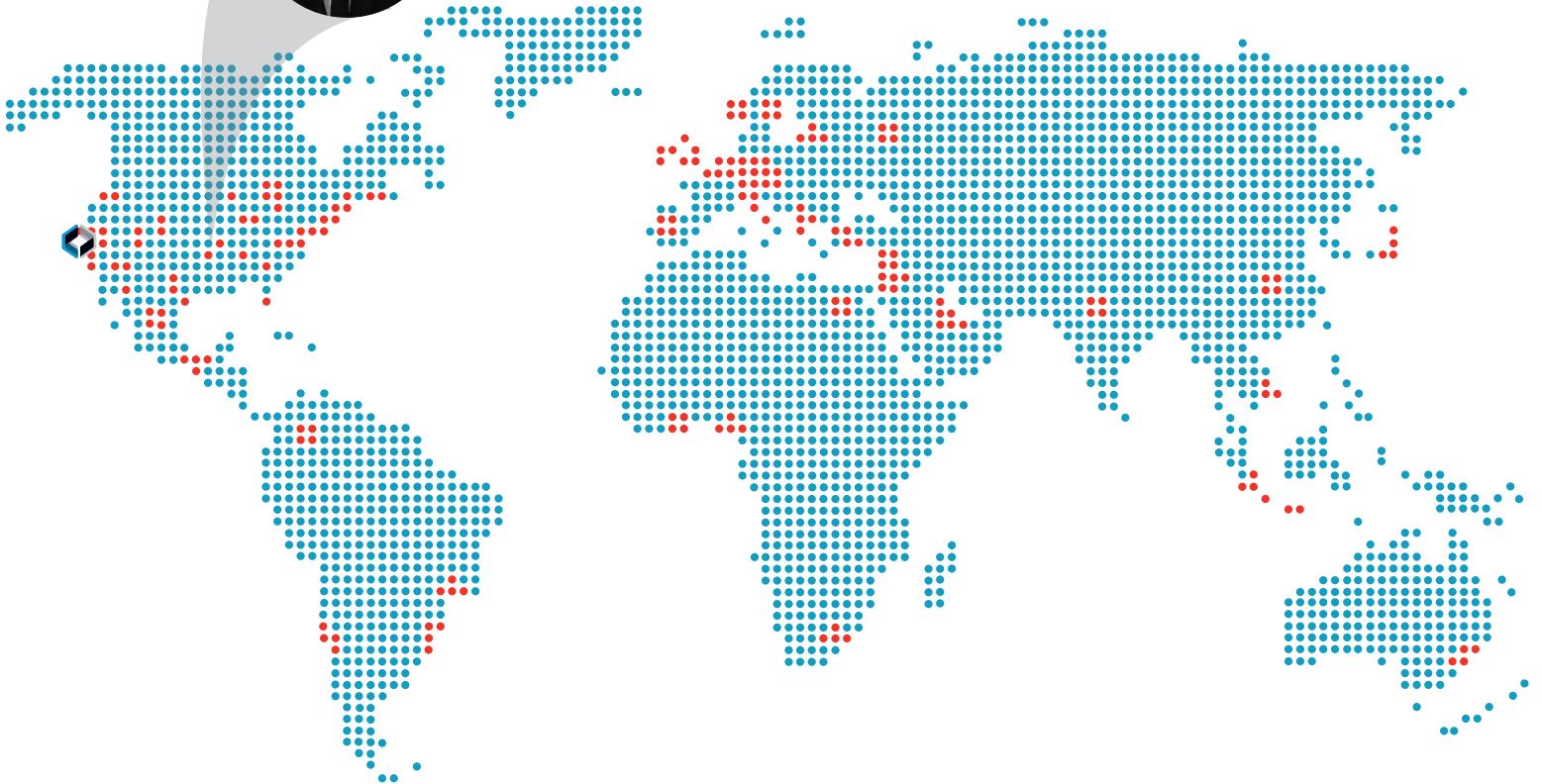




Kauffman Fellows **REPORT**

Forward-thinking articles from our global network of
innovation ecosystem experts





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Forget “Superpowers”: Three Traits for Extraordinary Success in Venture Capital

Phil Wickham

Charter Class

Venture capitalists are always looking for the “secret sauce” that leads to outsized successes. In my application to the Kauffman Fellows Program in 1995, the primary theme of my essays was my search for the DNA of a successful startup after two wildly different outcomes with my own ideas in Japan. By the time I took the helm of the Kauffman Fellows organization in 2008, the answer to startup DNA had become clear to me: culture.¹ Culture operates at the organization level—at Kauffman Fellows, we promise to accelerate venture capital leaders at the individual level. How can we be confident of doing so?

