Chapter **1**

Execution Is Everything: John Doerr, Kleiner Perkins Caufield & Byers

The writer Wallace Stegner spent a lifetime trying to correct the popular myth of the rugged individualist who settled the American West. He demonstrated how this arid land actually was—and could only be—settled by people who cooperated and worked together. As American CEOs have become celebrated heroes, the same correction is needed in the popular myth of the lone entrepreneur and visionary. Developing something new and sustainable in the harsh and unforgiving environment of business requires the collaborative effort of many people. The hard work of making visions real takes teamwork. John Doerr has seen this truth while observing and contributing to the visions of Silicon Valley for nearly 20 years.

Silicon Valley venture capitalists like Doerr are a unique and powerful force behind visions that have a chance to become real. They provide funds to start new companies and they help recruit and nurture the teams who run them. A venture capitalist's office is often the site of the earliest critical test for people with a vision, especially one based on new

technology. If they communicate their vision effectively, they can get the funding they need faster and at a better price, and they'll have a useful ally to help open other doors. If they don't, they'll find it much harder to get started. One of the most prestigious and influential offices they could try for this test is John Doerr's. Doerr has backed Sun Microsystems, Compaq Computer, Intuit, Macromedia, Netscape, Amazon .com, and @Home, among other companies. But it isn't enough to convince Doerr of your vision. Before Doerr's firm, Kleiner Perkins Caufield & Byers (KPCB), will back a company, all the partners have to agree. Even funding a vision requires a collaborative effort.

One of the first questions I asked Doerr was whether he also had a vision in his own work as a venture capitalist. He said, "Yes. It's a team vision." At one time, KPCB had a yearly planning session when the partners formally reviewed their vision and developed plans to make it real. But because of the speed and extent of changes in the 1990s' business environment, they now hold these sessions twice a year. Vision matters at KPCB.

When I asked what KPCB's vision is, Doerr hesitated for a moment, not wanting to reveal *all* of the vision, even though it will have changed by the time this book is printed. Doerr sees his company's vision as part of its knowledge advantage in deciding how to deploy resources. Vision lies at the heart of their strategy. But Doerr didn't hesitate to describe the larger picture it's part of: KPCB sees a new economy being built on four pillars, the:

1. Microchip,
2. Personal computer,
3. Internet, and
4. Life sciences, especially genomics.

Each of these pillars has to do with knowledge: the knowledge to advance technology in these areas, and the knowledge each pillar supports. Success in the new economy will depend more than ever before on networks and relationships among people who can bring all this knowledge together.

JOHN DOERR ON THE NEW ECONOMY

In the new economy, you will use all kinds of services on a Net that we can't even imagine today. It will come very quickly. Just a little over four years ago, Jim Clark and I were hanging out at Cafe Verona in Palo Alto, strategizing—that's too glorified a word—making plans for Netscape. It was another era, before the first commercial browser. In fact, Netscape was then Mosaic Communications. If I fastforward to the future of the Internet I see something we call the Evernet. It's always on, it's high speed, it's ubiquitous—in your home, in your place of work. There will be many more platforms than HTML and the PC. Information appliances like the Palm Pilot will be handheld, wireless, connected, and always on. The TV-top computer will offer broadband video service and it will be connected and always on. Tomorrow's Evernet will shift more choices and power to consumers.

Consumers have more choice and power today because of the ground broken by Amazon.com and Healtheon. That will only increase. People will be taking charge of their health care and learning more. Taking charge of their kids' education. Demanding more from their service providers and institutions.

The Net will have a tremendous effect on all institutions, reinforcing some while disintermediating others. Take online retail. Trillions and trillions of dollars are spent by consumers on goods and services. No one forecasts online retail to be more than 15 percent of the retail economy by 2010; even though that's a small fraction, it's still a lot. More and more business is going online. And woe to the institution that doesn't think about and have strategies for tomorrow's Evernet. In 1998, there were more books sold than ever before—more through physical bookstores, more through online bookstores. The primary demand for books increased, even as online bookstores grew dramatically. People still like going in and browsing at their neighborhood bookstore. But

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some of the big-chain impersonal bookstores are hurting the most.

