

Sequoia's Global Managing Partner **DOUG LEONE** talks to Brunswick's **SHAHED FAKHARI LARSON** about the secrets behind the investment firm's remarkable track record and the role the immigrant experience has played in his career.

WHEN DOUG LEONE ARRIVED IN a boat from Italy at age 11, his grasp of the language and culture of America was so weak that he became an easy target of bullies. That adversity lit a fire that half a century later remains red hot. Others may gape at the esteemed list of Silicon Valley startups that received funding and guidance from Sequoia Capital—a list featuring names like Google, LinkedIn, WhatsApp and Airbnb. But to the eyes of Mr. Leone, Sequoia's Global Managing Partner, that roster looks incomplete. After 31 years at the firm, Mr. Leone says, "I'm still hungry as hell."

At age 62, Mr. Leone is confident that Sequoia's run of hit investments is just beginning, thanks to a combination of extreme open-mindedness and extreme selectivity. "In a rapidly changing world, you have to evolve," believes Mr. Leone.

Every year, he and his colleagues at Sequoia analyze thousands of startups, scrutinizing each for Airbnb-type potential. In the end, they invest in just a handful, helping founders in each phase of building their businesses—from idea to IPO and beyond.

The capital Sequoia provides comes largely from nonprofit clients that have profited enormously from the firm's discernment. In turn, Sequoia partners carry a heightened sense of responsibility. As

Silicon Valley's **QUIET GIANT**

Sequoia's "Founder's Stump," showing the rings of an ancient Sequoia tree.

Scott Malpass, the investment chief for the University of Notre Dame, told Forbes in 2014, "We've hired more than 200 outside money managers since I came here in 1989. Sequoia has been our number one performer by far."

Sequoia, however, provides entrepreneurs with much more than capital. Its mantra is "Founders first," and Sequoia's support of company founders ranges from the acquisition of talent to strategies for boosting sales to the tackling of engineering challenges. Sequoia's widely-displayed ethos seeks founders who are the underdogs, the creative spirits, the resolute, the determined, the outsiders, the defiant, the independent thinkers, the fighters and the true believers.

"You have to appreciate that a founder is truly the soul of a company," says Mr. Leone.

Brunswick Partner Shahed Fakhari Larson spoke with Mr. Leone at Sequoia headquarters in Menlo Park, California, in a conference room where Sequoia partners often meet with startup founders. He discussed how Sequoia has evolved along with the industry that it helped create, how it earns and keeps the trust of founders, and how he stays focused and fit in his fourth decade at the firm. In keeping with what he calls "the 'we' style" of Sequoia, Mr. Leone heaped praise on his partners while downplaying his own role.

Upon hearing that Ms. Fakhari Larson is a fellow immigrant to the US—in her case from Iran—Mr. Leone offered a theory about the value of that experience, one that helps explain the firm's history of hiring immigrants. "If you come from a different world, you train your brain to look at a problem two ways: the Chinese or Italian or Indian way, and the American way," he says. "That puts some software in your brain."

How has Sequoia changed since you first joined in 1988?

As I think of it, there was a river between San Francisco and San Jose, and starting out we tossed in one line. We had the fattest worms. We worked a little harder. We learned how to fish a little better. We caught some trophies. We built a nice track record.

Then the river expanded into an ocean. It no longer made sense to fish with a line, not in an ocean. So we created nets, and essential to the fabric of that net was our relationships with founders. We helped them through seed, venture, pre-IPO and IPO. Private equity firms compete on price. Our strategic advantage was the trust we built with founders.

We used to invest in technology; chips, systems, communications systems. In those days, we wanted people who had built systems previously. If you want to build a chip company or a computer systems company, you don't want the 19-year-old dropout. You want the proven 46-year-old.

Then a few things changed. The cost of computing came down. You could buy a PC for less than \$1,000. The cost of storage fell to zero. It became cheap to buy the tools you need to create technology. We moved into application layer investing where we no longer built technology; we applied it. This enabled us to go after many market segments.

Tech used to mean tech. Now it means real estate, insurance, travel, the online purchase of goods and services.

A breadth of opportunity unlike anything we've ever seen. We're now able to create very radical new approaches, and more often than not those launch in the mind of a 22-year-old, someone not burdened by the way things historically have been done.

How did we change? Globalization. Back in 2003, 2004, we asked ourselves where are the most valuable companies in the world going to be created? It was pretty clear to us it wasn't going to be the US alone. We were deathly afraid that unless we moved into other geos, we would be at a disadvantage.

