

Reboot 009 Investing Trust

Welcome to the Reboot podcast. I'm Dan Putt, one of the partners here at Reboot. And I could not be more excited about this conversation. We're here to showcase the heart and soul of authentic leadership, to inspire more open conversations around what we consider the most important part of entrepreneurship - the emotional struggle; and hopefully we open up some hearts along the way. We are extremely grateful that you have taken the time to be with us, and look forward to this journey ahead with you. Now, on with our conversation.

Be without deception. 'Being without deception is an extension of telling the truth. It is based on being truthful with yourself. When you have a sense of trusting your own existence, then what you communicate to other people is genuine and trustworthy.' That quote is from Chogyum Trungpa Rinpoche. Fred Wilson hardly needs an introduction for his role and impact in the startup community; both as blogger and cofounder of *Union Square Ventures* – A New York City based venture capital firm. Fred's also a big reason why I'm here, giving this intro. His blog ultimately led me to meeting and then working with Jerry, and his family podcast, *Positively 10th Street*, was one of the first podcasts I ever listened to. It feels like things have come full circle. So I'm thrilled to have Fred join Jerry for this episode. In 19 years of friendship and partnership in the startup world, these two have seen just about everything. In this conversation, they share some stories from the *Flatiron* partnership days. What makes a perfect board? The importance of trust in investing. What makes a good leader? They even discuss the sheer terror they felt on their own entrepreneurial journey. There's a lot of great material referenced in this discussion. So I've gone ahead and compiled a bunch of links from our show on our podcast page at reboot.io/podcast in what we hope will be a series of several. Enjoy this first reboot conversation with Fred Wilson and Jerry Colonna.

Jerry Colonna: Good morning Fred! How are you? It's good to have you.

Fred Wilson: Oh, it's great Jerry! And I'm excited to be on this uh, podcast.

Jerry Colonna: Oh, it's – it's really an – uh, a pleasure to -- to have you on the call and, you

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know, for me um, it – it's – this is kind of special because uh, because of our -- hey, 20 year friendship? 19 year. How old is Josh?

Fred Wilson: Josh will be 19 in February.

Jerry Colonna: Josh will be 19 in February. That's when we first met.

Fred Wilson: Yeah, that's when I got shingles. I don't know if you – uh --

Jerry Colonna: I do remember the shingles. *[Laughs]* Tell me about the shingles.

Fred Wilson: I've never been more scared in my life than uh --

Jerry Colonna: *[Laughs]*

Fred Wilson: Three kids, all under the age of five, mortgage, no income, starting a venture capital firm. Uh – uh, I don't know how I survived.

Jerry Colonna: Oh, well you got shingles. And remember what happened to me the first week we officially launched? I ended up in the hospital?

Fred Wilson: Yes.

[Laughter]

Fred Wilson: I know. It was – it was a – it was a – it was a fortuitous beginning Jerry. We both like, we were – were – were a wreck.

Jerry Colonna: *[Laughs]* So you know what, no one really knows that the secret beginning of

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Flatiron Partners was really all about our mutual anxieties.

[Laughter]

Fred Wilson: Exactly. Wasn't that true of all startups?

Jerry Colonna: Well, I – I think it is. I mean, and I think, you know, you make a really good point. And I think, one of the problems – one of the issues like why I am so rabidly focused on talking about these deeper personal issues is, to your point, is to normalize it; is for people to realize that uh, the whole experience is just – it's emotionally hard. And you and I were there. I mean, people don't think of VCs as entrepreneurs. But we went out on a limb.

Fred Wilson: Well some VCs are and some VCs aren't. And the VCs who start their own firms uh, definitely are, you know, if – if you've been working in, you know, inside a big corporate VC firm forever, I'm not sure if you're an entrepreneur or not, but certainly the people who have created their own uh, partnerships like, you know, we did and like Brad Feld has done and – and many others, the – they're entrepreneurs just as much as anybody else is.

Jerry Colonna: Yeah, I just – I just had this – had this image; knowing your history --

Fred Wilson: Right.

Jerry Colonna: -- and how, you know, you went to – to MIT and then you went to Wharton, and then you went to work for *Euclid*.

Fred Wilson: Right.