Some channels are going to be displaced. People don't like going to drugstores, so that's a natural for online commerce. Some channels are going to be reinforced. Take shopping for a new home—you wouldn't buy one without visiting it with a realtor, but the web can help you make the right move by simplifying the experience.

We are building a new economy. We can do so because a long time ago the United States, as a people, made social choices to invest in public education, fund federal research, and encourage innovation with the patent system. Today we're reaping the benefits of more than a century's worth of public investment in education and research.

In Doerr's view, Silicon Valley's environment contributes greatly to KPCB's and other venture capitalists' ability to help create a new economy. Silicon Valley has three great research universities: Stanford, Berkeley, and UC San Francisco. Their first-rate research is conducted in a heady environment where entrepreneurs are willing to fail in their attempts to bring innovations to the market. And they aren't penalized for it, although each venture capitalist would prefer that someone else fund the failures. Doerr also is grateful that the market ruthlessly determines winners and losers. But within this environment, I wanted to know how KPCB goes about realizing its vision. The answer I heard sounds deceptively simple: It puts together and backs teams. "Great teams," Doerr would add. But how does KPCB do that? How much can it influence these teams? And how do effective teams operate?

■ TEAMS WITH VISION

At the heart of every great technology company is a superb technologist or visionary. Examples that Doerr cited were Bill Joy and Andy Bechtolsheim at Sun, and Jerry Yang at Yahoo!. Often the CEO is not the main visionary, although sometimes he is. Jeff Bezos at Amazon.com and Andy Grove and Gordon Moore at Intel are CEO visionaries.

Usually a great company has one or two visionaries, according to Doerr. The more the better, as long as they're all committed to the same strategy. Whoever the visionaries are, the CEO has to be superb at communicating their visions, then extending and filling them in with his or her team, and doing the work required to make them real. "Execution is what's hard," says Doerr. "The vision is real when delighted customers experience magic moments when they use your product or service."

Vision exists, energizes, and guides a company—or it doesn't—without a venture capitalist's involvement. At best, a venture capitalist can identify people with vision, honor them, and help build a team around them. Doerr says, "If the best way to predict the future is to invent it, maybe the second best way is to finance it." KPCB can tell when a team has a vision "by the light shining in their eyes," by their passion and the electricity among them. Doerr notes that this is not a world motivated just by money and electrons. Visionaries are driven to make a difference, and thereby give meaning to their lives. Having a vision for what you do all day is important.

Visionaries are driven to make a difference . . .

As important and reassuring as it may be to see vision shining in the eyes of a team, there are still limits to what that reveals to a venture capitalist or anyone else serving on the board of a company. According to Doerr, "It's nearly impossible for a board of directors to know what's really going on in a company. The proof for me came in 1988 and 1989. I took what was supposed to be a 90-day sabbatical, which

turned into a full year. I left KPCB to manage a 4,000 person division of Sun Microsystems. We split the company into the server operation and the desktop operation. I was the general manager of the desktop group reporting to Bernie Lacroute who reported to Scott McNealy."

Included in the desktop group was a 386-based PC project to port the Sun operating system to an Intel processor and make a workstation-caliber machine. Unfortunately for Sun, the resulting computer wasn't compatible with the PC and all its software, so it didn't do well. Another of the group's efforts, Andy Bechtolsheim's SPARC Station, became a great success.

"As a board member, I thought I was pretty involved in Sun. I used the products, knew the founders, talked frequently to customers, and worked to get UNIX standardized. But once inside the organization, I discovered that the board didn't know everything about what was going on inside the company. Perhaps if you attended all the staff meetings you might really know, but ventures are a collaborative process, everyone can't possibly do everything."

