit the books until 11 or 12 o'clock every night. I rectified my early stumbles and wound up working my way to all A's and into the A section. So I was fairly high in class rank at the end. Sociologically, from your standpoint, Mauree Jane, the interesting thing was — I hadn't realized this until far later in life—

Although only one other fellow and I had worked our way up into the A section, I never forgot the guys in the B section. They were good guys, they just weren't academically as strong as the A's. But I never shunned them or talked down to them or anything like that because I'd been a part of that. And I'm only mentioning this because it's true: I wound up being class President during my sophomore, junior and senior years. And, this is the part that I never really thought about because I don't like politics — the B's were the guys who elected me.

MJP: *Because you never forgot them.*

DK: I never forgot them. But, I mean, I wasn't purposeful about it.

MJP: *That's quite a telling anecdote. You know, looking at your answers to the questionnaire and from the stories you're recounted to me, I see that you excelled academically, athletically, and in leadership. I'd like you to comment on your ambition and drive at that point in your life. And the stories you're telling me are exactly what I want because they bring to light your values and character.*

DK: Well, one thing my parent's didn't like at all was pomposity. Milwaukee sort of regarded itself as high-society, but my parent's weren't part of that. In fact, they thought that most of the state was sort of under-cultured. My mother put on recitals and acted in plays as I said, but she and my father never looked down on anybody in any way, shape, or form. They judged everybody on merit. When we lived in Appleton, there were two families who we really liked. Dack Forbush, the Minister of the Congregational Church, and his family was one; they were fantastic people. The other was a family by the name of Buchanan. Bill Buchanan was kind of the #1 citizen. And his family and ours were very good friends, we got on at a level that was just great.

MJP: *You mean solid, real.*

DK: Yes, you know, we all had a bigger view of the world. Interestingly, my dad told me later, when they moved to Milwaukee, he joined the Rotary Club where there were some members who knew him from business. And out of the clear blue sky, they recommended him for membership into the Country Club, which was supposed to be a big deal. But my parents never attempted to be accepted by old-line society in Milwaukee–that just wasn't their goal.

MJP: *But what about you, what drove you?*

DK: Well, as an example, during my junior year of high school, I was sort of a running back on the football team. Our team had won 47 straight games– we'd set a state record; it was incredible. I'd always been the smallest guy in my class and I knew I really needed to bulk up if I was going to do anything serious during my senior year. My dad had always expected me to work during the summer. I'd started out at menial jobs, but during the summer after my junior year, I worked at a pea vinery pitching peas. I was the only Anglo; the others all were Mexican nationals so it was hugely physical labor. After the peas were beaten out of their shells by what's called a viner, I would weigh them and then send them on to the factory. We'd start at seven in the morning and sometimes we didn't finish until midnight. It was a great experience. And as a consequence I bulked up. So in my senior year, I came back as a guard and I was the captain of the defensive team. I played either center guard or middle linebacker on Defense and offensive guard on Offense and I did OK. And my father said, "Dick, the only fear I have for you is that you're going to turn out to be a playboy because you like life too much." And I said, Dad, don't worry about it. (laughs)

MJP: *So, you were ambitious for excellence?*

DK: Right. Not for myself, but for excellence.

MJP: *So what I'm hearing is that you'd do whatever you needed to do to perform or produce or achieve a standard.*

DK: Right. That's it.

MJP: *Even if you were pitching peas–that would help you bulk up, that would help you to prepare, that would help you be excellent.*

DK: And that's all I'm interested in. As I said, my parents hated pomposity, and I don't like it myself. Another thing I don't like, as you know, is filling out forms. (laughter) I don't do it; I just don't do it. I hate college applications. So when I had to do it, I said to myself I'm going to fill out as few as possible. Everybody went back East to school, so then I went through this debate about what school to go to. I applied to Yale and then to Northwestern; I got an application out to Dartmouth. Our favorite school was Williams. It's a great school. At any rate, I thought, I want to go to Harvard Business School.

MJP: *So you knew that at eighteen?*

DK: Right. And I had been accepted to Yale. So I thought, if I go from Country Day, then to Yale, then to Harvard, I'm pretty much going to go down one alley in life–and it wasn't' a bad alley–but maybe I want to get a little broader view of life. So I also considered Stanford, which, at the time, nobody in our school was thinking about–a couple of years later seven of our people went to Stanford. But I ended up going to Northwestern and I loved it, I had a great time there. It gave me a broader view of life. It was a little bit more balanced, after having gone to an all boy prep school.

MJP: *So that was the right decision for you.*

DK: It was.

MJP: *And it was your own decision.*

DK: It was my decision. After that, I went into the Air Force for a while, SAC division–Strategic Air Command. I had a ball.

MJP: *Why?*

DK: Oh, it was fun! SAC headquarters was in the Cheyenne Mountains, just outside of Denver. I'd thought I was just going to get in and out of the military, but the week I arrived in Colorado, Russia put Sputnik up and everybody thought Russia was going to take over the world, so we were on Red Alert. It was serendipitous that I got involved in all that. I had a great time. And my cousin was a senior at Colorado at the time and we were both in the same fraternity, so I'd go there on the weekends. There were a lot of really great women at the University of Colorado.(laughs)

MJP: *You're father knew you well.*

DK: He did.(laughs) I also took some classes while I was there.

MJP: *It seems you were always thoughtful about where you'd end up, but wherever you were, you took advantage of the environment and grew with it.*

DK: Yeah, it's just a natural thing for me.

MJP: *Why is that? Are you consciously aware of what's going on around you?*

DK: It isn't necessarily a conscious thing. I just like to make the most of life, you know, just wring out all the circumstances. Life is built on experiences and relationships; it's not an audition.

MJP: *You must have been well-loved.*

DK: I was. I am. I'm very lucky. Love gives you a lot of sustenance I'd say. I think that's about as far as I should go on all that.

MJP: *All right. When I look at your work efforts and accomplishments between the ages of twenty-five and forty, you were enormously successful. You had a lot of responsibility, you weren't afraid to make change.*

DK: Right.

MJP: *You stayed long enough in each place to glean whatever it was you needed, then you moved on.*

DK: Right.

MJP: *So, I want to highlight some of the choices you made and then ask you one or two questions about each one.*

DK: Sure.

MJP: *Between '60 and '64, you were Manager of Financial Planning at Kroger and Co., the company that had bought your father's business.*

DK: That was just coincidental, by the way, because I had not a dream of going there. I'll tell you how that happened: There was a fellow named John Lockhart who was Executive Vice President at Kroger, whom I had met briefly in conjunction with that transaction with my dad's company. He had been Howard Hughes' first, right-hand man; he was a lawyer and an accountant, but didn't practice either profession. After he'd been with Howard Hughes for about twelve years, from '37 to '49, he was ready to move on and ended up at Kroger. Anyway, when I was at HBS, a group of fellows and I started what we called the Small Business Club or something like that. We were a little bit disgruntled about the recruiting method and thought the method was too de minimis of the universe because only large companies could afford to send recruiters to Harvard. We knew there was a much bigger world out there. We organized this club with the idea that we would divide the country into seven geographic sectors, and then we'd have champions who would go to the various sectors with the resumes of people interested in working at small- to medium-sized businesses in that area of the country. The local Harvard Business School Club would put on a luncheon, the rep would give his pitch and say take a look through these resumes and if you're interested in the candidate, contact him directly. So, that was good, because in Milwaukee the basic expectation was that you go back and work with your father's company. That's the way it was — a really old-world kind of place.

Of course, I didn't have to do that, I was kind of free to do what I wanted. We'd traveled a lot as a family. Having been around a little bit, I thought I'd like to work in the Pacific Northwest, just out of the clear blue sky, because I liked the outdoors. And one day on campus, the Dean approached me and he said, "Dick, I know you want to go to work in the Pacific Northwest, and I think I have a great job for you." I said, "Really?" And he said, "One of our graduates has just organized a company in Boise, Idaho. I'm going to call him and suggest that he fly you out there so you can take a serious look at his company because I think it's going to go places." And I told him I would really appreciate that. So that happened.

I flew out to Boise and I met with a fellow named Bob Hansburger, who'd organized the Boise Cascade Lumber Company. He'd also been part of two other lumber companies coming together. I spent two days there, staying at the home of the executive vp. I interviewed with everybody and I told them that, coincidentally, I knew a little about Boise through my grandparents. The second day, Bob called me in and he said, "What do you think?" And I said, "Well, I'm only twenty-five years old, so take everything I say with a grain of salt. But I think you're going to have a successful company, but you have a real problem brewing." He said, "What do you mean?" I said, "Well, you're only hiring Harvard guys, and you're bringing them to Boise, which is a small town — 50,000 people, at the time —I said, "At Harvard Business School you're trained to 'take the hill.'" Meaning: Instead of setting a goal as something to strive for, you set it as a place to start from — a sort of battle plan to get where you want to go. "If anybody gets in your way, you just take the hill. It's a little seamy, but that's what happens." I said, "You're going to have a lot of people trying to take the hill, and that won't play out very well in a small town because it's too obvious." He said, "Are you telling me you're not going to come to work here?" I said, "No, I'm not saying that; but I am telling you I think you have a problem, and you'd better be sensitive to it."

Afterward, I went on to Spokane, Seattle, Portland, San Francisco, Salt Lake City, and then my grandparents' home in Denver. And out of the blue, I got a call from Mr. Lockhart at Kroger. You know how parents oftentimes ascribe greater attributes to their offspring than they deserve? Evidently, my father had been talking me up to Mr. Lockhart; that's what I think happened.(laughs) I don't know. Anyway, he said, "Dick, how was your trip?" I told him I'd had a great time. I loved the country; I saw every financial institution, every bank, every lumber company. He said, "Were you offered anything interesting?" I said not really — nothing had really revved my engine. He said, "Well, do me a favor and stop by Cincinnati on your way back." So I did and he said, "Look, we're going to overhaul Kroger, and we have a huge challenge ahead because we have to do it from top to bottom."