Two years before I became CEO, in 2006, an executive coach posed a simple question to me: “In a room full of extraordinary peers, what personal traits would make you stand out?” I struggled with it for months. The breakthrough finally came when I realized that I was trying to identify my “superpowers”—but I needed to reframe the question: “What set of ordinary traits, in their mix and over-expression, created my kind of personal genius?” Expert

upon expert, since I first tackled this exercise, has espoused as gospel the idea that each person has a personal genius, or as Kauffman Faculty member Bill Tobin says, “a purpose on earth we are uniquely qualified for.”

As CEO, I focused my role on a variation on the “superpowers” question: *in a room full of accomplished venture capitalists, what traits make the significant leaders stand out?* (By *significant*, I mean persistently top-tier returns, innovation in fund strategy, and societal contribution through education or civil leadership or philanthropy—and usually, I mean all three.) As I hand off the Kauffman Fellows CEO reins to Class 16 graduate Jeff Harbach, I wanted to share what I’ve learned.

Clarity came to me, as almost everything else has in my 20-year journey with Kauffman Fellows, through the expertise of one of our 1,000+ faculty or advisors. In this case it was a session with Mark Helow, Founder of 10X CEO, one of the nation’s premier CEO coaching platforms. Through multiple sessions, iterations, and Mark’s pattern recognition skills, I managed to boil down three indicators of venture capital significance that make for exceptional VC leaders.

¹ See also Phil Wickham, “Designing Culture: A Kauffman Fellows Perspective,” *Kauffman Fellows Report 4* (2012), iii-vii, http://www.kauffmanfellows.org/journal_posts/designing-culture-a-kauffman-fellows-perspective/.

Three Traits Common to the “Greats”

In the Kauffman Fellows Program, we have been focused on developing these three traits for the past eight years, which we think are common to all the “greats.”

Radical Self-Belief

Along with many other traits, accomplishments, and skills, we recruit people based heavily on their personal journeys. We like to see challenges, successes, failures, and great narratives. But more than anything, we like to see “ownership” of the journey—and specifically, an ownership that ties clearly to who that person is.

While it’s common for a candidate to have been going too fast to see this connection clearly, after five thousand applications and interviews, we often can.

A big part of the two-year Kauffman Fellowship is to dive much deeper into that sense of self, particularly in terms of personal genius and passions. Our hope is that this radically increased level of self-knowledge—and the support and inspiration of outstanding peers—will take each Kauffman Fellow to a level of confidence where they will embark on that effort to find the job they are uniquely qualified to do. In other words, we’d like to help accelerate their personal journey in the future.

This radical self-belief can be seen in novel fund creations by Jason Green (Charter Class), Susan Mason (Class 2), Adele Oliva (Class 3), and Trevor Thomas (Class 17). But it manifests just as clearly, and with equal impact, in the civic and philanthropic innovations by Bob More (Class 2), Victor Hwang (Class 12), and Winslow Sargeant (Class 11).

Novel Thesis Development

An old adage in venture capital is that “You’re only as good as your next big investment.”

This chestnut implies that the best of venture capitalists are constantly watching the horizon for macro trends, and constantly reinventing themselves. The significant leaders in venture capital are never afraid to follow their radical self-belief—their genius and passion—and they

often move counter-intuitively against the grain at either the fund or the individual investment level: hardware when everyone else says it’s dead, software as a utility when no one believes it’s enterprise-ready, micro venture when everyone is going upstream.

Everyone will tell these visionaries that they’re crazy for five years—until the outsized successes start rolling in, at which point everyone starts copying the very thing they criticized. This results in a common mistake among young investors who fast-follow the moves and beliefs of the greats. Our experience shows this follow-the-leader trend is a one-way ticket to the average in an industry that only rewards the top 10-25%.

Talent Environments

Self-belief and great ideas are worthless in venture capital without the key ingredient for success: amazing people to invest in and partner with. Of course, a stellar group begins with leadership teams, but it also includes syndicate partners in other funds, sector consultants, corporate innovators, search and legal experts, and others. Typically, the more rapidly you can build out these talent networks, the more likely you are to make the world-changing investment.