Over time, a board's most direct influence on a company's vision is in hiring the CEO, giving him or her periodic feedback, and if necessary, firing them. Doerr has found that natural leaders emerge on boards of directors. You want the CEO to be the leader of the board, but not to dominate it. On behalf of the shareholders, you want the board to challenge the thinking and strategies of the CEO and the team. Strong CEOs want that. They want the perspective of outsiders. Call it vision, call it scar tissue, but great CEOs want the point of view of directors who are not competitors but who are knowledgeable about the business and new trends and opportunities. Not many CEOs want their boards to be a rubber stamp. According to Doerr, "the job is just too hard to do without that rare commodity in business: constructive critical feedback on your vision, your strategy, and your team's execution. It comes back to the same point: While vision matters, execution is everything."

Vision matters, but execution is everything.

The constructive critical feedback Doerr mentions re-
quires intellectual honesty, something Art Rock also talks
about. Like vision, this too is something the board can't cre-
ate or instill. The CEO and team must establish intellectual
honesty in their culture. Doerr has found that as a venture
capitalist or a member of the board, your only influence is
through the selection of the CEO and the inspection of their
processes.

What happens if the board makes a bad choice in the
CEO? According to Doerr, "The board is usually the last to
know if the CEO is not doing the job. I've been fortunate to
start with able entrepreneurs who've grown with their busi-
ness—like Scott McNealy, Jeff Bezos, and Donna Dubinsky.
Sometimes an entrepreneur will come to us and say they'd
really like to get a world-class coach to take the company to
the next level. Scott Cook, founder of Intuit, did that and we
found Bill Campbell. Jim Clark asked who would be the best
person to grow Netscape. We found Jim Barksdale. We do a
lot of recruiting with founders and entrepreneurs to help
them build their team."

■ BEST IDEAS WIN

Doerr has an idea of what it takes to make a vision real. He's
worked for Intel and Sun. He's served on the boards of many
companies. And he has visions of his own as well as those he
shares with his partners. His approach to vision reflects
what he's learned from this experience.

Doerr defines vision as what might be and what ought to
be. His view is that strategy is how you make the "might be"
real, understanding your own competence and the web of
other players—competitors and partners—who can counter or
contribute to your efforts. It requires an intellectually honest
assessment of the environment and market needs. From that
you can develop a plan. You should be disciplined and clear
enough to write one page on your vision and one page on
your strategy and each objective. Finally, the plan should be
broken down so that each individual in the company has one

page that describes the results they're responsible for. Then, on a regular basis, you have to review both the results and the objectives to see whether you accomplished what you signed up for and whether that's still relevant and what you should be doing next.

The process Doerr advocates underscores the emphasis he puts on execution. It's a process that any organization could use, whether it has a vision or not. I wanted to know what difference vision makes in this process. He said it's important for any organization to be "vision-ready." That means "it has to have a culture where the best idea wins." It has to be receptive to new ideas. It has to check its vision all the time, on its own and using outside advisers. There should be a creative phase in developing the agenda when there are no bad ideas, although that can't be done every day. KPCB, for example, goes through this several-day process twice a year. The key is to institutionalize a regular and habitual process, one that is not overly formal, where you're looking for great ideas. "Once you have a sense of what the next great thing might be, you've got to be nimble and quick. Act on it. And keep testing your vision."

Part of the process in developing and testing a vision is to assess the environment. Is there a large unmet market need? What do customers want? What does technology make possible? Then you write down the *objectives* that will realize the vision, the "whats" of the strategy. And then write down the *key results,* which is how you're going to get them done. According to Doerr, "It's very important to distinguish *what* you want to accomplish—like winning the Super Bowl—from *how* you want to win the Super Bowl." On a regular rhythm, it's important to define and communicate the key results so they're clear, measurable, shared, and linked across an organization. Because, as he says, Doerr hasn't seen anything of consequence done by a solitary individual; he believes that it takes teams and leaders. Some individuals are more visible than others, but doing anything that matters requires execution by teams. Doerr has found that more and more, single companies can't make anything significant happen. "It requires whole ecosystems. New companies and alliances are

being formed faster than ever. All that is very exciting, and we have the virtually free communication of the web to thank for all this."