MJP: *Take the hill.*

DK: Take the hill. He said, "We have 80,000 employees, our treasurer's been here for forty-seven years; we have to put processes in place, we have to automate, we have to totally computerize," — this was in 1960 — "and I need a right-hand man." He said, "You're going to have an enormous amount of responsibility." He was also the chairman of the Republican Party for Ohio so he wanted me to work as his assistant on all the related projects. For example, we were going to try to synthesize the resources of all the hospitals in the county; there was a lot of controversy over that. And there were a lot of other things he wanted me to do in addition to the business side. It was great because I was involved in everything from accounting to law. There were four pools of capital to be managed; there was the control system for the company to be automated. I was a part of all the various projects.

MJP: *Kroger was very innovative in that it was one of the first companies with its own computer system.*

DK: Right.

MJP: *And I read somewhere that by 1963, over a one-year period, you reached $2 billion in sales.*

DK: And at that time, that was certainly a huge amount of money; it's ten times that today– even more than that.

MJP: *And in 1963, YOU were helping organize that.*

DK: Right. I was one of four people in the firm who was allowed to speak to Wall Street. And I was only twenty-six years-old, so that was really pretty amazing. Mr. Lockhart gave me a lot of responsibility. But he said, "Look, you don't have to make this your whole life." By the way, did you know that Kroger is one of our limited partners now?

MJP: *No, I didn't.*

DK: And it's also the largest independent food retailer in the country. And I have to say, I think Mr. Lockhart was the backbone, he really steered all that.

MJP: *Other than taking you under his wing, how did he influence you in terms of values?*

DK: Well, he told me, I'll be your most severe critic and your best friend. People were terrified of him, because he was a little hard of hearing, and oftentimes he couldn't hear what they were saying to him. (laughs) He was an elegant man — still is. He's ninety-five-years-old. He still rides horses all the time out in Wyoming. He's a good man, very smart. But he was a task master.

MJP: *And you like that.*

DK: I love it — if it's fair.

MJP: *Were you ambitious at that point? Were you thinking what am I going to do? How am I going to make this a career?*

DK: You know, Mauree Jane, I was in a quandary because I didn't have a clue as to what I really wanted to do. I was trying out my instincts. I knew I liked growth situations, I liked small to big. And I thought to myself: I can climb the corporate ladder. I know I can do it. But at the end of the day, is that really what I want? So, I picked out about six places in the country where I thought it would be fun to live. Geography has always been important to me, but I never took that idea anywhere. Then one day, when I was twenty-nine— I'll never forget it — I was standing on a street corner waiting for a bus and I had an epiphany. I thought, I want to go into Applied Economics. There was a course offered at the University, but I could never get into the class because it was so popular. So I started thinking about Venture Capital. A couple of my friends had gone into venture capital, Peter Crisp who went to Venrock and John Shane who was with Phil Greer. I was interested in these small companies that were kind of changing things, and I had a little bit of investment experience.

As I mentioned, at Kroger we had these four pools of capital — an insurance company, a top value stamp company, and two profit sharing plans — that amounted to about $600 million. So I thought to myself, I need a lot of investment experience. That's the one thing I can really focus on and gain a lot of value if I really learn it. So without going into all the details, I wound up joining Preston Moss & Company, Jerry Preston and Jim Moss, in Boston.

MJP: *So it was a strategic decision.*

DK: It was.

MJP: *First, you had an epiphany, and then you looked around and said, What do I need to do?*

DK: Right.

MJP: *You needed investment exposure so you made choices to reach that goal. It's just like when you were in high school. You looked at the situation and said what do I need to do to achieve excellence. Wow.*

DK: Right. I was the only non-Bostonian partner in the firm. I loved those guys in Boston. I learned that there were two types of Boston patriarchs: the kind that had a twinkle in their eyes and the kind that didn't. My guys all had a twinkle in their eyes.

MJP: *You mentioned Jim Moss, who was the grandson of the founder.*

DK: No, he was the founder.

MJP: *Oh, Jim was the founder.*

DK: And Jerry Preston. And there was Ned Baker, whose younger brother was the Dean of the Harvard Business School, as well as five others. They were all great guys; their average age was sixty-eight when I joined them.

MJP: *And you were thirty.*

DK: Thirty, right.

MJP: *And how did they mentor you?*

DK: Well, they were extremely kind to me. They sort of taught me the value of really looking at a company.

MJP: Tell me about how they did that.

DK: Well, first of all, they'd all gone through the Depression and survived intact. They were all well-educated and well-respected throughout the community; they were very high caliber people. And they took what they were doing very seriously; they were very responsible. We worked in one big room with desks and three little offices in one part of the room. It was a classic, Old Boston working environment. I was at a desk next to the last along one row of windows.

MJP: *How many people?*

DK: I'd say about fifteen or twenty in the room including the clerical help. We had one trader; he sat to the left of me. We had a little hall, and occasionally he'd go out there, take a little nip, and come back in. (laughs) That's what traders do.(laughs)

MJP: That's great.

DK: It was funny. And his wife was the telephone operator. It was so funny. By the way, they were all of different stripes politically. Jerry Preston was one of these elegant, great guys who was a total liberal, the best of the New England liberal types. Jim Moss and

Ned Baker were arch conservatives. We had more fun talking about things. It was really quite something.

MJP: *And of course those were incredibly interesting years, the 60s.*

DK: The 60s! Oh my gosh! I was living on Beacon Hill and walking through The Commons, people were camped out there; Hubert Humphrey was running for President. It was amazing!

MJP: *And there was the Civil Rights movement and Vietnam, the Women's Movement, Kennedy—*

DK: Oh, yeah, the whole thing. It was really interesting. Anyway, we managed individual portfolios, and my job was to manage money and check out all these new companies–and ride the hustings. We had a dozen clients who had made enough money after starting their own companies to want their money managed, everything from Foxborough to Itech, all these companies that were around Highway 128, all northeast companies, all Boston companies. So I'd spend about half my time driving around, checking out all these new computer companies — Wang, DEC, etcetera — and I invested in a couple of them. So I really got to know the technology. By the way, Jerry Preston had been an original investor in Polaroid. Anyway, the way we'd work at that time was, we'd go out — I had my own portfolio companies, so I'd go out and find something I thought was interesting. I'd bring it back and make a presentation to all the partners and they would say, That sounds pretty interesting, Dick. Why don't we put together a million dollars.

That was a lot of money at the time. So we'd invest in A-B-C company. So I would carve out a quarter of that as my own account, and the other three-quarters everybody else would go at. Another time I'd go out and come back and make a recommendation and they'd say, Well, this one isn't really quite up our alley.

MJP: *In terms of sector?*

DK: In terms of it just not being a good investment. And I'd think, Gee whiz, I sort of made a commitment to these people.

MJP: *Because you believed so strongly in the company.*

DK: Right. So I'd have to find another way to solve the problem. I found out that that wasn't a very good way to run a railroad. (laughs) I mean, you had to underwrite something without any resources.

MJP: *Did that teach you either to not make the commitment on your own or else do more research?*

DK: Both. It taught me both, that I shouldn't get ahead of things.

MJP: *So that's one of the values.*

DK: Right. You have to have sort of a shared understanding of what you're doing and not get too headstrong about anything. You know, maybe something you think is great isn't so great, but you just haven't gotten a 360 degree view of it yet.

MJP: *Let me ask you this: A couple of years earlier Bill Draper, who was on the West Coast, was literally knocking on doors to find new companies and to build networks. What was it like on the East Coast?*

DK: It was actually more advanced. At that time, we had a pretty good ecosystem, so to speak.

MJP: *How did it work? Was it a social network on the golf course?*

DK: Well, you know, Yankees are pretty ingenious and used to taking risks — that's the Yankee ethic. They had been ship owners and were used to going around the world and importing and exporting hemp and shipping out tobacco, whatever it was; they were accustomed to that whole process.

MJP: *And how do you identify with that risk-taking mindset?*

DK: Well, I thought it was smart.

MJP: *Is that the way you are?*

DK: Yes. But I take measured risks. If you don't take risks, you don't usually gain much, so you can't be afraid to lose. But you don't want to be foolish about what you're doing.

MJP: *Where does that value come from?*

DK: My parents I think. They were always out there doing their thing, guided by their values rather than—They worked outside of the box, let's put it that way. Anyway, I liked that, particularly with this mix of characters. As I said, they were willing to do anything, but they were very, very conservative. Jim Moss was running the Boston office of Life & Company, and he said he never forgot how he'd had to be the one to deliver the bad news during the crash. He'd call and talk to people and say your account is overdrawn and so on. He said it was the worse thing possible, all these people getting wiped out. But at the end of the day, he had to make sure everything totaled up, that was his responsibility. All of these guys really understood a measure of things. None of them were babes in the woods.

MJP: *Were you having fun, Dick?*

DK: I was having a ball.

MJP: *Describe that time for me, what it was like for you, the excitement you felt, because this was early venture capital.*

DK: Right. I realized that I had really stumbled into the right thing. I had a measure of investment discipline, I was able to exercise imagination, and I could bring constructive commercial activity to companies out there on the cutting edge of technology. You know, what I'm really into is lifelong learning. Toward that end, there's no better industry than venture capital. You really have to give thoughtful consideration to what you're doing, as you can so easily be wrong because most of these ventures are unproven.

MJP: *To me that means you were always on the edge.*

DK: Always on the edge.

