Fireside Chat with Jerry Yang, moderated by Annette Finsterbusch

April 28, 2015

Paraphrased Summary of Speech Highlights:

1. **Challenges Yahoo faced as a Start-up**

   Yahoo faced the enormous challenge of providing a product that many people would use while simultaneously making money. Yahoo decided to be a free service, which was revolutionary at that time. This model allowed them to have access to any consumer who could get on the internet at the time, but it also made product/service providers feel that their content needed to be advertised on Yahoo -- otherwise it would not be found. That created a virtuous cycle.

2. **Getting the Right People and Culture in place to Grow the Company**

   Building a strong team of individuals, who each had their own expertise and were aligned on the company culture and goals, made it possible for Yahoo to scale up. The right core group of people were able to propagate the values, the culture, and the right mind set when bringing in new employees. Getting the right culture in place to be able to speed up the growth is really key.

3. **How to make it as an Entrepreneur**

   You'll know the moment when you see an idea or an opportunity you want to pursue. Go prepare yourself to take advantage of that moment by planning, working hard, and preparing for when that moment comes. The better prepared you are, the better chance you have as an entrepreneur. Being at Stanford, having studied hard, trying to be in the flow of startups, and taking startup kind of classes was all preparation to be leveraged at the right moment.

4. **Where Technology is Heading**

   Technology has changed from vertical (one industry) to horizontal (affecting many industries). The next big wave of horizontal opportunities in technology includes a variety of industries, such as biology, computing, cloud, mobility, etc.

5. **Choosing Founder Talent as a Venture Capitalist**

   Two important traits to look at when companies come to VC's are impact (or desire to make an impact) and founder talent. More often than not, the idea originally pitched by the founder will be different from where the founder ends up. It is those times in between, overcoming barriers, and going the extra mile that tests the founder's talent. The commitment that the founder makes to the company is the same commitment that AME Cloud makes to the founders in whom they invest.

6. **Diversity**

   Any successful company in Silicon Valley or anywhere needs diversity and the best talent, regardless of race, gender, etc. As long as a person can do a role perfectly and are the best, that's all that matters. So that's partly why Silicon Valley already promotes a very serious meritocracy; but there are still diversity problems, which have surfaced recently in the press. I encourage companies to build diversity early. Hire people from different backgrounds who will bring you additional pools of talent instead of hiring people just like you.

7. **Philanthropic Efforts and Heroes**

   Jerry and his wife Akiko fund philanthropic efforts on problems that can't be solved by technology alone, such as biodiversity, energy, and environmental problems. Jerry's heroes are those who spend their lives to trying to help other people and save things that matter -- even when they don't get recognition.

Transcript

Introductions: *Joyce Osland, Executive Director of Global Leadership Advancement Center (GLAC)*

Joyce Osland: Welcome to the Global Leader Speaker Series. Today's speaker, Jerry Yang, is a true global leader – he is a thought leader and innovator in his field with a global impact. We've collected some questions in advance in order to prime the pump for today's fireside chat. You can also write questions on the index cards and send them to the stage with an usher. If you're lucky, your questions will eventually wend their way to the moderator who will pose them. I apologize in advance if we do not get to all of them.

The Global Leader Speaker Series is funded by the Donald and Sally Lucas Family Foundation, and we're grateful to have Don with us today. We're also honored to have Dean David Steele present.

I'd like to introduce Annette Finsterbusch, our moderator. Annette is currently a consultant for the Work Bank's International Finance Corporation and board director. Previously, she was the CEO and President of Firefly Green Technology and the Senior Investment Director of Applied Ventures, that's Applied Material's venture fund. She founded that fund and directed it for many years. Now what you don't know about her is that when she was a master's student, she taught geology to [actor] Matthew McConaughey, and he sat in the back row and read the newspaper. And that annoyed her so she took out her chewing gum and threw it at him one day [hitting his newspaper]. That's really why we've invited her to be the moderator. So, that's Annette Finsterbusch.

Our speaker is Jerry Yang, who really needs no introduction, but you know that's my job. So, I did what you would have done, I went online. And as I did that, it occurred to me that would not have been possible without Jerry Yang, right? Because he was the first guy to do this -- he and his co-founder. So now God knows if the information I got is true or not because we know what the web is like. But nevertheless, I'm going to tell you what I gleaned about him from there. Let me tell you what they did, how they got started. He and a fellow engineering student named David Filo, created an Internet website called "Jerry and David's Guide to the World Wide Web." Now [looking to Jerry], I don't know, were you inspired by "Bill and Ted's Wonderful Excellent Adventure," is that it? And that became so popular that Jerry took a leave of absence from his doctoral program at Stanford and they founded Yahoo back in 1995. I mention "graduate program" because just because he dropped out of school does not mean that you should drop out of school. He was born in Taiwan, he immigrated to San Jose, of all places, at the age of 10 and he graduated from Pioneer High School, do we have any Pioneer High School alums in here [later corrected to Piedmont Hills High School]? Yes, I thought we would. Okay, I heard a rumor that he went to San Jose State for one semester -- only he knows for sure.

He met his wife, Akiko Yamazaki, when they were students at Stanford, and they met on a study abroad program in Japan. See, we keep telling students, "Do study abroad" and this is why. So, according to the Web, so far, he and his wife have a joint legacy of two children and a building. They donated money to build a school of environment and energy at Stanford, where Jerry is also a trustee. In fact, I think he was there this afternoon. This must be his day for universities. So, back to Yahoo. Oh wait, let me tell you this, in his free time, he apparently plays golf; there's a lot of golfing images of him out there. At the AT&T Pebble Beach Pro Am Tournament in 2012, he and his pro partner came in fifteenth, Tiger Woods came in nineteenth. Pretty good, huh? He also collects Chinese calligraphy, which he shares with museums. He speaks Mandarin and this is really important, he's known for building bridges between the Silicon Valley and Asian companies.

