

## **Masters of Scale Episode Transcript: Aneel Bhusri**

**JOYCE NETHERY:** We get a distillate component called isoamyl alcohol. And that isoamyl alcohol in the barrel is going to go through oxidation and esterification reactions to become isoamyl acetate.

**REID HOFFMAN:** That's Joyce Nethery, and she's describing the science behind something that I count as my biggest vice. Though I am careful not to overindulge.

**NETHERY:** Bourbon is beautiful. If you could imagine a beautiful golden amber color, with a gorgeous aroma of some vanillas, and caramel, and butterscotch... bourbon is beautiful.

**HOFFMAN:** Joyce is uniquely qualified to talk about both the art and science of bourbon. She's a chemical engineer turned master distiller. Two years ago, Joyce and her family founded Jephtha Creed Distillery in Shelbyville, Kentucky. Their bourbon-making process starts with corn grown on their own land.

**NETHERY:** Bourbon has to be made of at least 51% corn. So, we grow a beautiful heirloom varietal of corn called "bloody butcher".

**HOFFMAN:** Aside from its extraordinary name, "bloody butcher" corn is the perfect anchor for Joyce's bourbon. But it isn't the only grain in the mix. Joyce carefully considers how each ingredient will react with the others, and contribute to the taste of the final product.

**NETHERY:** We're using rye, it gives you some spiciness... Wheat is a smoother, more calm grain versus the rye... Our water is limestone filtered, iron-free, beautiful water sourced from a creek here... Our barrels have literally been put on fire, like putting your bread into a toaster, and that little bit of nuttiness you get from that toasting...

**HOFFMAN:** It's a simple list of ingredients. But the formula is complex. The end product comes from a cascade of chemical reactions. And to make a truly great bourbon, you have to pay intense attention to the initial ingredients – their quality, their quantity, and how they interact with each other. And then... you have to wait.

**NETHERY:** Part of the, quote unquote crap shoot of it all, is you don't know exactly what you're going to have until two, three years later. Now, before we actually built the distillery, we did do an experiment and that bourbon aged to two and three quarter years.

**HOFFMAN:** When they cracked open the first barrel, the suspense in the distillery was as heavy as the sweet smell of the bourbon.

**NETHERY:** After the years of planning, when we actually got to run our first batch, and have it come out gorgeous, we danced a little jig and "Yay! It was awesome."

**HOFFMAN:** Joyce knew that the choices she made on her initial ingredients would lead directly to the quality of her final product. And if you're a founder, then you're also a master distiller —

concocting the intoxicating mix of ingredients that will take you to scale. Instead of artisanal grains, you're choosing the people you work with. The quality, the personality and the talents of your first hires will set the tone of your culture for years to come. That's why I believe that the first 150 hires will make or break your business. It's up to you, the founder, to get every one right.

## [THEME MUSIC]

**HOFFMAN:** I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe that the first 150 hires will make or break your business. They are your cultural co-founders. And it's up to you, the founder, to get every one right.

That means you, the founder of your amazing new company, let's call it World's Best Gizmos, should sit down with every qualified candidate, and decide whether they're a good match for your company. Every candidate. From chief gizmo designer, to the gizmo receptionist.

And remember, you're not just interviewing 150 perfect candidates. You will also have to interview the thousand-plus finalists who are vying for those positions. If that sounds crazy, I can assure you, by the time you sit face-to-face with candidate number nine-hundred-ninety-whatever, it will feel downright bonkers, because every one of those interviews will occupy valuable time, time that might otherwise be spent on important details like, how you'll meet payroll, or how you'll beat the other gizmo startup.

And you'll feel crazier still when you stop to consider how many shortcuts you've taken in every other facet of your business. Got an ugly first build of your product? Fine. Missed your meeting? Whatever, reschedule.

Regular listeners of this podcast know that I'm a huge fan of shortcuts. It's practically the guiding spirit of Masters of Scale. So why would I encourage founders to exercise extreme caution only when it comes to hiring?

First, bad hires don't just stick around, they tend to be fruitful and multiply.

Second, it's exceedingly hard to fix a company culture at scale. You might be able to revise it. If you have a "C" culture, you can revise it to a "B+". But a "C" culture will never become an "A" culture. The only way you get an "A" company culture is by creating it at the beginning, and preserving it.