MJP: *So how did that feel to you; do you like being on the edge?*

DK: It feels fabulous! I love it. I'm an adventurer. It's fabulous to be on the edge and trying to move forward in a way that's consistent with what you believe are the long-term goals of the general society. I believe in working within the system, changing within the system. And I believe stress within the system can be good, I really do, because without it you regress. Look at the number of societies that have lost their vigor because people were afraid to stress them, and they operated within too narrow a definition of what was good for society. I'm totally on the opposite end of that. I'm totally into adventure, and risk and reward, that sort of thing.

MJP: *So what happens when you're worried?*

DK: I never lose sleep. Ever. It sounds a little braggadocio, but I'm really not afraid. I'm just not.

MJP: *Not afraid to lose? Not afraid to make mistakes?*

DK: Not afraid to die.

MJP: *Yeah. Because you're so busy living life.*

DK: Right.

MJP: *You mentioned earlier, your mother was conservative, so you didn't inherit– Well, you said, "measured risk."*

DK: Right. I don't believe in being foolish.

MJP: *Sometimes, though, you must step over the line just in terms of experimentation?*

DK: Oh, yeah, you do. It's easy to do. And then you try to retreat back into the boundaries of sanity, (laughs) you know, what really makes sense. That's why a partnership is a great vehicle for accomplishment, because you can listen to viewpoint of others, you're not limited by your personal boundaries. One of the purposes of a partner is to save another partner from himself. We really believe in that. That's why the original philosophy of NEA was shared goals, shared values and shared rewards. That was the whole idea.

MJP: *Where did that I idea come from?*

DK: I just dreamed it up.

MJP: *Was that an epiphany or was it evolution?*

DK: Well, I'd say both. We struck the idea at our first annual meeting. We said, Here's how we're going to describe what we're doing–shared goals, shared values, and shared rewards.

MJP: *Have you ever written down the goals and values and rewards?*

DK: Well I never actually enumerated them because, you know, I don't like to fill out forms.(laughs)

MJP: *Oh, that's right.(laughs) Do you want to dictate it now, let me just—*

DK: No, no. I don't want to do that.(laughs) But the main thing is the philosophy. That's key. But I was having a ball at the time.

MJP: W*hy did you leave?*

DK: Well, we merged with another firm called the Gardner Office, which was a great company, good people. We had been approached by quite a few companies looking to acquire us. I thought the culture of our company would disintegrate if that happened, and I was the youngest partner. One day I got a call from George Gardner of the Gardner Museum family — he was a very good man. The third son, Jack, was running their office. He's also a very good guy. And there was a guy there named Charlie Cunningham, who had been a classmate of mine at Harvard, who was sort of heading up their venture business, and I liked Charlie a lot, so I thought maybe he and I could do this. So, we merged the two firms and became Gardner & Preston Moss. Well what happened is a lot of the flexibility went out of the window. At the time, we had about $20 million devoted to the venture, which was a lot of money. And I'd said to Jack, "If we were going to be in the venture business in a serious way, we ought to be really organized as to how we were going to do it." You know, put the money in a fund so we weren't out there doing these deals one at a time. I'm not saying who was right or wrong, but he said, "Well, you're right, Dick, but there are so many other things we have to focus on that are more important." And I agreed with him, so I was in a dilemma. Because by splitting my time between management and research, that is, being out in the field working with the companies, I found that I was always in the wrong place. If I was at the office, I should have been out in the field and vice versa. And I said to myself, I just can't do this forever, this just isn't the best way of doing this.

MJP: *Because you weren't using your talent?*

DK: I wasn't leveraging anything. We didn't have a fixed pool of capital, we weren't really organized; everything was ad hoc.

MJP: *Had you pictured in your mind how a fund should work?*

DK: I had. Greylock was in our building, and I saw how they were doing it. And I thought, That's exactly how it ought to be done.

MJP: *Why didn't you go with Greylock?*

DK: I had thought about it; I'd actually done a couple of deals with them. Anyway, at that time I was married to my first wife, Lynn. She'd gone to Texas to visit her mother, and while she was gone I read a series of articles in *Forbes* called "The Money Men," the first of which was on Arthur Rock. He was in a partnership called Davis and Rock, which was out here. They were in business from 1961 to 1968. I think they'd started with about $4 million in capital and ultimately they distributed about $80 million. They had done a superior job. They had split up. This interviewer asked Arthur, “What are you going to do now?” He said, “Well, I’m going to find a younger partner and do it all over again.” And I don’t know what it was — I’d never responded to anything like that before in my life — but I sat down and wrote him a longhand letter. This was on a Friday, and Lynn came back, I said to her, “Lynn, I’ve done the damnedest thing. Read this article.” She read it, and I told her it just spoke to me, so I had written this letter. And she said, “You’ll hear from him.” And I said, “You really think so?” And she said, “You will.” On Monday, I got a call from —speak with you.” I said, “Really?” I couldn’t believe it.

Anyway, the long and short of it is he was going to be in Boston in a month or so—This was in October of ’68, I guess it was because one of his companies was going to present at the Boston Society of Securities Analysts, and he wanted to meet. I said, “Sure!” So we arranged to meet at the Ritz Hotel at six o’clock on a Friday afternoon. We had a beer together and we talked about things, and he mentioned that he was going skiing that weekend. I asked him, “Where are you going?” And he said, “Waterville Valley.” I mentioned that I had a place there. He said, “Really, isn’t that a coincidence.” Anyway, I think Arthur was the chairman of Scientific Data Systems, which was also going to be making a presentation the following week. And Arthur said, “Why don’t you sit at the table with us on Monday.” Well, on Monday, all my buddies were in the audience and they said: (whispers) “Dick, what are you doing sitting at there at the head table?” I said, “Don’t ask me, I don’t know. (laughs) I’m just meeting all of Arthur’s pals.” (Max [unintelligible] and Sandy Kaplan, everybody. It was interesting. So Arthur and I started about a year's worth of discussion. He would call me and ask what I thought about this, and what do you think about that. Then he'd call my pals who were in the business. Then we did a couple of investments together.

MJP: *Not personally, but as a partner in Gardner.*

DK: Right. And they worked out pretty well. During that time, I was also taking the CFA exam — Chartered Financial Analyst. It was very rigorous; I was doing it just for the fun of it. There were three parts to the exam and I'd taken the first and second part. But since I tend not to do things I don't have to do, I put off taking CFA-3. When I was ready to complete it, I said to myself, I'm really going to get into it this year. So I studied for six months. This was all on macroeconomics, extremely interesting stuff when you got into it, very, very intense; I just loved it. So the time was approaching for the exam, which would be on a Saturday, and the following day Lynn and I would be going to Spain with her family. Well, the Wednesday before the exam, Arthur called me and said, "Look, we've been talking for a year; it's time we either put the partnership together or not. I'm going to be in New York on Saturday. I'll meet you at the Essex House on Saturday at ten o'clock." And I was thinking, Gosh, I studied for six months for this thing. But I said, "Fine, I'll be there." I thought, Who needs the CFA exam anyway, I don't; I was just doing it for fun. So I put together a list of ten things I thought were important if we were going to organize a venture partnership. Arthur and I took a twohour walk through Central Park, and at the end he said, "Here are the things we ought to do." And I pulled out my list, and we matched eight out of ten.

MJP: *It was the one list you didn't mind making*.(laughs)

DK: Well, no.(laughs) And I threw it away, too. You know Preston Moss had been quite a bit more profitable prior to the merger. So during the process of negotiating the merger, I'd found a way to make sure the senior partners would benefit from it and that it was a fair deal for the rest of us, as well, who weren't senior people. It wasn't the biggest thing in the world, but I'd made sure that the senior people in our office came out ahead on that merger, reflecting what they'd done over the years. But leaving Gardner & Preston Moss was a very difficult thing for me. I was sort of planning to stay in Boston forever actually; I really liked it. But I just couldn't reconcile that and not really having the kind of organization that I had hoped would be something very good, the best in the business. So I transferred everything, got all my accounts squared away. And Mr. Moss died on the tennis court in early September. I couldn't believe it.

MJP: *September of '69?*

DK: Of '69. And it hit me then that had I not said I was going prior to his passing; I couldn't have gone. You know, because there had to be continuity. But it was one of those things. And I think everything went fine. There was a guy named Bob Birch who was originally with Arthur Anderson; he joined the firm and he sort of took my place, and Jack Gardner and I both felt good about it. So I came out to California; we rented a house on Presidio Avenue for about $550 a month. I left Gardner & Preston Moss with a bow around it.

MJP: *The way you always do things.*

DK: Well, it was hard to do, but it was in good shape when I left. And every once in a while, I'll hear from Jack and Bob Birch. They're excellent guys. Anyway, when I came out here, I found that this wasn't as good as I thought it was going to be.

MJP: H*ow long did it take you to realize that?*

DK: One week.

MJP: *How were you able to work within a circumstance where you knew you were uncomfortable, and the partnership was not based on the trust and respect you were looking for? What within yourself did you draw on?*

DK: Well, we had a partnership and everything was done by mutual agreement, I made sure of that as part of the deal. So I was representing myself, too. As an adjunct to my earlier story, after being denied that share in Intel, I said to Arthur, "You know, the partnership really ought to buy some Intel and do the financing." This was during the last private round, and we'd never done a financing. He said, "Well, I don't think so." Then Intel went public and it came out at $24 and then it dropped to $12. John Glenn and I were having lunch that day and I said, "What do you think, John." He said, "I think this is it." So I went back and I said, "Art, we ought to put the partnership into Intel now — $12 a share, we can't miss." This is 1971 or something. He said, "I don't know. All the gain's going out of it." So we never put even one dime into Intel. We did eventually buy some Intersil, which was an okay deal, but it was never in the same league as Intel. The only failing company out of those three 'I' companies was Iomech. And one night, about ten o'clock, Arthur called me and he says, "Well, I think maybe the partnership ought to buy some Iomech." Venrock was in Iomech. Teddy Wolkowitz was representing them; they manufactured a series of small disc drives. And I said, "Arthur, how can you tell me that we should not buy Intel but should buy Iomech? The answer is no. That's a failing company. Maybe you can't get it financed anywhere else, but you're not going to lay it off on this partnership." So we never did Iomech. And it went bankrupt. That just tells you about things. Nevertheless, we got to the end of the day and I was thinking about what to do next. I'd helped Tom Perkins get started. At one point I'd asked him to join Arthur and me as a partner, but Arthur turned him down. Later, during the time I was talking with Bill Hambrecht about heading up the venture activities at Hambrecht & Quist, Tom asked me to join in his partnership.