So, back to Yahoo. He was one of the two chief Yahoos, he and the other founder for a while. He became the CEO for a few years, then went back to being the chief Yahoo and serving on the board until 2012. Yang has been called the visionary who amid Yahoo's most glorious days smartly invested Yahoo's capital into an Internet industry, which brings us to one of his most valuable contributions. He invested in Jack Ma's Alibaba. I don't know if you know this or not but that is the most successful IPO in history. So a great deal of Yahoo's net worth is because Jerry Yang made that investment when he was CEO. He serves on numerous boards; he's a founding partner now in AME Cloud Ventures. AME means "rain" in Japanese. He's invested in 50 technology start-ups. According to Rob Solomon, who's also a venture capitalist, "Yang is a great founder, evangelist, strategist, and mentor." So Jerry, your role as one of the early Internet thought leaders, your extensive connections with Asia, and the role you play as an angel and board advisor in global technology have certainly earned you the title of global leader, and we are very happy to have you here.

Jerry Yang: Well, so much for short introductions, Joyce. Thank you very much.

Annette Finsterbusch: So, good news Jerry. I spit out my gum a couple minutes ago.

Jerry Yang: I was going to say -- no gum on stage!

Annette Finsterbusch: Totally safe from any hurling objects. So, when we talked about how to structure the afternoon, we started with a lot of great questions. But I think we are going to try and at least go chronologically in order and talk a little about Yahoo when it was a baby company. Probably when a lot of you…
Jerry Yang: Were not born yet.

Annette Finsterbusch: A thought, a great thought. 1995 right? And two themes that we're going to continue to bring our discussion back to is: **"Why did you do it then and what's different today?"** And what does the global environment, how is that different for every particular topic? And how is culture and diversity involved in the decision making for the discussion? If we're ready we can pop right in.

Jerry Yang: Yes

Annette Finsterbusch: One of the great questions I saw is, "**How did you come up with the name, Yahoo?"** Now before you answer, I will apologize for the fact that I was part of a company called Firefly Green Technology. So I will tell you that, you know, the name does not always imply something great is going to happen. Kozlow of course says you got to have four to five letters and it can't really mean anything else. So what was your philosophy?

Jerry Yang: I think we predated all that, but thank you, Annette, for moderating this. We have to thank Mr. Lucas here, who facilitated this invitation. So thanks, Don, for having us. Okay, you're close enough, stop right there. Joyce, thank you for the introduction. I do have to say one thing because it is such a coincidence -- I went to Piedmont Hills High School, which is in the East Side. Anyone from Piedmont Hills? Yeah! Go Pirates! When I was in high school I did take a few classes here [at SJSU]. In fact, just randomly walking towards this ballroom here, I ran into my math professor. Professor Goldstein is out there somewhere, and he taught me differential equations. So thank you for passing me. I think if I didn't pass, I might have had a different outcome. And so, I have fond memories of this campus. I took a chemistry class here as well in the summer program. It's wonderful to be back.

So on to Yahoo. As Joyce did accurately say that when David and I were at Stanford doing our PhD's, we felt we were more interested in anything else than our dissertation. That's a disease that happens when you try to finish your PhD. and that's the last thing you want to do. So we played a lot of softball, intramural basketball, we did everything we could to avoid our PhD. This is right when the web as we know it, the Internet has been around since the 60's, but I think the web as a protocol where you have the browser and you have the server and they spoke the language that allowed hyperlinks and images and things to be displayed in one page. That was actually quite new in the early 90's and so, David and I thought, "Wow, this is a really cool way. You don't have to learn all the different protocols and pretty soon you can get all this information by just pointing and clicking." So we started in our spare time, which there was a lot of, to create a directory. We thought, oh geez, there's all these websites popping up and they were totally decentralized. There's no way of going one place and seeing what's going on. So we said, why don't we do it? And slowly we started, we started in 1994, and we have just created a little database where we sell interesting links. Back then, there were a lot of music sites and, you know, physics departments, and things like that. We would collect them, categorize them, and stick them in the database and publish it back on the web. It was known as "Jerry and David's Guide to the World Wide Web." I'm glad we didn't stick to that name -- that probably would have a different outcome. I wouldn't be in front of you if we kept that name. So, it gained in popularity because we were probably more studious, more industrious, we put together as much of that website around the world as possible. So by late 1994, we were running out of, you know, sort of bandwidth. We were running out of capacity; we were running out of server space on the Stanford campus. The system administrator at Stanford at the time was a great friend. He came up to us one day and said, "You know what, guys, I can't hide your traffic much longer. You're getting this big sucking sound -- all this traffic is coming from this corner of the building."

So we decided to maybe figure out what to do with it, so right around this time, back to your question, was when we said, "You know we can't call it "Jerry and David's guide to the World Wide Web." I mean it just took a long time to type out every time. So one night, David and I sat in our office and said we have to come up with a better name. We came up with Yahoo, really quite randomly because if you look up Yahoo in the dictionary it means someone that is very uncivilized, very rude, um…it's from a Gulliver Travel's character. We thought that was it -- it described the two of us; we were a couple of yahoos. David's from Louisiana, so you know, he said he was a yahoo growing up. It was a perfect kind of fun name that we never thought would be serious. Just as an anecdote: when we got funded by Sequoia Capital, Mike Lawrence, who's obviously now one of the most famous venture capitalists; he really insisted that we keep our name. I said, "Do you think anyone would ever do business with a company called Yahoo?" He said, "Well, I'm tearing that check up that I just gave you if you change the name." So it took some courage to keep Yahoo as the name for the company, but, obviously, it was probably the best decision we ever made.

Annette Finsterbusch: Interesting. So it sounds to me like, as a student with too much time on your hands, you were not apparently playing Minecraft. I find that when I'm at universities almost everybody wants to be an entrepreneur. It doesn't sound like that was really your goal. **What did you know about using the office of technology transfer? Did you have any idea of how you could get this idea out?**

Jerry Yang: Clearly, you know, Stanford was a place that had a lot of startups. We were joking it was sort of the place where it had five-letter startups -- you know, Apple, Cisco, these kinds of things. I think we were, we were building a company – Yahoo -- that was not really related to our research. So that actually made it a little bit easier with the technology and licensing; the technology licensing office was quite -- even then, but I think even since then -- has become much more open about transferring technology commercially. Even back then, they were quite encouraging, and it was one of the reasons why both David and I have since given a lot back to our university. They really were quite encouraging and supportive in hindsight, but they were probably trying to get rid of us. They had no reason to be so supportive to encourage us to take this on. Our -- I think he was the department chair at the time who had to approve this -- was John Hennessy, who is now the president of the university. There was a lot of serendipitous people around us at that time when I look back. You have to have an entire system that wanted to support this type of innovation and crazy idea. We thought what we were doing was crazy -- that's how crazy it was.

