"We all have the opportunity. If we are going to go out on a limb and be entrepreneurs, we have an opportunity to create the kind of company that we want to work for. What I'm hearing from the two of you is that you both created the partnerships that you wanted to work for."

Jerry Colonna: Hey Brad and Fred, it's great to see you guys. Thank you so much for coming on.

Fred Wilson: It's great to be here.

Brad Feld: Howdy.

Jerry: So, you know, this maybe the first time in probably about five or six years that the three of us are actually speaking together at the same time. I can't –

Fred: That can't be true.

Jerry: Well, when was the last time the three of us talked? I mean, it's been – it may be a 20-year-old friendship, but it's been a hell of a long time since I think we were in the same time zone, let alone in the same room and having a conversation.

Fred: Well, if it's true, I'm shocked.

Jerry: Well, so what it means Fred is that you got to spend more time in Boulder, because that's where two-thirds of the three of us are.

Fred: Okay. I'll take that as a personal challenge. That's my development goal.

Brad: How about this is an invitation?

Jerry: That's right. So, thanks so much for coming on. You both have done this before, and I really appreciate it. The folks who listen to the podcast, most of them tune in to really experience the conversation with entrepreneurs who are going through their own struggles. Occasionally, and I have done conversations with each of you, we also sort of, take a break from that, and I like to think of these conversations as conversations among elders, conversations among mentors kind of thing. This is a really interesting opportunity just for the three of us to riff a little bit about some particular topics.

In this case, the thing I really wanted to spend some time talking about, and Fred, over email, you had given a nice flavor to it, which was to think about the positive attributes of an effective investor, an effective board member. The first question I really want to play with is, to really talk about that journey because, you know, as Brad and I did the VC bootcamp back in – I don't know, when was it Brad, April, and we've got another one coming up in January, I think one of the key things we are working with, we're all working with is, what does it really take to learn to be an effective director? What does it mean to really be a supportive investor? Two different questions, but kind of related; Fred, I'll throw it to you first just to see what your thoughts are about that.

Fred: Well, I think that what I have learnt over the years is, if you are worried about your own investment in the company, the financial aspects of the money you have invested and the desire to get a positive return on it, you are going to have a hard time being effective. I think what you have to do is, once you have made your investment, you have to kind of forget about that and you have to think about yourself as a director of the company, and you have to think about what is in the best interest of the company. If you can do that – and also what is in the best interest of the founders; the founders aren't the company, but they often are leading the company and they created the company.

So, if you can think about what is in the best interest of the people who are running the company and the company itself, that will sort of, ironically or counter-intuitively lead to better outcomes of your financial investment, than if you are just focused on your financial investment itself. I have seen this again and again; I have made this mistake myself and that's how I learned it, but I see lots of people who come into the business making the same mistake. When you approach – when you are in a group dynamic and you approach things selfishly, it is very hard to be effective. When you are in group dynamic and you can leave your self-interest to the side and think about what's in the best interest of the group, you can be very effective. So that, to me, is sort of the number one thing that I have learnt over the years.

Brad: I'd take that a step further; I love the construct of going native, which I think, is a logical extension of what Fred just said. I say often, once I have made an investment in a company, I work for the CEO and I only want to make one decision which is whether or not I support the CEO. As long as I support the CEO, I work for her. I don't support the CEO, it's my job to do something about it, which doesn't necessarily mean fire the CEO, but it means do something about the situation I'm no longer confident. And I think in the context of that, you can actually go native as a director, and put yourself in the context of working for the company, rather than working for your investment.

By definition, if you are working for the company and you are effective, you are working for your investment, but you don't have this of two minds where you are trying to balance this notion of working for your investment while trying to help the company be successful. To Fred's point, when people get tangled up in those two things, their self-interest almost always dominates. That, in a lot of cases, drives very, very bad decision-making, or even worse than bad decision-making, bad – ineffective behavior in the context of the interaction around the directors or the other people, the directors that may have different interests in you individually, but have a common interest in terms of the success of the company.

Jerry: I'm going to elaborate on that phrase 'bad' based on what I'm hearing from the two of you. In effect, not having a sense of, I'll use this term, evolved management of your own psyche, leads to a counterproductive management of the investment on the part of the investor.

Brad: Yes, I think that's a good abstract. The specifics are, there's endless tells that investors have around that. The biggest tell is when the investor asserts, especially aggressively, that they have to behave – they have a fiduciary interest to the company.

Jerry: Right.