So I was thinking about things. When I was still in Boston, I'd invested in one company with T. Rowe Price called Scope, which turned out to be a bonanza. That's how I met Cub Harvey. He was the guy on the job for T. Rowe Price; he and I used to trade thoughts about Scope. I also met Chuck [Newhall] and Frank [Bonsal] in Boston. Chuck had been exposed to the venture business; I think his father was on the workout side of Laurance Rockefeller, so Chuck knew a lot about it. By the way, when I was in Boston, I lived right across from General Doriot [Georges Doriot, famous professor at the Harvard Business School] It was so funny. I lived on Lime Street, and he lived right across the street, so I use to see him all the time and we'd talk. The first time, he said, "Oh, I remember you in my class." I said, "You know, General Doriot, I have to say I didn't take your class." And he said, "No matter, you're doing well anyway." After that, every time he'd introduce me to anybody, he'd always tell them that I'd been in his class.(laugh) It was such a funny thing. After a while, I decided I wasn't going to correct him anymore.

Anyway, it was 1977 and Arthur and I were coming to the end of the line. The market was in the doldrums, it was terrible times; the last four or five years were awful, there were double-digit interest rates, double-digit inflation — the country was out of control, everything was bad. So Lynn said, "What do you think we ought to do?" I said, "Well, you know, I'm talking with Bill Hambrecht, I'm doing these other things. Something's going to happen. I don't know what." The partnership had been through a tough time, but we'd done OK. We were keeping body and soul together. So I said, "You know, I really like these two guys from Baltimore." She asked why and I said, "Well, I just think they're really high-quality guys. They're smart and they want to do something." Frank was the highest-level guy to leave Alex. Brown; he's a really good guy. And Chuck and I would have dinner together every time he'd come through San Francisco representing T. Rowe Price. We really hit it off, so I knew him very well by this time. He had a spine of steel. He'd grown up in the venture business; he knew the in-and-outs of it, the values and so on. He'd been running the emerging companies part of New Horizons Fund out of T. Rowe Price. I had a very good impression of Chuck. So Lynn said, "Well, why don't we go out and see them?" I said. "Fine with me." So that's what we did. We went to Baltimore in the fall of '77.

MJP: *With the intention of forming a partnership?*

DK: Yeah. Frank and Chuck had been courting a fellow named Bob Morgan from Boston to be the third partner. He'd been with AR&D. [American Research and Development Corporation] But at the end of day, he decided he didn't want to leave Boston to move to Baltimore. At the time, I didn't know all that was going on, of course. But In the meantime, Lynn and I went back East and we had dinner with Frank and Helen, and Chuck and Marcie, and Howie and Deanie Wolf. And we had just a great time. Subsequently, I found out that Frank and Chuck had secured a $4.5 million commitment from Landmark, which is where Howie Wolf was, and a $1 million commitment from T. Rowe Price.

After dinner when we were back at the hotel I asked Lynn, "Do you like these people?" She said, "They're wonderful people." Lynn's amazing. Okay. So we went about our affairs and came back to California, and Frank and Chuck came out here for a visit. That was sometime early in December of '77. We had them over to our house for dinner and we had a great time. And it was, okay, let's shake hands on this. So we shook hands on it.

MJP: *No lists.*

DK: No lists, just rapport. Incidentally, Tom Perkins and I had this sort of ritual we'd go through every year. The Monday during the week of Christmas, we'd have lunch together to talk about the past, the present, and the future. We did it every year and we had a great time. So that year, two weeks after I'd shaken hands with Frank and Chuck, Tom and I were at lunch and I said, "Tom, I want you to know that I've just shaken hands with two fellas from Baltimore." He said, "Do they have any experience in the venture business?" I said, well, "Chuck's been exposed to it, and Frank's done a lot of deals on his own, and he's sort of taken Alex Brown into the world of high-tech underwriting." And he said, "But that's not venture experience." I said, "Well, that's true." He said, "Plus, you're going to be here, right?" Yes. "And they're going to be there?" That's right. "Dick, it'll never fly. I'm going to call Eugene [Kleiner, co-founding partner, Kleiner Perkins] right now." So Eugene came over to the club where Tom and I were having lunch, sat down, and Tom says to me, "Why don't you just be our third partner?" I said, "Tom, if you'd have asked me on Thanksgiving Day, I'd have said, yes. But I can't do it now because I've given my word to these two guys. And you're probably right; we probably won't make it. Times are hard and we probably won't be able to raise the money." By that time Tom had done Tandem, and he'd also put the money into Genentech, which hadn't paid off by any means, but he'd had a hard time raising the $7.5 million. I told them I just couldn't do it. I said, "Let's just stay friends and we'll do deals together." So Frank, Chuck and I got to it; we got our first commitment over the transom from T. Rowe Price for $500,000 through the Roberts Family of DeKalb

AgResearch [now Monsanto Corporation] in Moline, Illinois. Then we went out and got a commitment on our own for $1 million from Barbara Goodbody, which was incredible.

MJP: *How did that come about?*

DK: I met Barbara through her husband, Jim Goodbody, when he and I had been ushers at a Ball [Ball Corporation] family wedding.

MJP: *You have to believe in serendipity!*

DK: Yeah. Barbara was part of the second generation of the Ball Family and one of three daughters. Two of the daughters had married Republicans; Jim was a Democrat. Sometime in January 1978–I think it was the 12th, but I'll have to look it up— Frank and Chuck and I went to Muncie, Indiana for a meeting with the family, which Barbara had instigated. We checked into a Holiday Inn. I remember it was a Saturday night because they wanted to have the meeting at eight o'clock on Sunday morning so we could get it done and everybody could get to church on time. It was about twenty degrees below zero, and there was no heat because there was a coal strike on in Muncie — only one light bulb in each room, no television set; the one TV available was in the bar, and there was a basketball game on. Now, I'm a basketball nut; I love basketball. And this game was between Indiana State and Michigan State. At the time, I'd never seen Larry Bird play before. I couldn't believe it — it was Larry Bird and four midgets vs. Magic Johnson and all these great guys from Michigan, the NCAAs. It was just fantastic! I called Lynn afterwards and I said, (whispers) "Gosh Lynn, I just saw the greatest basketball game!" She said, "Well, how's the trip?" I said, "This is the hardest thing; there has to be an easier way to make a buck."(laughs)

Anyway, the next morning we go to this meeting. And everybody was there: the bankers, the accountants, and the lawyers were there; all three daughters and their husbands were there; and John W. Fisher, Chairman of Ball Corporation, was there. So we had this session. John Fisher is a really great guy, really more like the patriarch of the family, and he says to the kids, "You know, you're contemplating putting a million dollars with these guys If you have a spare million dollars, why don't just go out and buy some more Ball Corporation stock?" And he looks at me and he says, "What do you think about that?" I said, "Mr. Fisher, I think Ball Corporation is a really good company; the stock is good and it'll do well over time. But, you know, there really is pretty intelligent rationale for diversification. And I think you'd be wise to think about that as you supervise the affairs of this family." And he said, "So, let me get this straight. You're talking about us putting up a million dollars, right?" I said, "Yes, sir." He said, "You're talking about not telling us how you're going to invest it, is that right?" Yes, sir, that's correct. "And you're telling me this money is going to be illiquid for twelve years, is that right?" I said, "That's correct." "You're telling me, you all, as a group, have no track record, and you're not promising any rate of return, is that right?" I said, "Yes, sir, that's right." So finally, he says, "Well, if you all feel comfortable taking the risk, I'll support you." Isn't that amazing?

MJP: *Yes, but what's even more amazing is the vision the three of you had.*

DK: Right.

MJP: *The willingness of you, yourselves, to take risks.*

DK: Right, right, our lives were on the line.

MJP: *And your futures!*

DK: Right. And that's why we honor Barbara Goodbody every year, and also T. Rowe Price and Landmark.

MJP: *You're well-rounded.*

DK: (laughs) So that was how we got started.

MJP: *Tell me, what was your vision? I know you're big on conceptualizing, so what was the overriding thing you wanted to achieve?*

DK: Well, what I thought we should do from the start was learn how to operate on a national level. That wasn't necessarily easy, because it was comfortable with everybody being in one office just to let things go, it made for easy communication. So we really had to think through how we would do things. We had to learn how to make decisions. We had to learn to do due diligence on a national level. We had to synthesize what we were doing into a clear and understandable modus operandi. And that's how we've always done it.

MJP: *You know, Dick, I haven't once heard you talk about money–not in terms of vision or goals, not even in terms of personal dreams. Can you talk about money?*

DK: Well, I respect what money represents, which is freedom and the ability to express your values; that certainly matters to me. But I think of money as a byproduct of effort. As you know, I grew up in a family that wasn't poor, but we never splurged on anything. We always had good homes, we took nice trips, my parents drove nice cars, we belonged to good clubs, but we never were extravagant. Now I'm more extravagant than my family — but that's my playboy side coming out. (laughter)

MJP: *Okay. Thank you for clarifying that. So money was the byproduct.*

DK: Yeah.