Jerry Colonna: And we will eventually, probably in this call, talk about Bliss Mccrum because Bliss 's advice still rings in my ear; your former partner, right?

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Fred Wilson: Exactly, exactly.

Jerry Colonna: But I remember that transition and – and I remember us launching it as you know, as you recall like, I was a journalist. Then I'd launched this internet business, then for a very brief time just – just about 14-15 months I was a VC at *Adventures*[Unclear 0:07:39]. So I didn't even know what I was getting myself into. And I remember us carefully running through the budget -- do you remember this? Thinking about how much could we afford to take out in terms of the management fee and whether or not we were going to cover our like, our personal monthly nut and – and – and the struggle associated with that. Um, and like, what just popped in my head is that you went from being not – not without some risk, but you went into a much riskier place when we launched *Flatiron*.

Fred Wilson: Uh-huh.

Jerry Colonna: Is that right?

Fred Wilson: Yeah, well I was just thinking about that time. I don't, you know, I haven't thought about it in a while. Um, I've always been very ambitious, and I really – really wanted to start a venture capital firm um, and um, and we did.

Jerry Colonna: Mmm.

Fred Wilson: But I was – I was also scared out of my mind, at the same time. So it was like this combination of – of basically um, uh, raw ambition and – and – and sheer terror at the same time. *[Laughs]*

Jerry Colonna: It sounds like the perfect combination of the – for an entrepreneur. *[Laughs]* It sounds like what everybody goes through.

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Fred Wilson: Right.

Jerry Colonna: Oh, like, I love the ambition. What – why did you – what was it so and why was it so important to you?

Fred Wilson: I – I think it's part of like my personality type. Um, I've always wanted to uh, I've always wanted to do things. I've always wanted to um, succeed. You know, succeed is kind of, a weird word to use, but I've always wanted to um, make something happen in the world, right? And – and uh, for me, you know, I chose the venture capital business as my career in my early mid-twenties and I've been doing it for 10 years; not very successfully um, I mean, *Euclid* was a – a pretty comfortable place to learn the business, but we weren't very – we weren't very successful as a venture capital firm, and -- probably nobody who is listening to this podcast will have ever heard of *Euclid Partners*. Um, and so uh, that didn't sit right with me and – and I thought um, and – and – and I studied a lot of the reasons that we weren't very successful, and I thought we could do it better. And we did do it better. We did it a lot better.

Jerry Colonna: Mm-hmm. Oh and – and I think you, you know, I see that personality, you know, having been your friend now for as we said almost 20 years, I've seen you do that time and time again. Where you – you go through an experience and you extract out what lessons, and then you almost systematically codify what did I learn last time, and what do I do. And – and you're still doing that. I mean, I still – I watch you. You still do that to do this day.

Fred Wilson: Right, right. Yes, absolutely. Well, clearly *Union Square Ventures* is uh, in some ways a reaction to the *Flatiron* experience. And the *Flatiron* experience was a great experience. I mean, we did good Jerry. We – we – we made a lot of people a lot of money and we made ourselves a lot of money too and we backed a lot of good companies. But there were a bunch of things that we didn't do exactly right, and uh, coming out of that experience and the collective experience of – of watching the whole first wave of the Internet blow up on us all –

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not just you and me, but everybody.

Jerry Colonna: Mmm.

Fred Wilson: Um, I was uh, struck with uh, a bunch of uh, sort of, lessons from that era, and you know, Brad and I, when we constructed *Union Square Ventures*, uh, a lot of that was about um, addressing those things, and doing it even better, which we have done.

Jerry Colonna: Mmm.

Fred Wilson: Um, and uh, and it's – it's -- the same is true when I make investments. You know, I learned a lot from *Twitter* um, I learned a lot from every company that I've invested in. And *Star Media* for example which, you know, you saw me go through.

Jerry Colonna: Yeah.

Fred Wilson: I mean, that was a two billion dollar publicly traded company that ended up going bankrupt.

Jerry Colonna: Yeah.

Fred Wilson: And I um --

Jerry Colonna: And you – and I forget, did you stay on the board --

Fred Wilson: Yes.

Jerry Colonna: -- throughout the entire – right down to the end, didn't you?

