Oral History of Mark Leslie, part 2

Interviewed by:
David C. Brock
Marguerite Gong Hancock

Recorded August 11, 2017
Mountain View, CA

CHM Reference number: X8268.2018

Hancock: Well, today is August 11th and we're here for part two with Mark Leslie. Thank you so much, Mark. I'm Marguerite Hancock and we're here with David Brock to continue our conversation. Thanks, Mark, for joining us here at the museum. So we last left your story at a cliffhanger. You had finished your work at Rugged Digital and you were surveying the landscape and thinking about what's next. So let's pick up that story and can you share with us again just a context for today's conversation what you were looking at and what were you looking for in terms of where were you going to put your energy?

Leslie: Sure. So having-- my first company blew up; my second company was kind of a turnaround but not one of these great Silicon Valley successes. I was still quite enthusiastic about creating and building a company but at that point I come to the conclusion that I can't really predict the outcome. And I spoke last time about how the-- as an entrepreneur you get one opportunity every four or five years. As a venture capitalist, you get an amazing deal flow; you see everything; you spend all your time of the job of actually thinking about these things. You get to make 30 bets, 1 in 10 of them are quite good and 1 in a thousand are amazing and a lot of them are not, so I concluded that my ability to compete in that arena of trying to pick a winner was really not very advantaged. So I concluded at that point in time that-- I sat down and I spent some time and said, "Well, if that's not the criteria what is? What is important?" and I concluded that I wanted to work in the software-- run a software company; I had never done that before. I decided that software was a intrinsically better business than a systems business. You do not depend on building hardware-- developing and building hardware so you-- so half the development cycle is-- all the systems companies have to do software and hardware; if you're a software company, you only have to do the software so you don't have to go-- double your pleasure-- double your money, double your pleasure over here, number one. Number two, the software business is an intrinsically better-- intrinsically more capital-efficient business. In running a business you-- in a hardware business you have to have inventory; you have wastage as you kind of go through the process; you have customer demonstration equipment; you have product life cycles where you get ready to introduce a new product. The other one stopped selling; the new one's late and so you kind of go through a trough period in your business and it's very, very painful. There's all kinds of issues with the hardware business, the systems business, and not the least of which is that when you look at companies that run into accounting problems and things it's always writing off inventory and if you don't have an inventory account that's kind of-- pretty sweet; you don't have to worry about that so the software business-- And I was originally a software engineer, not a hardware engineer, so that- that's kind of where my heart was as well and I thought that's what I wanted to do. The second thing I concluded was that I wanted to be in the data path. I think there's three kinds of software, software that "does stuff", software that "watches the stuff that does stuff", and software you use to create the first two, and in those three categories the software that "does stuff", the data path software, that would be applications, the databases, operating systems, networking, infrastructure, etc.; that's where the largest markets are and the most-- the greatest value is built in companies. The stuff that watches the stuff, management systems and reporting systems and display systems and whatever, are really secondary in market size, and substantially more crowded and more difficult to make money in. And development tools is a terrible market generally speaking. So I wanted to be in the data path. Moreover I said, "I really want to be in-- not in applications but rather to be in infrastructure" just 'cause I wanted to be there. And then lastly I said I wanted to be actually in the operating systems business; that was-- as a first choice that would be most intriguing to me, most enjoyable so I wanted to do that. I wanted to find a company that was-- had developed some traction; the risk of traction, if not fully mitigated, was at least partially mitigated. The risk of traction in small companies is the largest risk. Does anybody actually care when you build a product? Do they actually come to market and buy it? I wanted to work with-- in a company that-- I always describe it as "I'm a real smart guy but around here I'm a little below average and I wouldn't have it any other way." So that's what I looked for in a company, to work with really smart people. And so kind of given that view of the world I used that as the lens in which I looked at all the different opportunities over that year. As I said, I was consulting in order to be in the market and see what was there. I saw a kaleidoscope of a hundred companies, most of which I didn't look at closely, they just passed by, and I finally ended up going to a company called Tolerant Software so a little bit of background on that. I was--

<crew talk>

Hancock: Before we jump into the Tolerant story, I wonder if we could just for those who weren't part of that milieu, could you just mention some of the names of the companies and then what they were doing so we have a little bit more of the landscape before you jumped in?

Leslie: Mention companies of—

Hancock: That you were looking at of these hundred of the kaleidoscope.

Leslie: I don't remember.

Hancock: You don't remember any of them.

Leslie: I don't remember any of them.

Hancock: All right. Well, let's move forward then so you--

Leslie: Actually, I remember one. I'm not sure I remember the name of it but it was a real-time operating systems company and it was really interesting 'cause I really, really, really wanted to do this company and the guy-- the principal venture capitalist director wanted to take it in the direction of development tools and things of that nature and I said, "No, no. This can be a great operating systems company" and we had this discussion and he just wanted to go a different way, and I was really disappointed that that deal didn't happen. So the company that eventually emerged was a company called Wind River. I forgot the name of this company I had looked at, but I was-- for the next five years I was convinced that if I had had that job there'd be no Wind River and it turns out that a couple or three years later this VC that didn't hire me came up to me and said, "If it was you, there'd be no Wind River," I mean this same guy. I mean it was clear after-- in retrospect but I had the vision this was-- these were operating systems for real-time systems and I had real-time experience and I had operating system experience and I had OEM experience. I was the perfect fit for that job. It was just perfect for me, and I was disappointed that I didn't get that. It's the only one I remember kind of feeling like oh, that was the right one and it didn't happen. Go figure. Right? I'm sure Veritas is a better outcome. <laughs>

Hancock: For sure, but that's very interesting to know that kind of thought process. So let's continue. So you--