Brad: That's a tell that basically is a preamble to say, "I'm about to fuck you over because I'm going to hide behind something else" which is this abstract notion of a fiduciary interest, rather than the concrete notion of "Okay, we've got a problem somewhere here, let's figure out what the problem is and deal with it as human beings." There's, I don't know, 50 tells like that that you run into in the boardroom and most of the time, those tells have – and the subsequent behavior have very, very little to do with the company. A lot of times, not always, but a lot of times, they have very little to do with the other people in the room, and have a lot to do with the person who is in the position where they are feeling their own stress rather than thinking about what is going on *[Inaudible 0:07:41]*

That doesn't mean by the way, that there's not something fucked up in the company, or in the boardroom, or in the interaction between the people, but it essentially creates a layer between the individuals and the problem-solving versus – I think about – I'll use – Fred and I as board members together, Fred, and I have been on plenty of boards. We have had plenty of conflicts where we have had difference of opinions, but I can't remember a single time in 20 years where, you know, Fred has specifically not been willing to engage directly with me over the difference of opinion.

I have always been willing to engage with him in the difference of opinion in a direct way versus a passive-aggressive way or a passive-avoiding way or a manipulative way. That's one-on-one; now put seven people on the mix or nine people in the mix, and if you can't get that directness, you'd get into a very bad place very quickly.

Jerry: But, isn't it – it is true that a director has a fiduciary responsibility, and the way I have always seen it is that the fiduciary responsibility actually extends to all shareholders including option holders, not merely to the investors.

Fred: And also to the debt-holders if you get yourself anywhere close to insolvency. But that's why I said that if you put yourself in the position of what is in the best interest of the company, and not what is in the best interest of you, or you, or you –

Jerry: Or your LPs or your partners and your GP partners –

Fred: Right. I gave this little speech a week or two ago in a board meeting, and everybody was sort of opining about what the right thing to do was around a financing. I said, the one person who is not in the room is the company. The company can't speak for itself. There is no – but that's who we all kind of should be thinking about, because you know, the founders didn't want to get diluted, the investors didn't care so much about the valuation because we are going to put more money in, the management team was worried about their options and retaining the team and all that.

So, everybody had their own agenda. There was one person who we had to care about the most, the sick patient, and that sick patient isn't in the room to make the decision. So, you have to all think about yourself and say, "If I could imagine myself as that thing, that company, what would I want?" And then we should all be advocating for that. That was the speech I gave.

Jerry: I think that's a brilliant speech and it's a brilliant metaphor, and I love it. I want to go back to the path to getting there because I know there's going to be a lot of younger investors who are listening to this, and I can already hear them. Brad, you and I heard some of this even at the VC bootcamp that we did a few months ago, and it basically goes like this Fred: "Yeah, that's easy for you to say." What they mean by that is – I'm going to go back to the word you used before, which was "counter-intuitive," it's counter-intuitive for a particular reason to put the patient, to the put the company first. It is counter-intuitive I think because there are a lot of investors who walk into this room who would take their seat as a director and they are scared shit.

Fred: Yes, well, I think some of it comes from the partnership dynamics that we all work in, and we have taken an approach, I think it's similar to the approach Brad and his partners have taken which is that we value the trust that we have around the table more than anything. We happen to be very fortunate that we have five partners who have all been in the business a long time, and all have developed track records that have been very successful, and are not at any risk of, you know, having to lead this partnership.

So, we have the sort of wonderful, almost utopian dynamic of nobody is feeling stressed with respect to each around the table. That leads to a lot of honesty and a lot of trust and a lot of good decision-making. I think it's really, really hard when you are a young investment professional coming into a dynamic where you have to prove yourself, and you are being measured, and you know, if you don't deliver, you are not going to make the cut. I don't know how that environment leads to that person being anything other than nervous and anxious in these difficult board meetings.

I think it would be incumbent upon the partners who run these firms, to either decide not to have young people around the table, which is something that we have done and I think is something that Brad has done, or if you are going to have young people around the table, you got to give them permission to fail. You got to say, "Hey, we have all done it, we have all lost money, we have all made mistakes, we are not going to hold it against you. You have our permission to screw up some investments, but don't screw up the company." If you are going to lose the money, that's fine, but don't fuck up the company in the process. I think that's what you got to say to these young people.

Brad: I'd add that for the partner that we are – the abstract partner that we are describing, one of the things that they benefit from are the dynamic that they have within their firm, you know, with their senior partners with their firm. Another dynamic they can benefit from is, the other experienced investors around the board table with them, and instead of setting up a defensive posture or a posture of protecting their interest in the context of their firm, working to create a collaborative relationship with the more experienced people in the room that they respect, where they can learn from those more experienced people, and they can have those more experienced people help them think through the pressure they are in.