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Fred Wilson: Yes, yes. I went down with the sinking ship. And you know, I never sold a share of stock and – and so basically at – at one point, you know, my personal stake – Joanne and my personal stake in *Star Media* was worth more than 100 million dollars and I didn't sell any of it. And that was a um, the mistake we made there was that we stuck with the founders as the leaders of the company for too long, when it was abundantly clear that they were incapable of managing the business at the scale that they were operating. And it was um, out of sort of a loyalty that they had – they had started the company and gotten it public, and it created collectively two billion dollars of – of value and I didn't feel like we had the – the moral authority to take the company away from them given that they had done that for us. But what I learned from that experience was that we had the obligation to take the keys to the car from them. And uh, and – and when faced with that issue since then, and I've been faced with it a number of times um, I – I have that experience um, in my head where I am like, I cannot let this happen again. I cannot let a *Star Media* happen again. And we've made the changes um, and I think, you know, in many instances those changes have been the right changes or at least um, the company has – has -- the change has resulted in a healthier uh, company as a result of that.

Jerry Colonna: Um, um – I'm really struck by – by something you just said which is, you felt like you had the moral obligation. Can you say more about that? What – what – what's the obligation?

Fred Wilson: To do the right thing by the company right? Um, and all the stake holders of the company; the employees and it's not just the shareholders. I think people focus too much on the shareholders. It's the employees of the company, the customers of the company um, the families of the employees of the company. It's like the whole – it's everybody, right? And when you watch a company of 500 or 1000 people, you know, go bankrupt um, and I mean, it was just, you know, like, we did not live up to our duty and obligation as a board uh, at *Star Media*. Um, we knew that the founders were in over their heads. And we knew that they weren't really running the company properly. And we should have stepped in and done something about it and we didn't do it um, until it was too late. And so that's the thing. Now I – now I feel that very

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viscerally when I am faced with a situation that reminds me of that one.

Jerry Colonna: I find that that -- that feeling, both now as a coach working with entrepreneurs, working with CEOs sort of, and they feel it; but also when I sat in your seat and had the same fear. I know that for myself the mix of emotions that I would have uh, in that moment when I knew something was wrong, but I also was hesitant to take an action, was this incredible sense of anxiety and helplessness. And sometimes it would show up in the form of paralysis, like doing nothing; and sometimes it would show up in the form of aggression. Right, and – and I found for myself that the most difficult thing to do was to figure out – was to chart the right way to do something without uh, destroying the company in the process. Do you know what I mean?

Fred Wilson: Well, that's – that's – that's the trick, I think uh, Jerry is to figure out how to um, make a change uh, and do it in a way that – that um, works. We just had a situation in our portfolio um, I don't want to get into the details so I'm not going to mention the company; but um, we had a founding CEO who left the company. Um, and he didn't really leave the company of his own volition although now, in hindsight, I think he's – he's happy that uh, we made the change um, and he's a very large shareholder. And I was the one who had the conversation with him and the thing that I'm most proud of is that um, today, he and I have a great relationship um, even though um, you know, I was the one who said uh, to him, "It's time for you to leave this company that you started". And that's a tough – that's a tough thing to say to somebody. Um, I've said it probably somewhere between 10 and 20 times in my career now um, and it – it – it does get a little easier every time um, but it's never easy. I think it's true of -- of any executive making any sort of change that, you know, you don't really look forward to those conversations. But when you know that you're doing the right thing um, and that there are lots of people who are depending on you to do the right thing um, then it makes it easier to have that conversation. You feel a responsibility to act, and um, and that lots of people's uh, lives are going to be better because of the action you're taking. And possibly even the person you're talking to's life is going to be better. *[Laughs]*

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Jerry Colonna: Yeah. I think – I think you make some really important points here. One is that, in my experience in having this conversation and as you know, um, I didn't have the direct conversation with David Bohnett at *GeoCities* but I had follow up conversations with him because we – we made the same decision around David just before taking the company public. And – and uh, and we brought in Tom Evans um, to take the company public and that turned out to be really beneficial for everybody. And I – what I heard in your story about having a relationship afterwards, I'm going to take from that. And tell me if this is right; there was a certain amount of trust that existed before this conversation --

Fred Wilson: Mm-hmm.