Leslie: Okay. It was named after some guy, the name of that company, and it was just-- I looked at that and I said, "I know what to"-- I just knew what to do. I was totally excited about it. You can see my-- how animated I am. Right? So I had been recruited to the board of directors of Tolerant Systems probably a year before this and I had been recruited to the board of directors 'cause they actually tried to hire me to be the CEO of the company. It was one of the companies that passed in the night. And Tolerant Systems was somewhat in the same-- it was in the same marketplace that my first company, Synapse, was in so I was kind of a natural candidate, that I had been thinking about this marketplace and I was kind of up to speed on the technology and knew the competitors and knew the space and everything like that. And I looked-- as part of my due diligence I looked at the company and I came back to the investors and said, "So this company is"-- and the company was doing well at that time. There's been $50 million invested in it; this was originally an Adler company. The people who made the investment at Adler were then the founders of Accel; that would be Arthur Patterson and Jim Swartz. They were at Adler and then they started Accel; they made the investment at Adler; then they reinvested at Accel. And I made the point that I said, "Look. This company actually needs to re-implement its idea onto a different architecture." They were on a National Advanced Systems microprocessor chip and the whole industry was going to [Motorola] 68000s and that's where the future was because of the speeds in which that was being enhanced. And I said, "That's-- it's a lot of work." I said, "There's a lot of fix-up work. There's probably $20 million of investment that has to go into this company" and I said, "I don't think there's any appetite for the existing investors to actually want to do this. You've got to spend $20 million and you've got to go through a trough in revenues and-- etc., etc., and then it's uncertain if they'll ever come out of that." Right? So they said, "Well, look. Why don't you come and join the board and you-- help us think about it" and I said, "Okay" and so I was on the board. This was probably in '88 and the company eventually did fail; they were kind of-- about a 200-person company at that time. I think they were in a quarter where they were supposed to do-- I don't know-- 15 or $20 million in the quarter and they had been making their prior quarters each time a little more strenuously than the last time, kind of reaching a little harder, and they finally-- and when that happens-- this always happens. You finally miss the quarter and when you miss it, you don't miss it by a little bit. It was a catastrophe. They kind of came in at three million bucks on a twenty-million-dollar quarter; it was awful. And that forced a decision in the company to say, "What do we do?" and they decided to shut down the systems business.

Now Tolerant was at that time kind of a clone of the Tandem architecture, what they call the loosely coupled technology, and they were implementing this loosely coupled technology on industry standard microprocessors instead of a proprietary instruction set and an industry standard operating system called UNIX. And so that gave them the opportunity to be to Tandem essentially what Sun was to Digital, the newer, younger, lower-cost, faster-innovation company; that was the kind of the theory of the company. Now it turns out that Tandem was in the business of competing with IBM in this very enterprise business and in order to compete in the enterprise business UNIX was missing a lot of pieces because it was essentially a-- it had started out as a laboratory operating system. And one of the things that Tolerant Systems was forced to invest in was to make UNIX more commercially robust so that it'd compete in the enterprise. So when they shut down this company-- they shut down this hardware company there were about ten people left-- oh, and I should say they had this- people who were doing these critical enhancements to UNIX somewhat segregated and they were actually trying to sell this technology to other competitors in the UNIX business as a way of bringing cash into the company so they wouldn't have to go raise more money so not a great idea. But desperate people do desperate things. Right? So the company shut down and the decision was made that we're going to keep these ten people working on this critical UNIX software and see if there's anything that'd turn it into a software company. It's a very complex business, the hardware systems business. We were engaged in a consortium of all the Korean companies with licensing our technology to them and so we had a lot of obligations as a company that were kind of-- we had customer obligations. There was a huge amount of cleanup to do on the systems side to not get sued by everybody and their uncle so they did this. They laid off 190 of the 200 people, there were 10 people left, and this little UNIX group was working on really things that I think were-- that I thought then and it turned out to be true that were central to the success of UNIX as a commercial operating system. And one of them was a file system that was in-- and UNIX had an installable file system you could bring-- they had different brands of file systems in there. We built a file system that was in the class of an IBM mainframe and we built a virtual disk system that subsequently became known as RAID and everything like that but we were the pioneers. We built a system that said, "If you have a file that's bigger than a physical disk, you can make believe-- you can create a virtual disk that's any size you want and we'll do all the housekeeping with little disks to make sure that you don't see that. If you want mirroring, you don't have to figure out how to do that. You just say, 'I want mirroring' and we'll figure out how to do that." So we created these virtual disks, mirroring, striping, spanning was creating larger disks, and we said-- we opened the door to say, "You don't ever have to worry about disk construction, disk geometry. Just worry about your application" so it was very mainframe oriented. That's the two things that the company were doing and—

Hancock: How long did it take to develop from sort of this total re-pivot and restructuring to be able to have those new two things in place?

Leslie: It was a big project. When I got here they were mid-stream in this. The key architects actually came out of Amdahl, which was an enterprise business; it was competitive with IBM so they had that culture and that ethic of how to build really mainframe-class stuff. So prior to the company going through this cataclysmic event they had entered into a conversation with UNIX Systems Laboratories. UNIX Systems Laboratories at that time was part of AT&T and the conversation was that AT&T needed to enhance UNIX. We had the leading technology although incomplete; clearly where we were going was the place that people needed to get to. UNIX Systems Laboratories at that time was in a war with-- it was called the Hamilton Group. There was this other UNIX-- I forget the name of it-- but DEC, HP and IBM had said, “We’re going to have our own version of UNIX and not depend on USL” so there kind of was a split, a chasm in the industry over what’s the standard of UNIX, right, even though AT&T actually owned the underlying IP, but because of this pressure it made AT&T amenable to doing whatever it took to be more competitive. And so what was in play at the time that I-- that this was all going on was that they were saying, “Look. Why don’t we work with Tolerant Systems? We will forego our opportunity to create our own file system and volume manager in favor of yours and then we’ll go to market together”; that was the kind of the plan and I looked at that. Although this software company had no traction-- if you remember that was one of my requirements-- although it had no traction, I looked at that and I say, “Well, if that happens we will be in a position in the marketplace that will allow us to get traction and to essentially reduce competitive opportunities from other companies.” So I kind of looked at that and said, “That is sufficient on the traction side to attract me” and at that point in time I went to a couple of directors and said, “You had asked me to come and join this company as the CEO and I didn’t do it because I saw these issues. I’m-- actually interested in running this tiny, little software company of ten people if that’s of interest to you.” And they said, “Well, let us think about that” ‘cause they had already had the CEO of the prior company now running the software company. Right? Now the person who was running the hardware company who ended up running the software company ‘cause he was there <laughs> was unhappy. It was reported to me that he was sitting in his office writing his own programs to do stock trading rather than paying attention to the company. People were unhappy. So the directors went and did a little survey on what’s going on in the company and they walked away saying, “This person who’s running the company has no interest in it” and they asked him to leave so anyway they-- before they asked him to leave they said, “Okay. So we’re ready to talk” so I said, “Okay.” So we said-- one of the guys said, “Look. Why don’t we just meet up at our office on Friday afternoon at three o’clock and we’ll sit down and talk about things?” and I said, “Great.” So I go up there on Friday afternoon and we sit down and talk and they said, “Well, what would it take?” and we talked about salary and we talked about stock and we talked about the board composition. We talked about a whole bunch of different things and around five o’clock the conversation was over and one of the directors says to me, “Look. Well, I’ve written all this stuff down on this yellow pad. Why don’t we just all sign this thing and we have a deal?” and I said, “Okay.” <laughs>

Hancock: What a great afternoon.

