Lecture 15: How to Manage

B Horowitz

When Sam originally sent an email for me to do this course, he said "Ben can you teach a fifty minute course on management?" And I immediately thought to myself, "Wow, I just wrote a three hundred page book on management. So that book was entirely too long."

I didn't actually have time to collapse the three hundred pages into fifty minutes. Like Mark Twain, I didn't have time to write a good short letter, so I'm going to write a long letter. But in this case, I am going to teach exactly one management concept.

I see CEO's mess up this one management concept more consistently than anything else. From when they're very, very early to when they're very, very big as a company. It's the easiest thing to say and the most difficult to master. The concept in musical form is from Sly and the Family Stone. "Sometimes I'm right and I can be wrong. My beliefs are in my song. No difference what group I'm in."

That's the musical version of today's lesson. For those of you who are musical, you can leave now.

When you're making a critical decision, you have to understand how it's going to be interpreted from all points of view. Not just your point of view and not just the person you're talking to but the people who aren't in the room, everybody else. In other words, you have to be able, when making critical decisions, to see the decision through the eyes of the company as a whole. You have to add up every employee's view and then incorporate that into your own view. Otherwise your management decisions are going to have weird side effects and potentially dangerous consequences. It's a hard thing to do because at the point when you are making a decision, you're often under a great deal of pressure.

Let's get into the agenda. I am going to cover four cases. First, I am going to cover demotions, which are very emotional. Then raises, which are also emotional. Then we are going to evaluate one of Sam's blog posts, which is news to Sam. I figured I'd tease him since he invited me to do a fifty minute management class after I wrote a three hundred page book.

Then I'm going to talk about history's greatest practitioner at this, I'm wearing a shirt with him on it, and how he used it to do something that nobody had ever done and has ever done since in human history. Basically complete mastery of the technique I am going to talk about.

So, first business example, you've got an executive, and do you demote or do you fire him? This comes from an actual conversation, an actual real life situation that I was working on with a CEO. The basic situation was this: he had a great executive he had hired. He was working harder than anybody else in the company and was doing everything he was supposed to. Everybody liked him because he worked so hard and was a generally a smart person, but he was in over his head knowledge-wise. He did not have the knowledge and the skills to do what the company needed him to do or really compete against the competition. So he couldn't actually keep him in the job, but he was a great guy. So the question is, should I fire this person or can I just move him into a lower role and bring in a person above him. That would be cool. Let's look at how you make that decision.

You are, in this case, the CEO. It's really hard if somebody comes to work every day at six AM, is working until ten PM, and is working harder than anybody in the company. It's really hard to just say, "Well sorry, nice effort but you don't get an A for an effort. You get an F because I fired you."

Nobody wants to have that conversation. A demotion is kind of neat because from a CEO's point of view, he can keep him in the company. He works so hard. He's a great example of somebody who gives great effort. He's got a lot of friends in the company, so from a cultural stand point it's a win/win because he gets to stay. Then I can bring in somebody who can solve my problem but I don't have to create another problem.

If you think about it from the executive's perspective, it's like, "I don't want to be demoted but I really don't want to be fired because if I get fired, that’s a way harder more complicated thing to explain to my next employer that I got demoted. Getting demoted is, well I didn't really get demoted. I got a new job, a smaller title."

The last thing it enables, theoretically: the company values all of our employees. We brought you in. We made a commitment to you as an employee and it will enable you to keep growing with the company. This was the conversation I was having with the CEO and I said, “Well, wait a minute. Let me ask you this. What's the equity package that this executive has?" He goes, “Well, what do you mean?" I was like, “Well I would like to see direct level of compensation? Does he get a Vice President level of compensation? Does he have 1.5%? Does he have 0.4%?"