Joyce, you mentioned telling people not to drop out of school. My call to my mom, I remember, was: "Mom, I'm dropping out of my PhD. program and she goes, 'okay'". You got to realize Chinese mothers and she goes, 'what are you going to do?' I said, "I'm going to start this Internet thing". She goes, "Great, how is this going to make money?" I said, "We don't know yet, but maybe someday we will sell advertising on it." She pauses and goes, "You know what, I put you through nine years of Stanford so that you sell advertising." But she was ultimately supportive, and she doesn't really complain anymore either so… it is clearly one of those things that you just thought was crazy at the time.

Annette Finsterbusch: I got one of those calls too.

Jerry Yang: Your son?

Annette Finsterbusch: Yes. When I got the call, it was just around Mother's Day. He says, "You know, I really made a decision this time and I'm going to leave." I said, "That's okay, we're supporting you." And he said, "Yeah, about that. When are you going to tell dad?" I said, "No, no, no, no, no. That's your first test."

So the idea came first, the kernel of technology was fairly well developed by the time you called it a company. You went out and you started looking for money or did money start looking for you?

Jerry Yang: A little of both, obviously. Quite frankly, both David and I never thought Yahoo was going to be the startup idea that we had. We were working on a bunch of other business plans while we were keeping this Yahoo thing as a hobby alive. When word got out that we had to move the service off the Stanford campus into somewhere else, we got a lot of inquiries and pretty soon there were companies that were interested. Obviously, venture capitalists also found out. So they kind of all found out around the same time, I remember we came into our office and we had one of those tape machines, answering machines. Rewind, play and there were like three calls from three different venture capitalists. They all got the word around the same time. Neither David nor I were entrepreneurs that had done it before -- we were students. At that time, the Yahoo service that we were trying to commercialize was already one of the biggest websites in the world. We had over 100 different countries that were accessing it every day. We were chaotic; we were just trying to find people that could help us because we were really moving at 1,000 miles per hour. We ended up taking money from Sequoia Capital and primarily, not only we got along with Mike Lawrence -- he was a journalist before he became a venture capitalist, and we thought that media sensibility, we had an inkling that Yahoo would be more of a media model than a technology model. So we thought that media sensibility would be helpful, and he obviously was very helpful.

Annette Finsterbusch: Right. **Can you talk a little bit about that…those early days of thinking about product strategy and monetization? At that time and even up to 2000, the question of how you were going to monetize search and all these sort of business models that we really hadn't had any experience with and how that came to be and how that came to be for your team? Who did you need, what human capital did you need on the team?**

Jerry Yang: Well, and you know Yahoo is 20 years old this year and we just had our 20th anniversary which I went back to the campus for. It's hard to imagine it's been 20 years, and I think part of it is that not only the industry has matured to meet a lot of sort of standard business models, which just didn't exist when we started. I think part of both the fun and the chaos and the challenge was, we were on one hand creating a product that was trying to get as many users and consumers to engage in it as possible. On the other hand, we were trying to figure out, wait a minute, the more users we got the more money we're going to spend to run it, so how are we going to make money? So we finally did decide on a free service which at that time was quite revolutionary. It was not common practice to give away this entire service that seemed to be quite rich and could find tons of information to just give away for free. That was something that I think -- we were one of the first proponents of making stuff on the Internet for free, which I think, subsequently, a lot of people use that model to get into commerce, to get into other communication assets. So that free model was a big decision for us because that allowed us to continue to allow access to any consumer that could get on the Internet at the time, but also enabled everybody who had some kind of content, whether it was a website or anything, they felt like they want to make sure it's on Yahoo or else they wouldn't be found. That created a virtuous cycle.

Then the second question is: how do we get advertising in and how do we do it in a way that doesn't offend the Internet? Again, this is all ancient history. I think even at that time, the Internet has always been a medium where it's full of researchers, and it's a very noncommercial medium. For us to attempt to run advertising and create a business model around it, we were quite worried about the potential backlash. Fortunately, we put on the advertisements, I think, in August of 1995, and we all held our breath for the backlash and, fortunately, I think people understood that understood that the price to pay, so to speak, for a free service like this is to take a look at ads and if the ads were appropriate and actually helpful, it actually become a positive experience, and so that's kind of how we started and to this day it's amazing to see the ad business and the Internet be a multibillion dollar industry.

Annette Finsterbusch: Right, yeah. You got me pegged on my 50^{th} birthday. All the ads went to geriatric kind of things.

Jerry Yang: Ha! I think I'm getting those ads now so…

Annette Finsterbusch: It's amazing. It was like… it was like just one day apart I apparently need a walker and dentures, so…

Jerry Yang: Sometimes the targeting is a little too accurate, I think.

Annette Finsterbusch: (laugh) Yeah, it's a little disturbing. So, transitioning now into life as an investor, right? Sorry before we do that, let's actually stop and talk about how to scale a company, right? Because, of course, one of the things that Joyce's group really takes to heart in their training is talking about how culture affects human organizations and, of course, when you go from 1 to 5, you change entirely the face of the company and when you go from 5 to 10, or when you go from 10 to 25. … **And how did you and your founding team really manage that [scaling] and think about it at the time? And then maybe how are you thinking about it now as an investor?**

Jerry Yang: This is probably, and as Joyce said, we have over 50 companies in our portfolio, and this is like the number one question of "How do you scale?"

Annette Finsterbusch: No, I was really asking because I need an answer (laugh).