So, when I was – you know, early in my investing arc, and I was in my thirties and I was on boards and all of a sudden had some stress, I looked at – and companies had some stress, I had essentially three types of experienced investor-directors that were on these boards with me. Category one was the investor-director who knew better than everybody and dominated the discussion, and tried to control what was going on, and more often than not, the second things that went off a cliff, was nowhere to be found.

The second person was a person who was paralyzed with all of the chaos going on. This was especially true in the bubble and had a very, very difficult time processing the specific situations because they were in 'react' mode to everything. Then there was a third, which was the experienced investor who, in some cases, had been through this kind of stress or more before, and were very calm about the pain and the struggle and the stress, and were very much in-the-moment with the founders, with the CEO and with the other directors. When I think about those three different categories, I think of people in my mind that were in the third category, that helped shape me significantly as a director and as an investor.

In some ways, the behaviors – my own behavior and my own learning is reacting to the other types; not emulating necessarily, but learning from, and I think there's a big difference. You can emulate somebody else's behavior or you can learn from their behavior. I think for somebody who is in a stressful situation, feeling exogenous pressure from their firm with a company that is not working well, the key is to learn and not emulate, and to try to put yourself in a position where the people you are learning from are the ones that you believe are value system that you want to carry forward in the context in a multi – I'd say this over and over again, the context of a multi-term gain.

This company is going to fail, you are going to be an investor for a long time, presumably you are going to be interacting with these entrepreneurs again hopefully, or the other investors again, understanding how to behave in a way that is respectful, thoughtful, helpful, back to Fred's anthropomorphism of the company as the key entity rather than any individuals around the table. It's really powerful.

Jerry: Fred, what do you think of what Brad was just saying?

Fred: Well, I do think that if there is a really experienced VC around the table who has the ability to remain calm and keep everybody focused on the right things, that's a wonderful thing. I just think that not that many entrepreneurs find themselves in that situation. I think it is more typical, I think, to have a group of investors who are in the first or second category that Brad described, or possibly worse just learning the business and figuring it out, and there is no elder statesman around the table.

I really encourage entrepreneurs to bring independent board members into the equation as early as possible, and I think independent board members can play that role too. It's a little harder because, you know, if you don't really have any capital at risk, then it's not really quite the same level of stress, but if you are sitting around the table with somebody who, is in their fifties or sixties and they have run two or three companies, and they have had a lot of success in their life and they basically say, "Hey, everybody just calm the fuck down. This is not going to – no one is dying. You know, compared to lots of other things, we are going to be just fine. Let's just all calm down and figure out the right thing to do." That is so helpful. I think if you don't have that in your investors, then you had better figure out how to get that around the table some other way. I think the independent director is a great mechanism for that.

Jerry: I'm glad you went to that point because I know that a lot of entrepreneurs – because you know with the work that I do, I hear the horror stories on the other side of it all the time. I hear what is going on when an entrepreneur comes in and tells me some horrific stories of some crazy behavior that is going on. I want to bring it back though to – I'm envisioning somewhat younger VCs, somewhat younger investors, folks just starting off in their career, listening to this conversation, and I'm hearing a couple of things. I'm hearing some advice from each of you in different words, about kind of being open to collaboration, being open to learning, really putting yourself out there to sort of, in a sense – you know, Brad and I have used this phrase a lot, which comes from work I have done, this notion of radical self-enquiry, Fred, which is this whole question of "What the hell is going on for me?"

What I'm envisioning is, there's this moment where panic is starting to set in for the investor, for whatever reason. They are in tenterhooks with their partnership, it's their first major investment, it's the first major investment that seems to be going into a downturn where we are entering a crisis period, think back to last January when it seemed like the world was ending because of the pop up market collapse, for a few weeks. In that moment, you've got to confront your own fear. In that moment, you've got to confront your own shit, and what you are bringing into it. What I am hearing is, there's a kind of prescription here around that. Does that resonate with you guys?

Fred: It does. I've felt it. I had a freaking panic attack on a flight from New York to Washington DC in 1994 or 1995, when I was exiting one of my first big investments that I had made at the First Venture Capital firm I had worked for. I was just freaked and I wasn't self-aware enough about it to know how freaked out I was. My body basically told me how freaked out I was; even looking back on it now, you know, it took me 20 years to figure out what that really was.

Jerry: What was it?

Fred: Well, it was my own anxiety and I was just not admitting it to myself. I was trying to hold it in and pretend like I had all my shit together. Then all of a sudden, I felt like I couldn't breathe.

Jerry: So, what was the threat to you? Anxiety is like an expression of some sort of a visceral threat and you probably – we became friends and really became close in '96 was it? So it was –

Fred: Yes, it was right around the – well, you know the deal. It was the deal I was trying to close on the phone, when you and me and Barbara and Joanne went out to dinner.

Jerry: Yes.