That gave the CEO pause. He's like, “Well, he does have 1.5% of the fully-diluted equity of the company." And I was like, “Ok. So you're an engineer in your company. How do you feel about somebody who used to be the head of sales who brought in with 1.5%? What do your engineers get? Do they get 0.1% of the company? 0.2%? What are they getting at this point? How are they going to feel about somebody who is NOT the Head of Sales with one point five percent of the company?" And he was like, " Uh oh." And I was like, “Yeah! Uh oh. Because how fair is that? Are you going to take the equity away? Are you up to do that? Are you up to go back and take back his compensation? How productive do you think he'll be if you take away his compensation? Secondly, will people give him the same respect now that you've demoted him? Because they knew him as this and now he's that. "I knew you when you were Head of Sales now you're the Regional Manager and you're telling me what the f\*\*\* to do? You're telling me I need to make that call? It seems to me you got demoted. Who are you to talk to me? I am the up and comer. I am going to be the next VP of Sales at the company."

All these things come into play. When you look at the end, you may think you are dealing with one person. You may think that this is a demotion or a firing of one person. What does it mean according to that one person? But what you are really doing is saying, what does it mean to fail on the job? Particularly the highest paid, the highest compensated job in the company from an equity standpoint. And then, what's required to maintain your equity? Is it good enough to put in an effort or do you have to get a result? In different situations at different levels, the answers will be different. If this had been a person who was not an Executive brought in from the outside, but someone you promoted past where they should have been and didn't ever get that equity, maybe you make a different decision but you have to understand what it's going to mean to everybody, not just the person you're talking to.

Example two: An excellent employee asks for a raise. A good employee, this isn't like the last employee. First thing you think is they're really good, they asked me for a raise, they didn't ask me for no reason. They asked me because they think they deserve it. I want to retain them. I want to be fair! They've done a great job. I know that if I give them this raise, it's going to be all love coming my way. If I give you a raise we're good. You got a raise! It's awesome.

From your perspective you know what you want to do when somebody asks you for a raise. What about from their perspective? How would they take it if you gave them the raise. You have to remember, for them to get to point where they ask you for a raise, they did not wake up one morning and say, "I am going in and asking him for a raise." This is something they've thought about a lot. They've compared their other options. They may have an offer from another company. It’s something their spouse probably has been talking to them about. It's a serious thing. If you give it to them, they're very likely to feel very good about it. They may be paranoid, like " Why you giving me a raise?" But very unlikely. Much more they'll feel like...

(Plays "The Shmoney Dance" video)

For those who don't know, that's Bobby Shmurda and Rowdy Rebel doing the Shmoney Dance. That's the reaction you'll get. So there is a lot of momentum to say, “Yes look. You know they've read Sheryl's book. They've leaned in and I'm going to reward them for doing all that."

By the way, that book has very good advice. I'm not knocking Sheryl, I don't want you to misinterpret me. However, you knew there was going to be a however, you have to think about it from the point of view of the employee who did not ask for a raise. They may be doing a better job than the employee who did ask for the raise and in their mind they are going, “Ok, so I didn't ask for a raise and I didn't get a raise. They asked for a raise and they got a raise. What does that mean?" One, you're not really evaluating people's performance. You're just going, whoever asks, gets. That means I either need to be the guy who asked for the raise, though that's not how I feel. I do my work and I don't necessarily want to ask for a raise. Or I just need to quit and go to a company that actually evaluates performance. You can really make the person who doesn't get the raise feel pretty pissed about it Don't think that when someone is walking through your company doing the "Shmoney Dance," that other people aren't going to notice.

They are going to be fired up about that raise. You can say it is highly confidential that I am giving you this raise. It's not confidential.

The cultural conclusion is that everybody in your company is going to feel that they now have a fiduciary responsibility to their family to ask for a raise all the time because if they don't, they may be missing out on a raise that they would have otherwise gotten. Talk to any experienced CEO and they will tell you this is true. If you give out raises when people just ask you for them, you will have a lot of people asking you for raises. That is called encouraging behavior.

What do you do? The right answer is you have to be formal to save your own culture. I know this is always this is the thing that causes people running startups fits because it's like, " Well I don't want a lot of formalities. I don't want a lot of process. I want it to be organic. We want to do yoga. We want to only smoke organic weed." Sorry that was a Peter Thiel kind of way. Peter got very focused on who was smoking weed a little while ago.