Building these human networks entails at least three critical ingredients: design thinking, reputation, and relationship management. A venture capitalist has to be able to map out the network to meet the challenge at hand. Accessing the right folks at the right speed cannot be done alone; one must lean on existing relationships to access insights and introductions to thought leaders. To be significant, the venture capitalist must bring not just self-awareness to new relationships, but also empathy and skills in alignment, influence, and conscious leadership so as to optimize the partnership. That same venture capitalist has to acknowledge the assistance from others—and

be ready to mobilize their own genius proactively in return.

Forget “Superpowers”—There’s No Magic Here

Regarding these three novel characteristics of venture capital greats, I have three important take-aways from years of helping to design classes of Fellows that exceed our expectations, year after year.

Every significant leader started as a diamond in the rough.

These traits do not appear out of thin air. While they are core to great leaders, they are likely to be undeveloped and need polishing and improvement. As a result, the recruiting process for the Kauffman Fellows has been putting greater weight on identifying emerging leaders with these potential strengths.

We have found that one angle of investigation—a deep examination of the personal journey—is particularly good at revealing the three traits, however undeveloped. Over the years, we’ve refined a number of questions useful in identifying candidates in terms of their life’s travels. Here’s a brief sample:

- What directions have you taken in your life and why?
- Did you own those decisions personally?
- What kinds of resistance did you get from loved ones and how did you manage that energy?
- What were your successes and failures? (How do you even define those words?)
- What was the outcome of any non-intuitive decisions?
- Who was most influential in your life?
- Who have you influenced?
- What descriptors would these colleagues use to help us better understand and appreciate you?

These traits are revealed through a potential leader’s narrative.

At Kauffman Fellows, we’d argue that innovation is all about narrative, as the success of any “moon-shot” venture depends on alignment around an exciting vision. The more we study these three traits, the more they jump out in the narratives of great fund and individual investors. In particular, the stories of potential leaders include leading with what they believe in (radical self-belief), laying out what excites them about those beliefs (novel thesis development), and emphasizing the criticality of and methodology behind building and optimizing long-term relationships (talent environment).

One of my favorite “diamond in the rough” narratives belongs to Charlotte Hubbert (Class 14). Once a world-class pianist, she went to Duke University for a Ph.D. to change her life focus from concerto precision to expansive healthcare ideas, before spending time in a life sciences accelerator. Charlotte is now a leader for the Gates Foundation’s \$1.5B global venture capital initiative.²

Significant leaders positively influence those around them.

Leaders who possess these three traits are “infectious.” In any of the great firms that have managed generational succession, one can see how these traits are developed in the new generation of leaders. On one level, Sequoia Capital’s founder Don Valentine³ and his successor, Michael Moritz,⁴

² A Program Investment Officer at the Gates Foundation, Charlotte was a Women in Life Science Honoree in July 2016 and gave an interview on her work at the Gates Foundation. See Life Science TV, “Women in Life Science Honoree: Charlotte Hubbert, PhD, Gates Foundation Venture Capital” (video), Life Science Washington, uploaded 12 July 2016, <https://youtu.be/S5r0A83fsgc>.

³ Joyce Rouston, “Sequoia’s Don Valentine: What Problem Are You Solving?,” *Insights by Stanford Business*, 1 October 2010, <https://www.gsb.stanford.edu/insights/sequoias-don-valentine-what-problem-are-you-solving>.

⁴ Sam Altman, “Maintaining Success for the Long Term,” *The Macro* (Y Combinator essays), 26 February 2016, <http://www.themacro.com/articles/2016/02/michael-moritz-sequoia-success/>.

couldn't be more different as people, but both share depth in these three indicators.⁵

In younger firms, like Emergence Capital Partners,⁶ there is an emphasis on recruiting and developing strong individuals who will eventually take over and lead the firm. In my experience, most firms need to see evidence of the three characteristics when grooming leaders—and from there, they broaden their outlook to cultural fit. Some firms want mavericks because they value dissent, while others value consensus and so harmony becomes a factor. It's generally agreed, though, that all are looking for new approaches, ideas, and talent networks.

Beyond the “Secret Sauce”— Developing the Next Generation of Leaders

So, yes there is a “secret sauce”—and no, it's not about finding people with “superpowers.” Yes, culture is key at the organizational level—and no, it's not about choosing the right office layout or management structure. To influence culture and success at the organizational level, Kauffman Fellows focuses on identifying candidates in whom we can already see the raw traits of a significant venture leader, and then accelerating their polishing and development of those traits through our 2-year program.