We went to China in 2005 and India/Southeast Asia in 2006. We decided on a decentralized approach where decisions are made by local practitioners. We weren't quite sure they'd get it right, but we were sure that we in the US would get it wrong.

Our principles, those things we write in indelible ink, things like ethics, clarity of thought, quality of work, the "we" pronoun—those things never change.

What do you mean when you talk about the burden of history?

We started way back when the tech industry was built by two-by-fours. When you date back to the 70s, a competitor can choose a strand of your history to use against you.

A competitor is not going to mention that we have had hundreds of IPOs, or that the companies we've funded represent over 20 percent of the Nasdaq. They're going to say that we're tough to

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deal with. Today, it's a myth, but a myth to which a 22-year-old founder might be vulnerable.

In fact, it's a fundamental principle of ours that founders come first. Clients come second. We come third. It's not just what we say, it's how we act, and we have testimonials to that effect from current founders. We push when we see potential. We are direct. Some don't like our approach. Most who know us do.

How do you provide guidance to founders without stifling their creativity?

First, you have to appreciate that a founder is truly the soul of the company. If you lose a founder for any reason, it is very difficult to recover.

No one does what the founder does. What they do is the magic, call it vision, call it product market fit. What we do is help with the repeatable things: engineering, product management, product marketing, sales, post-sales. We help them hire the best people and get them all to work together like a symphony. When something isn't working at the tail end, when there's a lack of revenue, we know how to help debug that process. But we have a light touch. We show rather than tell. We raise questions and help founders figure out the answers themselves. In my opinion, we strive to be the best business partners to founders. We're on call, of service, until we build this incredible thing called trust. And trust is built when you help someone solve their first crisis.

With larger companies, the issues are different. What I tell founders of these companies is that our first job is not to screw it up. Clearly, the company's working. Job two is to show these founders how to get from where they are to a lot bigger, how to build a company that survives the test of time.

We've always had a tension between what we've learned and innovation. It's a tension we have to be very sensitive to, because you can lean too hard on what you think you know, or what I call tribalism. In a rapidly changing world, you have to evolve, and we learn a lot from our companies.

Can you attend a social event without someone trying to pitch his or her company?

You're implying that's a bad thing. I view it as the exact opposite. I'm the lucky one to be sought after by a founder. I remember years ago being on a panel, and another venture person on the panel said he liked business plans to be scrubbed before he saw them. He didn't want to see 2,500 a year. He wanted to see 300. When it came my turn to talk, I said, "854-3927" [Sequoia's phone number]. That's all I said. Bring 'em, baby. Bring 'em.

I'm struck by how many immigrants work at Sequoia, including you.

We don't go out and look for immigrants. But I will tell you, an immigrant who comes to Silicon Valley and graduates from Stanford has self-selected a few levels out. Also, when you're an immigrant, chances are you didn't come from the upper echelons. You may have had to escape your country. For me, I was very poor. So there's an engine that runs. A sense of desperation. I'm hungry as hell.

And more generally, we don't hire people who have completely linear paths. I remember when Bryan Schreier told me that he went to Princeton and got good grades. That wasn't interesting. Then he said he was a lead singer of a rock and roll band. My ears perked up.

The je ne sais quoi?

Exactly. Bryan left private equity at Morgan Stanley to go to Google early on. Ended up running a \$1 billion piece of business at Google by age 28. That's the kind of person we hire.

Or Alfred Lin, who started a company, joined Zappos and became Chairman & COO, and becomes a whiz tech investor all by age 37.

Roelof Botha, well, he went to business school. How boring. But then you find out he went to business school because he wanted a green card. Why did he come to America from South Africa? Because his last name was Botha. And his grandfather was foreign minister. No matter what Roelof did, people would say it must be because he's the grandson of the foreign minister. He had to get out of there to make his own name. He became CFO of PayPal, pre-IPO, through the IPO. We got Roelof at 29.

We take people who are not experts at using the "we" pronoun, and we bring them into an environment where we have a "we" style. If they're not great souls when you peel away some of the outer layers, they're not for us.

The "we" style means trusting our partners. Your partners bail you out. Any one of us on any day can go over our skis. That's why we have partners. Truth-seeking partners. Our partners' meetings are intense, but not at the individual level, to get to where people feel free to change their minds because they heard a better argument. That's how this place runs.

On diversity, we are getting there. We have gender diversity, but we need more. And we need more racial diversity. And let me tell you: We're open. Open and looking because I believe the investment partnership should mirror society. The companies we back sell to



society, sell consumer goods. So wouldn't it be nice to understand what the broad spectrum of America is doing and buying?