MJP: *And excellence was always the standard.*

DK: Right.

MJP: *And what was the dream? What was your passion? What drove you?*

DK: To do what we're doing now.

MJP: *What do you mean?*

DK: Well, I think we're in a privileged position to participate in shaping the emergence of venture capital as a financial entity, a financial forum for changing the commercial system on a global scale, primarily through life science and technology. We're a player in the game. But I don't have a driving desire to be "the best." I have a driving desire to be excellent. If that leads me to being among the best, that's all I care about.

MJP: *What was the fun part of all this for you, from 1979 on?*

DK: Oh, I enjoy going to the bank, seeing things work; it's a measure of my success. I have a lot of respect for entrepreneurs who work hard and make wise decisions, achieve things, who are fully responsible for their endeavors. And I enjoy seeing them rewarded for their successes.

MJP: *In those early years, when you started your NEA partnership, the tax laws hadn't changed, so you didn't know that large quantities of capital would be freed up. You didn't know what was about to happen with the law governing how pension funds could invest.*

DK: No.

MJP: *So, what allowed you just to say, yeah, I'm going to jump off this cliff?*

DK: Luck.(laughs)

MJP: *No, come on, Dick.*

DK: And courage–I had a lot of courage. You have to in this business because, by definition, you're an agent of change up against an established way of doing things. Unless it's something that people completely embrace, which almost never happens, you're ruffling a lot of feathers. And you face tremendous challenge trying to get capital to do what you need to do. It's a tall order. But as I said, I sort of like that. The greater the challenge, the better it is. I like big challenges. If you look at what makes a good venture capitalist, my view is this: On a spectrum of intuition and analysis, you ought to be two-thirds intuition, one-third analysis. Because if you're analyzing what you already know at the time to be the facts, if you're going to change the facts by doing what you want to do, the analysis is then void. So, it involves analysis, but not to the point of obsession. It took me a long time to understand that. It's really more about learned intuition; it's not blind. Intuition has to be honed over a long period of time. There's a lot to that. But in order to learn, you have to expose yourself to danger. That's how you sharpen your senses. You take risks and you learn by making mistakes. It's a hard lesson because every time you make a mistake it hurts. But you have to be willing to do it.

MJP: *Dick, do you ever have a sense of buzzing anxiety?*

DK: There are two things that I can't stand: anxiety and guilt. Those two things I don't harbor within myself.

MJP: *I understand guilt — it puts a chain around you making it difficult to move forward. But I don't understand how you can prevent anxiety.*

DK: If you intend to do something and you find that it causes you anxiety, don't do it. And you know. You can feel it in your stomach.

MJP: *So if you're feeling anxious, does that mean you're not moving in the right direction?*

DK: Right.

MJP: *Ahhh! So you use it.*

DK: Oh, yeah, all the time. That's why I say you expose yourself to danger. You know in prehistoric times, how did man survive? By exposing himself to danger and being cautious. Same thing.

MJP: *You said intuition is learned to a certain extent, but isn't it also a gift?*

DK: Well, I think it's an instinct that you have to use to your advantage, that's really what it is.

MJP: *And do you always trust yourself?*

DK: Nooo! I trust myself to sense anxiety; that I trust. But by no means do I always trust myself. That's why I chose partners whom I really like and respect a lot. And we do a pretty good job of this; it's all part of the culture.

MJP: *I once said, in describing you to a group of people, in this very room, "When I think of you, it's as though you have headlights on. You can actually see beyond what others can — you actually see into the future."*

DK: Well, that's very nice; however, I don't necessarily think it's true.

MJP: *But I think that is what you do. So how do you do it?*

DK: Well, as a venture capitalist, I'm paid to see around the corner. But if I'm not at the corner, I can't see around it. Drawing on your analogy — and it's an apt analogy — I actually have to be moving faster than my headlights. And to do that, I have to have good brakes and good response time.

MJP: *Well, let's go back to the 80's a little bit. I'd like you to describe for me how you developed those skills relative to the companies you invested in during that time, and what gave you the greatest joy. And please refer to a couple of those companies; perhaps you still want to look at Ascend and Juniper.*

DK: Well, they're both good examples, but I was thinking about this recently, and there are three other companies — 3Com, Grand Junction and Force10 Networks — that I think better represent some of the things of which I'm particularly proud. Back in 1981, Bob Metcalfe [founder, 3Com Corporation] was developing a concept he'd dreamt up called the Ethernet. He was with Xerox PARC at the time. He was explaining the concept to me, but I couldn't really understand what he was talking about — a cloud and this-and-that, and ether, I knew a little about that. This was during the time that Lynn was dying in the hospital, and I was right in the midst of the worst of it when I recommended to Frank and Chuck that we do 3Com because I thought Bob Metcalfe was such an exceptional guy, a really, really smart guy. We started out well. Ethernet was an exceptional idea. We did two funding cycles with it, the first being the megabit cycle and later the gigabit cycle. I didn't feel that management had taken full advantage of the opportunity by the time I signed off in 1987. But I take a lot of pride in what went on with that company from the beginning to 1987. The company had long since gone public by then.

The Grand Junction deal we did with Howard Charney who'd come from 3Com. That company subsequently merged with Cisco Systems, which was a big deal for Cisco. Another deal we did during that period was Force10 Networks, which was going from ten gigs to 100 gigs. We're still in Force10 today. So we've gone from the very inception of the Ethernet through to it's becoming the dominant protocol of the Internet for network communications.

MJP: *Talk about changing the world.*

DK: That's the most exciting thing. Of course, I didn't get into all the details of those deals, and I won't, but I will say they created a lot of value.

MJP: *When you say it's "exciting," expound on that. What do you mean by "exciting?"*

DK: Well, Ethernet wasn't the preferred protocol at the time it got started. There was baseband, broadband, and token ring, those were the three. But in the end, Ethernet dominates. And it's because people find it better to use than anything else. It's not about being perfect because there are a lot things about token rings that are better than Ethernet. So my excitement comes in being a part of what has become the protocol of choice — billions of people use it!

MJP: *Billions?*

DK: Billions; it's fantastic. The second thing I'm really excited about is the development of the Simpson Catheter. We got involved with John Simpson, the developer, through a company called Advanced Cardiovascular Systems. That was before we had the med team, the tech team and all that. Aside from John and Ray Williams, who was an individual investor, a really good guy, we were the largest single shareholder in the company. We did it with Bill Bose. The company did extremely well. It was the developer of the angioplasty procedure. Of course, there was a personal wrinkle in this for me because Lynn had died of a heart condition, so I was determined to do everything I could to find a way to alleviate heart problems. Everything. We did a lot of good stuff for the heart. And I was a strong proponent for every one of them, and they all worked out really well.

MJP: *Talk about making a difference in people's lives.*

DK: Right. When we started that company, there were 450,000 bypass operations per year million angioplasties. So we've made a huge impact. Another almost impossibly successful investment for us wound up being Power Point. We invested in a company called ForeThought that was started by Bob Campbell. He had two guys working for him who'd both come from Apple. One of them, Taylor Pullman, was very respectable; the other, though respectable in many ways, just didn't present as well — he was about 5'4" and he'd been a used car salesman in Denver. He was a good hawker of products. Anyway, we got the company started. Originally, an associate at NEA was behind it, but he left the company, so I took over. We were supposed to start this presentation product on a mini Oracle database, but Oracle changed its mind; therefore, the rationale for starting the company went away. So the project was stalled. In the meantime, in order to survive, these two guys had signed a licensing agreement with a company out of Boston called Abacus, which gave Abacus a fifteen percent royalty for allowing them to sell two of its products. Tom McConnell joined us around that time.

But before we could get things with ForeThought underway again, Taylor Pullman suddenly said, “You know, I have a family to think about and I really can’t take this risk; I have another job offer, so I’m leaving.” And he did. That left us with the other guy. I asked Rob how he felt about things. He said, “Well, this is not a pretty picture, but we’re going to give it all we have. I think there’s something here in one of these two products we licensed from Abacus, so I want to stick with it. We have a pretty good team, and I know a guy I want to hire. His name is Bob Gaskin. He has a presentation product he wants to develop.” At the time, Bob was head of research for Bell Northern Research in Palo Alto. So I said, “Okay, we’ll stick with you if you really want to do this.” He hired Bob and we restarted the company around his presentation product—PowerPoint. So the partners met to discuss another round of financing. One of the partners, who is since no longer with us, said: “Look, this is ridiculous. The only guy that really amounted to anything from a management standpoint said isn’t going to re-up; you don’t have the product you originally were going to develop; you’re working on a licensed product that can never become economically supportive of a company; and you’re working on a presentation product. By the way, I have another company over here that's doing a different kind of presentation product that's going to blow everybody else away. So the answer is no." And I said, "Geez. The answer's no?" "Yeah, the answer's no." So I asked the partners if they'd mind if I put my own money into it. They agreed. And I said, "I'll tell what, I'll put money into this under one condition: If it turns out to be a success, the partnership can buy me out at cost."