But the process actually protects the culture because what it does it says, look we're going to look at all inputs. We are going to have a formal way of saying anybody who wants a raise, come talk to me. I'm not going to give you a raise but I am happy to hear your story. I'm going to talk to all the people you work with so I get like a understanding. I am going to evaluate all the work that you've done, so I know where I actually rate and what my actual opinion is. I am going to do it periodically, I'm not going to do it daily. If I were fast moving I would do it every six months or even once a quarter. At the end of that process I will tell you what your raise is, I will tell you if you're getting one or if you're not getting one, but I'm not going to do things off cycle. I'm not going to do things when asked. There is one process and that's it.

When I used to be CEO and I had executives, the bigger you become the harder this gets because the more aggressive the people working for you are. To be an executive it turns out you have to often be pretty aggressive. In most companies that's how you get to that level. I would go, “Look, you can lobby me all you want after the process is and I give you your raise, but you know what? I am not hearing it. I already went through my process. I got your input going in. I got everybody else's input. I've got so many people and so much money and you got what I believe is right."

Having a process gets people to be more comfortable because they don't have to always be on edge about, “Am I asking for what I deserve? Or am I getting aced out because of who I am, what I look like? I am not buddy buddy. I'm not at the golf course with you or I'm not doing whatever you like to do? I don't have to worry about any of that because I know your process. You're going to evaluate everybody and then you are going to give them what's fair." That's a much better way to handle that and it means that you're actually understanding what everybody thinks, not just the people you are talking to at the moment.

Now we are going to get into some fun stuff. We are going to evaluate Sam's blog post. There are some very good things in it and there are some things I am going to discuss.

This is the excerpt. "Most employees have only have 90 days after they leave a job to exercise their options. Unfortunately this requires money to cover the strike price and the tax bill..." I'll explain this a little more later, but I want to read it first. “... for the year of exercise. This is often more cash than what the employee has." This is the key. The employee often has to choose between leaving the job and walking away from the vested options i.e. the money that she has because she can't afford to exercise or being locked into staying with the company for all the wrong reasons. So it's a particularly bad situation when an Employee gets terminated. And I'll get into that and that's a really key point. "This doesn't seems fair. The best solution I have I've heard is from Adam D'Angelo, “ a very, very smart guy "at Quora. The idea is to grant options that are exercisable for 10 years from the grant date, which should be nearly all the cases. There's some tricky issues to this." Blah, blah, blah. “But it's still far better than just losing the assets. I think that this is policy that all startups should adopt."

Was Sam right? Is this a policy that all startups should adopt? Let me first explain again what the policy is. Currently, the way almost every stock option package in startup world is this: you get stock that vests over a period of time. When you leave you have, and it depends on the company, 90 days. If you do not buy your stock in that period, it's gone! It's not yours anymore. Which, depending on when you entered the company, could be a big problem. A lot of companies today that have a high valuation, like an Airbnb or an Uber, when they bring you in they go “Wow, if you look at your 409A price compared to the preferred price, the stock we're giving you right now, the options are already worth 10 million dollars." And you're like" Woooo! 10 million dollars. I'm rich."

What they don't necessarily tell you is in order for you to get that money, because the preferred is worth 10 million dollars, your options are probably going to cost you 2.5 million dollars when you leave. If you don't have that 2.5 million dollars in 90 days, it's gone! You just lost all your money. So Sam is like, wow! That's fucked up! And so he wrote a blog post and he said everybody should change it.

The first question that you have to ask yourself is, "This has kind of been around since the 80's, so why has a rule like this been around for 30 years?" It turned out, Sam, I don't know whether he figured this out or just intuited it, but he was right. Something actually had changed. Up until 2004, there used to be a law called APB Opinion Number 25. That law was the old way to account for stock options. It's also the law that all the guys went to jail on. I know a lot of people who caught a case on APB 25, so I'm glad it's gone. It's a very confusing law. A lot people did not understand it and they literally went to jail.