In Doerr's view, it comes back to this simple principle: Effective work can be reduced to a set of key results that can then be measured with some frequency. You've got to be disciplined and make those measurements, whether it's monthly or quarterly. "At the end of the allotted time period, you mark off the key results, but you also pay attention to the objective. And if either the key result or the objective is no longer relevant, you ditch it. Forget it. You fine tune the vision along the way. At the same time you're assessing whether you accomplished what you signed up to do, you question every one of the key results and ask if they're still important." Doerr first learned this approach from Gordon Moore and Andy Grove—who probably adopted the system from Hewlett-Packard and ruthlessly and rigorously applied it at Intel. Doerr notes that it was the first thing that Eric Schmidt installed at Novell when he became CEO and was charged with the task of turning around the company. "Eric had to infuse a new vision for the network directory-based services Novell could offer. He followed through with focused accountability to make it happen."

The key difference that vision seems to make is a willingness and effort to constantly test the relevance of both the results and the objectives they're matched with. According to Doerr, "The healthy companies I know challenge their ideas constantly. And they let the best ideas win, no matter where they come from. The CEO, with the values and style he or she establishes in the company, determines the value of ideas over other forces like office politics. The best ideas win if the CEO trains, educates, and supports that way of working. But you also have to commit. There can and should be healthy disagreement, but once a decision is made, you have to commit or get out of there. Many times there's more

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Healthy companies challenge their ideas.

than one right answer. The most important thing is to pick one and get on with executing it instead of letting the best become the enemy of good or better. It comes back to leadership and the style and values of the CEO."

■ MANAGE TIME AND PRIORITIES

In addition to the planning and reviewing process he learned at Intel, Doerr has found another important tool that aids in executing vision. It is critical to be objective about where you're spending your time. Time is a crucial resource that Doerr believes in allocating carefully.

Doerr admits to having a couple of time buddies—his partners—with whom he reviews time allocation every month. "We set priorities and try to deliver high service levels, and make sure our time fits our priorities. I credit my partner Kevin Compton with helping us think clearly about this. There's a lot of coherence at KPCB because we've got the same priorities: Family first. Second is serving our partners. Third is the ventures, the entrepreneurs, and CEOs that we've invested in and backed. The fourth is new ideas, new projects."

Doerr estimates that about 20 percent of each month's time is devoted to reviewing new projects. KPCB receives over 3,000 plans each year. Each one is read, although not by every partner. They divide the projects by 10 and those 3,000 plans are reduced to 300 first meetings a year. Now they're down to 30 a year per partner, or two first meetings a month. If a project looks attractive, a second meeting will be held and more partners brought into the process. Any one partner can say no to a project, but it takes all partners to say yes for a project to be approved. "The message from the company is that we're backing this project all the way, we're not going to let it run out of money, we're going to work with the entrepreneurs and founders, however complete or incomplete the team is. That's the full service we deliver."

After the company agrees to back a venture, a partner may join the board of directors. Board seats aren't tenured positions. Every year Doerr and his partners consider whether

or not to stay on a certain board. "As long as we're adding value and are wanted, we'll stay. We don't leave a board just because the company's gone public. We work hard to help build strong teams, strong boards, and durable companies."

Making sure you're clear about your priorities and that you actually spend your time in a way that matches those priorities reinforces the planning and review process Doerr learned at Intel. Both call for regular review, according to a rhythm that matches your work. "Every organization that's concerned with strategy has to be in a rhythm to review it regularly. Otherwise, the urgent will push out the truly important. Establish a rhythm, a healthy process for assessing whether you're going where you need to go."

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■ COMMUNITY SERVICE

The teamwork approach to vision that Doerr advocates is not limited to private business. It can also be applied to social change. Doerr and others are applying it to realize a vision for improved literacy. His eyes brighten when he talks about it.

"A priority for me and my partners is community service, primarily improving public education. We need to help every eight-year-old kid learn to read. Forty percent of eight-year-olds in America are unable to read at grade level. It's criminal. We've got to recommit—statewide and nationwide—to high standards in public education based on accountability, choice, and competition. Give teachers the time and incentive to be well prepared. Empower principals as leaders. Get parents involved, and make public education work."