Think of those early hires as your cultural co-founders. Their skills and capacities will not only determine what your company can do. They'll also determine who your company can be. The genetics of your company — its culture — is set by those first employees. You, the founder, should be personally involved in meeting and choosing every hire.

Our guest on today's show is Aneel Bhusri. Aneel is a partner of mine at Greylock. One of the things he's known for is investing in startups that focus on enterprise services. At the end of today's show, Aneel and I will go deeper on that topic.

But I wanted to talk to Aneel about hiring, because he took this theory farther than any other founder I know. Aneel's the Co-founder and CEO of Workday, a company that provides backend software systems — like HR and financial management — to many other companies to help them work better.

When Aneel founded Workday with his co-founder David Duffield, they personally interviewed not just the first 150, but the first 500 employees. This dedication allowed them to set the employee-first culture that Workday is known for today, even as they've grown to thousands of employees.

And if you just gasped out loud at the idea of personally interviewing 500 people — as the founder — you're not alone. I did the same thing. Here's how I responded when my producers asked me about it:

**HOFFMAN:** My reaction was ... It was, "Oh my god, that's a lot of energy and time." It tends to be, "We're trying to make sure we have good people," and then, "Oh god, there's only so many hours in the day." For founders, the demands are every fire that's burning in the business.

**HOFFMAN:** But for Aneel, setting the culture — and setting an employee-first culture — was the most burning fire. His belief in setting the right tone dates back to his very first day on his very first job. He was going to work for David, his future co-founder, at PeopleSoft in the early 1990s.

**BHUSRI:** Everybody was really friendly: opening doors, saying hi, looking at you when you walk in and saying hi, all the kind of nice things. Everybody welcomed me, people took me under their wing to teach me the ropes. The personal pieces of it make such a huge difference and sort of sets the tone for your career at a company.

**HOFFMAN:** But the part of Workday that imprinted most strongly on Aneel was David himself.

**BHUSRI:** Dave hired me right out of business school and he was already the founder and CEO of PeopleSoft, which was at the time a small company but with a great future.

**HOFFMAN:** Once again, Aneel's impression of Dave goes back to their very first interaction.

**BHUSRI:** Dave took me out for a beer; PeopleSoft was a newly minted public company, and I thought, "Wow, the CEO's taking me out for a beer! I'm twenty-six years old, I don't know why he's doing it; I want to work for this guy." When Dave hired me, he hired me without really knowing what he was gonna do with me. Told me to take a couple months off and travel and he'd figure it out.

**HOFFMAN:** Dave saw something in Aneel that resonated with him. He didn't know exactly which of Aneel's skills he'd put to use, but he knew he wanted him as a person. And this emphasis on cultural fit, on the person and not just their skills, would stay with Aneel. After he came back from those months off, he adopted Dave's people-first attitude as his own.

**BHUSRI:** When I came back, I basically took on all the new initiatives that he wanted to do and, over time, really became a disciple of his. He had really focused on culture and it

was way ahead of his time on the importance of a positive culture and instead of the stick it was the carrot. And he built the culture around taking care of employees and taking care of customers doing it in the right way and having fun along the way. So I grew up in that culture I didn't know any other culture.

**HOFFMAN:** Fast forward to 2004. Aneel was now the Vice-Chair at PeopleSoft, when Oracle acquired the company after attempting a hostile takeover. David and Aneel decided to start Workday together. Their idea was to take advantage of the advances in distributed computing by managing human resources and accounting in the cloud. It was a radical new way of doing business at that time. I found myself musing about it with my producers when we put together this show.

**HOFFMAN:** Aneel was in a space where they had a head start because they knew exactly what to do, but none of the competitors were moving through the cloud. Everyone was like, "No, no. No one will ever want to put their employee HR data off premises in the cloud." Part of their strategy was to build up momentum under the radar, while they were moving.

**HOFFMAN:** So Aneel didn't have a competition-driven clock. He could set his own timeline. And this was part of what allowed him to pay attention to every hire, all the way to 500. Aneel and David knew that the most important hires were the first hires. In fact, you could say that Aneel and David's first move was hiring each other when they famously co-founded the company at a diner in Truckee, California.