Leslie: The plan of transition was they’re going to go in on Monday at four thirty and fire the old CEO, I’m going to show up at five o’clock and they’re going to introduce me, and at five thirty they’re going to leave and I’m there alone. That was the plan. <laughs> So I signed this thing on Friday afternoon and on-- I have until Monday morning to say, “Wait a second,” right, so there’s not a lot of time to think it over or anything like that; anyway it’ll work out okay. So this software company had been in operation about-- oh, I don’t know-- about five, six months at that point in time. I was now on the board of this software company and they had changed their name ‘cause it was a new business and everything like that and they told the board, “We want to change our name” and your board of directors say, “Whatever,,,” And they came in one day and they had a flip chart with a curtain in front of it, right, ‘cause they’re going to do the unveiling. And the name of the company is Tolerant Systems and they go through all this thing about how they kind of came up with this new name and everything like that, and they put their hand on the curtain, “ta-da,” and they open it up and it’s called Tolerant Software. <laughs> I mean so I was sitting there as a director saying-- well, you can’t say anything. I mean it’s their company and they’re the guys that are doing it and you don’t want to go rain on their parade or anything like that so it’s like “Whatever.” So anyway when I finally got there I met this team and I said, “Look. I’m a very participative manager. I believe everybody should work together but before we do any of that stuff we’re changing the name of the company” and they all looked at me and they said, “To what?” and I said, “I don’t care as long as it doesn’t have the name ‘Tolerant’ in it.” So we decided to have a little naming contest. We encouraged everybody in the company and everybody’s family to submit opportunities-- naming opportunities. I submitted a name that a friend of mine-- I was on the board of another company and a friend of mine who was the CEO of that company had a naming consulting firm generate three pages of names so they picked one and I said, “So are you using that paper anymore?” <laughs> so I picked out the name “Veritas” from that paper actually, which was pretty cool. So we ended up with three names, Veritas, Aegis and some third name-- I forget what that one was-- and we gave it to the attorneys and said, “Which one would be the least expensive to change our name to and to own?” They do a search about who’s going to sue you for these things so we ended up with Veritas so-- And I said to the management team-- I said, “Look. It’s important to-- if you change the name of the company, it’s important to send a message to your customers and equally important to your employees that it’s new, it’s different and it’s changed” and Tolerant-- the word ‘Tolerant’ doesn’t do that”; it was just too subtle a change. So anyway we changed the name of the company and we announced this to the troops and-- not a lot of troops, we had a few troops, and we had a new logo and everything like that.

And the next day one of the more cynical engineers comes in wearing a T-shirt that says “VERITAS. We’re not Tolerant anymore” <laughs> so that was pretty good. There was a lot of heavy lifting to do early on in the company. We did a 50-to-1 reverse stock split.

Brock: Reverse.

Leslie: Huh?

Brock: In reverse.

Leslie: Yeah, 50-to-1 reverse stock split. We had to go around-- and I asked the board to do most of this-- we had to go around to most of the-- to some of the other directors and many of the board observers ‘cause there-- a board meeting was 20 people in a room before management got there so I said, “Look. We just can’t do this. We can’t do this.” I said we had to do a capital-- recapitalization although they can’t raise money-- you’re not-- certainly not going to raise money on top of the 50 million invested in Tolerant Systems. We had to extricate ourselves from this contract in Korea. I have a little story on that. Would you like a little story on that?

Hancock: We do.

Leslie: Yeah?

Hancock: What is that?

Leslie: So we have this contract that goes on for years. We license technology. Initially, we sell systems, then they eventually come and build their own and they send us royalties, and it's fenced off to either Korea or Korea and a few places in Asia or something. I don't remember exactly what the details were but there were five companies involved and it was government sponsored and it was Samsung, Daewoo, Lucky Gold Star and one more. It was the big-- not keiretsu; they call them something else in Korea-- but just—

Hancock: Chaebol.

Leslie: There were five of them and all five of them were in this deal with us, right-- there were four plus a government agency, all five of them, so it was a very, very complicated business, right, to discuss things with them. So me and the CFO, my sidekick, we get on an airplane and we go to Korea and we get in this room and there's two of us and fifty of them; each one of them has ten people in their group. And we get <laughs> up in front of them and we say, "So we're getting out of the hardware business" <laughs> "and we want to go-- make a deal with you guys and cut you loose and do what we can to help you out and"-- etc., etc. So we had this-- it was this marathon session all day long. We don't speak Korean; we don't have our own interpreter. They're talking to each other. The only word we hear is "counterproposal" so we only hear-- the only word we can recognize in the whole discussion is the Korean word for "counterproposal" and so finally at the end of the day we make an agreement that we're going to have this structured kind of separation. We're going to give them all of the IP to keep; they can do whatever they want with it. We're going to do some additional engineering that was required in order to get it up to a level that was workable for them. They were going to pay us money so that was kind of a partial financing for the company. I think it was worth about $3 million to us; that's a lot of money. And so we went home. One of the things I was doing at the time was as a brand-new CEO I was interviewing each and every employee in the company to find out what they like and what they don't like and what makes them happy, and one of the most prominent messages that came from that was "We're really excited about what we're doing over here but we're software guys and the guy running engineering is a hardware guy left over from the old company and we don't want to work for him" 'cause software guys are better than hardware guys; they didn't say that but <laughs> I had never met a software guy that didn't believe that. <laughs> So I called the VP Engineering into my office and I said, "Look. You're a wonderful guy. They just don't want to work for a hardware guy so we're going to have to make a change but we have this big project for Korea that we're going to put you on a consulting contract for three to six months and give you a nice runway to make a change and no hard feelings" and it worked out great and we ended up recruiting a new VP of engineering.