To help make this vision real, Doerr and several other technology executives started the NewSchools Fund, a new venture fund backing "education entrepreneurs" with money

and expertise. Its CEO is Kim Smith. "NewSchools is pushing for radical, scaleable changes in public education, both from within and outside the system. It aims to start up, speed up, and even help turn around failing public schools. We have already backed three entrepreneurial efforts—both nonprofit and for-profit."

NewSchools' goals are to improve education outcomes and create a nationwide network of education entrepreneurs. The idea for the fund sprang out of meetings among technology executives and political leaders. The meetings demonstrated the teamwork Doerr believes in: "Al Gore challenged us to find a way to re-invent the schools. Steve Case suggested a venture approach would be powerful. John Kernan from Lightspan insisted we needed more parental involvement and better connections between home and school. Netscape's Marc Andreessen proposed building an 'education dashboard,' and Marimba's Kim Polese led a group of companies to build and demonstrate a prototype. Then, in June 1999, a team from Jerry Yang's Yahoo! Lightspan turned on the Education Dashboard, a free portal service named *Lightspan Page One* on Yahoo!"

Another online venture that NewSchools helped fund and recruit expertise for is a schools guide called GreatSchools.net, led by Bill Jackson. Jackson is an education entrepreneur who persuaded every school superintendent in Silicon Valley that parents should know the goals, performance, programs, and needs of their schools. Like Zagat's guides, GreatSchools offers an editorial point of view. It reviews every school in Silicon Valley in a participatory way that enables schools to express what they need from the community. GreatSchools posts each school's test scores, needs, and long-term plans.

Doerr enthusiastically reports that "*Success for All* is another venture that we're excited about. It is already eight years old, but in 1998 it became independent of Johns Hopkins University where it started. *Success for All* was founded by entrepreneurs Bob Slavin and Nancy Madden. Their Reading Roots and Wings programs are used daily in a thousand schools across the country. The program is typically adopted

by a diverse, urban or rural school, where the kids are reading well below their grade level."

Success for All's programs are only deployed if 80 percent of a school's teachers vote to adopt it. Once adopted, reading literally becomes the school's number one priority. For the first 90 minutes of the school day, every student spends intensive time on one task: reading. Instead of being grouped by grades students are grouped by reading ability. They read to each other, one-on-one. It's constant reading. Tests are given every eight weeks. Twenty minutes of homework is assigned every night, which has to be brought back to school signed by a parent. If the homework is not signed, the student works with a mentor and completes the assignment instead of going out to recess. If a parent doesn't help with the assignments for five days, community services get involved.

Success for All is a nonprofit venture. The first year costs a school of five hundred students $70,000. That pays for materials and two trained paraprofessionals. The second year costs $30,000, the third year $20,000. The program costs about $120,000 over three years to reach 500 kids. "Learning to read changes the lives of these kids forever. *Success for All* has been used in over one thousand of America's 80,000 schools—but we need it in 10,000 to 20,000 more."

The NewSchools Fund is to education entrepreneurs what the KPCB fund is to technology entrepreneurs. According to Doerr, NewSchools backs the best education ventures, discovering, sharing, and scaling the best entrepreneurial practices. "There's no question that throwing money and talent at a particular school will solve a problem, one-off. The problem we *should* address is the bottom third of America's 80,000 schools. It's the bottom third of our kids that are getting left behind."

Besides backing education entrepreneurs, Doerr and his partners are learning that public policy matters. Another group of technology executives founded the Technology Network in 1998. The president, Reed Hastings, a technology and educational entrepreneur, raised $4 million to change the California charter public school law. Basically, Hastings persuaded the California legislature to take all the limits off

charter schools. That $4 million investment will help create one hundred new schools every year for a decade—competitive, innovative public schools of choice, which must be held accountable for improved educational outcomes. According to Doerr, "That's 1,000 new schools over a decade, serving 500,000 to 700,000 kids a year. That's more than a 1,000 to 1 return on investment. Our success there points the way to more private-public policy efforts."

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In the end, the question is: How do all the vision, teamwork, execution, new ventures, and investment of time and money in education help each of us realize our full human potential? Doerr believes that "the new economy offers unprecedented opportunity for those with vision and a willingness to take risk. Education is the key to ensuring that everyone can benefit."