When that was a law, if you gave somebody 10 years to exercise their options, you would never have been able to go public and you would never have been able to be acquired because you were taking an expense that was tied to your stock price. The more your stock went up, the more compensation expense you'd have to take. The worst thing is you wouldn't know what it was going to be. It was totally unpredictable, so you could never forecast earnings. Ever! Because your earnings would be a function of your stock price. The more your stock price went up, the more money you would lose. In those days, people did not look through stock option expenses. It just wasn't doable. That's why everybody's agreement was written at 90 days. That's why it's there. So absolutely it's the right thing to question it being there. Are you guys following? You get this? This is more complicated than the first two examples, but it's a very important one.

Your perspective on this, if you have employees, is you want to be fair. Nobody wants to say to a hire,"Hey you got all this stock in 4 years... SIKE!" Especially when you fire someone. "Hey you're fired! I feel real bad about it BUT guess what? You know, I am also going to take all your money too!"

That's a problem. This is the thing that you have to keep in mind, you have to think about the people who are staying and you want to reward the people who are staying. The perspective of the Employee who leaves, and this is really critical because this is your reputation, is I worked a year, where's my years pay? Now you're telling me about this 90 day exercise? I know it was in the small print of my stock option agreement but my Hiring Manager never told me about that. They never told me I was going to need 2 million dollars to get my stock. Which I don't have. So if I was rich I'd get my stock? That's not fair. So now I am fired and then I'm screwed. Guess what? I am going to tell EVERYBODY how you screwed me over. That's a real reputation problem. That's something that you have to consider for policy.

You also have to consider the employee who stays. One thing that they're going to ask themselves is, look they're leaving and every time anybody leaves it’s like, was that smart? Your Employees know each other better than they know you. In any company, I don't care what company you are. Often the person they're really working with is going to be the person they know more. If that person leaves they're going to go " Well, should I leave too? What did they get and how does that compare to my deal?"

If we look at the situation and analyze it, there are a lot of components. First, companies tread a lot of people around here, the average is somewhere around 10 percent. It's probably getting higher, particularly if you are in San Francisco just because of the culture there. Silicon Valley companies dilute like 6-8 or even 10 percent a year for employee options. You have to keep in mind that as mean as it is, if that employee leaves and can't exercise their options, those options come back to the pool where you can potentially give them to people who are already there. You're actually taking less dilution. That's something that you have to think about. I am not saying you have to act on it but it's something that you have to think about it.

Secondly, losing all your stock is a very big incentive to stay. That could be good news or bad news. It could be good news in that you get to keep somebody you might have lost. It could be bad news in that you kept them for the exact wrong reason: they have handcuffs on. You may get an Employee that is worse than not having an Employee. On the other hand, a 10 year option on a highly volatile security, for those of you who have taken that class, is valuable. 10 years option, volatility and length, that's the value of an option.

10 years on a Startup stock, that's a valuable thing. Remember the employee who stays doesn't get that. The employee who stays just gets a stock. They don't get the new job and the new stock. They get one thing but they don't get both things. You have to weigh that in. This is a hard one. It should be reevaluated by every company. I wouldn't go as far as Sam and say it should be adopted by every company. You have to think about what you want. I would offer two Alternative Cultural Statements. One is, we treat employees with straight forwardness. We're going to be fair and therefore you get 10 years to exercise your stock. What we said we're going to give you, you’re going to get regardless of how rich or poor you are. That's just a done deal.

The second way to handle it - no companies do this, which is why I actually really like this post that he wrote - is you can say up front, " Look you are guaranteed to get your salary but for your stock to be meaningful, these are the things that have to happened. You have to have vested. Two, you have to stay until we get to an exit. Untile the company makes it. You've got other money." Finally, the company actually has to be worth something. Because 10 percent of nothing is nothing. The reason we set the policy this way is we really value people who stay. So don't join this company if you are going to join another one in 18 months because you're going to get screwed. Our policy guarantees you're going to get screwed.

Those are two ways to handle it. It really depends on you and how you want to run your culture. With all these things, it's critical to think it through from everybody's prospective because when push comes to shove, that's going to matter. That's going to change the outcome of your company.

Sam: I am actually revising my recommendation slightly.

Ben Horowitz: Let’s hear it.

Sam: No, it's that I think there needs to be more incentive to stay. If someone gets fired, I still think they get screwed a lot of the time.