**BHUSRI:** We started the company at Trukee diner, now called Jax. We had several meals up there. Once the company got going we would have regular Chardonnay dinner at least once a month and work through any issues and places where you might not agree on stuff.

**HOFFMAN:** A few years later, before the company went public, they hired each other again.

**BHUSRI:** At that time he was CEO and I was president, and his point of view was, well you're going to take the lead taking the company public and ultimately running the company so you should be CEO and I'll become chairman. And I said well no Dave you're the legendary CEO of PeopleSoft, ... so you should be CEO. And we went back and forth and back and forth. We came to conclusion the right answer was co-CEOs.

**HOFFMAN:** What Dave and Aneel understood with absolute clarity was the importance of getting those first hires right. Because the early hires are actually cultural co-founders. This early cohort will not just set the cultural norms, but also ensure that they're self-perpetuating. And cultures self-perpetuate in two ways: by assimilation and by association.

Cultures self-perpetuate by assimilation when each person who joins the company upholds the culture. This ensures that each person who joins in the future will absorb how people act, and what they value.

**BHUSRI:** What I found, is good people with high integrity, you can teach them a lot. There's a lot that goes with just being with a good person, and you can teach them to be a good manager.

**HOFFMAN:** But cultures also self-perpetuate by association. When you hire a person, you also hire their network. When a new job opens, they'll refer their friends. When you need partnerships, they'll open doors.

The powerful connection of that initial group of hires shouldn't be underestimated. Call it culture, call it mission, when it works, it's critical to the success of your business.

I like what Michael Bush has to say about this. Michael is the CEO of Great Place to Work. And he can help break this down for us.

**MICHAEL BUSH:** You can train someone on technical skills, you can train someone as technology changes, but you can't train somebody on what they believe or what they don't believe.

They have to have shared beliefs about the importance of work. They have to have shared beliefs about the customer and what it means to satisfy the customer. They have to have shared beliefs in terms of what happens when people disagree with each other.

**HOFFMAN:** The key isn't to put together a group of people who look alike, or even act alike. The key is to put people together who believe in a shared purpose. And it's worth saying it outright: Smart founders make sure their team is diverse from the beginning. Caterina Fake — tech entrepreneur and Cofounder of Yes VC — describes it this way:

**CATERINA FAKE:** If you have women in the founding team, if you have African Americans in the founding team, if your team includes Latinos, it just naturally evolves that way. Deliberately choosing and building a team at the very outset will carry through the organization from the get go.

You know, a lot of companies try to graft on these diversity initiatives 12 years after the founding of the company and those tend to not be very successful. It's because the culture has already been formed. The culture is very, very hard to change once it has been established.

**HOFFMAN:** Like Aneel, Caterina believes it's the founder's job to personally interview the first employees.

**FAKE:** Hiring at the outset is the most significant thing that you can do.

**HOFFMAN:** But Aneel numbers? They left an impression.

**FAKE:** Five hundred is high. I mean, interviewing people is very time consuming. I mean, I don't know how... Gosh.

**HOFFMAN:** Just how many people should you consider as your cultural fo-founders? The exact number will vary based on your company and your industry. So Aneel says 500, I say 150-ish. If you have a company of 20 people, the answer is 20. The point: It's on you, the founder, to get every one right.

When founders themselves sit down with prospective employees, they begin the connections with the company culture. Those exchanges of information - from basic pleasantries, to personal questions, to value-based inquiries - serve as the beginning of the dance between that employee and the company culture. These early indicators, the hunches, these dance moves if you will, will serve as the culture that will endure and self-perpetuate.

Aneel and David were laser focused on hiring employees who fit within the concept of how they wanted their business to feel: friendly, open. Like how Aneel felt on his first day on the job back at PeopleSoft. It was a personality. A vibe. And it was also strategic. David and Aneel made some important, early decisions that put employees first — not as an end to itself, but as a means of serving their customers. In the enterprise space especially, Aneel believes customer service is everything.

**BHUSRI:** I think one of the one of the most important things to focus in on is getting value to customers quickly. If they see the value quickly, they'll want to become a customer and they'll want to do more with you.

I look back to the early days at Workday, our customers who chose us, they were true believers and they got us the next wave of customers, and they got us our next wave of customers to the point this last quarter, we signed Wal-Mart and Amazon. It's that customer success that builds on it. And I find a lot of early enterprise companies are very focused on the technology, which is great, but you also have to be focused on customer success.