Most of your clients are nonprofit organizations. Does that affect the way you think about your investments?

Nonprofits are a very important part of what we do here at Sequoia. For me, the reason to get up in the morning when you're a little tired has to do with the greater good that we're trying to get done here. When portfolio companies do well, so do those foundations, hospitals and schools who invest in Sequoia.

I chuckle when I hear talk of legacy, because unless your name is da Vinci or Michelangelo, nobody will

remember who you were. Just be a good global citizen and take your licks and move on.

Is technology a force for good?

Technology in itself isn't a bad thing. It's what people do with it. Unfortunately, you can have 98 people doing the right thing, and two people doing a bad thing with technology, and being that we're all interconnected, some real bad things will happen.

The thing is, technology is inevitable. Either you do it in your own country or you'll be beholden to another country that does it better than you. You better have it here before somebody else has it there. That's my view of technology.

You've described physical exercise as crucial to clarity of thought. You're clearly very fit.

What's your workout?

I have an efficient workout. I lift weights twice a week, usually Monday and Tuesday, because I find that I can stall travel until Tuesday at 9:00 a.m. So, two hours Monday, two hours on Tuesday, during which I work out every body part known to man. Then that leaves five days of the week where I get as many cardio days as I can.

You talk on the Sequoia website about the importance of investing in your children. Is there a way to somehow instill an immigrant mentality in children born here?

You could live in a two-bedroom apartment and fly in the last row of coach but sooner or later they're going to figure out the truth and say, "What the heck are you doing?"

I was a highly imperfect parent. But I loved them, I spent time with them, and I also instilled a work ethic in them, and none of them ever went off the deep end. We have four children and they all went away to school, and they all came back to the Bay Area. For me there's a bit of an ROI in that.

My one lesson to parents is that if you love your children, there's a lot of room to screw up. And loving them includes holding them accountable. It's tough to punish your children because you love them so much. They think they're in pain but they have no idea how much pain it causes you. But that's part of the investment. Nothing is more important than that investment.

Your success is a testament to listening, yet you say you find listening difficult?

I'm an only child with one cousin. Lots of aunts and uncles. Always the center of attention. Overly loved.

SEQUOIA PORTFOLIO COMPANIES

Below is a very partial list of the startups to which Sequoia has provided capital and guidance. "We strive to be the best business partners to founders," says Mr. Leone.

Zoom

Nubank

WhatsApp

Instagram

Google

Medallia

Airbnb

DoorDash

Dropbox

Eventbrite

23andMe

LinkedIn

I went into sales and got into the talking thing. Then I came to Sequoia.

To make it at Sequoia, you have to be open-minded to new ideas. Airbnb is an example. Three young guys tell us that you can rent a room in your house, people will sleep in your bed. If you say, "I would never sleep in somebody's house," or, "I would never rent a room in my house," you are screwed.

I had to learn not only to listen, but to ask: What do they see that I don't see? I learned a lot from Mike Moritz. For many years he and I co-ran Sequoia. Picture me as the gregarious Italian versus the Cool Hand Luke Brit. Watching him in action just forced me to change, to listen.

I've always said Sequoia makes you a better person—a better father, better husband, better friend—because you're listening, you're open-minded to what somebody else has to say.

How do you stay hungry?

Three components. Growing up under extremely modest means, that still keeps my engine running. We came to this country on a boat, not a plane, and the most my father ever made was \$25,000. Getting abused by other kids in high school left scars to this day, and that keeps me motivated never to let anybody control or dominate me.

Second, appreciation. I was explaining to my trainer a theory about multiple lives in parallel worlds, and he said something worthy of Einstein: "No matter how many other lives you lived, they wouldn't be as good as the one you have." He is right.

The third component is not pretty. I've devoted my life to working hard and spending time with my kids. I don't have a lot of hobbies. I don't have a lot of friends. I've always said there's Doug Leone from Sequoia and Doug Leone the schmuck who walks the streets.

I love my work. But at some point I will take a step back and no longer be Sequoia's Global Managing Partner. I will still be a partner, still have the boards and the funds. But the phone won't ring as much.

I'm very cognizant that my world is going to change, and I'm glad it's going to change. If the worst problem I have in life is finding the next thing to keep me interested, how fortunate am I? ♦

SHAHED FAKHARI LARSON is a former attorney and a Partner in Brunswick's New York office. She specializes in advising clients on issues including litigation and crisis, regulatory investigations, corporate governance matters, management transitions, and mergers and acquisitions.