Ben Horowitz: The other thing that's really important, that Sam pointed out, is how much money you have. If you have the money, you don't get screwed. You can buy your stock. You do take some risks, but you can buy your stock. If you don't have the money, you don't have the money.

Now we're getting to the person on my shirt: Toussaint. He was the best at this and I want to take you through some examples because they're very powerful. Toussaint was born a slave. He wasn't just born a slave, he was born a slave in the most brutal place to be a slave, which was the Colony of Santa Domingo, now known as Haiti. This was a much more severe form of slavery, as were all the sugar growing areas, then in the US, which was historically a very brutal form of slavery. To give you some numbers, over the course of slavery, somewhere like 400 years, a million slaves were brought to the US. At the end of slavery, there were four million slaves in the US. In that same period, in the sugar growing countries in the Caribbean, two million slaves were brought over and at the end of slavery there were seven hundred thousand left. From just a quantitative perspective, nearly 10 times more brutal. I am going to read this to you. I don't know if I quite have time but I don't care. I'll read you a description of slavery in Toussaint's area.

Whipping was interrupted in order to pass a piece of hot wood on the buttocks of the victim. Salt, pepper, citrus, cinders, aloes and hot ashes were poured into bleeding wounds. It's not to heal them. This is to make it worse. Mutilations were common. Limbs, ears and sometimes private parts to deprive them of the pleasures which they could indulge without expense. Their masters poured burning wax on their arms and hands and shoulders. Emptied the boiling king sugar over their heads. Burning them alive. Roasting them on the slow fires. Filled them with gun powder and blew them up with a match. Buried them up to their neck and smeared their head with sugar that that the flies might devour them. Fastened them to the nest of ants or wasps. And made them eat the excrement, drink the urine, lick the saliva of other slaves. One Colonist was known `in moments of anger to throw himself on a slaves and stick his teeth into their flesh.'

That's the slavery that he grew up in. It's really important to understand this because to get out of that perspective was not easy. But he had a vision that was threefold. One, he wanted to end slavery. Two, he wanted to actually take control of the country and run the country. And three, he wanted it to be a world-class country. Not one in which he had simply freed the slaves but one that could compete on a worldwide basis. That was his mindset going in. What I read was the environment he came from.

A management example is conquering the enemy. The sequence of battles that occurred in Haiti were, he first had to defeat the locals. Once he defeated the locals, there were several countries that were very, very interested in taking control of Haiti. Principally Spain, England and France. He had to defeat those armies as well. When he conquered them, he had to decide what to do with the conquered soldiers and the leaders on the other side. He took into perspective three different points of view. One, his soldier’s point of view. Two, his enemies point of view. And finally ,the point of view of the resulting culture. What kind of country was he building? The army was going to be the seed corn for the culture of the whole country.

From the soldier’s perspective: do we get to pillage? Soldiers like to pillage. It’s something for their work. The second thing is they're trying to kill us so we should kill them. That's a basic perspective of the people who are fighting for him, the most important people to Toussaint. I put pillage up there, a couple of things to know, one I didn't put rape up there. Very interestingly, not only did he not allow rape among his army, but he didn't even allow his officers to cheat on their wives. If they did he would get rid of them because he was so concerned about the resulting culture. What was it going to be? Was it going to be productive? Was it going to be the best in world? Or was it going to be something less than that? That was his mindset going in. His army was actually famous for not pillaging. They were already actually used to this. This was one of the most surprising things to the conquered people to the point where where even the white people were very impressed because he would go into their city and not pillage even though he would win. Again, this is because he took a long view of the culture.

This is an important subtle point. He believed the culture of Haiti, because it was a slave culture, sugar plantation culture, was pretty low grade compared to what he had experienced in Europe when he dealt with the Europeans. He thought that slave culture was even more broken than Haitian culture because it's the kind of culture where, "Oh you don't do what I tell you? I'm going to beat you to death. I am going to blow you up with gun powder." If you think about the behavior that ensues from that, that was the culture he knew he needed to replace. He knew he needed to upgrade.