Jerry Colonna: -- that probably made the conversation – well, not less painful; certainly easier to have.

Fred Wilson: Right. Well I think trust is the key thing. Uh, what I find is that um, you must uh, as an investor in a company you must establish trust with the entrepreneur. Um, and – and the only way to do that is with your actions. You need to actually demonstrate to the entrepreneur um, that you are somebody that they can trust and that you have their uh, best interests at heart. And I actually believe that um, if an entrepreneur is – is – removes themselves a little bit from the situation and steps back, and looks at – at their company with a slightly detached view, um, they can accept that they may not be the very best person to lead their company at a certain stage. Um, and David Bohnett and Tom Evans are a great example of that. Tom Evans could not have created *GeoCities*.

Jerry Colonna: Absolutely.

Fred Wilson: Not a chance in the world. David Bohnett created something that at its time was one of the most important communities on the web um, but David Bohnett was not the

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executive that Tom Evans was. Tom Evans is a very capable professional executive who knows how to build and manage and lead a company. And so, you know, that's the perfect dynamic. David lead it to a certain point and then Tom came in and lead it to uh, the next place. And that is actually in the founder's best interests, not just in their financial best interests but also in – in many ways in emotional best interests because there is somebody more qualified than them tending to their – their baby and making their baby better.

Jerry Colonna: Yeah. Yeah, I – I think you – you touched upon implicitly another responsibility, which is an odd shift. You know, as a founder – and we did this at *Flatiron*, but as a founder, I mean, and we see this all the time. We create something, and it has this personal connection; and so everybody uses the term 'my baby'. But when – when a company starts to succeed, I think it actually becomes the baby of the entire community around it; all of the stakeholders. And there's another value statement, I think implicit in what you were saying, which is that – that there is a – there is a moral obligation to the customers to the uh, to the vendors who are related to the – to the business, to the community members in which that business operates. I mean, um, I'm thinking back to the time – to the conversations that we did have with David uh, around the transition with *GeoCities*, and you may or may not recall this but – but *GeoCities* began as Beverly Hills Internet. It was an ISP that it – its single claim to fame was that it had the 90320 – whatever that – remember that television series was?

Fred Wilson: Right.

Jerry Colonna: Right, the zip – the – the zip code for – for Beverly Hills. It – it had that domain. And eventually they started to host websites for people, which is just sort of a break through thinking back at the time. And one of the most important websites they – they hosted was the – was the page uh, a journal of a guy who had been diagnosed with AIDS and who was dying from AIDS.

Fred Wilson: Right.

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Jerry Colonna: And as you'll remember David Bohnett was one of the first openly gay uh, executives in the internet space. And his partner Randy, who was an openly gay judge in California, died from complications of AIDS. And so the personal obligation – this wasn't just a baby; this was a deeply, deeply felt mission for him --

Fred Wilson: Mm-hmm.

Jerry Colonna: – to give voice to people who were suffering. And in a sense, there was a point in time when *GeoCities* became so important; not just as an expression of David Bohnett's own baby, you know, his baby but in fact it became owned by the community.

Fred Wilson: Right. Well, we have a bunch of companies in our portfolio that exhibit uh, uh, characteristics like that; *Etsy* and *Kickstarter* would be two that, you know, are – people are very familiar with and *Twitter*, *Soundcloud* --

Jerry Colonna: Yeah, yeah.

Fred Wilson: -- where the users create the content and um, and they feel very um, they – they feel very much a sense of ownership of – of what goes on there. And it's – it's important that you keep that in mind when you think about how these companies should operate and how they should be run. Um, and – and those people are very important stakeholders uh, as well in the business. Um, and so um, it's an important uh, decision that you – you make as a board um, as to who should be leading and running the company and um, you know, if you know that the person who's running the company is not up to the task, I think it's just something that you have to come to terms with.

Jerry Colonna: So – so what I'm hearing you say, and I – and I – I think – if this is what you're saying, I agree with it. The moral obligation isn't just to the company per se, or to the

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stakeholders, but it's to the community, to the ecosystem of human beings that are sort of surrounding that. And so for example, the transition in bringing Chad Dickerson in as CEO, without getting into the specifics there because the – the parties are still sort of around, was also – we had to consider the effect on the community; not just the effect on shareholders and stakeholders value.