Fred: It was the same company. So, you know, and Brad knows some of the characters involved, Ron *Fischer* was on the phone, so it was like – this is like, you know, we are all in the family here, but I guess for me, I was about to have a big payday, something that I really wanted, you know, for myself after being in the business for seven, eight, nine years. I wanted to leave and start a new firm and this was a deal that I thought was going to put me on the map and make money for people I want to make money for. So, there was a lot at stake.

Jerry: And what if it didn't go through? What was at stake for you, do you remember?

Fred: I don't know, I don't really remember. I mean –

Jerry: Brad is smiling because he knows I'm starting to coach Fred.

Fred: But I'm just saying like, looking back on it now, it was all so – I don't know, it wasn't anywhere near as big of a deal as I thought it was. So, that's why I don't really know what was at stake.

Jerry: But I think what you just did was really, really important. In the moment, the visceral threat, the existential threat feels so real and you know, the arc of the experience is, there you are in an airplane and you start to have a physical panic attack. Anybody who's had a panic attack – and fortunately, all three of us have had them, yay, but anybody who's had a panic attack knows that it's actually a really – it's a physical experience. It's like an out-of-body experience where you can't even connect with what is actually happening. What was interesting is that you were able to make the connection back to, there is something else going on here that has nothing to do with the in-the-moment. So, there you are in the airplane, and the airplane scared you, but that really –

Fred: Well no, I mean honestly, today I can self-diagnose what happened here, but at that time, I thought there was something physically wrong with me. I mean, it didn't go to, "Oh, it's this deal I am trying to close, and this deal is making me stressed out and therefore, I'm making myself sick." I was like, "I'm having a heart attack. There's something physically wrong with me." I didn't realize this was all in my head.

Jerry: Yes, I'll give you one story from my own experience; do you remember the investment we did at Flatiron in *IXL*?

Fred: Yes, sure.

Jerry: Okay and remember when we first started Flatiron, I had that headache attack which you blamed on yourself for years and years and I let you blame yourself?

Fred: Yes. I gave you migraines.

Jerry: And I ended up in the hospital for a week, the week we started Flatiron, the week after. Anyway, years later, we had this investment in IXL, IXL had gone public, and I remember getting a phone call – I was going out to our house in the Hamptons at that time, and I remember getting a phone call as I was driving out, and being told that there was an arithmetic error in the spreadsheet being used to forecast our upcoming numbers and we were going to be off by like, a factor, an order of magnitude we were off. Fred's laughing because you remember this.

I remember walking and having the worst migraine I have ever had, short of the one that put me into the hospital just before we were starting. That was that physical – and it was like, what is wrong with me? It's like, what was wrong with me was, this was one of my first public company boards, and I didn't know how to handle mis-quarterly expectations. All that came up for me at that time was, "Holy shit, what a bad investor I am to have not anticipated, get this, that the CFO was going to have made an arithmetic error in the damn spreadsheet." I was supposed to have anticipated that and figured it out.

Brad: There's a profound link between two things that both of you have just said; one is the physical or the physiological reaction to something that the second linkage is that you feel like you should be able to control, but you can't.

Jerry: Right.

Brad: The linkage there is what I think gets in so many people's way, which is, you know, the physical or physiological reaction is going to impact your behavior. There's no way it can't. If you are not aware of what is stimulating the physical or physiological behavior, you then behave in a way that, in a lot of cases, creates a negative feedback loop. It makes things worse rather than better. Part of the instantiation of that is it drives towards control. Many of the people in our world like to control things or try to control things.

The cliché, you hold a baby bird in the hand, and the tighter you squeeze it to try to control it, the more you kill it. It's the same kind of thing. Of course, you are a shitty investor because you didn't double-check the spreadsheets that the CFO of the company, and the next thing that happens on your next company is, you start torturing the CFO who is perfectly competent because you are trying to control this thing that's actually outside your control –

Jerry: Right.

Brad: – versus saying, okay, we've got a problem, the problem is this, we have a couple – we know the root cause of the problem. It might have been that the CFO just made a mistake. It could have been that Excel had a bug in it, that's never happened before. It could have been that he was an alcoholic. You don't know. All of these things that have nothing to do with you or your competence as an investor, but you still have the problem to solve. If you are not able to detach from that physiological response, you know, you behavior ends up, I mean, again the simple phrase, 'fight or flight', you go into this mode of either withdrawing completely or attacking rather than focusing on coming full cycle back to 15 or 20 minutes ago, what is best for the company at that moment in time. What do you need to do to help the company to get through what is going to be this no-fun moment?

