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Risky Business | Interview with Marc Andreessen | Founder Story

21-26 minutes

Marc Andreessen isn't just an industry legend, because he helped the modern Web browser. He's not just an industry legend because he's one the only folks who've co-founded two companies that exited for north of $1 billion each. Nor is he renowned simply for throwing a grenade into the cozy way venture capital had worked for decades, when he co-founded Andreessen Horowitz in 2009.

You get where I'm going with this… Andreessen might be "famous" for you for different reasons, depending on how old you are or when you first started paying attention to startups.

Plenty of conferences and magazines feature interviews with Andreessen where he talks about the future. What's difficult is getting a man so excited about the future to talk about the past. The following is the story of how Andreessen became Andreessen… rarely told at a Pando event in 2014.

We talk about the nature of risk-taking, the hell of his second IPO, and why he was happy to disrupt the venture business.

Sarah Lacy: *I know you're one of these people who really likes to live in the future and hates to talk about the past, but we're going to talk about the past just a bit because that's what we do here. I want to talk a little bit about when you moved to Silicon Valley.*

You've said before that when you moved here in the mid '90s, you were kind of bummed, because you felt like you had missed everything.

Marc Andreessen: I arrived here in January of '94, and some people in the audience are old enough to have been here then. It was dead. I mean it was dead, dead, dead, dead. It was amazing.

It was so dead that all the city governments had banded together to create a task force to figure out how to bring it back to life. That's how you know that something is dead. Your local government is on it.

It was really something. A couple of interesting things had happened. One is the PC boom had come and gone. Intel, Microsoft, and Apple, and all these companies in Adobe had become big hits in the '80s.

By the time the '90s rolled around they were publicly established companies, and they were off to the races. There really weren't any new startups in PCs. It was over at that point. Two, there had been a crippling recession. I graduated high school in '89 and graduated college in '93.

I knew two things for a fact. When I graduated high school, I knew the Japanese were going to take over everything in technology, and I'd have to learn to speak Japanese to have a career in tech. Literally, that's what I thought. By '93, the good news is Japan had blown up.

The bad news is the United States had blown up right along with it. A giant recession. I knew that my generation were a bunch of slackers, and losers, and layabouts, and the American dream was dead, and we were never going to accomplish anything new ever again. People were just in a horrible mood.

The conventional view was, "There's nothing. It's over. It's done. Put a fork in it."

Sarah Lacy: *Yet you moved here anyway. Were you enamored with Silicon Valley at all? Was it just for a job? Did you have some sense it could come back?*

Marc Andreessen: No. I didn't have any idea. I came out to get a job. I grew up in Wisconsin. Like a lot of people who grew up in the Midwest, the one thing you know is you want to be by a coast. It's mostly a question of whether you're go east, west, or south, but it's one of those options. North is hard because you're already pretty far north. I came out for a job. Actually, it wasn't until I got out here that I even heard the term venture capital.

One of the really interesting things about then versus now is the concept of venture capital I have literally never heard of. It didn't permeate. I went what was and is a very well-respected engineering school in Illinois, but there were at the time no VCs, and there was no concept of venture capital.

There was one startup which was the cautionary tale. It was the startup that was like the ghost story you tell your classmates.

"Don't go to a startup. It'll turn out like that one." But there was no venture capital, so I really had no idea coming here about startups or venture capital.

Sarah Lacy: *You just thought you would be a tech worker bee for the rest of your career.*

Marc Andreessen: Yeah, I thought I'd get a job and work. I was thrilled.

Sarah Lacy: *Tell us about how you met Jim Clark.*

Marc Andreessen: For those of you on the younger end, Jim is one of the legendary founders in Silicon Valley, one of the legendary company builders.

Jim's first company was called Silicon Graphics. Silicon Graphics is gone now, but in its time and when I moved to the Valley, it was the closest comparable to what Google is today.

It was the place where all the smartest people in the industry went to. It was the part that everybody aspired. If they were going to have a company, it was going to be like SGI. It was the thing.

In fact, it was in many of the same buildings that Google's in today, so it's just like a direct transplant. In fact, a lot of SGI people now work at Google. Just goes to show sometimes, it kind of stays the same. People at the top change, but…

Sarah Lacy: *Just trade uniforms.*

Marc Andreessen: Exactly. Trade uniforms, trade badges, don't trade parking spaces. At the time, it was white hot. Jim had started that company in 1984. He came out of University of Utah where he was a computer science professor. Then he went to Stanford. He basically invented modern 3D graphics.