Jerry Yang: Well yeah, I wish I had the answer. One of the first things David and I did was we agreed that we were not going to be the professional managers that can do this, and part of it was a foot race. We had multiple competitors and people were really gearing up to try to land grab as much as possible. So, we felt like we didn't have time to learn on the job, and we needed a good team. Tim Koogle was the first CEO. We hired Farzad Nazem [Zod], who was our first Chief Technology Officer and Jeff Mallett was our first business person. I would say that team that we built together was probably the key moment for us to be able to scale in an effective way, because Jeff knew how to scale a business and sales market organization. Zod knew how to build an engineering team, and Tim knew how to build an overall organization. Having that expertise with David and I as founders of a culture-driven kind of thing was really an important step. But it wasn't easy, I mean, I think from 0 to 100 people, from 2 to 100 people was really different. You know, the first 20 was somewhat easy because you knew the people -- you interviewed everybody. I remember David and I tried to interview almost everybody for as long as we could, and I think we finally couldn't do that after about 100 people. And it's so incredibly important because when companies hit, sort of, that 30 or 40 people scale, even today, even with all the infrastructure and everything else that you have, you probably can do more with less people, but I still think the challenge is the same where after certain point, it becomes sort of like -- What's the analogy? I use sort of a biology analogy where it's like cell division, you know, everybody– sales people start to hire more sales people. Product people hire more product people, so they become specialized around functions. If you didn't have that culture…

Annette Finsterbusch: To tie it all together.

Jerry Yang: Just try to tie them together. I mean a lot of times you hire somebody and the first thing they do is go hire two more people, and if that person isn't a "Yahoo", we called it, or have that sensibility, you're going to have bad cells. So it's never too early to get the right stem cells, if you will, to have that right core group of people that is able to kind of propagate the values and the culture and the right mind set. And as we all learned and people know now -- to try to fix it once you hire people is much harder than just doing it right the first time. So, that was, sort of, a bit of the scale. I read somewhere recently that when we went public -- Yahoo went public in 1996 -- we had 49 or 50 people. I don't know if that's right, but it certainly feels like we were tiny when we went public. We probably went public way too early, but the market forces and all our competitive forces kind of led to that. I think Yahoo is --what? -- 15,000 people today, plus or minus. So, it's an incredible path to grow that many people over 10 years, or 5 years, or whatever it is. I think getting the right culture in place to be able to really speed up the growth is really key.

Annette Finsterbusch: And do you think that, putting on a little bit your investor hat now, **do you think that's different in other geographic locations? If you're starting a company in China, is it different?**

Jerry Yang: You know we see all kinds, right? I mean, now we have companies that have 10 people, but they're in 4 locations and they use "follow me robots" and teleconferencing things. I was at an office, one of our portfolio companies, yesterday that they had one of these Beam conference things where it's a robot that follows people around, and there's a screen so the guys on the robot, the face is on the robot that will follow us around…

Annette Finsterbusch: Sheldon.

Jerry Yang: I think by and large people still would rather have everybody in one location for as long as possible and then you can branch out. A lot of our larger companies which are setting up new locations would send one of their old employees or people with about 10 years [experience] as their, sort of, ambassador to go start that off and so that person can carry all the traits and the culture and everything along with them.

Annette Finsterbusch: Okay. As you think about the companies that you're looking at today and we have quite a lot of students in the room and as you are a technical founder, you referred to the fact that you needed to build a team because you knew that the competitive landscape was aggressive and that the timing was critical to get to market. As you think about these young people today, **what advice would you give to them in terms of how much should be focused on the technology part of your education and how much should be focused on learning how to manage emerging technology companies and should you be taking courses in the business school, et cetera? Should you be diversifying your information?**

Jerry Yang: I think it's a great question. I think there's no amount of preparation that would get you ready to really start a business, but at the same time, in my case, and many other great startups, you prepare a lot to be lucky and to take advantage of opportunity. And I always talk about my experience, especially having immigrated here and starting a business like Yahoo -- it's clear I'm very lucky and I had really good timing. But in some ways being at Stanford and having studied hard and really tried to be in the flow of startups and taking startup kind of classes, even back then, to me, was all preparation to be taken advantage of. I talk to many entrepreneurs about this, but I think you'll know the moment when you see an idea, or you see a business, or you see an opportunity you want to go do. So my advice would be to go prepare yourself to take advantage of a moment, and you have to plan, work hard, and do all those things that people [recommend] because even though the odds are not great to build a huge business, it's not like the lottery where you don't have to prepare and you could just walk into the store and just buy a ticket and win. So I do think it takes a tremendous amount of preparation and these days, it seems like entrepreneur is the profession that's in fashion. And people, a lot of people, want to be entrepreneurs and I think that everybody can be, but there's just more competition, there's just more ideas, there's more resources, so I do think the better prepared you are, the better chance you have.

Annette Finsterbusch: So, why don't you take a minute to introduce your fund. I notice that you're from early to late stage, which is pretty unique. I'm an early stage investor, and I really can't imagine being in the late stage companies. Although I do this for the World Bank, it's a very different type of investing. Where you're looking, what your basic premises for investment are. (Speaking to the audience) This does not mean to send him all your business plans tonight!

Jerry Yang: No it's okay, it's okay. I probably need advice from you on how to be a venture capitalist. I think of ourselves as a very early stage, and our focus is really around the seed and angel stage; that's where it's more product focused. It's more about the nerdy, geeky aspect of everything. Clearly, my experience for having grown Yahoo and having seen a lot of other startups helps with later stages as well, even all the way through going public. So that's why we do have some later stage in our portfolio, but those are not ones [where] we are super engaged. I call them on demand investors, so if they have a question, they need help they'll call me, and we answer but the ones where we really try to help and guide and be active with are the early stages ones and, we generally focus on data driven businesses -- so things that require data in order to run. We joke and say the more data, the better. We are trying to take advantage of what everybody else is taking advantage of; but what's happening in the cloud and mobility, those two driving factors have changed the landscape and people have gone from using the Internet and technology as an industry on its own in, you know, probably as recent as 5 or 8 years ago, to now, all these fundamental trends penetrating every industry you could find: healthcare, agriculture, manufacturing, and automotive. So everything that we used to think that -- you know, I remember when I first started Yahoo we would go to Detroit and go see these car manufacturers, and we might as well been from the moon. You know, it's so different and now -- car companies are in the Valley having advanced development or hosting people coming through; so I think the technology has gone from being a vertical to a horizontal and that horizontal is penetrating multiple industries. And what I wished I did and I wished I had learned more when I was in school is more about these horizontal opportunities. I think Biology and computing is the next big wave, and I just wish I knew more about Biology. I think that's one class I didn't do very well at, so it's a very interesting time in the world where I think that, in the next decade or two, we're going to see just tremendous penetration of the cloud, mobility, computing, big data, all penetrating other industries.