His solution when he conquered the British, or the Spanish, or he conquered the French, was he would take the very best people from the opposing side and he would make them generals in his army. You probably didn't expect that. Here are the guys trying to kill him. He's leading a slave evolution and when he conquers the enemy, he actually incorporates them into his army and makes them part of it. He wanted the expertise and he wanted the culture to be at a much higher level.

The second question he had, this even more complicated, was what do you do with the slave owners? You're leading slave revolution, you take control of the country,what do you do with the slave owners? Three perspectives again. For the slaves, you want to kill the slave owners. There is no question. That's your land now. You won. F them. From Toussaint's perspective, it was more complicated because he wanted Haiti to be a first world country and sugar was really important. The whole slave economy was the sugar economy. On the other hand, he was a slave and he had to have been pretty upset. Particularly given the type of slavery. But he didn't know how to run a sugar plantation and he didn't have any business relationships for trading sugar. So what to do? If you look at the slave owner perspective, it's pretty interesting because they're coming at it - and this is the point of view that he actually had the discipline to understand - they were coming from a cost structure that was predicated on slave labor. Their business didn't work without slave labor. If they had to pay people their cash flow wouldn't work. They paid a lot of money for the slaves up front and they paid a lot of money for the land. In their mind, that was how business worked. You can't just change the economics and have it still work. They knew they had some power because of the position they were in.

So what was the answer for the slave owners? The solution was one, to end slavery. Two, let the slave owner keep their land. Three, make them pay their workers. There was no more slave labor. In order to fund that, lower their taxes. You guys ought to be kind of impressed with that.

Lower the taxes of the slave owners after you defeat the slave owners and end slavery. But the bigger goal was he wanted a stronger culture. The way he treated those slave owners, the need to keep the economy going was important. Let's look at the results. First of all, Toussaint's revolution is the only successful slave revolution in the history of mankind. There has never been another one and, hopefully we won't have slavery in a big way, there won't be another one. He's it. Two, the plantation owners kept their land. Three he defeated Napoleon. He had a booming economy and a world class culture. Under Toussaint, Haiti had more export revenue than the United States. That's how successful he was in the revolution. This is the power of looking at a situation not just from your point of view, but from the point of view of all the constituents. Even the people you hate. Which is hard to do when you are a CEO and harder to do when you are leading the revolution.

In conclusion, the most important thing that you can learn, and one of the hardest things to do, is you have to discipline yourself to see your company through the eyes of the employees, through the eyes of your partners, through the eyes of the people you are not talking to and who are not in the room.

Thank you.

Now I will take questions.

Q: If you have to fire or demote an executive, how do you have the conversation and then how do you explain it to everyone else?

Ben Horowitz: Right, this is great question. Clearly it's some kind of failure. You failed on hiring. You failed on integrating. They failed at their job. The first thing when firing the person is to really try to be honest. You're feeling like you failed. Common reactions are, you suck and so I am firing you. Screw off. That's not good because it's not really true. You may be feeling that way. Another common mistake is to be too mushy. It's not you it's me. This feels like a weird break up with an ex-boyfriend that you really didn't like.

Generally when you hire people, you try to hire the very best. You hire people who are qualified to do the job. The reason they fail on the job is you made some mistake in the hiring process and you didn't match them to the needs of your company accurately enough. That's the number one reason why this fails and so that's generally a good place to start. To say look, here's how we are and here's what I didn't recognize about us and about you when I made the decision. It is what it is. We're going to have to move on.

When you talk to the Employees about it, it's different. You can take somebody's job, you have to take their job, but you don't to take their dignity. This is something Bill Campbell taught me. It's not necessary to get up in front of the company and say, "I blew that mother fucker out. I capped his ass."

In fact it's not good. Nobody feels good about that.You might feel proud of yourself but nobody else feels good about that. The right thing to do is thank them for their work. Like let people know that they're moving on. You don't have to explain all their personal details. It's more important to leave them with their dignity and let them go on to live another day. What you say at that meeting is their reputation, because everybody in your company is going to call on that person when they try and get their next job. If you start saying a bunch of BS about them, that's not going to be good and it's not going get interpreted as we screwed up, it's going get interpreted as he screwed up. You have to be very honest with them but you have to make sure you preserve their dignity when you talk to the company.