Fred: I'll tell you a story because it is about this no-fun moment; I remember having breakfast with the CEO of a relatively small company and he said to me, "My entire engineering team just quit on me." This was like a six-person company and five of them quit on him. I said, you know, you can probably save the company, but you are going to have to do this and this and this in pretty short order, and you are in for like probably six months of incredibly shitty time. This is going to suck. This is going to suck tremendously. But if you are willing to go through it, you can probably save the company.

He was like – he told me two years later, I didn't freak out, I didn't throw a tissy fit or anything like that, I just basically explained to him what the next three to six months of his life were like. I said to him, "If you want to fucking deal with that then you can fix this, but I'm telling you, this is going to really suck for you."

Jerry: So, the CEO was a company – that was a company that you had invested in, Fred?

Fred: Yes, exactly.

Jerry: How did you not freak out?

Fred: First of all, we only had like $750,000 of seed investment that we had made, and so it wasn't that big of a deal to me anyway. I knew the company was kind of struggling anyway, which is why he lost his whole engineering team. At that point in time, I had written off the investment anyway. I just was dealing with the reality of the situation. It was like, this is a human being – he had written off his investment, he was freaking out and I was like – he had never done it before. He had never been a founder or a CEO before, and I was like okay, this is basically what you are going to have to do. If you are willing to deal with it then I'll be there for you. I was there for him. He had to do the work.

Brad: Let me give my version of key moment for me that was a trigger, which was around 2000-2001. I was co-chairman of a company, the company was called *Interliance (ph)* which I have talked about, was, at one period of time, my biggest success and then ultimately one of my biggest failures. My co-chairman was a guy named Len Fassler who had brought my first company. Len is a dear, dear friend and one of the people I have learnt the most from. The company was based in New York so, I was, you know, in this mode, in this period of time where I would fly from Boulder to California on the 6:00am flight Monday morning, and I'd work in California from Monday or Tuesday. Then I'd take the Redeye to New York and work on Wednesday and Thursday out of *Interliance (ph)* headquarters and purchase – and I'd fly home on Friday and spend the weekend trying to recover. Amy would patch me back up and ship me out the next Monday morning. It was just at total cluster *[Inaudible 0:31:13]* of a time.

I would stay with Len in his house and in West Chester, it was in Harrison, and I can remember, like it's in my brain, it's imprinted in my brain this morning; I was exhausted, I was fried. It was a public company so stock had gone from the 50s to the low single digits. We had probably laid off a third of the company by this point. The company had gotten up to couple of hundred million dollars a year in revenue, but it was awesome at losing five million dollars a month. We had mastered that. No matter what we did, we were really good at nailing that five million dollar a month loss. We were running out of cash.

I'm sitting at his breakfast table, and I made myself a cup of coffee and I can barely eat. I'm so nauseas, I'm so exhausted and so fried, and it's not *just Interliance (ph)* that is all fucked up, it's all the other companies I'm on the boards of also. I'm on four public company boards, the same stress that Fred was feeling, that you were feeling, that lots of other people were feeling in 2001. But this was a company I had co-founded with one of my dearest mentors, somebody who really had bought my first company.

I'm sitting at the table and I've got a bagel and a cup of coffee. I've got the bagel in front of me that I'm sort of gnawing on, but I'm not really eating. Len sort of rolls into the kitchen ready to go, and he looks at me and he sees I'm in utter distress, and he says, "What's wrong?" I just sort of mumbled to him, "I don't feel like fucking dealing with any of this." He looks at me and he claps me on the shoulder – if you could see what I'm doing, he is a short guy and I'm not such a short guy, but I'm sitting down and he just puts his arms on my shoulders. And he says, "Come on Brad, they can't kill you and they can't eat you." He slaps me on the back and he said, "Let's go to battle."

I looked at him and I'm like, you know what – just the emotional energy, a positive surge of emotional energy from that moment – I mean, he was feeling the same stress I was feeling. It was just this intense, incredible moment. For me, when I carry around the moments that are just like, I don't want to deal with this thing, I know it's going to be a shitty period of time, the thing is all fucked up, I just think to myself, they can't kill you and they can't eat you.

Jerry: I love that story and it brings me back to something you both touched upon before, which is this notion of trust. Fred, when we talked last time, we talked a lot about building trust between the entrepreneur and the investor, but I'm going to bring you back to this notion of trust within the partnership. Fred, you described what you guys have at Union Square Ventures as a kind of utopian thing. I'm going to actually challenge you on that. I actually don't think of utopia in the sense of something externally thrust upon you. I think that the environments that you guys have created at Union Square Ventures and at Foundry was a direct result of the values each of you and your partners hold as human beings.