Annette Finsterbusch: So when you look at companies, are you looking for the next disruptive idea? Or the next disruptive business model? The next greatest team? All the above? Some combination? What are you focused on?

Jerry Yang: When you're two or three people, you're just starting a business, you have an idea, there's a couple things that are usually true at the end, meaning when you're huge and you're successful. One is impact and maybe in the very early stages the desire to make an impact, and the second is, the founder talent. Even as I look at some of the companies that we've funded 3 or 4 years [ago] that are doing quite well now, they have pivoted at least a couple of times. And so, the original idea that the founder comes and pitches us versus what they're doing now sometimes are completely different. So that talent that a founder has to have and it's not some – I mean it could be something you could train for, but I think a lot of times it's just the tenacity, the will, going to that extra mile to try and find that "Oh my gosh, this isn't working, but I'm going to go this way." It's very hard to see that when you're investing in that person, but you have to – you have to make a judgement call to see if that talent can get through the tough times and find another way out. So that's to me the hardest part, right? I always joke if I were sitting here today and Jerry Yang and David Filo came to me said, "You know what? We have this great idea about starting a website and da-da-da." I would look at Jerry and David and say, "Okay, you guys are students, you never started a company, you have no business model, and you had 5 competitors that are all with much better financed and better entrepreneurs -- they've done it before and, et cetera." I would have never pulled the trigger and funded David and Jerry. So it's not obvious, and I think that's the trick of it. To me, once I make a commitment and fund an entrepreneur, we're committed to help them grow it or do whatever we need to do with it. So it's a commitment that I think goes both ways. Entrepreneurs take on investors, that's a very serious relationship, but even for investors to commit to entrepreneurs it's important that the relationship that can evolve and work out over time.

Annette Finsterbusch: You do refer there to the fact that there's a fundamental change in the way we look at entrepreneurs coming with a business plan, right? We do expect a much more sophisticated, vetted plan by the time we're really ready to talk seriously. We were talking yesterday and I said, "First customer is already on the books and already paying, and all the IP is filed" and even 10 years ago that wouldn't have been the case, right? We definitely would have taken some fliers, but the environment, the microeconomics for making those type of investments, have become much more daunting, but there are those big fliers, right? Those crazy ideas. I used to like wireless power -- you know, it's the perpetual motion.

Jerry Yang: It's happening.

Annette Finsterbusch: Yes, it is, right? **So, let's move over to thinking about diversity in the work place, right? How do you get there? How do you sustain it? How do you look at it when you look at a business plan?** I mean, if you're talking about 2 guys, there by definition, shouldn't be too much diversity…

Jerry Yang: Ha!

Annette Finsterbusch: Because they should be sort of joined at the hip. So how do you get that? How do you introduce it? As an investor and a board member, how do you drive towards it to create a good balanced teams?

Jerry Yang: There's no magic formula. On the one hand, you have this need that if you're a founding team, your instinct and a lot of times you hire that people who are like you. You're from the same schools or we have people from certain countries that end up hiring people from those places -- you know, they speak the same language. We had a startup that's very successful that was started by a few French-speaking, French nationals, and they spoke French for a while. You go to board meetings and you're just like "I don't know French. Sorry, guys." So it's very natural for human beings as an organization to want to hire people who are like them. Yet I think if you look at companies that succeed, it's generally companies that have the best overall team and the best overall talent, and talent that plays as part of the team. Ultimately if you look at Silicon Valley or look at anywhere that has got a very successful track record, it speaks to diversity, it speaks to having the best talent -- it doesn't matter where you come from or what your gender is or whatever. As long as a [person] can do that role perfectly and be the best, you ought to try to get that person. So at some point, you want to get away from being 'everybody doing the same thing or everybody looking basically from the same place' to 'you want to be able to hire a great engineer and that engineer is a woman, you should hire that woman.' If it's a minority, you should hire that minority. So that's partly why Silicon Valley already promotes a very serious meritocracy because it's hard to hire a back end engineer, okay? If you're a back end engineer and you're good, it doesn't matter what you look like and how many eyes you have -- you're going to get hired. So that's the mentality that creates purity in Silicon Valley. Having said that, we still have problems and obviously, there's been a lot of recent stuff in the press, but what I encourage our companies to do is try to build diversity early. And so when I talk about that first 10 or 15 people in your company, if you have a choice and you can get somebody [with a diverse background, do so]. I wouldn't say just hire that person because he or she is diverse; I would say hire that person because he or she might bring you a pool of talent that you would have never accessed if you were just sticking to your own knitting. And so, the earlier you go with a more potentially broader and diverse team -- even at the 10 or 15 or 20 people stage -- I think the better off you are. And when you are starting off diverse, you're going to end up diverse; if you start off not diverse, at some point, you're going to make that transition and I think the later it is, the harder it is.

Annette Finsterbusch: Agreed. Are there any questions?

Jerry Yang: How are we doing? Are we boring the heck out of you guys? I can't really see.

Annette Finsterbusch: Alright, you guys are still here right?

Jerry Yang: Yeah, there's still people out there, I think.

Annette Finsterbusch: They're afraid of my gum thing.

Jerry Yang: I used to take naps back there so I'm hoping there's…

Annette Finsterbusch: I can't see anything… okay, well if you don't, I still have more so, what do you think the value – oh sorry, we have an index card over here.

Jerry Yang: Oh, you can keep talking.

Annette Finsterbusch: What do you think the value proposition of Jerry Yang as an investor board member is?