Fred Wilson: Nice. And I think – I think the first thing that Chad did when he became CEO was he wrote a blog post to the community and said, here's who I am and, you know, here's what I've done and I've been at this company for a long time and you've seen my [Unclear 0:24:13] work. And you know, here is my commitment to you and – and I think that was very important. Um, and uh, and you know, the – the nice thing – you know, *Etsy* is actually an interesting story because uh, we tried – the first transition from founder uh, to leader was an external hire. And that didn't work particularly well. Uh, no fault of anybody's, it just didn't work. Um, Rob came back and then the second transition to, was somebody – an internal leader. And that worked much better. And I think part of that is that um, Chad had spent probably four or five years at *Etsy* by the time we asked him to become the CEO and so he really understood the company um, at the time he became CEO in a way that it would have been very hard for any external person to – to understand. Then I don't mean just the company culture, which is a pretty special culture, as you know, but also how important the seller community is and – and there's a – a very vocal subset of the seller community who um, is – is – is in the forums and – and has a lot to say and how to manage them and how to listen to them and what to listen for and what not to listen for, and all those things are subtle things but they're very important things.

Jerry Colonna: You know the – what – what you're hitting upon, this notion of internal, external um, you know, it brings to mind one of the lessons I had to learn early on. Which – 'cause I – I made the same mistake that I see a lot of other uh, investors, board members make, and that is, you know, and you've heard me play with this term before, the myth of the silver bullet CEO.

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Fred Wilson: Right.

Jerry Colonna: Right? And this is this notion – just to – to elaborate a little bit. This is this notion that's somewhere out there in the world is this – and this was the phrase that always used to make me crazy; a world class person who was going to come in and replace the CEO, right? And the way I see it is, it – and they would make everything better. And invariably, under most circumstances they failed. And I think that part of it has to do with the fact that, I as the board member – I as the investor did such a poor job, a shitty job of managing my anxiety, right? So as you said before talking about *Star Media*, you know that the leadership needs a change. They either need coaching – is a little bit of commercial, they need some leadership development, or in many cases they need to actually have somebody else come in and be a leader. Even if they stay, they need somebody else to come in and take over, to take the company to the next level. But we're so anxious, we don't know what to do with that, that we turn to, sort of the intellectually easy answer which is, oh, I'll just go get this guy from FedEx. Or I'll go get this guy from AT&T.

Fred Wilson: I – I – I think that the internal hire if you can do it is the better move uh, because there's um, already, you know, an understanding of that person that they've already demonstrated to you, their leadership skills. They may have certain weaknesses but you know what they are coming in, and you can work with them to get coaching or to assure them up with hires around them, or whatever. Nobody is going to perfect, right? So I think, if when you think about the leadership of a company um, you -- you have to – if you understand what it is you're dealing with as a board, you can – you can potentially help that person um, improve their – improve their own leadership skills, and also um, if – if that person for example, uh, is a sales and marketing oriented person and they don't spend a lot of time thinking about product and technology, then you would want to pair them with somebody who is very strong in product and technology; maybe even in a COO type of position where they're uh, you know, um, where their position is elevated in the organization as a counter-balance. So it – you know, I – I don't think the – like, there is no silver bullet, you're right. There is no perfect CEO. Everybody is going to

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have certain strengths and certain weaknesses. And what the board does to uh, understand that openly and –and do something about it is very important.

Jerry Colonna: How did you – how did you come to understand this in your own path? I mean no one – no one teaches us how to be board members, although I have an idea for doing a boot camp for – for young VCs about just how to be a board member. But that’s besides the point. Um, how did you come to learn this?

Fred Wilson: Well, I think from – from just doing the work um, and seeing uh, there are people who I’ve worked with over the years um, who you would not think, based on who they are, the way they present themselves um, would be great leaders – who have been great leaders. And there are people that look like, you know, have the resume and look like the perfect leader, who are total, complete, you know, failures. And so I think what you learn is like, you know, you – you just – there is no – there is no formula for leadership. And – and I think, the other thing you learn is that um, different companies require different kinds of leaders. Uh, and um, and – and different stages require different kinds of leaders.