**HOFFMAN:** You're one of the leaders in “the employees come first as a way of delivering magic and delight to the customers.” What are the lessons from that “put the employees first” and how that shaped a transformative impact for the customers?

**BHUSRI:** We are always rated a great place to work both in the Bay Area and by the “Fortune” magazine Best Places To Work Institute. In turn, we've had customer satisfaction above 95% ever since we started measuring customer satisfaction, probably, 10 years ago.

Right now, it's currently at 98% and I don't think unhappy employees would be able to do that.

**HOFFMAN:** And here's how Aneel's winning approach to customer satisfaction ties into this theory. He believes happy customers begin with happy employees, and happy employees begin with the hiring process.

**BHUSRI:** We just focus on a very simple value set. But we live by that value set. Starts with employees not with customers. Employees are the core of who we are. We hire

great employees. Great employees take care of your customers. We have fun. We innovate. We do things with integrity. We've lived by those core values for over 20 years.

**HOFFMAN:** That value has helped make Workday seventh on the list of Best Places to Work by Fortune Magazine. But let me bring your attention back to something Aneel just said.

**BHUSRI:** We hire great employees.

**HOFFMAN:** It's a deceptively simple sentence, with a lot of wisdom behind it. See, a company's culture doesn't just happen. When Aneel casually says "we hire great employees," don't think for a minute that he's casual about it. Because what he really means is: "We know the kinds of employees we want — the kinds of employees who will fit perfectly into our specific ethos, and advance our specific mission. We know the specific attributes of those great employees. And we hire them.

Aneel knew it was on HIM, as the co-founder, to get each of the first hires right. And he knew clearly not just what he was selecting for — but how to screen for it. It's a rare talent that sits invisibly behind many of the most successful companies. I asked him to share his playbook.

**BHUSRI:** You know this well, Reid. In the early days, it's just you and a few other people. So we just did it ourselves. And we set out to interview the first 500 people, after our hiring managers had identified people and put them through the process for skills, whether they were the right marketing person or technical person or finance person. We would then interview the individual at the last stage, and it would be purely about cultural fit.

**HOFFMAN:** "Cultural fit" is a slippery concept. Different companies have different ideals, and one company's "Perfect 10" will be another's "Zero". Some companies look for free thinkers; others look for employees who will follow direction. Some prize directness, and others want diplomacy.

But whatever attributes matter to your company, it's up to you — the founder — to screen for them. As Aneel describes his methods, you might have an "aha" moment about what you're looking for.

But what I want you to pay attention to has less to do with the exact attributes and more to do with the formula. You have to map back from the kind of company you want to build, to the qualities your employees should have, to the questions you should ask candidates. Almost every breakout company will have a formula that matches culture to hiring.

Here's how Aneel breaks it down. He's always had a rich picture in his mind of the ideal candidates: They checked a lot of boxes.

**BHUSRI:** You know, are they gonna be additive to the culture? Are they gonna be great team members? We're looking for people that had a clear drive for why they wanted to be successful. And you get to that by trying to figure out if they're 'I people' or 'we people'. We're a 'we company.' We don't talk about 'I'. We talk about 'We'.

**HOFFMAN:** Those ideals can sound a bit abstract. But Aneel has a specific way of looking for the “we” people.

**BHUSRI:** You can get to that by understanding the way people talk about their accomplishments. If they talk about 'We did this' and 'We did that' as a team, you know you've got a pretty good fit there.

**HOFFMAN:** At the top of his list? Candidates who were in it for the long haul.

**BHUSRI:** We wanted to build Workday with people that would be with us for five, ten, fifteen years. And, we're now 13 years old and I'm just very happy to see so many of the ten-year veterans still at Workday. A very high percentage of them are still here. We just did a town hall a couple of days ago and we've got tons of people who have been with us 10 years. And that's how you build a great company.

**HOFFMAN:** So how did Aneel predict who would stay for 10 years?

**BHUSRI:** We were looking for people that did not job hop. And you could look at a resume, you can tell if they're the “shiny new penny” type that jumps from one op to another. We were looking at people that were going to be with us for seven, eight, nine, ten years.