Hancock: So Mark, you called it heavy lifting. There's an incredible amount on the capital side, your partners, very difficult. People considered it risky. You could have in a sense maybe started a company on your own and yet you chose to take one that existed and shift it. Tell us a little bit about kind of what was in your mind as you were thinking about building Veritas as a new CEO and that decision to remake and reshape and then build--

Leslie: It's a very interesting question and I think a lot of my commitment at that time with all this heavy lifting was really more intuitive than it was intellectual at that time. So one of the things you had to believe in order for this to be an attractive opportunity is that UNIX was going to be ascendant relative to IBM in the mainframe business; this is 1989. Now that was not an easy thing to believe in 1989. IBM enjoyed complete hegemony in the industry at the-- certainly at the enterprise mainframe level. Microsoft was emergent but they were a desktop system at that point in time; they were not yet a-- an enterprise system. You could not read any article about the industry in the trade press or in the financial press-- in the business press that didn't have a quote from Microsoft in it; that's how pervasive they were; their influence was so pervasive in the industry. They had taken out all the other mainframe companies at that point in time, CDC and Honeywell and what they called the seven dwarfs if you remember.

Brock: Yes.

Hancock: Yes.

Leslie: I'm sure you-- in your work you've seen that. And I believed that. I believed that UNIX was going to be ascendant. I didn't actually realize how complete the ascendancy was going to be 'cause ten years later it was essentially over. UNIX had won. Today it's called Linux, and had essentially replaced the mainframe as the operating system of the future. There's a long legacy of it, right, but in those ten years the world changed and-- but I believed in 1989 that UNIX was going to be ascendant so that's one of the reasons I was involved. One of the primary motivations for me was vision of the future, which I think-- I believed that disruption is the mother's milk of opportunity, right, and I could see this disruption and I thought this was the right company-- I mean-- well, not the right company but a company that could play in this thing. Now it turns out-- there's a little bit more information here and then I can answer the question a little bit better. I went and renegotiated the AT&T agreement so it was-- just as I got there this agreement got signed, which is what I had believed when I went there, that it would get signed. A few months later I went in to AT&T and said, "This agreement we signed"-- <laughs> I mean always-- you find yourself doing things you never believed you would do when you're a CEO of a company-- in a startup. It's just like "Really?" So I call up the president of UNIX Systems Laboratories, "I need to come to see you." I make an appointment. I go in to see him and I said, "You know that agreement we have? It doesn't work for us. We need to renegotiate it" and he turns around and looks at me and he says, "We just signed it six months ago" and I said, "I know but it doesn't work and if we go out of business it's not good for you. It's worse for us but it's terrible for you so we got to fix this thing." We had an agreement where both parties were going to go share-- both parties were going to market, sell and then share revenue 50/50. I concluded after a couple of months that they weren't going to sell anything because it wasn't their life and death; we were going to do all the work and we were going to give them 50 percent and it didn't work for us. So I came in and proposed that we change it to 85/15 and we give them 10 percent of the company and they agreed to that.

Now you have to-- so here is the really interesting thing. Veritas could never have been a startup; it had to be a restart. So as a restart we had the benefit of the technology; it was already under development. The AT&T agreement was crafted and signed at that point in time when we became an OEM supplier to the systems companies. The idea of Veritas was we were building this-- operating system components and we were going to sell them in the form of a source to Sun, HP, Micro-- not Microsoft, IBM and the other 97 UNIX systems companies, Dansk Data, ICL, Siemens. I mean they were just everyplace, Honeywell Bull, Prime, Sequent, DEC, Data General; everybody had a UNIX offering so-- and there were about a hundred companies. So—

<crew talk>

Leslie: Oh. So we had this business model where if we had tried to start this company and raise money and said, "Look. We're going to develop this software, we're going to go craft a deal with AT&T after we develop it, and because of that we're going to have a proprietary position in the marketplace and we're going to close all these OEM deals," we would have been laughed out of town. There's no way you could have convinced anybody that that was a viable plan but because we were already in the business and because we were already in mid stroke in our journey over here we were actually able to accomplish something that we could never have accomplished as a startup; we never could have-- It was just ridiculous to think of this as a startup; we're going to go build something and we're going to go get a contract with AT&T. That's a unitary risk. Right? If that doesn't happen, you have no company and if that didn't happen I'm not sure how you'd actually be able to do this, and we were able to go into these-- all these other companies and say, "We're AT&T's partner. They're not developing this stuff. We're going to OEM it to you the same way they OEM UNIX to you and we're going to make you successful" and we became an arms dealer. You know, we'd sell it to one and then we'd say, "You compete with the other guy," and then we say "You compete with the guy we just sold it to, and you're in trouble. You don't have the weapons," right? And we thought of ourselves as an arms dealer, but we didn't tell that to our customers, but we thought of ourselves that way. So Veritas never could have been a startup. That's one of the fascinating things about the story is that if it didn't have this horrible past that kind of created these assets. We never could have done it.

Hancock: Thank you so much for explaining that. It really crystallizes an important understanding. I'd like to pursue that by getting a little bit more into the mind of you as a CEO. Did you see this strategy like a chess player, pieces in advance, or were you discovering it as you-- as the weeks and months went on?

Leslie: Well, the strategy of the deal with AT&T and becoming an OEM supplier to the industry was pretty clear. I mean, that's who we were. I mean, that was who this software business was when I was on the board, right? I mean, that's-- and I understood the OEM business, you know, and I understood the software business and I understood operating systems. This was a perfect fit for me, right? So that wasn't-- you know, there wasn't really much-- at that moment in time, there wasn't a lot of strategy. It was about, you know, going out and making this thing happen, right? So then we had to go out and raise money. We got a little bridge loan from our investors and then went out and talked to the world of venture capital, which I knew a lot of people in that world. We got turned down 50 times in a row. And always my students asked me, "How could you keep going?" and I don't even know the answer to that. It's just like, who cares when you get turned down? You just go knock on the next door. I mean, to me it was like-- I'm sorry-- to me it was just like, "Duh, you just go knock on the next door." You just keep going until you finally get someone to do it. So we finally found an investor who had a-- a senior investor who had a brand-new, you know, associate and he said, "You do the analysis and make a decision." This person was shaking he was so nervous about the whole thing. We brought him across the line unfairly. I mean, we just kind of bludgeoned him into this deal and we finally got an investment into the company. With the bridge loan and the new investment, Veritas raised a total of $4 million to build this company. We never raised any more money after that.

Hancock: Who were those early investors? So we can get their names on the record?

Leslie: The early investors?

Hancock: Mm-hmm.

Leslie: Oh, at that time?

Hancock: At that time.