Jerry Colonna: Mmm.

Fred Wilson: So um, and that’s so – that’s just, I mean, it’s – it’s having seen a lot of things over the years and – and come to realizations uh, through them.

Jerry Colonna: I’m thinking back to what we were saying before about your tendency to look kind of, without -- maybe a little bit of shame, a little bit of pain, but to look back at the mistakes that you’ve made and try to learn from them. And you know, I can see that being applied here as well, right? You know, thinking -- because you were talking about the two types of people. People you look at and you say they would never be a good leader and then there are those who are out of central casting and you say, oh, they are perfect. And we both as investors have backed both of those types and been surprised on both ends. And um, you know, I think that – that – that

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one of the things that I'm hearing consistently from you is the way in which you are sort of going backwards and sort of, looking at that. So, you know, this is a little bit of a – in some ways, I'm – I'm hoping some – some younger board members and VCs are going to be listening to this as well. And if you think back to say, 20 years ago or 25 years ago – yeah, 25 years ago when you were a sort of associate, I don't think you were partner at – at *Euclid*; just taking your first steps as a board member. What are some of the things that you would suggest to you, to your younger self, if you will?

Fred Wilson: Well, I've written – written about this a bit. Um, probably the best experience I had was when I uh, joined the board of um, Jordan Levy and Ron Schreiber's company; uh, and I showed up at the first board meeting and I started spouting off about, you know, this and that and Jordan Levy stopped me, and he said, Fred, you don't know anything about our business.

Jerry Colonna: *[Laughs]*

Fred Wilson: He said, you're a smart guy, and you just put two and a half million dollars into our company and we have to listen to you. But I have a suggestion. He goes, why don't you clear a week on your calendar, fly up to Buffalo and you'll spend half a day each day doing a different job in the company, and at the end of the week, you'll at least have some idea of what our business is. And then, after you do that, I'll actually listen to what you have to say about our business. And so I did that and um, and – I didn't learn that much about the business, but I did get a little smart about the business, and I actually – and I got to know Ron and Jordan a lot better.

Jerry Colonna: Right.

Fred Wilson: Um, and I internalized their feedback to me which is, you don't know jack shit about our business.

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Jerry Colonna: [Laughs]

Fred Wilson: So I stopped talking so much and started listening a little bit more um, and uh, and that was such great learning for me, at a relatively young age which is that when you show up on a board of a company, there's no chance that you know as much about the company as the person who is running it – who has founded it. Now, if you stay on that board for 10 years, I've been on the board of *Return Path* for 14 years now, I've been on the – I've been on the board of *Etsy* for 9 years now. I know those businesses pretty damn well. Right, and when I tell Chad Dickerson or Matt Blumberg, you know, I'm not feeling very good about XYZ, it comes from a lot of experience; and I know the executives and I know the business, and, you know, they listen to me. But you have to earn that. That comes back to the thing about trust. You have to earn the trust of the entrepreneur. And you earn the trust of the entrepreneur with actions. And the -- like the action of taking a – clearing a week of my calendar and flying up to Buffalo, and doing every job in the company for a week, that was – that was a investment of time that I made and ultimately my relationship with Ron and Jordan, and it made my relationship with them a lot better. Um, and so uh, I – I look for those opportunities early on in an investment. I look for opportunities to do something good for a company. You know, uh, uh, our portfolio company *Coinbase* which you and I were talking a little bit about, um, I'm not going to get into the specifics but I – I help them uh, with something related to a regulatory thing. Um, and I think, knock on wood, um, they're going to be able to do something that they've wanted to do for a long time, that they had to pass a number of regulatory hurdles to get to, and I was helpful um, at an important time for them in -- in making something good happen for them – helping them make something good happen because they are the ones who ultimately made it happen. And that, you know, when I got the email um, when they said, “Hey thanks for doing that. You know, that was actually quite helpful”, it made me feel good, and it made me feel good on one hand because it made me feel good.

Jerry Colonna: Mmm.