In particular, we pride ourselves on creating opportunities for truly diverse candidates to enter the industry and make their mark.

We believe the results speak for themselves, and invite you to explore the 474 members of the Kauffman Fellows Society at kauffmanfellows.org. If you know of someone you believe has the makings of a great leader, encourage them to apply for the next class of Fellows.



Phil Wickham

Phil is Executive Chairman of Kauffman Fellows and co-founder of Sozo Ventures, a \$325M family of funds

focused on leading IT companies targeting global expansion. Phil was a Charter Class Fellow and helped to found the Kauffman Fellows Program spinout from the Kauffman Foundation. Previously, he was a General Partner at JAFco America Ventures and Copan. His investments include Twitter, Ikanos, Web Methods, MatrixOne, Com21, Lotame, Square, Palantir, ServiceMax, MongoDB, and Pley. He holds a BSME and an MBA. pwickham@sozo.ventures

⁵ Don was a sales engineer who came up through the ranks of Raytheon and Fairchild Semiconductor in Silicon Valley before founding Sequoia. Mike Moritz is a Welsh classics-major from Oxford who spent his career in technology journalism; he took over Sequoia a decade ago and has had a similar amazing run.

⁶ <http://www.emcap.com/>.

Table of Contents for *Kauffman Fellows Report* Volume 7

Forget “Superpowers”: Three Traits for Extraordinary Success in Venture Capital

Phil Wickham • The author reflects on his 20-year journey with KF and shares his own take on the “secret sauce” that leads to outsized successes—and it’s no superpower. As he describes, Kauffman Fellows has accelerated impact by cultivating the 3 traits that make exceptional VC leaders.

Disrupting Healthcare: No Experience Needed

Matt Otterstatter • VCs often turn away healthcare startups because of the truism that the founder must have healthcare experience in order to succeed—but is their assumption accurate? The author shares the surprising results of his research into this question, and the implications for healthcare.

The Future of VC in Spain: Time for a Track Record

Liz Fleming • Spain’s venture capital industry has seen rapid growth in recent years with public and private investors playing a key role. To encourage more private funding, the author maps the LP landscape in Spain, reviews recent positive exits, and describes the rising stars of Spain’s tech industry.

Amending the First Commandment of the Capitalist World: A Call to Action

Yoel Cheshin • Business leaders are urged to pursue an updated “first commandment of capitalism”: to maximize welfare for all of the corporation’s stakeholders, including the community and the environment. The author shares case studies demonstrating that this updated commandment can be pursued at the individual or organization levels.

Midcontinent Venture Capital—Growing in Leaps and Bounds

Aziz Gilani & Lauren-Kristine Pryzant • The middle of the United States is an up-and-coming venture capital market that has experienced steady growth in recent years. The authors share how growth has centered around states and cities that have developed engaged communities with a strong support system for startups.

High-Tech Exceptionalism: From the Front Lines

Lakshmikanth Ananth • Traditional strategic-analysis models have not been able to successfully handle the exceptional nature of high-tech markets. Drawing on his 20 years as an engineer, investor, and strategist, the author shares a 4-phase framework for high-tech strategy that plans for and even thrives on technological shifts.

Supporting an Entrepreneurial Mindset Among Estonian Youth: An “Entrepreneurs in Schools” Pilot Project

Marek Kiisa • Estonians have been slow to take advantage of the country’s ideal climate for innovation—as in many countries with lingering cultural barriers to entrepreneurship. The author shares a simple yet impressively effective program to change those attitudes among young people through school visits by local entrepreneurs.

The Rising Tide: A “Learning-By-Investing” Initiative to Bridge the Gender Gap

Juliana Garaizar • The author outlines why angel investing can increase participation of women as investors and entrepreneurs. As part of the Rising Tide team, she helped create a simple, scalable, and global “learn by investing” fund model to educate women into becoming new angels and fund leads.



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We welcome the members of the newest class of the Kauffman Fellows Program



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KaszeK Ventures



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Jackson Square Ventures



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Jonathan Charles
Samsung Catalyst Fund



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Andrew Goldner
GrowthX



Enrique Gonzalez
Softbank Kaikaku Fund



Yousef Hammad
BECO Capital



Kirby Harris
Base Ventures



Mee-Jung Jang
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