Leslie: The new investor was Bessemer Ventures. Neil Brownstein was the partner who made-- he actually let this guy make the decision. I'm not sure whether he approved of it or not, but it was part of the development of a new person in the firm, right? Sometimes, you let them make a mistake. It wasn't an expensive mistake. It was a million and a half dollars they were doing and the Accel Ventures and Matrix Partners were the other two principal investors and then there was one smaller investor out of Toronto. I forgot the name. Ben Webster was the investor. He's a great guy. And that was it. That was the investment group at that point in time, and we had had, as I said, 20, 30 firms had prior invested and nobody invested in this. This was, you know, kind of-- they all moved on.

So now we've got the AT&T project cleaned up. We're finishing up our software, we're out selling our software and the first year we actually didn't have any actual software to sell, so we sold them agreements to be friends with them. You know, we make them into partners and we gave them, you know, an early look at things and we visited with them and we charged them twenty-five thousand dollars for that. We sold a bunch of those, you know? Because when you don't have anything to sell, you sell what you got, right? So we did that. And then we really built great products, truly great products. We had a great development staff. They build enterprise class products that were extremely high quality. It was quite remarkable and we went out and we delivered this to these various OEMs. Now, the problem with our business is that when you deliver it to the OEM, they don't ship anything. They have to integrate it into their version of UNIX, which goes out on their next release. So every place we went where we were successful, there was a delay between the time we sold it and the time a revenue stream opened up. A revenue stream was royalties. When they ship our product with their product, we get a check. And we eventually, over the next couple or three years, closed deals with about 60 companies. We became the unequivocal standard in the industry. Some people went their own way, but for the most part we were the technology of choice, The more pervasive we got, the more choice we got. We were the Rambus of our day in that little segment of the marketplace. And you know, by the time we were-- by the end of-- so I joined the company in 89. By 1993, people had actually started shipping some of our product. It was an amazingly great business, this royalty business, because we had a tiny little sales staff. Once you get a royalty stream started, you're just clipping coupons. Every quarter, they just send you money, right? And they send you a report. We have a right to audit the report. They send you a report and they send you money, so we always recognized the revenue in arrears. So the revenue for the quarter one would actually show up in quarter two and we would recognize the revenue in quarter two. That's when we'd actually get the report. But at the beginning of quarter two, we would call them up and say "How's it going? What are you going to send us?" So there was never any suspense in the business. It was unbelievably easy, quiet. You know, we just knew every quarter what the numbers were going to be. By 1993, we had, at that point in time, four quarters of profitability with 10 million dollars in revenue, which was amazing, right? And at that time, if you wanted to go public, you needed four quarters of profitability in arrears. That was the standard at the time. So in December of 1993, we took the company public.

Hancock: Tell us a little bit more about the road to that, getting it ready and the sort of momentous even of taking it public.

Leslie: So I went around to the investment banks and all the, you know, at that time, it wasn't Goldman [Sachs] and Morgan [Stanley]. At that time, it was Hambrecht and Quist and Robbie Stevens and whatever. Those were the principal guys in the industry, and they all told me to come back in a couple of years when we were, you know, thirty, forty million in revenue that we were just too small. And I believed that, you know, we had raised $4 million total. We had never had any money. Along the way, we did two capital infusions from our customers. I mean, so we did a deal with Siemens at one time. They wanted to do a buyout. Everybody wanted to do a buyout of our product and everybody wanted to have a commoditization clause. Everybody said, "Look, it's a great technology, but we don't want you to own us in the future. Let us just buy the technology out and we'll use it and go your own way." So we never did that. I was adamant about it and I think it was-- I think I had the insight to say that if you want to build a real company you can't do this. You can't give away your IP and you can't sign a commoditization agreement, which gives them control on your pricing. We were deemed "Hard to do business with" because we were intransigent about those two things. And, you know, you're in a company and they got the sales guy in there and he wants to close a deal and I said no. And we ended up closing the deals anyway and, you know, it was pretty good. We did two deals along the way that we did a buyout. One was with Siemens Nixdorf. They were adamant. We ended up, you know, walking through the thinking on the thing and we gave them a million dollar pricet. For a million dollars, we gave them a buyout that was rev-locked, meaning they don't get any future releases and it was fenced to Germany. And we looked at the million dollars and we looked at the present value of it and how long it would take to get them to the market and then how are they going to sell, and whatever and we said, "We're going to make out like a bandit on this deal and they'll be back for more. So we did that deal and that was, essentially, in lieu of doing a fundraising for us. Then we did another deal, probably a year later. UNIX Systems Laboratories came to us. That was our partner. “We're going to compete on the desktop and we want to put your file system in to the desktop version to compete with Microsoft.” And, you know, we're willing to pay you $1.2 million for a buyout and the desktop price was in pennies, right? It was, like a nickel or a dime or something like that and we did the math and we looked at each other and we said, "They're never going to do this thing. This is never going to happen. We don't-- we'd rather have a buyout than a royalty stream because they're never going to displace Microsoft. They're never going to get to the volumes they need to get this thing to be economic for them." So we did that deal. And, you know, these things were not easy decisions for us. We would sit and fret over these things and do all the math and talk to each other and we worked very hard on making the right decisions on things like that. So we finally said we were going to do the deal. And we were just right then running out of money and we were, you know, I remember vividly I went to my investors and I said, "I don't know what's going to happen over here. We might have to, you know, do something. And the investors came back with a very oppressive down round in order to--" They said, "We'll do a deal, but this is what is going to look like." And the deal was ugly. In the first round, when I joined the company on the first round that we ever did, I had negotiated a 50 percent antidilution clause, which is pretty good, but now I don't have any antidilution, so it was going to be pretty oppressive. So I remember calling up the president of the UNIX Systems Laboratories on a Tuesday because we were worried about payroll on Friday and we could pull the triggers with the investors, but it was horrible. And I said, "So, look, we've all agreed to this thing. We've already signed the papers, we'd like you to wire us the $1.2 million dollars today and he said, "Oh?" I said, "Yes. It's very important to us." He said, "I'll take care of it tomorrow." I said, "No, you don't understand me." I said, "We need to take care of it today." That's how desperate you are, right? This is a different president of USL. This is-- time has moved on, it's a different guy, and he said, "Okay." And he wired us the money. So that was, uh, so we dodged a bullet. We got that money into the company. Exactly, you know? We lived to fight another day and then we eventually went for the-- I have another little-- I mean, do you want these little anecdotes? Do you like these things?