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Fred Wilson: I like to do good things. But also it made me feel good because I know that I had earned some trust with them. I'd – I'd – and – and now, you know, they're going to value what I have to say a little bit more because of that. And it's – it's that, you know, it's like a relationship um, whether it's a marriage or a friendship or anything.

Jerry Colonna: Or cofounders.

Fred Wilson: Cofounders.

Jerry Colonna: Yeah.

Fred Wilson: You know, uh, you know, you have to invest in it to make it work.

Jerry Colonna: Again the theme of trust is so powerful here. It really is. And I'm hearing the – the power of, you know, of trust coming from your deeds. I'm going to elaborate on that. There's a – there's a wonderful Buddhist concept called the wisdom of no action, which is, I think, a corollary to this; which is in effect what Jordy and Ron were saying to you. And I know – and – and -- and I laughed before because I – I so adore them. And – and – and Jordy always makes me smile whenever I see him. Um, but – but in a sense, they did ask you to take an action. Fly up to Buffalo and spend the time there. But they also asked you to take no action, meaning 'sit tight until you actually know something about our business'. You know, actually get to know us. And then I think what you did by following through and taking their advice in going up there was you demonstrated a willingness to learn --

Fred Wilson: Right.

Jerry Colonna: -- which I – you know, if I could extract the lesson from that, it's, you know, one of the things – I – I made the similar kind of mistakes. I remember going up to Mainspring and thinking that I knew everything there was to know about Information Technology,

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Information Services and being able to do that. I mean, I had been in publishing forever, I had been an editor, this is just sort of, my baby. And the fact is, I didn't know shit about launching a business. I didn't know anything about what John Connolly was running – was going through. And I may have known something about the content, but it took me a long time, and it took Bill Kaiser from *Greylock* to sort of, set me straight. And he said, “Hey hey, listen. You know, step back, step out of this company. Right, and see, you're – you're not an employee”, you know, in that way.

Fred Wilson: Well, it's tough when you're a young uh, investor. Um, and you want to put points on the board.

Jerry Colonna: Yeah.

Fred Wilson: You know, and it's so much easier, when you get to be our age and you've put plenty of points on the board and you can be a little bit more patient. And uh, I think entrepreneurs really appreciate that I – I encourage entrepreneurs uh, when they look for board members um, to try to get the senior partners in a firm on their board as opposed to the junior partners on the firm. And I'm – I'm sure that every junior partner in the venture business is not cringing hearing me say this, because they're like, well, damn it, you know --

Jerry Colonna: How do I become a senior partner if I – *[Laughs]*

Fred Wilson: Exactly. It's unfortunate but I'm going to be selfish with our portfolio companies, right?

Jerry Colonna: Right.

Fred Wilson: And I don't want to burden our portfolio companies with junior VCs who don't know what they're doing, and probably don't have the respect of the partners in their firm

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and it's just a – that's just a really uh, dangerous place for an entrepreneur to be. And so I'd prefer uh, the entrepreneurs in our portfolio not to have that. And – and – and I wanted to get to this Jerry, before we run out of time. The other thing that I have learned about boards is, if we could get two or three independent directors um, and I – and my preferred independent director is not an academic or not a trophy board member or not somebody with a big brand, but somebody who has actually done the same job as you're doing; maybe for a little bit longer than you are um, to take an active interest in your business and join your board. Uh, I think it's so important to have uh, the real, experienced uh, peer CEOs on your board um, for two reasons: one, because they're truly independent whereas your investor board members are not. Your investor board members are trying to make a financial return on your business. And I think actually having some of that on your board is helpful, but having all of that on your board is not helpful. So you have these three blocks of power instead of two. You have the founder insiders, you have the investors and then you have this other pocket of people who really know what they're doing, and they're not vested in – in either camps. So they can be – bring a balance to the board. That's very important. But the other thing is that they actually know a lot more about how to run a company than I do; because they've done it. And the questions come up about um, you know, what should I be doing in terms of, um, uh, coaching my VP engineering? Um, you know, can I get this person to where they need to be um, or am I going to have to make a change? Um, I have an opinion on that but I'm so much more interested in hearing a peer CEO's opinion on that than my own opinion on that because they have been through that before. And uh, and so – and – and – and a lot of entrepreneurs, particularly early on in the development of the company don't give a shit about their board um, and – and to the extent that they – they do give a shit about the board. The thing they focused on is – is board control.