Jerry Yang: I'm having so much fun. It's amazing because, first of all, there are a lot of people who are like me, you know, who don't want to work very hard anymore and obviously can try to give advice and coach and mentor. So I think the entrepreneurs are very lucky to have right now the number of angels, or super angels, or mentors, or investors [that they do]. I mean, there's so many and it's a competitive business to be an angel investor, so I think part of it is I feel like I'm getting so much out of my entrepreneurs that are showing me how to build businesses these days; some of them are really going to make an impact. And you kind of live and you kind of go through their highs and lows, probably 1 degree of separation -- not quite as bad as going through it yourself when I was building my business, but you're going through it just the same and you're going through it in our case several dozen times over, so it's a thrilling and great time. My pitch or my advice to the entrepreneurs is that you want people with you in the early stages and you want people with you in the later stages, and they may not be the same people. Whereas for me, I've seen it and you can tell me to go any time you don't want me as an investor, but there's a good chance that I can be with you from the beginning and the more I learn about how you're doing, building your business in the beginning, and we can grow together, the more I could still help you at the later stages. And I think that's interesting and then the other thing which has more resonance to entrepreneurs than I had originally thought is a lot of these entrepreneurs have nobody to talk to. And I say that not because they really literally have nobody to talk to, but they sometimes can't tell their venture capitalist something or they're going to go through a transition, they've got to hire a management team member, they don't know who to go to and I'm, sort of seen as a -- I'm not a pure VC but I'm an investor so they can kind of get an unbiased view. And I think that has turned out to be very valuable for a lot of our companies.

Annette Finsterbusch: I'm sure it is. By the way, just food for thought for those of you who are thinking, 'Well what does Jerry mean by how do you not need the same people in the end as the beginning for both employees and board members," right? There are board members who are really great in the early stages of a company who at some point need to transition out and their compensation and all of their paperwork needs to be structured right at the outset of your relationship with them, so that that doesn't become a disruption to your company. Similarly with employees, right? There are some guys who you really need to crack a certain nut, and it is a critical path piece, right? So without them, the company goes nowhere. But realistically, what they're going to do after this nut is cracked may be of very low value to you, and the worst thing you could have is a 10% startup with 50 people. That is an anchor heading to the bottom of the ocean fast, so thinking very creatively and strategically about how you structure compensation and equity so that you make those functional positions work, on both the board side and the employee side, is really important.

I love this next question because I already told you that I get the ads for dentures and walkers. **How much privacy is possible or is privacy a relic of a bygone era?**

Jerry Yang: I think privacy is still a huge issue, and it's tied to all the cyber-security stuff and a lot of the cybersecurity stuff is no longer just random hackers -- it's nation against nation. So I do think that there is a tremendous amount of complexity in that question, and it's still evolving. So even though we have done a lot in the last decade or so to standardize what is permitted or not permitted around privacy, I think as you have new applications and you have new sensors and you have things that are, as medical records are going to the cloud, there's just a tremendous number of issues that I think are forthcoming. I don't think we have enough people thinking about the implications of it. You have to realize companies are basically just trying to implement some policy, and some people are more thoughtful than others; but most companies out there are just saying 'tell me what I have to do, not what I want to do and I'll do it', and it's usually a pretty low bar. And so I do think that over time, and by the way I think if you go to Asian countries like Japan, or Korea, or China, their view of privacy is very different than the United States, or Europe, or Southern America, so I think you have the regional differences that you have to contend with, and so when there're no global standards, it's a really tough thing. So if you're running a global company, it becomes one of those things that you try to optimize rather than use it to help to make your business better. You see it as a task, not as something you can take advantage of, and I don't think it needs to be that way. I think it can be fixed.

Annette Finsterbusch: Right. So you come in at the seed level super angel place and then, I'm assuming that you're working with a company to structure the milestones and product development milestones, customer development milestones, et cetera, and just the corporate structure and so forth. And then they're going to go and they're going to raise money. **How do you mentor entrepreneurs on how to make those decisions? When is it right? For the last 10 years we basically told people, you know, spend as little money as you can and last as long as you can, but what is your guidance for that?**

Jerry Yang: It's obviously particular to the entrepreneur in the company they're trying to build. I come from the school of entrepreneurs [that] are starting companies and companies actually have to make revenue and money. For better or for worse, I think the environment here in the last – since 2009, basically – has been one where you can – build a great engagement business, but you have no revenue and if you have some revenue certainly don't have profits because people will give you more financing if you are viewed as a big, engagement-driven business. Those are just different parts of the spectrum. There's some businesses that are going to be huge if they someday turn on their monetization. So investors are ready to give them a huge valuation and the WhatApps or the Snapchats of the world. There are other businesses that probably are, if it's for the enterprise or if it's something that needs to go get customers one at a time, they probably need to figure out a model that shows profitability early on. Otherwise you know, if you lose money at 1 customer you might lose more money at 100 customers, so I think it just depends. But I caution a lot of our entrepreneurs saying 'look, just because you built a business, you started a company, you built a business and you sold it to Google or Facebook and you did it 3 times doesn't make you a successful entrepreneur. I'm sure other VCs will love to fund you, but to build a business that has impact and sustainability, that's kind of the ones that we're looking for because those are the ones that are likely to survive during the bad times too.' Most of us have only remembered the good times, and I think the bad times, when they come, will have impact on the VC business. It would be amazing how quickly money dries up and how quickly, people stop spending and when that happens, you have to have a business that can sustain and last through all that.

Jerry Yang: You've got a lot of note cards.

Annette Finsterbusch: Yeah, I'm sitting here thinking I could probably cheat on a test with all this.

Jerry Yang: I saw one that said "Where is Dave?" Somebody asked "Where is Dave?"

Annette Finsterbusch: Yes, "**Where <u>is</u> Dave?" "What is Dave doing**?" it says.

Jerry Yang: I only can take by that question that you're bored and sick and tired of hearing from me, you want to hear from Dave…

Annette Finsterbusch: He's apparently not in this room.

Jerry Yang: He is not in this room, no. David is still at Yahoo so he's now the founder and he's on the board, and, you know, we are very close but he's loving it there and I think, for him, he always stayed a little bit more on the technical and infrastructure side so his job there has not only continued but also increased now that he's the founder there and it's great to kind of see him in that role. Those of you who have seen David or not seen David, but David generally doesn't say very much, but these days, you get a mic in front of him and he can't shut up, so it's a very good thing for the company. It's always important to have founders around. It's great to have Dave – somebody like David – there who cares tremendously.