Hancock: I do. David?

Brock: Absolutely.

Leslie: So I remember when we had to deliver our first royal-- so we had our sharing agreement with, you know, revenue sharing agreement with AT&T and I remember we had-- the very first time we had to deliver a check to them. We had a, you know, it was a twenty-five thousand dollar check. And like if you're AT&T and a twenty-five thousand dollar check comes in, right, exactly.

Hancock: Shrug.

Leslie: Exactly. Like, what? Whatever. It's irrelevant, you know, it doesn't pay for pencils. So I said to-- and we were headed back there. I said to the CFO, I said, "Let's not send them a check." Actually you didn't even send a check. You could wire transfer, typically. I said, "Let's bring cash."

Hancock: What?

Leslie: He said, "No, no. You can't do that." I said, "Yes you can. Go figure it out." So he goes and we get a, you know, a bank here to work with a bank there and we go to New Jersey. We alert their PR department that we had this secret going on, we need a photographer, you know? And we get met by an armored car with a guy with a shotgun, right? He hands us a bag of money, it's just like in the movies, right? And one of our guys dumps out everything in his briefcase and we stick-- and we had figured out how many fives-- how to fill up the briefcase. You know, twenty-five thousand dollars is not a lot of money, right? In a briefcase-- twenty-five thousand dollar is not a lot of money in a briefcase, so I said, "We'll take it in fives and tens," so we could fill up the briefcase, right? So we fill up the briefcase, you know, and we go up to visit with the CEO, the president of the division. Not the CEO, but the president of the division, a guy named Larry Dooling. And I said, "Larry, so, you know, we-- this is our very first payment. You know, we've got twenty-five thousand dollars that's part of our agreement and we want to share it with you. And we actually have it with us today." And he thought I was going to take a check out of my pocket, you know? And I said, "And here it is." And I opened up this briefcase, right? And he's just looking at this thing in disbelief, you know? And then we have the pictures and everything like that and, you know, and I said to them, I said, "Now, we're going to take this back and just send you a wire transfer so you don't have to worry about what to do with twenty-five thousand dollars in cash." But it was really cool because, you know, and it was-- I said before we left that ATT building, every single person in the building knew that Veritas was there with a bag of cash. And it was a tiny little stunt, but our profile in AT&T went from zero to, "That was a really cool thing to do. These guys put twenty-five thousand dollars in cash, you know, in a briefcase." So that was a, you know, a great little anecdote. A little shared memory that we have in the company.

Brock: Pardon me, did you have a sense that the person that you were going to meet with had a good sense of humor?

Leslie: He was an okay guy. He was a guy I did that negotiation with. He was an okay guy. He was a, you know, an AT&T lifer, you know? We owned the stage, not him, so I was not worried about it. Okay, so..

Hancock: So we're talking about you building this company rapidly from small to bigger, doing things like this that raise the visibility and going public. Now, take us on a trajectory in the 90s you just had this sort of rocket ship of growth. Tell us what was behind that.

Leslie: Yeah, so this is a really, really interesting story and it's become really simple in my thinking about what makes a difference in the company and that goes into the idea of strategic transformation. So here's what happened. We went public in 1993. We raised 16 million dollars and we were, like, richer than Croesus. I mean, we were, like, "Oh my god, $16 million. If everything goes bad, we can construct a new company with this." I mean, that's how we felt about it; it was so much money. And our market cap, after we concluded the deal was $64 million. I mean, today, companies raise $300 million, equal to our $16 million and, you know, they do it at market capitalizations in the hundreds of millions and billions of dollars. So this is a micro or a nano IPO. It was tiny, right? But for us, it was huge. So we've got this business. We go into a 1994-- before I do this, I should tell you the story. I should tell you there's another..

Hancock: Please do.

Leslie: Yeah, there's another story. It's our first quarter as a public company. This is the March quarter of 1994 and my aunt and uncle from the East Coast are visiting and we all go up to Point Reyes, my wife and myself and my aunt and uncle on a Friday. So I take a day off from work, I'm up at point Reyes and, you know, I'm dialing in every half hour or so to pick up my voicemail. There's no text, there's no email at that time. And at around eleven o'clock, I get a message that Sequent, our customer with whom we had a development contract that we were going to take to revenue in the current quarter called up and said they were canceling our contract. We had done all the work. We had been working on this thing for a year. It was a troubled project. It was three hundred fifty thousand dollars in a quarter that was about a two and half million dollar quarter. It was a disaster. It was, I mean, our first quarter as a public company. One of the rock solid things we had in the quarter was we're taking this deal to revenue and all of a sudden the rug gets pulled out from underneath us. I describe this, when I teach, you know, I tell this story. I'm there with my wife and my aunt and my uncle and I've got this a rock in my stomach. You know, I keep calling in for more, to see if anything good can happen and nothing happens. Nothing good happens and I'm living the rest of the day in a silent movie. That is, my wife and my aunt and my uncle, they're all talking, you know, and I have no idea what's going on, because I'm just spinning on this whole thing. This is the life of a CEO, by the way. This is the story that everybody I know as a CEO would relate to. It's a catastrophe. I mean, we're going to miss our quarter. We're going to disappear as a public company. We're going to be hated by, you know, all our investors. Everybody's going to sell. Our stocks going to get cut by 80 percent. It's going to be a terrible thing, right? And then, of course, you have all of the employees are going to be unhappy with this stock price, and how do you dig yourself out of that hole?