At the time I came out, this was one of the areas of the industry that was working was 3D graphics. The movies "Terminator 2" and "Jurassic Park" hammered home the potential of what could be done with that technology.

He was a legend, but by '94, he had essentially left SGI and basically decided to start company number two. He was still on the board and so he was both prohibited and also reluctant, did not want to raid his first company to staff a second company. Really wanted to start a second company.

Sarah Lacy: *So he couldn't hire any of the smartest people in the Valley.*

Marc Andreessen: He needed what he called fresh meat, exactly. He couldn't pull people out of SGI, so he literally had to go look for new people.

Sarah Lacy: *He just called you up one day.*

Marc Andreessen: Yeah, he called me up one day and said, "Hi, this is Jim Clark." This was one of the days where you actually answered your phone, which was lucky for me. It's one of those things. It very easily could have been a radio spoof. It could have been a joke except nobody was going to prank me at the time. But it was Jim.

He said, "I want to start a company. Do you want to talk about it?" I said, "Sure." He said, "How about we eat together?" I said, "Sure." He said, "OK, 7:00 A.M., Sunday morning at Il Fornaio," and I said, "Oh god."

7:00 A.M.

Sarah Lacy: *You're not an early riser.*

Marc Andreessen: At that point in my career, I don't think I was going to bed at 7:00 A.M.

So I prepared for about four days in advance of incrementally going to bed earlier. Earlier and earlier and earlier and earlier. So I woke up at 6:30 on Sunday morning, just completely bleary-eyed and was just showering with coffee, and went and had breakfast with Jim. He sort of unspools the idea of starting another company. We talked for two hours and that was the beginning.

Sarah Lacy: *Did you know you were going to do it that day?*

Marc Andreessen: If he was going to have me, I thought I was going to do it. It would be like Larry Page calls you up. At that time, it'd be like Steve Jobs calls you up, or it'd be like Mark Zuckerberg calls you up and says, "Hey! Company number two, how'd you like to join me?"

He called about a dozen people who he knew….and I was the only one who said yes. Now, other people had many other reasons. They had existing jobs and mortgages and all kinds of stuff, but I was ultimately the one who said yes and Jim said, "OK, let's go."

Sarah Lacy: *I remember the first time you told me that story. You remarked that that was the first time that it hit you that a lot of people think they're risk takers, and like to talk about risk taking, but actually, when presented with an opportunity, most people actually won't take it.*

I'm curious if you think that's still the case now that we live in a country where everyone's heard of venture capital, where there are things like Y Combinator and a million other accelerators. I bet there is an accelerator who will take you, no matter how bad you are in this country at this point. The cost of creating a company has plummeted.

Do you think that's still the case, or have people succeeded in making this game feel less risky, at least to get started?

Marc Andreessen: The good news is the concept of entrepreneurship and startups has spread tremendously. The good news is that it's happening all over the place. The good news is there's lots of success stories to point to. The good news is the career risk is much less than it used to be.

There was a time in the US where it was a career risk to join a startup. That still remains true in many other countries. That's all the good news. The bad news is we do live in a little bit of a bubble in the sense of it's more true here than other places.

Just as an example, there are top end computer science schools in the country where I still go on recruiting calls with engineers who our companies are trying to hire, and I still explain to them from first principles that their choice in life is not go to work for my startup or Microsoft, and if they go to work for my startup and it doesn't work, that their career will be over.

I still actually have that conversation. Sometimes it's them, and sometimes it's them proxying their parents, which is the interesting side of things filtering it back. "Tell your mother we will take care of you. It will be fine. We will get you another job."

I have not actually had to do that, but I would. I would do anything for our companies, including that. It hasn't completely penetrated.

The other thing is people get to a certain point in their career, and they have responsibilities, and they've made commitments, and they have obligations, and so some people just won't do it. You do get one of the things entrepreneurs go through. Every entrepreneur goes through this, I think, because you start to hire more people. You do get the window shoppers, and it's very frustrating.

You get people who have been at Apple for 10 years, and they're like, "Boy, I'm really fired up. I really want to go to a startup." You explain everything to them, and they get this increasingly stricken look on their face.

Then four months later, they're, "I don't think I'm leaving Apple." In fact, that's happening a lot right now. More people from Apple are interviewing, but very few are actually leaving because they're so used to the mother ship.

Some people go to startups because it's a trendy thing, but by and large, I think some people are still skittish. Frankly, that's probably a good thing.