Annette Finsterbusch: This is an interesting question: **As an investor in Chinese startups, how do you evaluate these startups in such a volatile environment? Do you think these companies are truly innovative, from your Silicon Valley perspective?** I think that's interesting.

Jerry Yang: We haven't talked about China, so maybe we could spend a few minutes on that, but I think that, I was again, very lucky to have had my encounters with Jack Ma and Alibaba and really we were fortunate to be able to invest in Jack's company in 2005, so it was 10 years ago. I think that back then the environment was much simpler than now. If you look at now, if you look at the combined market caps of Alibaba, Tencent, Baidu, and some of the large private companies like Siomi, you know it's as robust of a Internet market place as the US. Obviously the US has Apple, which is 700 billion plus, but if you look at Google and Facebook, there's comparable kind of market caps when you look at pure digital Internet companies so – Amazon – so I think China is complex. I don't have any Chinese companies directly; I don't invest directly in China because I'm not there. I'm a firm believer that you have to be there and you have to be there for your companies. You have to understand what's going in their market, you have to be there when something goes wrong, and I can't be an investor through remote control. I do have one company that one of my former colleagues started that I knew well enough to be able to do it, but for a young entrepreneur who I have never met, it would be very difficult. So, most of companies are here in the US, but I think it's fascinating what's going on over there. I go there a lot. I have a lot of friends over there, and I just think that their style of companies are very different. They're not necessarily pure technology companies. They have some mixture, know-how technology, go-to market, almost two out of three of those things are different than you would ever approach it here. And I think that the consumer market is becoming large enough there that you can build companies just to serve the Chinese consumer market, and that's a really big trend that's happening. And sooner or later I think the enterprise market would be large enough there too for indigenous Chinese enterprise businesses. So far, we haven't seen that many, but certainly over time that will happen.

Annette Finsterbusch: So, just to add on to that, I do invest in China for the World Bank, and I would say that the vast majority of investments that we've looked at over the last 4 years are companies that have a counterpart. The technology maybe being developed there has a novelty. I invest, by the way, in deep physics and chemistry-based technologies for climate change, and they do have what we would consider an IP-based technology investing strategy. However, it really is about this new market and about a billion consumers. It's hard not to look at numbers with "B's" on them when you're talking to two guys and their dog in their garage. I still sit on the board of one of those Chinese companies, and it's very difficult to invest from abroad and be very helpful to the entrepreneurs.

Oh goodness, this is a great question. Get your Kleenex out because this one might require some sniffling. **"What was your darkest moment, your hardest, most challenging, where you wanted to quit when you were starting out."** That sounds a little dramatic, but I think that's a great question because everybody has that moment.

Jerry Yang: It's a great question in the sense that I think that every entrepreneur goes through highs and lows, and clearly it's not clear sailing from day one. And I don't think Yahoo's founding days were that easy. I remember shouting matches with our colleagues -- and some of them my really close friends and that we recruited to the company. And I think, pretty quickly, that the thing for me was that you don't let the highs and lows beat you. You want to stay focused on the mission and stay focused on where you want to come out. You develop thick skin for some things. And you develop sensitivities to other things that you may not been sensitive to. But look, it's one of those things where you have to make some tough calls sometimes, and you just have to be ready for it. And I think that's – a lot of times people ask me what leadership means -- and to me leadership is actually a lot of times being unpopular and maybe unpopular for a long time but you knew it was the right thing to do. So all the decisions that I think were unpopular, you know, you sort of find a way to do it and that allows you to make those tough calls but also keep going and try to motivate the people to go on afterwards. I would say that hardest example of that was after the financial crisis in 2008; we had to let people go and I was CEO at the time. So for me, to let go 10% of our work force was the hardest thing you could ever do, so I think you want to do it with compassion, you want to do it with humanity, you want to do it with care, but you also know that you can't not do it. You can't just say 'oh it's okay, we'll get through it.' So making those tough calls, I would say, are the hardest things.

Annette Finsterbusch: Yeah, I would agree. I like this question: "**What are your top 3 don'ts in presenting to VCs or investors?"**

Jerry Yang: You have to realize most VCs you pitch to, investors you pitch to, have seen pitches. You know, and I'm a newbie at this and you been at this much longer. I would say that I've seen thousands of pitches, and so I've seen every version, I've seen different ways; so a lot of people try to pitch it in a way that you don't need, meaning you don't need to dress it up. You don't need to say something that tries to make it too smart or too dumb or whatever. It is what it is and I think a lot of times the best presentations are the ones that kind of get to the punch line early, talk about the strengths and the weaknesses. My sense is that if you don't have somebody's attention in 15 minutes, it's going to be hard to kind of pull them back in -- so be able to tell the story. Pitching and building companies, it's all about storytelling and it's not how well you tell the story, it's not how many times you rehearse it, it's not, 'okay what are your objections? I'm going to go fix it.' I mean some of that helps, but ultimately what has to come through is whether the entrepreneur believes his or her story, and believes it so much that, come good times or bad times, that person is going to fight through it, and I think that's the thing that people miss is. "if I do a bunch of check the boxes and I present this business because you can't find a hole in it, you have to fund me." No, I – venture capitalists don't have to fund you -- they have to fund you because they fall in love with your story. I'm not answering the question properly, but it's not the don'ts, it's the do's.

Annette Finsterbusch: I agree. It's not the don'ts, it really is the do's.

Jerry Yang: Yeah, and it's hard to do, and that's why not everything gets funded.

Annette Finsterbusch: Knowing your market, you know, we hear so many pitches that if you come in and you tell me that the lighting market is 100 billion dollars, then I know that you don't realize what your product is because you are a microsegment of that huge value chain really convincing me that we are aligned and that, you know that I know, right? I think that's one of the key things in my – it's not a don't, it's a do. And hearing the market, right? If you pitch to 10 different VCs and you get the feedback and remember, feedback is hard to get. These are busy people. It's hard to give it without becoming part of the story yourself, so people are afraid in some cases to give it, but to get that feedback is really valuable that at some point you have to know the market.