So it was a moment for me. I was not in the office and it turned out that that, for me, gave me an opportunity to think about it in a way that-- without reacting to it. To be able to think about it over the weekend. I went into the office on Monday, you know. I don't know, we're probably 40 people in the company. Everybody knows. You walk in the office and is like a funeral parlor, you know? Everybody's got their heads down and everything. And we convene our staff meeting, every Monday morning, we have a staff meeting and I sit down and nobody's saying anything. I said, "So, first, I have to say that we deserved to get this thing canceled. We deserved it. We did not do a good job. We didn't think it would be canceled, but we actually deserved it. And we ought to go figure out what we did wrong. I don't want to do that right now, because I don't want to start putting the blame. I want to fix the problem, and so I want to put a moratorium on that for a month and in a month I want to do a postmortem and figure out how we can be better." And I said, "Okay, so now we have this terrible problem in front of us. We are three hundred fifty thousand dollars short of our goal for the quarter. Does anybody have any ideas?" And I looked around the room and every is looking at me. Nobody has any ideas. And I said, "I have an idea." And I said-- and they all got interested, because of somebody's got an idea. And I said, "My idea is that we go to Sequent and we ask them for one hundred thousand dollars." And they're looking at me like, "What are you talking about?" I said, "No, so-- " I said, "Look--" I said, "There's three reasons why I think we can do this." I said, "First, no project that fails is a single-parent project. There has to be guilt on the other side, so they have to feel something about their own obligation to the failure." I said, "Second, we offer them a clean release. We give them-- we sign a piece of paper, no liability, we go our own way." And I said, "Third, we beg for mercy. They're a public company, they know what it's like. We're just recently public. We tell them, you know, this is a disaster, and we beg for mercy, basically." Nothing wrong with that. So one of the guys in the room, he owned the account and I said, "Rich, do you think you can go talk to them about that?" He said, "Yeah." I said, "Why don't you leave the meeting, get on an airplane, go up to Oregon, call us when you know something." And he left the meeting. And then I said to-- I said, "Does anybody else have any ideas?" So the sales guy says, "Well, we've got to this deal over in London that's a two hundred fifty thousand dollar deal. It's teed up for next quarter. If we discounted it, we probably could bring it in. I said, "Well, who's the sales rep?" "Well, Peter's the sales rep." Peter is now a famous guy. It's Peter Levine from Andreessen Horowitz. But that day Peter was a young, very young OEM salesman. This is his day in the office where he wasn't planning on seeing anybody, so he was wearing a T-shirt, shorts and flip-flops with no socks. And I said, "Well, why don't you call Peter up and see if he can come in." So Peter comes in and we say, "You know, what's going on?" And I said, "Yeah, we want to go visit-- we want to go talk to ICL." I said, "You know what's going on." He said, "Yeah." I said, "We want to go talk to ICL. We want to see if we can craft a deal with them. It's an emergency. Do you have your passport with you?" He said he did. I said, "Why don't you go to London and see if you can make a deal happen." I said, "Get in your car, drive to the airport, will have a ticket waiting for you." And he said, "Okay." Peter, I love Peter. He is a fearless warrior. He will do anything. So he gets in his car and he has his cell phone and he calls his guy in London and he said, "I'm coming to do a deal. I have no place to sleep, I have no clothes and I have no toiletries, can you help me out?" This is Peter. I mean, to him, it was a totally normal thing. The guy said, "Sure, come on down." So we said we were going to do that deal for a hundred and seventy-five thousand. So we got a hundred in play, we've now got a hundred and seventy-five in play, that's two seventy-five and then we kind of, you know, kind of identified a bunch of other, you know, pots and pans. So there's little things that you could do. So I tell this story because this is what I call-- this event is a black day in the company. This is a day when the company's future is at stake. I believe that part of leadership is being able to take the team through these black days to face adversity together, to get people focused on doing something that can save the day. I believe that after you do it, you have built a sense of camaraderie and teamwork and commitment in the company that is enduring, and I didn't know all that before this event. This was a learning experience for me, that we could do this. So that was a very, you know, right after we went public, that was a really big event in the life. It's invisible from the outside, but in the inside it was a big event in the company that we did this. And we made every quarter. I mean, we made that quarter. You know? And Sequent agreed to the hundred thousand dollars.

Hancock: Did they? Okay.

Leslie: Yeah. I mean, like it was, you know, I believed when I said that that it was going to happen. I had thought about it and I had said "We can talk them into a hundred thousand dollars. You know? The release is worth a hundred thousand dollars to them and the mercy, if you’re humble enough, works, right?"

So right after that event, right after the first quarter, we sat down in the company, and I think this is probably the most pivotal event in the life of the company. We sat down in the company and we said, "So, how big can this company become? And then what else are we going to do?" So we kind of had this-- we've achieved; we've got an IPO; we've got $10 million in revenue in arrears. We had, when we went public, what we called a train schedule. We said, "Well, we've done a deal with this company. They're scheduled to ship their operating system in October, and our revenues start the quarter after," and we laid out all the different companies and it was like a train schedule. You could just see when everybody starts. I said, "Some guys will be late, but you could just see this revenue stream grow over time." And it's all on automatic pilot at this point in time. It was a great story. So then we sat down and we said-- we kind of asked this question and here's the conclusion we came to. We said that the customer will pay you one million dollars and feel really good about it. A million dollars a year, and they'll pay you three million dollars a year. If they're not paying attention, they'll pay you five million dollars a year. They'll never pay you twenty-five million dollars a year, because they can always design you out. So when the number gets too big, they're going to come to you and say, "We're going to design you out," and you're going to say, "Well, maybe we can work something out," and they're going to, essentially, make you drive your price down in order to keep the account. Because there's a limit to how much it's worth to them not to have to design you out. So we said, "If we've got all these companies and the maximum we can get from any company is five million dollars, you know, that kind of puts a ceiling." And then we said, "Well, there's a hundred companies. Do we think there's going to be two hundred companies or ten companies in the future? What do we think is going to happen in the industry? And we concluded that there going to be ten companies, not two hundred. There weren't going to be more companies; there were going to be less companies. We were going to get a consolidation in the industry. So that was a problem. Here we are, we're 10 million in revenue going on, I don't know, 15, 18, whatever it was that following year. I actually have the records at home, but we look at that and we said, "You know, we can see ourselves becoming a

$50 million company or a $60 million. Maybe we can stretch it out, maybe things will happen, consolidation will happen. I don't think we'll ever get to $100 million.

That's what we believed in 1994. And so we said, "Well, what are we going to do about that?" And we sat down and we spent about a year to develop a strategy for the company that was transformational. The first thing, the first point of the strategy was to say, "Look, we've got this huge installed base that's being put out by our OEM customers. Why don't we figure out what we can sell to that end-user installed base that makes us special, gives us a special thing to do." The problem we had was that when we sell our software to HP and HP incorporates it into their operating system, the IP that makes it work in their operating system belongs to them, not to us. So we can't use that. So we looked that the market and we said "We'll do it in the Sun marketplace and we'll go out and we will redo everything to build our own versions of this stuff, and they'll have the Sun version and then we can go in and say 'Do you want the gold version?'" Now, so we decided to do that, to do a file system and volume manager for the Sun market. We then decided that we needed to be able to sell that, so we had to go out and actually start building-- at the same time we're developing, we had to go build a sales force that could do that. So that was point number one - is to go out and try to monetize the value of our installed base.