Sarah Lacy: *Your partner Ben Horowitz told some pretty funny stories about you in the Netscape days. I didn't know you then. Were you really that bad?*

Marc Andreessen: Yeah, probably. I don't know. I had heard that people in The Valley who were successful tended to be yellers, and so maybe I did a small amount of that myself.

I got really lucky. I had two fundamental mentors in that phase of my career. One was Jim Clark and the other was Jim Barksdale, who became our CEO.

What I aspired to learn from Clark was how to think about the future, how to think about your products, how to think about technology, how to paint a vision, and how to understand the tradeoffs.

I always thought Jim Clark was a master of: There's the technology, there's the market, and there's the people, and you got to figure out a way to cut across the three to do something new. He could think about it from all angles, and pull these ideas together, and figure out timing. He is like one of the great conceptual artists in thinking about new ideas and new startups.

I learned all that. Then I got lucky that I also learned from Jim Barksdale, who is one of the great business leaders, CEOs, operators, managers. Also, southern gentleman, very calm, very put together, very deliberate, very good at working with people, very good at sweet-talking people.

It's now so obvious that the Internet is a big deal, and everybody wants to use it, but as we've talked about before, at the time, it very much was not the case. We went out to raise venture capital in April of '94 when I first heard the term venture capital.

Like a lot of great entrepreneurs, Jim would only talk to a few VCs, but the ones he considered were the best. It was John Doerr on that short list, and then there were two others. John was the one of the group that really believed in the idea that the Internet could be big…That ordinary people could use the Internet, and that you could build a big company around it.

Other VCs at that time did not believe that, and they didn't believe that because nobody else believed it, because the press didn't believe it, because the industry didn't believe it, but John took a big [risk].

And on the one hand, betting on Jim Clark is a no-brainer, I think, as a VC, but on the other hand, it was a big deal to back an Internet company at that time.

Sarah Lacy: *When you look back on what Netscape was, it must look primitive.*

Marc Andreessen: It does. It's interesting. There's a couple of movies. The original "Mission Impossible" movie and "Contact," the Jody Foster alien movie from that time, and they both used the Netscape browser in its original, glorious, 1.0 configuration. To this day, when I watch those movies, I'm like, "I can't believe that it looked that awful."

It just looked horrible, and we had this throbbing N logo that was the most embarrassing thing I've ever seen. By today's standards, it looks blocky and primitive and crude. It looks like using a steam engine or something.

Yeah, in retrospect it does, but at the time, just using it every day, we're, "It's just amazing."

Sarah Lacy: *What does this make you think about, where we're going to be, in another 10, 15, 20 years, and how iPhones are going to look?*

Marc Andreessen: This is why I'm so optimistic on this industry. I'm so bullish on this industry and on the Valley, because the stuff we were working on…You see these people working on stuff today. You're a designer. You look at the stuff you worked on five years ago, you're just humiliated, absolutely embarrassed, and shocked you ever thought that that was good.

Then 10 years ago looks ancient, 15 years ago looks Stone Age, and 20 years ago looks like…This stuff moves so fast. It gets so much better so fast.

I think it's accelerating. I think innovation accelerates. Innovation compounds. We all build on all the layers that came before us, and so the browser got built. The browser and the Web were able to get built, because the Internet had gotten built over the preceding 30 years. They got built because the computer got built to defeat the Nazis.

That got built because of 200 years of work that had happened in math, and visionaries like Lady Lovelace, Babbage, and all these guys. It's all building. That's sort of the macro view.

The micro view is, you see it with open source now, which is every new layer of open source, every new open protocol, every new standard, every new programming language, people just build on top, and it compounds. It's the snowball rolling down the hill, turning into an avalanche.

That's the part that makes me so optimistic. We all benefit from all the work that came before us, both a year ago and 100 years ago, and there's more and more to build on all the time.

Sarah Lacy: *You and Peter Thiel had a really interesting debate about whether or not Silicon Valley is doing enough, and is out there enough, and is pushing big ideas. Peter obviously has the whole "We want to fly in cars, and we got Twitter" manifesto.*

In that debate, you were defending Silicon Valley. Do you really look at a lot of the things in your portfolio and look at a lot of things in the world, and think that you guys are funding most of things? Are you so hamstrung by regulators?

Is there a way Andreessen Horowitz could stop backing more apps and throw some of the money towards the next SpaceX?

Marc Andreessen: When I debate with Peter, he says, "We want to fly in cars, we got 140 characters," so therefore I can't resist. I attack flying cars and I defend Twitter, which grates him up to no end.

In a sense, I very much disagree with what he says, and then in a sense, I very much agree with it. What I disagree with is I think the innovation that's happening today in Silicon Valley is very important, profound, deep, and important. I'm completely unapologetic about the idea.