Fred: Yes, I'll state it in the way I think about it which is a little different, but it is the same thing, which is, when Brad Burnham and I started USV and when Brad and Seth and Ryan and Jason started Foundry, the thing that drove us, and I suspect it's the thing that drove Brad and his partners is, we wanted to create a firm that we wanted to work in, and that was designed, from the ground up, to not have all those things that all the other things places that we'd worked at had. By the third time that you do something, you get it right.

It is just like – I made a lot of mistakes over the years and when we got around to starting USV, we were like, this is what we want. We want a place that we can be partners, where we can be open with each other, where we can trust each other, where we are not trying to manage too much money, where we are not trying to do too many things. We are working in our comfort zone and we have been criticized for that. A lot of people criticized us, it's five white guys, it's definitely not a thing I'm proud of, but the fact of the matter is, it's five white guys who really love each other. That's worth something.

I don't want to just add somebody who's got a different skin color or a different sex, just to have somebody else at the table. It's got to be somebody who can come into that equation and be part of the group, or it's going to fuck it up and I don't want to fuck it up.

Jerry: Brad?

Brad: I learnt a lot from what Fred and Brad did when they started USV, when Jason, Seth, Ryan and I started Foundry. A lot of it was conversations, you know, with Fred, a lot of it was observation. For us, I think that one of the things that we knew from the beginning or that we had as a deeply held belief because we have known each other for a long time, was this idea that we wanted to be equal partners and we wanted to be best friends. We held those two values equivalent.

We had to go through our own struggles early on. We had a fifth partner who co-founded the firm with us.

A year in, they were four equal partners and one associate, and he didn't know how to make the transition from associate – he had worked for me prior too at Equal Partner and we had to deal with 18 months in, the very, very difficult thing of changing the configuration by letting one of the people go. That reinforced that deeply held belief of the notion that we are all equal partners. It also forced us to confront the dynamics of being best friends, because he had been a very close friend to at least two of us prior to that moment in time.

We started at the beginning with this notion that every quarter, in addition to focusing on this review of our portfolio and what was going on in our companies, we would do a review of each other and a review of our relationships. Part of that review of our relationships included a self-assessment, a self-review, and all done in public. For the first couple of years, we had an outside facilitator, we did it in a formalized way, you know, we built muscle, and by year five or year six it had evolved to the point where we do an offsite once a quarter for a day, and we split it into two pieces.

The first piece is discussion about our portfolio as a whole; and the ownership of the meeting rotates from partner to partner, so everybody gets one shot at year at doing it. They can run that discussion of our portfolio as a whole any way they want. Then the afternoon – after we have a break for lunch, the afternoon is focused on answering the following question: how am I doing? That's it. It's not any more specific than that. There's no structure.

"How am I doing?" can mean how am I doing personally, how am I doing professionally and how am I doing with regard to you, how am I doing with regard to the firm, how do I feel with how the firm is relating to me, how do I feel that you are relating to me. I would say that of my experience each quarter, if I think about the 90 days of a quarter, my most emotionally intense professional time is that one-hour segment in the afternoon where we answer that question.

Over the decade that we have been working together, 40 or so meetings like that, there's never a lack of discussion and there's never a lack of learning. There's never a lack of stress points between people, within people, relative to what's going on, relative to their life and having a safe place, a confidential place with the people who are my equal partners and my best friends, to deal openly with those issues on any dimension I think has been the bedrock of what we have created.

When I reflect on – you know, I don't like the word utopia either, because I don't think Foundry Group is a utopia. We got lots of things that are not utopic. By the way, we are all going to die, so what does utopia actually mean anyway? It's a continuous process. It's that effort that we put into not just building a firm or some abstract construct, but into ourselves and the relationships with each other. I can speak for Fred from a distance because I know how he has approached it with his partners at a high level. I think the best partnerships that I am aware of, whether they are venture partnerships or other types of partnerships, are the ones that do that with vigor versus lip service.

I think it's very, very easy to do it in a casual way – and by the way, if you cycle this all the way back to boards, I think it's an example of a thing that boards massively under-invest in, including many of the boards, almost all of the boards I'm on. I'm on a handful of boards where I think the CEO does a good job of a 360, it's across the system once a year and a good job of open communication. But the irony is in some cases, when everything is okay, it feels good, but when things aren't okay, all of that shit starts to fall to the wayside. It's more hygienic than it is deep.

Jerry: Yes.

Brad: I think the mistake a lot of people make in our world is to not go deep and to not invest the right amount of time going deep on those things.

Jerry: I think that's super helpful. I want to wrap with two points here; the first is, Fred, when we first started, we used to use a phrase a lot, which is, 'partnership first' and I think that when we use that externally, it can be misinterpreted to mean we put the partnership ahead of the company.

Fred: Right.