MJP: *(Gasps) Dick! Not only headlights but an [unintelligible]! (laughter)*

DK: I'm married to Pam by this time, and I went home and I said, " Pam." We were remodeling the Stinson Beach house at the time. I said, "Pam, stop work on the house because we can't afford it." She said, "Why not?" So I explained that I, personally, was going to back ForeThought. She said, "Why are you going to do that?" I said, "Because I think there is something there." She said, "Gosh! You've done this to me two or three times. I really can't take this anymore." And I pleaded with her, just one more time.(laughs) She said, "All right." Now this is August of 1987. I go back to Rob and I said, "How much is this going to cost? " Rob says, "Well, I think it's going cost us sixty to seventy thousand dollar a month." I said, "Okay. When do you think we'll have the presentation product done?" He said, "I think it'll be April of next year." So I start calculating: August, September, October, November—I said, "That's nine or ten months; that's five hundred- to six hundred thousand dollars. Boy, you'd better be right." So we got started. Tom McConnell came to every meeting. I mean, we had more fun on this thing. It was hard to believe because every meeting we'd discuss how we going to survive for another thirty days — that was the main topic every meeting. All the managers were there, and I said, "You know, are you in for the long haul? If you're not, leave right now because this is a lifeboat, and we don't know where the island is. So you have to decide whether you're in or out?" Everybody said he was in. All right. So we'll try to have as much fun as we can, realizing that our life is in danger (laughs), that's exactly how we did it. Every month, I'd write them another check for $50, $60, $70 thousand dollars, as much as it took. We were getting there; we were making good progress. We were doing about half-a-million dollars a month with our licensed product.

MJP: *And how much were your expenses?*

DK: Well, we weren't making money yet, but we had the loss down to around $50 or $60 thousand a month, something like that. And we could see that if we had a really good product—

MJP: *There could be an island out there.*

DK: There could be an island. So we struggled along through this thing.(laughs) It was funny. This Bob Gaskins, he was PhD in English from Berkeley. He was running this Bell Northern Research thing; he was doing our presentation product. And our licensed product — we were now on version 2 — Apple loved it. We had these little booths where we'd make these solicitation calls because it was the least expensive way of getting traction in the marketplace, and all of our research and development and software development people were on the other side. So the guys who were on the telephone would say to the customer: "Well we have this-and-that feature — just a sec—"Do we have this-and-that feature?"(laughs) And the R&D and software guys would say, "Well, no, but we can have it in a week. We're in the process of developing the feature; we can have it in a week." So that was how we did our R&D and software development. It was the most amazing thing. We got our sales up little by little. By the way, that other presentation product that was supposedly going to blow everybody else away went on to version 2, version 3, and they never got it done. But we were out there. And I asked Rob, "How much do you think we can do with our presentation product?" He said, "Gosh, you know, I think we can do about $5 million the first year." I said, "Really." So I was thinking, if we could be at a million dollars or more for the combined company, we'd be well in the black. He said he was going to need some more money. So I lined up a second-level underwriter. I said, "If we do the following, would you be interested in taking this public in June of next year?" He said, "I can do that." I said, "Okay. Here's the deal." So we introduced the product in April and we had $2 billion worth of orders right out of the chute (snaps fingers) just like that. It was a runaway success. That product is called Power Point. And ultimately, Microsoft bought the company; it was their first acquisition.

MJP: *Wow! That is a great story, an incredible illustration of running on the edge, going to the corner.*

DK: Right. Anyway, I go to the partners and I said to them, "Okay. Now I said that I would turn this over at cost, so I'm doing it. And Chuck said, "Don't be an idiot." (hardy laughs)

MJP: *Now there's an honest partner.*

DK: There's an honest partner.(laughs) He said, "Dick, you took the risk. You deserve the reward."

MJP: *And you stayed married! (laughs)*

DK: Right! So I told Pam to get to work on the house again. So those three experiences really made a difference for me. There are also great stories behind Juniper and Ascend. Ascend is a perfect case in point because there was this team of people that was a little bit different, but they seemed to be very good. Rob Ryan who was the CEO was a visionary. They were developing this product for the CATV business, sort of a modem type of product line. They all had come from reasonably good prior experiences. There were a couple of fellows from Greylock, Roger Evans and David Strom, who were on the board. Tom McKinley from ParTech had introduced us to the project. And I thought it would be a good thing to do. And I sort of halfway noticed that Mori Ichibota was the head of operations, which didn't hurt. So we came in as a second round financier. This was in 1991. I went to my first board meeting to find out that the product wasn't working, and it wasn't selling very well; there wasn't much of a market for it. We'd just put our money, the first board meeting, and things weren't looking good. Rob is a very smart, interesting guy and I like him a lot. But he has this peculiar habit of not looking at people when he speaks to them; he looks sideways, it's just the way he is. There had been some surgery in the company, so to speak, where his wife was no longer working there, and another woman, Betsy Atkins, who'd formerly been head of sales, was now a director. The VCs had rearranged the deck chairs a bit. One day Rob says to me, "You know, it looks like this original product is not really the way we ought to see our future. But, we've been working on another product, sort of a skunk works kind of thing. We're calling it the dynamic bandwidth allocation product. It serves packet-based systems. We think it is a very, very strong product for the telecom infrastructure that's being encouraged by the ARPANET (Advanced Research Projects Agency Network) soon to become the Internet." And I took all this analysis we had done, threw it over my shoulder, and I said, "That's what I love about startups." You never know what's going to come out of them. So we went ahead and we built it into a pretty good product. We were doing well. We went in, I can't remember what it was, '93 I think. So the time came when we needed a really good CFO.

We looked all over Silicon Valley and we found Bob Dahl, who had come from Rohm. He was an excellent CFO, very conservative, really good guy, all the books are straight and narrow — just right. Now, Mori Ichibota, who was in charge of operations, had also been doing finance. So when we brought Bob in, I was really interested to see what kind of write-offs we were going to have because we'd been doing this on an amateur level. Well, there was not one change. And I said to myself, Mori really knows finance. I underestimated him. He's really good. We were on the verge of going public after that, and we needed to decide who was going to be the CFO of the company. So we had a board meeting by telephone because I was in the Russ Building, and management was in the Bank of America building drafting the S1 for IPO. So we had this long discussion, and we decided to ask Rob to be chairman and elevate Mori from head of operations to CEO. The decision was based on the fact that we thought Mori was better suited for the job, and Rob was going to have back surgery right after the IPO. We couldn't have our CEO out of commission for two months right after going public. It was left to me to give Rob the news. So I went across the street, and Rob was in the middle of a discussion with the bankers and the lawyers and the accountants. I said, "Rob, can I see you for a second." He said, "Sure." And I said, "Rob, look, I have to be straightforward with you. The board has just had a meeting and we've decided that as of now you're going to be chairman, and we're elevating Mori to CEO. It doesn't mean we don't have a lot of respect for you because we do, but you're going to have this back operation and we don't think it's a good idea to have the CEO out of commission for as long as you're going to be." He looked at me and he said, "Why is it, Dick, that on what should be one of the greatest days of my life, I feel as though I've just been kicked in the teeth?" And I said, "Rob, you're absolutely right. You have been kicked in the teeth, but you'd better learn to live with it because it's going to happen." He understood. He said, "I'm all right with it." So we made the changes and we went on. We actually held onto the stock for quite a while; it was in the days when you could do that, the market was booming. We distributed it somewhere in ’97, something like that. We distributed it gradually over time and did very well on the stock. The company ultimately was acquired by Lucent for $24 billion.

MJP: *Is that your greatest financial success?*

DK: If we had held it all the way to the end, at $24 billion, the answer would be yes. But Juniper was actually more successful from the standpoint of our financial gain, because our share of that was over 1.5 billion dollars on a three million dollar investment. That was great.

MJP: *If Ryan hadn’t had the back operation, would you still have moved him into the position of chairman?*

DK: Probably.

MJP: *So this is an example of confronting reality, and that’s part of your responsibility.*

DK: Right, that’s what it is. In fact, later I had to do the same thing to Rob again. Jim Valley from Kleiner Perkins and I went to see him, and Rob said, (laughs) You know, here you come again.” I said, “Right, so let’s just work out the best deal possible.”

MJP: *Is that difficult for you?*

DK: Oh, I hate it. But once I do it, I'm fine. As I said, I don't like guilt or anxiety. If I know it's the right thing to do, no guilt, no anxiety, just do it.

MJP: *I want to ask a reflective question. Doing the right thing, being fair, maintaining your integrity: Where does that side of you come from?*

DK: The School of Hard Knocks.

MJP: *Would you say it also reflects how you were raised?*

DK: Yeah, that has a lot to do with it. All your experiences growing up are meaningful. You have to learn lessons from them all. I've been lucky in that I've worked with and been influenced by a lot of great people. As for my influence on people I interact with on a professional level, it starts with genuine respect. Different people have different strengths and weaknesses, so it isn't an individual strength or weakness per se that is important, it's how it relates to the team and the mission. That's really what it is. Not everyone is going to be good at the same thing, nor should they be.

MJP: *What are your strengths?*

DK: Well, I have an unlimited amount of energy. I'm willing to take chances to reach certain goals, push the envelope. I know what I can do. I'm straightforward with people so they tend believe me, which allows me to lead in what I believe is the proper direction. So it's a combination of gifts, honestly. I have a lot of limitations, but those are gifts.

MJP: *What are your limitations?*

DK: Left on my own with no checks and balances, I'd probably make a lot of mistakes. I live within an ecosystem in which I have a lot of confidence.

MJP: *You're such an honorable man. As I was doing my research among the various resources — books, newspapers, magazines, the Internet, in conversation — I found that the same accolades kept coming up. In fact, I made a list of them — I had to stop after a while. There was "integrity," "straightforward," "straight-shooter," "classy," "dignified," "a real gentleman," "elite," "the best of the best." And then, "prone to large eruptions of laughter." You know, that sense of fun. There is just incredible depth to you; you really embrace life. But notably, every single person talks about your integrity. People really trust you.*

DK: That's a lot to live up to.

MJP: *And you're not afraid to call a spade a spade.*

DK: No, I'm not. I've had a great life so far. I certainly have a lot of respect for Chuck; I'm glad for him that he's doing this.