**HOFFMAN:** I think it's important to note that Aneel's specific criteria won't be for everyone. In fact, he and I differ on some key points. He places a premium on consistency and loyalty, as measured through the years in a company. And that's valid.

But when I hire, I think about it differently. I tend to think that if you want an adaptive and creative culture as the top priority, you have to hire adaptive and creative people. And adaptive, creative people aren't necessarily going to stay in one job for 10 years.

So longevity is great and important, but I prioritize explicit learning. To what extent has this person actively learned along the way? I always ask people what they would go back and tell their younger selves to do differently. More of X or less of Y? That usually shows how consciously they were learning.

So you have to know who you're looking for. And you have to know the questions that will help you find them. And let me be clear, I didn't understand any of this at the beginning of my career.

At my very first startup SocialNet, I didn't pay enough attention to building a unified culture. This was because SocialNet was the first organization I built from scratch — and I basically made every error you can make in building an organization from scratch.

And I'm not the first entrepreneur to learn hiring lessons the hard way.

**ARIANNA HUFFINGTON:** Hiring is unquestionably the biggest challenge. I've learned a lot about hiring, having made a lot of hiring mistakes.

**HOFFMAN:** That's the unmistakable voice of Arianna Huffington, the CEO and founder of Thrive Global. Arianna now draws a direct line between the culture she wants and the cultural values she looks for when hiring.

**HUFFINGTON:** A thriving culture is essential for the business and the bottom line. It's not a "nice to have," it's foundational. Having two culture interviews that we do now and having a clear sense of: what are the cultural values that this candidate has to match? The most important, ironically, and the one that I have realized is the hardest to teach, is directness. Our number one cultural value at Thrive is compassionate directness, which means being able to have tough conversations, being able to disagree – including with managers and executives of every rank – and being able to speak out when you are upset about something, when you have a complaint.

**HOFFMAN:** How do you screen for directness? The same way you screen for most cultural attributes: indirectly.

**HUFFINGTON:** We ask people to give us an example of when they had to have a tough conversation. An example when they were not happy about something and what did they do about it? We don't even say, "Were you direct?" We say, "Tell us a time when you were not happy." There is no workplace where you're going to be happy all the time. That Garden of Eden does not exist.

**HOFFMAN:** I love Arianna's idea about compassionate directness. But what I really want you to notice here is her formula. Like Aneel, she has a specific method of mapping back from the culture she wants, to the employee traits that support it, to the questions she asks in interviews.

Another company with a winning formula is Shake Shack. The breakout food chain grew out of a high-end New York restaurant business known for paying extreme attention to hospitality. Before Shake Shack, the owner, Danny Meyer, founded Gramercy Tavern and Union Square Cafe. He told me there's one question that customers ask him, more than any other.

**DANNY MEYER:** How do you guys always manage to hire such amazing people? We love the food and everything but your people, that's, that's what's really special.

**HOFFMAN:** I asked Danny, how exactly he hired for the cultural fit he wanted.

**HOFFMAN:** How did you do that? Was it a personal touch or was it systems that you put in place or how how did you go, "These are cultural carriers, these are the people we should be promoting"?

**MEYER:** Well, the technical skills were reasonably easy to measure. I can look at a cook for three minutes and tell you, and taste, whether they're really good at what they do. But I think what we did was to pull out the five emotional skills that we always saw present at a very, very high level in our culture carriers.

The first one is that they all tended to be kind and optimistic. They weren't bullies. And they actually believed that they could make the world better.

Number two was that they were all really curious people. They were people who looked at each day as an opportunity to learn something new, not as an opportunity to prove how much they already know.

Third, they had excellent work ethics. They were people who looked at each day as an opportunity to do something just a little bit better than it had been done yesterday.

Fourth, they were highly empathetic people. They were people who cared how other people felt. They were people that if they were boats going through the water, they would actually they would be aware of the wake they were leaving in their path, and they would care how that wake was making other people feel.

Fifth, these were people who were self-aware. They knew what their own personal weather report was on any given day. I believe hospitality is a really important team sport. What you do on the field in a baseball game is just as important as what you do in the dugout. You're having an impact on everyone else and their performance when they're in the dugout.

Um, did I say five? There's actually six.