Jerry: But, I think actually what you both did was actually explicate further, what does it really mean to create a partnership first, and that by investing the time and creating a healthy partnership, you are actually able then, to put the companies first because you create these safe, trusting environments. And Fred, I'll repeat the word that you used, that have love built into it.

Fred: Yes, I think it's very hard for a venture capitalist or a venture capital firm to do right by a company if they don't have their own house in order. Now we don't do what Brad and his partners do; we are not as mature and evolved as they are. I mean, it's impressive, I'm not sure I can handle that and I don't want to – I really don't want to know how I'm doing sometimes, but you know, we have our moments.

Yesterday, I was talking about one of the companies I'm on the board of, and two or three of my partners started getting on me about how things were going in the company and I got kind of fired up and went right back at them. We had it out, it was not much different than the way Joanne and I have it out every day it seems, but at least we are having it out. At least, we are calling each other on our bullshit. We don't do it in a process the way that Foundry does it, we do it in a kind of in our work, but that works better for us. We should probably try it the way that Brad and his partners do –

Jerry: Well, this may be Boulder versus New York, stylistically.

Brad: I think it is style; I don't think it is actually – I say this at a mental level, I don't think it is actually that different. Our internal phrase is 'brutal honesty delivered kindly.'

Jerry: Right.

Brad: We, as a foursome, I don't think there's been a moment that I can recall, in a very long period of time, where we haven't – where one of us haven't said to any of the others, what we were actually thinking. There are moments where you say it and you are anxious, or you are uncomfortable, or you feel like you might hurt someone's feelings, or you know you are going to hurt someone's feelings. That's where the 'delivered kindly' comes in for us. Our style is, I'm not trying to hurt your feelings, I'm not trying to create a fight. You know, I'm being bold and mellow. I am being easygoing about it, but I'm being blunt and direct and clear and as crisp as I can be and that's a style.

There is a style, that's the New York style – I know Joanne well, and Joanne would beat the crap out of me in every argument we have because the second she'd escalate, I'd show her my belly. I'd just roll over and Fred doesn't. When Fred and Amy have – maybe you show your belly pretty quickly; I mean, if Amy escalates, I just – hey I don't want to fight, and I learnt a long time ago that saying "I don't want to fight" doesn't solve the problem.

Fred: Right.

Brad: But not being brutally honest, not confronting the issue, but doing it in a way that fits your personality, fits the personality of each other in the firm – and again, linking back to the board table, the CEO theoretically gets to set this tone, but it's very hard to set this tone with a bunch of investors who have different personalities and different egos and different structures so, making sure that you are putting the right kind of energy into it, not just as CEO, but as the directors around the table, to make sure that when the shit hits the fan, you can actually function effectively.

I'm quite confident that when Amy and I have a crisis, the second the crisis appears, the two of us know how to get on the same side of that crisis and work together. I'm quite confident that Fred and Joanne know how to do the same thing when a crisis appears. Same thing with our partnerships. I mean, that's where the magic starts to come because we will all have crises, the crises will continue, they get – sometimes they are more extreme than others, a lot of times, they are out of the blue, or you can't control them or you don't understand what's actually causing them, but you still have to –

Fred: Jerry if I can –

Jerry: Mm-hmm, so – go ahead.

Fred: If I can give the entrepreneurs who are listening to this podcast some advice, I think I would really encourage them when they are pitching, you know, the final pitch meeting to try to pitch the entire partnership, and not do it one-off or anything like that because I think – and the second piece of that is, to try while you are pitching, to also be observant of the partnership dynamic. I understand this is a really hard thing to ask someone to do, because they are selling.

They are in that moment and this is the moment where they got to get the people around that table to agree to make that investment and they are putting all their energy into that. But, if they can also be observant of the dynamic around that table, and is everybody asking questions kind of equally and are people respectful, are people cutting each other off or are they respectful and are people following each other's leads, there's all these things that had to happen.

They happen in boards, they happen in partnerships, they happen in management teams, and if you are sophisticated about that and you understand that and you can pay attention to that, you will know what you are talking to a healthy, functioning partnership or a dysfunctional, unhealthy partnership. I think that healthy, functioning partnerships help companies and unhealthy, dysfunctional partnerships generally hurt companies. I know that's kind of like a very – making a blanket statement and I'm sure it's not always true, but in general, I think that's very true.

Jerry: I think that's a brilliant assertion. Go ahead, Brad.

Brad: I want to add one thing to it, which is underscore what Fred said about healthy versus unhealthy; I actually think it is very true especially over a long period of time.

Jerry: Yes.