There was another question about how to find a technical founder, and usually those things are: you hear something about their company and you start working with them and you fall in love, you run away and get married together, right? That's how crazy it is when I left my position as an investor, it's because I found a technology and a team that I thought were the smartest people I had ever known, and they knew exactly what I was thinking about where the future was going, right? So, we were completely aligned in something we knew wasn't going to happen for another 10 years, and when you find that and you're really committed and then go out and tell the story, it's a vision. The second thing, and I think that's what Jerry was saying is, don't let me get halfway through your pitch and I'm still scratching my head to ask what is the product? You need to be really clear on what it is, even if it's not completely fleshed out yet, just own it – own it and let them know. So, I don't know if we really gave you 3, but we gave you 2 really good ones, really really good ones.

Jerry Yang: It's a good question. Fantastic question.

Annette Finsterbusch: This is great one too: **"How is your work life balance compared to when you started Yahoo?"**

Jerry Yang: Leaving Yahoo was not easy, but it was the right time and when I left, my wife had only had one rule for me. Donna's my wife, she's the boss, and she says, 'you could do whatever you want, but don't start another business.' My 2 daughters now are 10 and 7, so this is a few years ago. I want them to grow up having me around, and I want them to feel like daddy is there to do X and take them to Y and little did I know I'm a professional chauffeur, but I wouldn't give it up for anything. And so there is a lot more flexibility in that sense. I feel like I'm working just as hard -- I'm failing the retirement part, but I do think that you can run your life a little bit more around family than if you were running a business. So that's a conscious choice and maybe, someday, I will find another company in me, but right now it's great to live life carelessly through the entrepreneurship.

Annette Finsterbusch: Yeah, I think when you are an entrepreneur and you're in an early stage startup all the way through, where you've got more than a 100 employees, that is your bride and everybody in your family has to understand that. So let's segue over to philanthropic endeavors because your wife is from Costa Rica, which is I have to say I've traveled and lived all over the world and that is one place that for every time I make a vacation, it gets cancelled by something, a hurricane or whatever, so I've not been there, but I hear it's amazing. **Due to her love for the place where she [your wife] comes from, you guys are very strong supporters of wild life conservation. You want to talk a little bit about that?**

Jerry Yang: You know, one of the things that we did together when we got married 18 years ago was to – we had 3 things to do together. Let's see if I could remember them all. We were going to learn about wine together, we were going to learn about art together, and then we were obviously going to do philanthropy together. The philanthropy part was something that we both felt pretty strongly about given where we came from, like Stanford. We met at Stanford and I started my business at Stanford, so to be able to give back to our community early on was always a goal. Akiko was raised in Costa Rica and she always thought conservation and being able to give back in that sense is very important. But to be quite honest, I think philanthropy for us -- and it may be very different for other people -- is quite selfish in a way. We wanted to give back resources that allows us to have an impact on things while we're still alive or while our kids are still alive. So within our lifetime and our kids' lifetime, the world's going to have 10 billion people and you're deep into this as well, saying, how do we solve the problems of 10 billion people on this earth? You could solve it through startups and technology startups that could benefit and solve some of those problems, but not all those are capital or market driven problems. If you look at food issues, how are we going to supply food and enough nutrition for 10 billion people? How are we going to have enough clean water? How are we going to have enough biodiversity in the world to support a healthy ecosystem? People are forgetting that without biodiversity, the food chain gets affected in a way that is very dramatic. So I think it's out of that very selfish motivation to solve the 10 billion problem that conservation became one of the things, because if you're able to help with some very important species like the elephants or top predators like the cheetah, then you have to preserve so much land and biodiversity to be able to create that top of the ecosystem animal. Same is true for our energy and environment effort at Stanford where we think that within our lifetimes in the next and certainly, hopefully our kids' lifetime, something around energy and something around the environment and global change is going to have an impact and hopefully a solution. It's this altruistic-selfish juxtaposition that's motivated us, and we feel like we're just starting. We don't talk a lot about it, but we certainly feel like if we are able to go after it for decades, something positive will come out of it. Even if it's not through our efforts, if it's through somebody else, it’s all good. So it’s been, I would say, outside of having started businesses and getting to know incredible people like Jack Ma, knowing people who are spending their lives to try to help other people, spending their life trying to save things that matter when they don’t get the recognition -- those are really my heroes.

Annette Finsterbusch: So we’re going to invite Don Lucas on up to say a few things.

Jerry Yang: Uh oh! How did I do?

Annette Finsterbusch: I know, right? This is when the rubber hits the road.

Jerry Yang: This is when I get my grade, I think.

Don Lucas: Wow! Look out and see all those great faces. When we invited Jerry to come and speak, he said, “Well yeah, Don, my time is valuable, how many people you think will be there?” And I said, “Well, we had Chuck Schwab here last year -- we had probably 2 or 3 hundred, maybe more. For you, 35-40, mostly faculty and staff, but anyway.”

I know your mother and I know how adamant she was that you attend a quality university, and she was so excited when you came to San Jose and she was just furious when you left Stanford, I know that. This man truly is an engineering genius and, without question, he’s financially successful, but he’s truly a great, great person. To hear him talk about philanthropy -- and it’s not that he’s made a lot of money -- it’s what he does with it. And he’s very involved in various philanthropic programs and gifting and foundations and everything. Jerry, we need more like you, anyway thank you for being here.

Jerry Yang: Thank you (to Annette) so much…

Annette Finsterbusch: Thank you so much.

Jerry Yang: Wonderful discussion, thank you very much.

Joyce Osland: (to the audience) Do you know who Don Lucas is? The business school is named after him and his wife, and they fund GLAC, and most of our speakers are friends of Don. We thought about changing the name of the speaker series to “friends of Don”. Okay, I’d like the ushers to come down please because I promised them they could have a picture in front of you, Jerry.

Jerry Yang: Oh yeah, sure! My pleasure.

Joyce Osland: I’m going to thank you all for coming. Thank you for your questions -- I’m sorry we couldn’t answer them all, but we’re grateful for you coming.