Finally integrity, which is having the judgment to do the right thing, even when no one else is looking, even when it may not be in your own self-interest.

**HOFFMAN:** Danny's team heads into every interview with those six cultural ideals in mind, alongside the technical skills of cooking or serving. It's not easy to find a perfect match.

**MEYER:** We started to sift through people and it's frustrating because sometimes there's really really good performers who suck for your culture.

And we also found the other thing to be true. Sometimes there's extraordinarily awesome people who just can't get the job done.

**HOFFMAN:** So once Danny finds that special group of people who are both great performers and great for his culture? He recognizes them as cultural co-founders. And he sends that message.

**MEYER:** The most powerful thing I think a leader does is to signal through the people that they hire and promote what are the behaviors that they want to propagate. If you are super careful about promoting not just the people who are great at what they do, but the people who are great at how they do it, you are sending the most powerful message.

**HOFFMAN:** And this is a page straight out of Aneel's playbook. Aneel had personally selected his first 500 cultural co-founders — with the intent of sending a message to future employees.

**BHUSRI:** We thought, "Hey the first 500 will get the next 5,000." And we frankly didn't think much beyond that next 5,000. We're now 8,000, the idea was that it was a critical mass and enough of those people would be there in five to ten years, that they could continue to uphold the culture and value system.

**HOFFMAN:** He was confident that this first group would keep the original DNA of the culture alive themselves. How? Well, for starters, he told them to.

**BHUSRI:** We decided I think it was at a company meeting, to say, “Ok, now you guys are on the hook. You interview the next 5,000. Make sure the next 5,000 people are great cultural fits.”

And the first 500 took it really seriously. They still to this day take that role very seriously as ambassadors of the culture. And you know, it's worked out really well. We continue to attract the people that fit our culture well. And if we make a hiring mistake we typically act on it pretty quickly. That dilutes the culture if you don't.

**HOFFMAN:** But culture is reinforced through more than just hiring. Aneel's “for all” leadership style enables Workday employees to do great work, and to pass that ethos on to others in subsequent generations.

**BHUSRI:** To have your employees be happy and productive and feel empowered, it's a lot of work. In the early days it's not as hard because it's a small group and you can get everybody in the room to make decisions. But as you get bigger you need to make sure you don't become bureaucratic and process oriented and you don't you don't lose your fun.

It's the merry band of warriors when you're a small company but when you're over 6,000 people like we are today, you've got to focus on still staying nimble, still staying small and fun and creating environments for people to celebrate success.

So we do a lot to celebrate success. We have quarterly team awards. We have quarterly best employee awards. We have the quarterly innovator award, where we're celebrating people's accomplishments. And so everybody is motivated that, “Hey we get additional stock if we hit that 95 percent customer satisfaction level.” So you drive behavior through the incentives, and shared incentives are always the best.

**HOFFMAN:** Workday isn't just rewarding its employees here. Workday is rewarding its company's culture. It's saying, “Hey, you amazing people who uphold everything we stand for, keep doing what you're doing.”

This kind of acknowledgement is the nurture to the nature of the original group of Workday employees. You have to continually reinforce that original ecosystem, while also allowing it to evolve.

Since Aneel is one of the few scale leaders who can tell us exactly how to evolve culture as you grow from 5 employees to 500 and 5000 and beyond, I asked him to paint us a picture of how that happens. How does Workday maintain the culture he invested in so deeply early on?

**BHUSRI:** My goal is to have a management team that is typically two or three years ahead of where the company is today. The team that got us from 0 to 50 was awesome,

absolutely awesome— all hands on deck, the managers are the doers. When you want to go from 50 to 100, 100 to a billion, then you need to build in process and scale, and you need to come in with professional managers not just being managers but managers of managers. And that 50 or 100 million to a billion, that phase was all about process that we could grow globally, and we went from a \$50 million dollar business to \$1 billion business. And where we are today and we go from \$2 billion to \$4 billion in a couple of years, is much more of a “trust but verify” model, where the manager has to hire managers who they trust, but every now and then they need to dig in and verify, because you can't touch everything in the business, and so it constantly evolves. Very importantly though, we don't let the other group go, because those people that got you from 0 to 50 are really incredible, and so are the people that got you from 50 to a billion. So you find them other roles in the company because the skill set does change.