Brad: However, the nuance I would add in there is that healthy partnerships don't all look the same and that is super important. So, I will use Fred's example of pitch the whole partnership. If you are an entrepreneur, the chance of you getting Seth, Jason and Ryan in a room to pitch all of us is close to zero because that is not how we function. However, using Fred's heuristic is completely applicable, which is, when you interact with each of us, go extremely deep not just with me as a person, but with how I think about it in the context of Seth, Jason or Ryan, and play back things you have heard from the one-on-one interactions you are having, to test whether there is alignment and frame of reference that's equivalent.

The other piece of that is, when you are trying to understand a partnership, don't anchor on the partner that you think is the one who is going to be on your board or leading your deal. Make sure you are looking across the partnership, and that you are doing your work to talk to, mostly other entrepreneurs because that is the best intel you are going to get on how the partnership works, but to understand what the context of that partnership is and what the dynamics the people have.

Jerry: Brilliant, brilliant advice from both of you. I mean, I can just hear it resonating with people all over the place, and that's really helpful. Last comment and then I'll let you guys go, you know, Fred you said something before which really resonated with me, which is something that we try to live by at Reboot, and something that I really encourage that people who come to our bootcamps, that people who sign up for our coaching, and that is the core notion of what kind of company do you want to work for.

You have the opportunity, we all have the opportunity – if we are going to go out on a limb and be entrepreneurs, we have an opportunity to create the kind of company that we want to work for. What I'm hearing from the two of you is that you both created the partnerships that you wanted to work for. I feel very fortunate in that I also am working for a company that I want to work for. I have helped create that dynamic. Last words, does any of this have resonance, this identification of that particular phenomenon?

Brad: I think it's the most awesome thing about being a founder of a company and it's also the hardest thing about being a founder of a company. In that you start with no other human beings other than maybe your co-founders and you have an idealized notion of what you want to create, and maintaining and evolving, because it's not static, but evolving that idealized notion of what you want to create when you are 10 people, when you are 50 people, when you are 100 people, when you are 1000 people, when you are 5000 people, when you are 10,000. It's incredibly fucking hard to do and it's not constant. It's not a straight line and it's not an easy path. It is, at some level, the essence of being a founder that's so easy to lose track of when you are told what you should do and what success looks like, and you are trying to emulate others versus looking inward and defining it from your own frame of reference.

Fred: Yes, I think it's a lot easier for me and Brad to find a place of comfort in an organization that is 10 people or 12 people or 8 people – how big is Reboot now?

Jerry: Well, if you count all of the coaches that are working for us, we are about 20 people now.

Fred: Right, so now it's getting harder. I was at a board meeting last week, and the CEO was really unhappy. The thing that he was ultimately unhappy about was the company wasn't the company that he wanted it to be. He's like, "I woke up and I realized my company isn't living up to the values that matter to me." He's like, "I'm pissed off, what do I do about it?" I was like, stay pissed off until it starts behaving the way you want it to be.

Jerry: You should have told him to come to the October bootcamp that we are doing.

Fred: Okay well, I will tell him to do that. But Brad is right, it is super-hard; I have watched these people deal with this. I don't know how you scale that. I mean, obviously, you can scale it and many, many have and I think Jerry, you and your colleagues probably are part of the recipe for figuring out how to do that. But I feel lucky that we don't really have to scale it and so we can keep it small and that makes it easier for us.

Jerry: I remember the moment it happened to us at Flatiron, Fred. It was when we actually had spent time trying to figure out whether or not we were going to have a dress code. Remember that discussion?

Fred: I put it out of my memory. I put a lot of that out of my memory.

Jerry: I remember coming in Brad, and we just said, "Jesus Christ, I now work for a company that has a dress code." We are talking about the guy who – when I first met Fred, I was wearing torn jeans, torn t-shirt and a Yankee cap turned around.

Fred: Well Jerry, if I'm not mistaken, you are wearing shorts right now.

Jerry: I am wearing shorts. Yes. I live in my shorts.

Fred: There we go – apparently that is the dress code at Reboot.

Brad: That moment in time that that crossed your mind, your dot-dot-dot was "And we are fucked now."

Jerry: And we are fucked now, exactly. Well, guys, this was amazing. I mean, really, it's just such a delight and I am going to extract a promise from you to do this again because, you know, we are a bunch of old men, sitting on a park bench swapping stories, and there's some portion of the population that actually gives a shit about what we say. So, I really appreciate you taking the time this morning to do that.

Fred: Happy to do it.

Brad: Happy to sit on the virtual park bench with you any time.

Jerry: All right, I love you guys, and thank you so much.

Fred: Love you too.

Jerry: All right take care.

**

[Singing]
"How long till my soul gets it right?
Did any human being ever reach that kind of light?
I call on the resting soul of Galileo,
King of night-vision, King of insight."