MJP: *Well, we've spent two hours together so far, and I want to be respectful of your time.*

DK: I appreciate that.

MJP: *Needless to say, there's Juniper, there's the NVCA.*

DK: Yeah. I can be brief on those two. Juniper: Big payoff. Exciting deal. Mark [Perry] and Peter Morris were actually the guys to cause the first meeting to happen.

MJP: *It's so like you to give other people acknowledgement.*

DK: Predeep Sindhu was the man — he's a fabulous guy. He's the heart and soul of Juniper. We recruited Scott Kriens to run the company. It was a great engineering job, terrific. We were catering to an important new market and we were the only company to do it the way CISCO was doing it, with a software that was compatible.

MJP: *What about the vision though. I mean, you went on the board.*

DK: Right.

MJP: *You were the one who knew how to manage it and to guide it, which in itself makes a difference.*

DK: Oh, yeah, it makes a lot of difference.

MJP: *So what did you do to make it different with Juniper?*

DK: Well, I gave them advice and challenged them, and I think I helped them a lot in the acquisitions that they did. I encouraged them to stay the course with the technology that they were best at. And there were a lot of deviations on the road that could have happened.

MJP: *Was that difficult.*

DK: Very difficult.

MJP: *Difficult to confront or difficult to see it?*

DK: It was difficult to see it and difficult to combat others who had different points of view. And it was difficult to convince management of your point of view when you're not the most knowledgeable about the technology.

MJP: *So how did you do that?*

DK: I was straightforward. You say, look, are you crazy? You're going to go off course here. You have a huge opportunity, which you're about to blow if you do this other thing that isn't as elegant as what you have a chance to do.

MJP: *But if you, yourself, don't really know the technology — you're not a scientist, you're not an engineer — how do you stay on course?*

DK: You do a lot of work, a lot of reading. You make yourself familiar with the technology. You don't have to be an engineer to understand these things. When I said I fell out of love with 3COM, same thing. They started doing things alien to what they really had the chance to do well. They should have been CISCO, absolutely, they had it all lined up. But they started going into all these different directions because of some sort of corporate mantra. Wrong. It was the same with Juniper. They did quite well for a long time.

However, for a variety of reasons, they've sort of run out of runway. Same thing is true of Silicon Graphics, by the way.

MJP: *Yes, I was thinking that myself.*

DK: We had a great ten years, then they lost their way.

MJP: *So at that point, why didn't the board take a stand?*

DK: I was a chicken in that particular case. I didn't want to do the Cray deal because I'd just gone through that same battle with 3COM, and it took everything out of me. But in the end, I kept them from doing the disastrous thing called Convergent Technology. So I thought, Geez, do I want to through this whole thing all over again?

MJP: *That's a very important point because, ultimately, venture capitalists are humans. You only have so much "bandwidth."*

DK: Right. And in the case of 3COM, I said to Bob, "Look, we've distributed two-thirds of our stock. This is an investment for us, not our lives. Are you sure you want to do this? It wouldn't be smart." And then I was given all these proxies, without asking for them, which gave me fifteen percent voting power that, until I had it, I hadn't understood was enough to block the deal. So I had to do the right thing. And the right thing was to say no, which I did, whereby we avoided a huge problem. And I left right after that. And like I said, the same thing happened with SGI and Cray; I didn't want to do it. I told TJ it wasn't a smart thing to do. He said, "I'm going to fix if." I asked him how long that would take. And he said six months. I said, "You're going to fix something in Minnesota from here in six months?" He said, "I can get it done." I said, "I doubt that."

MJP: *There didn't seem to be a lot of ego problems or power struggles.*

DK: Well, I believe in rank-and-file people having the chance to share in the benefits of company success. There should be no exploitation to the benefit of management or to the detriment of the rank-and-file. I believe it's a good way to unify goals. That was one of the causes we stood for, among many others.

MJP: *You institutionalize the lobbying.*

DK: Yes, the lobbying thing. When we went to see a congressman or a senator, we'd say, Look, there are 150,000 people in your district who feel very strongly about this particular issue. The only thing that counts with a politician is votes. And so we would be able to deliver big blocks of votes to people who saw it our way.

MJP: *In the late 70s, early 80s, lobbying as it was done by the chair and president was a one-on-one kind of thing, it wasn't organized.*

DK: Right. I wanted to start a grassroots movement, and I thought lobbying was a good way to do it. I had a debate with the people from the Financial Accounting Standards Board, and we had 'Rally In the Valley,' in Palo Alto; that was my idea. Well, the idea originated with the New York taxi strike. We were in Allen Patricof's office, and we were discussing how we were going to confront this thing. There was all this commotion outside, and I went over to the window, looked out, and all the taxi drivers were striking. And I said, "That's it!" We're going to have a strike. So we got the workers to do it. I was on the stage for these guys. And Vice Chairman, Jim Riesen [sp], I mean, he was the biggest jerk. I said, "You know, you want to deprive people of a college education; you want to deprive rank-and-file people of homeownership. You might not realize it, but that's what you're doing." And I said, "I'll invite you right here and now, 12 o'clock, you come with me — I'll drive you in my car. One mile from here, you're going to see 5,000 people. These are not fat-cats. These are rank-and-file people who feel strongly about this issue. Wanna come?" He said, "I don't want to come." I said, "So you don't want to see what you're really doing, do you? You're afraid of it, aren't you?" It was the truth.

MJP: *Great leadership.*

DK: (laugh) I felt strongly about it. It's easy to get involved when you know something is wrong or right and you feel strongly about it.

MJP: A*nd going back to your core values, doing the right thing, respecting people.*

DK: Yeah, it's really easy.

MJP: *Last, let's talk about the bubble. How did you deal with it?*

DK: First of all, we kept our heads down, kept working, doing our companies and investing. Most importantly, we didn't do what everybody else was doing, which was running. And we didn't lose a single commitment. Twenty-two of our peer groups had lost commitments during that time, but we didn't lose one. The closest we came was Scott Kriens following me out to the parking lot one day. He'd put $20 million into NEA-10, and he said, "Dick, 2.3 billion dollars? There's no way you can put that money to work profitably." And I said, "Scott, we have a plan." "No, come on now." I said, "Scott, seriously, we have plan." He said, "Okay." So we didn't get anybody taking any money back. Our investment rate dropped only twenty percent while the rest of the industry dropped seventy percent.

MJP: *Now did you do that? Was it the network, people trusted you— You can't invent companies.*

DK: Well, no, but here's what you do: Keep you quality standards at a certain level. If the quality standards of those companies are not met because there's too much competition, or money is flowing too freely, you do fewer deals, theoretically, or you keep your quality standards anyway. It's not always right — it's mostly right — but it sounds good. But then when your quality standards are held like this and never power struggles then it went into a tailspin. Once that happens, it's just a matter of time.

MJP: *Well, these are important stories to tell and I thank you for pointing out that side of your experience in venture capital. It wasn't easy, and it wasn't always successful.*

DK: We were lucky with Juniper. I think we were pretty wise to get into it and ride it, and we distributed it right I think. It was a good experience, great for the partnership. I left the board a couple of years ago.

MJP: *Did you join the NVCA in the early 70s when it first started?*

DK: We were involved with it close to the beginning. I joined the board in the late 80s; you're on it for five or six years.

MJP: *Why did you join the board?*

DK: Mainly because they asked me.

MJP: *But did you have an agenda?*

DK: No, not really. As a history major, I've always been interested in public policy. I just think it's a good thing to be involved in. I'm interested in the bigger forces that affect our ecosystem. Unless you get above them and can really see them, there's no way to know what they are. You can have opinions, but they're usually uninformed opinions because you don't have direct experience.

MJP: *What year were you chairman?*

DK: Actually '94 and '95.

MJP: *Oh! What interesting years.*

DK: Yes. But when I joined, I found that there was no organization. Whatever company the prevailing president represented presided over the NVCA's finances. Obviously, that was always changing. My predecessor was Bob Pabey from Morgenthaler, I think . No — he was two ahead of me; Bill Eagen was right after me. Bob Allsop, from Iowa, was right before me. Anyway, I thought it was a really inefficient way of doing things. I looked at the numbers, you know, what our dues were — incoming and outgoing — everything, and I found that we were paying all this money to consultants because we had a sort of makeshift organization. Dan Kingsley was the resident man, and there were a couple of others there with him – [Mollie] Meyers and somebody else. And then we had all these consultants. I said to myself, This isn't a good way to operate. So during my tenure we did two things: first, we totally reorganized everything. Just prior to my tenure, when I was on the Executive Committee, we recruited Mark Hessen.

MJP: *Wow, he's been there a long time.*

DK: Yeah. We centralized the organization and built up in-house staff so we could reduce the number of consultants. We got real people.

MJP: *You made a business of it.*

DK: Yeah. The second thing was, I felt we needed a force of minutemen to represent our interest in Washington. There was a fellow on the board, Neil Brownstein, who had organized this thing called American Entrepreneurs for Economic Growth, AEEG. Neil is a rabid liberal. I said to him, “Neil, I don’t know whether you know what you’ve done or not, but I think you’ve done something great. We were going to make the AEEG a force for us.” The members of the AEEG are all entrepreneurs and there’s no fee to belong to the organization; it’s a subsidiary of the NVCA. But that allowed us to get real people to represent us on any cause, whatever it might be. At that time, stock options were a big cause. It’s a little disconcerting how the cause was so misconstrued and misguided. While everybody else is running for the hills, entrepreneurs don’t know the difference. They’re very strong-willed; they’ll come through no matter what. So maybe you are, maybe Sequoia’s there but nobody else is there, maybe a client or two, but a lot of people aren’t there.