Q: I was reading your book yesterday. How did you deal with all the stress? Was it meditating? Hip Hop?

Ben Horowitz: The answer is I used to be 6 foot 4 and good looking so clearly not very well. I get asked that a lot and I have a great answer for it. I have a wonderful wife who is sitting right here. I will oar and he borrowed that technique from him but applied it in a much kind of more dramatic context. He had British, French, Spanish, slaves and mulattoes, most of the mulattoes in Haiti at that time were pro-slavery. That was another issue, but his leadership was so great, everybody wanted to join him.

Q: How do you incorporate Toussaint's ideology and get people who were previously against you on your side?

Ben Horowitz:What he did in general is the right thing. You have to show them a better way, as a leader, if somebody's your enemy and you need to convert them. This happens in business too. Somebody is a competitor and you want to bring them over but you don't want to bring in, ethically, people who switch from one competitor to another. Your culture has to be elevated, your mission has to be elevated. Your way of doing things has to be just better. That was what was so compelling for the rest of the army.

Q: I am curious to learn how you have built a culture around people and among the entrepreneurs that you work with that has differentiated you in the market from all the other venture capital firms.

Ben Horowitz: Probably not the best question for me. I can ask Sam that. I don't know. The question is how we do build a culture out at Andreessen Horowitz that is differentiated us from all other VC's. I feel like that is certainly the goal. We have been around for 5 years now. The attempt that we made, it's for the rest of the world to judge if we succeeded, was this: in the old days of VCs, when I was a entrepreneur, the basic idea was you have an entrepreneur or inventor and they get a company to a point and at that point they either are ready to be CEO or you would go find a CEO to replace them and build "the company." Our cultural philosophy is that the founder and inventor are special. We're going to design the firm and the culture of the firm to help the founder develop into a CEO. We do a lot of systematic things different. The two biggest are all of our partners are founders or CEOs. It's an original model where some sort of experience is required. That's a joke.

If you are an advisor to a CEO you have to have have been a CEO. Imagine that. That's why I like Sam, he used to be a CEO. He doesn't talk about it that much but he was a CEO and was good at it. The second part is that a professional CEO will bring in, in the old days, a network of people that knows. Guys who brought technology in big corporations to important partners in the field to people in the press. We try to build that network on your behalf at the firm. I think we do a better job of that than anybody else. Those are the ways that we try to be different.

Q: Putting yourself in other people's shoes is very important. Can you give us some tips?

Ben Horowitz: Putting yourself in other people’s shoes is difficult in management. It's hard in daily life. It's even harder in management because it's the stress at the moment. If a great employee is asking you for a raise, it is very hard for not to respond because you do not want to lose them and they are not asking you for a raise randomly, they are asking you for a reason. If you don't have a process in place to go stop back out, you have to pause yourself. If somebody comes to you with something that you know is important, you want to feel like you have all the answers. Right now you guys are asking me questions and if I don't know the answer I will make something up because I want you guys to think I am smart.

The most importan thing is to pause. If you know something is really important and you haven't thought it through, just to say, "I am taking this really seriously but I have to pause because I have to think it through from all perspectives. I’m going to come back." I end up doing that a lot just because there are a lot of things that you run into that you have never seen before. Most CEO's, including myself, learn this the hard way. You go ok, I'm going sneak away with this. Nobody's going to see me give them the raise. I'm going to do it and it’s going to be all under the covers. Confidentiality baby. Then it blows up in your face three weeks later and you're like, "Oh my God. What have I done?" Or three months later or even a year later. Then once it's a year later, it's a huge problem.

You've taken what was a little emotional problem and you've turned it into a forest fire. We call it a Kimchi problem. The deeper you bury it the hotter it gets. It's a Korean joke. It takes practice. It’s very difficult to do. My friend Bill Campbell, this is his big skill. People always trying to describe him to me and I’m like that is not him at all. That’s not what he’s good at. He’s good at seeing the company through the eyes of the employees. If you are good at that, you will very likely be an elite leader.

Thank you.