For example, Uber and Lyft. Lyft is the company we work with, we're very excited about. I think these companies are transformational for transportation. I think they're fun. We can talk about that for a long time. I think Airbnb is transformational for real estate. I think Bitcoin, transformational for financial services.

The capital efficiency of having a small group of software programmers that build amazing software, who then go in and do something in an industry that's 100 billion or trillion-dollar industry, existing venture capital structure and framework is very good at doing that.

It works very well when it works, and I think that's very valuable. I always accuse Peter of dismissing all that stuff out of hand, which is probably an overstatement.

The part that I struggle with, and I'm on the verge of agreeing with, it's SpaceX, it's Tesla. The trenchant critique comes from Larry Page, Elon, and Peter. It's like, "OK, software. Got it. What about electric cars? What about the Hyperloop? What about the SpaceX private rocketry?"

What about these bigger, more transformational things? In particular, what about the things that operate more in the real world? What about the things that are really going to affect natural resources, pollution, livability of cities, and all the things that are outside of whatever's running on the screen?

I think that there's a validity. Google is doing the self-driving car. The self-driving car is going to work. By the time it works, it will have cost hundreds of millions, and possibly billions of dollars to make work.

The self-driving car is not a lean startup. Not in any way.

SpaceX and Tesla were not lean startups. They were very big, ambitious. They raised a lot of money.

The big question, the question I'm noodling around, is what about the efforts where you have to say, "This thing is going to take $300 million?" It just is. There's no shortcut and there's no minimum viable product. It is going to take $300 million, and that $300 million has to be reserved ahead of time.

Those companies have to be run completely differently because the stakes are so much higher. What kind of entrepreneur can do that? Elon has proven he can do it. There are not a lot of other people in the Valley today who have done things at that level of scale.

There's a different kind of entrepreneur. There's a different kind of idea. There's a different kind of financing method. I think we'll all collectively figure it out, but we don't actually have it today.

What you get is you have a very special entrepreneur like Elon, and then he can do it. What I always say is, "OK, who is the next Elon? And then we'll talk."

Sarah Lacy: *You guys had a very bruising experience as a public company. Coming out of Opsware, that ending very successfully, did it make you feel like you didn't want to do another company? Did that play into wanting to do a venture firm instead?*

Marc Andreessen: Yeah, at some point, when we first started our firm, we met with a bunch of people we really respected. We met with Jeff Bezos. We were pitching him on the thing and he said, “Why don’t you guys go start another company?” Ben said, “Jeff, if Amazon were to sell or whatever, would you start another company?” He said, “Of course not.”

He looked at us and said, “That would be like going back to kindergarten. I really, really enjoyed kindergarten, but I don’t want to do it again.”

We said, “Yeah, that sounds about right.” Also my other favorite line on this is from Chuck Parker said, “Doing a startup is like chewing glass. Eventually you just start to like the taste of your own blood.”

At a certain point, some people are just ready for a break. Some people do other things. In our case, it felt like it was time to take it in this direction.

Sarah Lacy: *You guys have pissed a lot of people off. I hear more shit-talking about Andreessen Horowitz than any other firm, which is either a compliment or an insult.*

Marc Andreessen: From who?

Sarah Lacy: *From other VCs.*

Marc Andreessen: Really? Interesting. How about that? Interesting. It would not have occurred to me that our partners and competitors would have that amount of spare time to be able to get on the phone with you and say things like that. They must not have much going on.

Interesting. Interesting. Sorry. Please, please, keep going.

Sarah Lacy: *Whether people love you or hate you, you have hijacked the conversation in the venture world. You see a lot of people trying to adapt to your model. A lot of people complain that you have forever eroded the comfortable margins of venture capital, because you can no longer have five people sharing a management fee.*

Marc Andreessen: That is so sad! I feel terrible. How will they afford their third vineyard?

The reality of the venture business is we partner with everybody. [But] we’re competitors. We think that markets industry should be competitive. We like competing. The reality of the venture business, the venture business is a little bit odd. We have to hold ourselves back. This is the deeply restrained version of our competitive instincts.

The reality of the venture business is you partner around the companies. There’s almost no case where a great company got built by one venture firm. It’s almost always in cooperation with other firms.

It’s a funny business. You’re at a board meeting, you’re working together, you’re collaborating, you’re talking, and then six hours later, you’re head-to-head for a Series A and you’re punching each other in the nose. It’s the fabled co-opitition that is very rare in business but actually is the case.