**HOFFMAN:** So how do you maintain a culture of innovation as you grow? Because it's one of the things that's I think hardest to do as you begin to get in the thousands of employees.

**BHUSRI:** Well, so, I think one of the ways you do it is constantly expand the product portfolio. So you know, we started out as HR, we moved into payroll and moved into recruiting, we moved into finance. Recently we moved into what we called Prism Analytics. If you're constantly coming up with new products, it drives, it drives the culture. And for people working on the existing products, they can either join the new product team, or they can take advantage of some of those new capabilities in those new technologies and within their own products. But we always have an area where we're experimenting, and it's really important to our culture, and people can rotate in and out of that area if they've got a certain passion they want to build towards. Nothing drives innovation more than continuing to expand your product portfolio. Not getting crazy about it but that's growth. That becomes also a way to become more strategic to your customers.

**HOFFMAN:** The original DNA of the company will give way to successive generations of employees. They will continue to build your company on that solid genetic foundation. And they will help it adapt, and evolve.

That's the end of our investigation into this theory. But stick around after the credits. Aneel will share a few thoughts on the trends he sees as an *investor* in enterprise startups.

I'm Reid Hoffman. Thank you for listening.

#### **[AFTER THE CREDITS]**

**HOFFMAN:** You're in a very rare set of people who are both spectacular operators and spectacular investors. These next questions are in this intersection. So many folks are familiar with consumer rocket ships like Google, Facebook, and others. What's different with enterprise rocketships?

**BHUSRI:** In enterprise, products that are 10 or 15% better might have a short run of success but usually the large incumbents can catch them. So if you look at the successful enterprise companies that have been built the last 15 years, they're really

disruptive to the existing ecosystem. Cloud — whether it was Salesforce or Workday — was very disruptive to SAP and Oracle. Not only was it a brand new technology model that was hard to copy and hard to emulate, it was a brand new business model.

And that disruption gave customers maybe a 50% cost savings, enough for a customer to take a look at it and say, “We ought to explore working with this new company even though they're they're relatively young.”

And then I think the second piece which is missed in enterprise but absolutely nailed in consumer, is the user experience. I think if you take that disruptive technology platform, and marry it with a world class user experience, that can lead to success.

**HOFFMAN:** What would be some of those things that you would be looking for in new startup projects today from enterprise entrepreneurs?

**BHUSRI:** So I think one of the one of the most important things to focus in on is getting value to customers quickly. If they see the value quickly, they'll want to become a customer and they'll want to do more with you. So get quick wins. Do whatever the customer asks you in the early days. There's nothing, there's nothing that's more valuable than a happy customer.

And I look back to the early days at Workday, our customers who chose us, they were true believers and they got us the next wave of customers, and *they* got us our next wave of customers to the point this last quarter, we signed Wal-Mart and Amazon. I find a lot of early enterprise companies are very focused on the technology, which is great, but you also have to be focused on customer success.

**HOFFMAN:** Is there anything in particular about the founders of the entrepreneurs that give you that right prediction within the enterprise context for who is going to have the right customer focus? How do you look at the entrepreneurs?

**BHUSRI:** So different than consumer, enterprise founders typically come from an enterprise background, they don't come out of left field, you know, they don't come right out of college. Every now and then you'll see a professor come out or a grad student come out with some really cool technology, but you'll still need that business person that knows how to tie the product to the market. And if there's a skill set that I think is really valuable, it's that product marketing skill set: “I recognize that this is a really cool piece of technology, and by the way here's the business problem it solves at a customer site.”

And so I'm always looking for that deep understanding of the problem that's being solved by this new technology, not just the technology itself, but what problem is it solving for the customer? Why is that not being solved by existing products and why is it going to be timeless? Why is someone going to buy this product and want to keep it for the next five to ten years? Because that's how real real value gets, gets built.

And I'd say the last piece is always looking for painkillers as opposed to vitamins. Lots of technologies can make your life better. And you know, with all the things that you're working on “Great, makes it better. I'm already feeling pretty good but this will make you

feel better.” Versus “I’m in a ton of pain here.” And you find somebody that’s in pain and you can solve their problem? That is a much better place to go. Solve the pain. Maybe you can add vitamins down the road, but first solve the pain.