Jerry Colonna: Yeah.

Fred Wilson: So they don't want to have too many board members because they're going to lose control of their board. I think that's unfortunately uh, a mistake. I think it's more important for them to not let their investors control their board --

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Jerry Colonna: Mm-hmm.

Fred Wilson: -- um, by having lots of independents, than it is to try to maintain control themselves; because ultimately they're not going to be able to maintain control of their board if they keep raising round after round of financing. So better that they get to an independently controlled board versus getting to an investor controlled board. And then the second thing is, having some experienced CEO talent around the board table, it – it like, early on in a company's development is um, is really, really valuable and – and most entrepreneurs just, they don't make it a priority. They don't care about it. They – don't understand how important it is, and they don't do it.

Jerry Colonna: I – I think your points are – are spot on. And I've seen it work well, especially now with my clients. The image I often carry is of – of that Robert Duvall character in *Godfather*; the – the conciliary.

Fred Wilson: Right.

Jerry Colonna: And – and what I like about that character is that the conciliary never tells the Godfather what to do --

Fred Wilson: Right.

Jerry Colonna: -- but what he says is, you might consider doing it this way. You might – I'm seeing this. And – because even when you bring in that senior mentoring kind of person, I think sometimes the mistake they can make is to tell the CEO what to do; and in a sense they undermine them. So it's a very nuance kind of thing. It's just sort of like, well 20 years ago, when I first encountered that, this is what I learned and this is how I handled it for 20 years. You might consider that. But it's – ultimately, every situation is unique. You know, it's a very subtle

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kind of thing. Um --

Fred Wilson: Well it's – it's – it is scary when you work with a CEO who wants to be told what to do.

Fred Wilson: -- um, because that means that they don't have – they don't have um, they're not willing to step up to leadership, right? They want someone to tell them what to do.

Jerry Colonna: Right, right.

Fred Wilson: Um, and uh --

Jerry Colonna: Right. And I think that --

Fred Wilson: That freaks me out actually. *[Laughs]*

Jerry Colonna: I – I'm so glad you said that. You know, there's a – there's a line I often use which comes again from my Buddhist teachings which is, uh, 'take your seat as the CEO'. Take your seat. And – and it comes from an old Tibetan teaching which is that the King must take his seat. And it's about accepting the burden of leadership. And I – I think you're spot on. I think we all, in our own anxiety, just want to be told what to do. And we then abdicate our own responsibility for – for making those decisions. And if there's any single lesson, whether it's your – as a board member or as a mentor, as a conciliar – conciliary, or even as a coach or as a CEO, it's like, you've got to take your seat. It's your life. It's your job, you know, do that.

Fred Wilson: Oh, the other thing I'd – I'd say is – I've worked with some CEOs who spend an *[Unclear 0:43:07]* amount of time managing up.

Jerry Colonna: Mmm.

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Fred Wilson: They spend a lot of time managing their board and managing their investors. That is a complete and total waste of time.

Jerry Colonna: *[Laughs]*

Fred Wilson: The – the thing that needs to be managed is the company. And if you do a good job of managing your company, the board is going to be totally fine with you. If you spend all your time managing the board and nobody is managing your company, you're going to be out of your job in – in – faster than you know it, right? And so like, I tell people, why are you wasting your time? No, I'm not saying don't, you know, call the board in advance of the board meeting and spend 15 minutes with each board member briefing them on what's going on, and –and telling them what the object of your board meeting is, that's – that's an investment well worth it's time. But if you spend all your time thinking about what's the board going to think of this, or trying to like, stay on the good side of the board, it's just ultimately a waste of time.

Jerry Colonna: Mmm. I think that's a great, great piece of advice. And uh, I want to respect your time. I know it's – we – we have to break. You have another call but, listen. This was amazing. Um, I'm going to put you on the spot and say, we're going to do this again --

Fred Wilson: Okay, great!

Jerry Colonna: -- because we've just scratched the surface on – on topics, and uh, it – it's been a blast. So alright, be well and Happy New Year, my friend.

Fred Wilson: Yeah, same to you.

Jerry Colonna: Take care.