MJP: *Are you saying that those companies that didn’t invest, that let their money go, didn’t have the high standards, didn’t have the vision?*

DK: You mean the venture companies? No, I’m not saying that. I’m saying that they were too influenced by outside factors. You have to be a bit of a contrarian in this business. If you’re a contrarian, mathematically, if everybody else is going one way and you’re going the other way, you have a better than 50/50 chance of being right.

MJP: *And you’re not afraid.*

DK: I’m not afraid. So as long as you keep your quality standards high, you have good people, you have resources. We had plenty of resources, so we knew we could do it.

MJP: *And ideas didn't dry up.*

DK: Not at all. In fact, they got even more prolific. That was why we were able to persevere. Obviously, the bubble hurt all of us on a personal level because we saw our resources go down badly. And this is where I'm like my dad: I have every confidence that we can do it, whatever it is.

MJP: *You know, Chuck [Newhall, founding partner of NEA with Dick, and Frank Bonsal] has an interesting perspective on the bubble. He said it was like the battles in the A-Shaw Valley in Vietnam; it was just the most desperate of desperate. It couldn't possibly have gotten any worse. But from your perspective, comparing his military reference to yours, you take the hill.*

DK: Well, no. Personally, I'm not a believer in the Harvard Business School theory that 'you take the hill.'

MJP: *You're not?*

DK: No, I'm a team player. In the case of HBS, it's about individual accomplishment.

MJP: *Oh, I see. I misunderstood. I thought taking the hill just meant being aggressive?*

DK: No. I mean, I don't mind aggression. Look at Teddy Roosevelt; I like Teddy Roosevelt. But that isn't the point; the point under the HBS theory is you don't let anybody or anything get in your way — take the hill. I'm not that way. I don't believe in that.

MJP: *Now, we're not going to get into the history of India and China and the way venture capital changed. Of course, if we were, we'd have to have your input. But let me ask you a few short questions, the first being, when did you first know what you did best?*

DK: (long, thoughtful pause) I guess when I was in college.

MJP: *What happened?*

DK: Well, Northwestern had this annual thing they called "Hi Guy" and "Hello Girl." Each fraternity would put up a guy and each sorority would put up a girl, then all the guys from every fraternity would vote for a girl and vice versa. When I was a sophomore, my fraternity nominated me and I was elected "Hi Guy" for the year. I thought it was a good thing, and I was very happy for the fraternity. I was also in both the Junior and Senior Men's Honorary Societies. And I thought to myself, I do well at this, but there's a measure of responsibility that comes with it.

MJP: *How did you manifest that sense of responsibility?*

DK: I was just a regular guy. I told myself that I'd never do anything I wouldn't otherwise do just because I was involved in any particular group. I wasn't going to be a phony. I wasn't going to compromise my values about anything. That illustrated something to me: The last thing I wanted was to be a popular guy who had nothing to him. So when I'd see people on campus, I didn't go out of my way to say anything. I just behaved the way I normally did.

MJP: *What do you think is your most enduring accomplishment?*

DK: Being a part of building NEA. I think we have what it takes to be a lasting force in the venture capital community, which I think is changing dramatically even as we speak.

MJP: *You mean on a global front?*

DK: Yes, globally, but also the changing ways that people individually are trying to invest their capital for a better future. It's a huge deal. My view of the funding available for venture capital is dramatically different from the sort of conformist view that says we have too much money chasing too few deals; I don't think we have enough money. However, I can understand their viewpoint — it was certainly true in 1999 and 2000. But I don't think it's true today when we as an industry are only raising 20-30 billion dollars, while private equity as an industry is raising 300 billion dollars. And there's two trillion dollars worth of hedge funds. All of these resources are within the same purview. Hedge funds account for fifty percent of the trading on the exchanges; private equity sells back and forth to one another, and there's a whole different definition of how rates of return are obtained and who you compete with. It used to be that eighty-five percent of the capital in the country came from listed stocks and bonds; it's much less than fifty percent now. It's really quite an amazing thing. So if we're going to be involved in technological changes, life science changes, we have to have much more control over our destiny, and to do that we need resources. We have to look at the private equity firms and the buyout firms and hedge funds, and see them as neither friend nor foe, but elements in the big picture. And we have to be able to do our thing on a number of different levels simultaneously. We have to remember the A rounds and the B rounds because that's the organic stuff from which we sprung, but we also have to have this other dimension that allows us to do things well beyond it.

MJP: *You've gone to the corner and you're looking around.*

DK: Right.

MJP: *Have you ever doubted yourself?*

DK: Many times. But never seriously, I mean, I never lost any sleep over anything. But, of course, I sometimes had doubts.

MJP: *Just enough to what, keep you thinking critically?*

DK: Right.

MJP: *But you never said, Whoa! I'm in the wrong business?*

DK: No, no. Never. But I used to worry about making mistakes.

MJP: W*hat makes a good venture capitalist?*

DK: Good instinct well-honed by experience. (laughs)

MJP: *True of everything, right.*

DK: Right.

MJP: *Who are the some of the great entrepreneurs, intellectually and creatively, you've encountered during your career?*

DK: Well, I like Gordon Moore a lot. I think he's the backbone of Intel — always was, always will be. He's just a terrific entrepreneur. You take a guy like that who is so, in a sense, professorial; he had to be a really good entrepreneur. I really admire the man a lot. I never had the privilege of working with him, but we have had a lot of social interaction, and I really think he's a great entrepreneur. You know, sometimes a really good entrepreneur isn't the one who gets all the headlines. I think Rob Campbell, whom I previously mentioned, who invented Power Point, accomplished a lot. I wouldn't say he's at the top of anybody's list, though. But I know him; he's a good man, a gutsy guy. He teaches a course down at Florida State University now. Let me see. I would say Mori Ichibota is a very good entrepreneur. I have a lot of respect for Mori. He's really resourceful, very disciplined, action oriented; he's terrific. I have to say Bob Metcalf is one of the really all around great people. I like John Simpson a lot. He's fantastic. He started fifty companies. He's currently with De Novo Ventures. We're one of his limited partners, and I said to him, "John, there's something wrong with this picture; you should be our limited partner." He's a great guy. Those are of some people I really admire.

MJP: *Whom would you say are the three greatest venture capitalist?*

DK: That's a hard thing to say. (pause) I think Mike Graetz is pretty great.

MJP: *I remember when you interviewed him. That was an excellent interview.*

DK: Thank you.

MJP: *In forty-five or fifty minutes you got to the heart of the matter.*

DK: Yeah. Mike has insights that are just fantastic. He knows when to let go and that's a big deal.

MJP: *In what sense does he "know when to let go"?*

DK: When he should no longer have influence over things that he shouldn't control.

MJP: *I see, let it blossom.*

DK: Let it blossom. He's really good at it. I'd say he's as good as anybody I've seen really. I think Vinod [Khosla] is very good, but he is a boundary seeker. He always has his own agenda. I like Dave Strohm a lot. I think he's a very thoughtful practical guy. John Doerr is very solid, an honest guy; he has a lot of energy and he's really a man of action. I think Bill Draper is a great guy; he has a lot of integrity and makes his contribution in his own way. You know, I can't say I think Arthur is because I think he's so flawed. I mean, he did Intel and that was about it. Tom Perkins is a very capable guy although he got himself a little mixed up with his ego, but he's a very intelligent, very thoughtful guy.

MJP: *So the best are balanced, aren't they?*

DK: They are.

MJP: *Which is why many consider you the best.*

DK: Well, I think Don Valentine's a very good man too; he's got his own style.

MJP: *So what does it take to be an exceptional entrepreneur?*

DK: Intuition honed by good experience. By the way, I didn't rank order anyone in my comments.

MJP: *No, of course.*

DK: I have to say, I think Mike Moritz is about as good as anybody, and that's not just because he's around today. I really think he's pretty exceptional. He has a way of thinking that's just great. It's very unusual.

MJP: *He's always out of the box, always at the corner.*

DK: Always at the corner. He was with *Time* magazine when I met him. He's a smart man. I have a lot of respect for Tom Valentine for hiring him. Did you ever read Mike's book, *The Little Kingdom*?

MJP: No.

DK: I'll get you a copy; it's pretty great. Another one I like is Pierre Lamont. Of course, I like a lot of these people; it's a great business. I mean I respect people like Reed Dennis and Pitch, all those guys; Burt McMurtry — they're all great people. Lionel Pincus — pretty good man; I'll tell you, he built a pretty good organization. Quality deal. These are all names that come to mind. Bill Hambrecht's a good man. He's more of a banker now than VC, but he had his hand it in for a long time. And, there are people on the East Coast: Tom [unintelligible] done really well. The people at Greylock did good. A lot of good people in our business. Peter Crisp is a great guy. Among the people I knew way back when, Peter's a terrific guy. He built Venrock, did a good job.

MJP: *I'll be interviewing him.*

DK: He's a good a great guy. Quiet, though.

MJP: W*hat do you think General Doriot would say about where NEA is going?*

DK: If he were really integrated into our system, I think he'd be thrilled by it.

MJP: *Could he have imagined it?*

DK: No. I think if he were on the outside looking in, he wouldn't understand it. But if he were on the inside looking out, he would totally understand it.

MJP: *Is there a philosophy that captures who you are?*

DK: I think that's for others to say.

MJP: *Well, my father, who's an impressive businessman, lives by the maxim "always give 17 ounces to a pound" or something like that. Do you have an ethos that you could put into words that you would want people to remember about you?*

DK: Uh-uh, I don't. I really don't.

MJP: *What about the values that converged within in you that have allowed you to do what you do.*

DK: The only thing I would say is actions speak louder than words. I just want to be known by my actions.

MJP: *Well, that's a great way to end, to the extent that we have to end.*

DK: Well, thanks, Mauree; this was great!