The second thing we said we wanted to do was to-- is there anything else we can sell to the same guys? We've got a file system, volume manager, is there anything else? So we acquired a company that was doing a high-availability failover product, which is a perfect thing for us to have. We bought them for $5 million. We then added something into our inventory that we could go and monetize with our OEM installed base rather than our end-user installed base.

The next thing we said in our strategy, and this took us a year to put together, by the way. We sat down and we went through every possible opportunity we can think of and did a SWAT analysis and drove each of them to ground. We did make-believe financials on them and we ended up with these four things. So the third thing was, we're in the UNIX market. We think there's going to be another prominent operating system in the market. We don't know whether it's going to be NT, OS2 or Netware at this point in time because they were all competing out there and it's just too early to tell who's going to win. But one of them will emerge and it'll be UNIX and this other thing, so we've got to figure out how to be on the other thing, whatever it turns out to be. And so we started working on that problem and we try to work on all of them, but we don't know who's going to win, so of course that's problematic. And the last piece of the pie was-- and of course it turned out to be NT, being the winner.

The last piece of the puzzle was we wanted to get into the backup business. And the reason we wanted to get into the backup business is for the same reason IBM-- excuse me, that Microsoft got into the browser business, because we owned the file and disk management in everybody's UNIX operating system. If we could be in the backup business, we would have an enduring competitive advantage relative to anybody else, because we knew we could put secret sauce in there that no one would know about and we could make it available in our backup. So that was our plan of record. That was our strategy, our stated strategy. We executed on a high availability failover and, you know, going to market. We actually, in terms of going to market, were the following product or monetizing our end-user base. We actually created a project in India to develop those projects. It was our first time in India. We were very early in India in 1993 or something like that.

And the backup was a-- we knew that was the right thing to do, but we couldn't do it. We were a public company. We were small. We were a $10, $15 million, $20 million business. We had to go develop an enterprise-class product that worked on every single platform that was out there. This is a three-year development to build an enterprise-class product, and we had to build a sales force that could go sell it, and an end-user sales force, high-end enterprise sales force, and we looked at it and we just simply didn't have the money. Even if we had the money, we couldn't take the risk of waiting for years to figure out if this was going to work. So we decided to acquire it. We said we needed to go find a backup company. We need to go put these two companies together and we then used this platform to make that backup the most competitive in the world. So my job, we didn't have any BD guys. I was the BD guy. I was the CEO, which is not unusual in a company that size. So we went and visited with every backup that would probably, I don't know, 15, 20 backup companies in the market at that time. In 1995, we started talking to a Legato. Legato was the leading backup company in the UNIX space and we laid out this plan. We were going to do a 50/50 deal. We were going to combine the two companies. We spent six months romancing them; that is our engineer worked with their engineering manager, our sales guy worked with their sales guy, our support guy worked with their support guy, our HR person worked with their HR, everybody was dating. It was all looking great, we ended up with presentations that we made it to the boards of directors of both companies and we all went home on a Thursday night and, you know, Friday we were going to do the deal and they called us up the following day and said, "We're not doing a deal." And we were, like, stunned. And I said to my guys, who we were working with, I said, "Call those guys up and find out what's going on." So our guys called their guys and they said, "So, what's going on? We're not doing the deal." And they said, "We're not?" So I was going to be the CEO of the new company. The CEO of the other company didn't want to do the deal, plain and simple. That was really what killed the deal and the Board of Directors of the other company didn't want to do a deal that the CEO didn't want to do, which is probably the proper thing to do. So we were crushed. We were disappointed and we couldn't resuscitate that deal and it kind of was dead at that point in time. We were back on the road looking for a partner. In 1996, so October of 1996, close to a year later, I meet for the first time with a chairman and CEO of a company called Open Vision. Open Vision was a public company at that time, as was Legato. It was a Warburg backed company that was a roll up of a lot of different systems management things. They wanted to be the next CA for UNIX, which I thought was a terrible idea. Like, who wants to be a CA anyway because it's like the crappiest-- everybody says software does stuff or watches stuff, they're in the watching business, right, they're not in the does stuff business. So it was a crappy business anyway, but that was the kind of plan of record for the company. They were struggling, their best product was their backup product. I met with the chairman, a guy named Geoff Squire who had been a senior executive at Oracle, a very prominent guy in the industry and he went back to his board of directors, to his principal investor, Warburg Pincus, a guy named Bill Janeway and said, "We ought to do the deal and Mark Leslie ought to run the company," because I had the strategy. So we went through this kind of lengthy, difficult negotiation, we agreed to give them a third of our company in stock to do a pooled transaction, do you remember those pooling?

Brock: I don't know what that is.

Leslie: Pooling is an accounting treatment that says, we're going to give a third of our stock but it's not considered cash from an accounting point of view, you treat it like it always was one company, so there's no what's called goodwill that goes on the balance sheet, it's a very clean transaction. They don't do that anymore, it's a long story. So we did this, we kind of crafted this agreement, we worked on it and worked on it and worked on it and we finally executed the agreement in April of 1997. Our stock went down by 65 percent.

Brock: Wow.

Leslie: Our investors called my board of directors and said, "Fire that moron, he's ruining a great company." The moron would be me. I had invested at that point in time four years with my board of directors talking about this strategy, so they were totally on board. It was never any-- and we had been executing well, Veritas at the end of 1996 was $36 million business and a nice business. But now we're thinking we can get to 60 instead of 50 but still we're worried about this thing. And we finally end up, because the stock went down so much, the other guys got nervous and I remember at the last minute, their investor called me up and said, "We need to renegotiate the deal," and I said, "What's changed?" He said, "The stock price is down." I said, "What's changed between the relative value of the two companies and the strategy going forward?" Nothing, right? So I had this long conversation and we ended up doing some management positioning changes but we didn't change the price or anything like that. I was adamant, I said, "I'm not changing the price, we're not doing that, period." So we ended up closing the deal. It was very tense when we closed the deal on all sides; it was a very tense. Everybody was nervous; the stock was down; we had to make some concessions at that last minute. I mean it was a very difficult closing. And now we got this-- they were $36 million, we were $36 million, we only wanted their backup product, they had a bunch of other things that we ended up shedding over the next year or so. Of the $36 million, we only actually captured $20 million of that in terms of real value to the company. We had a major cultural clash between the two companies. Veritas was this comfy little software company in one building, every quarter we'd call up our OEMs and they told us how much the next quarter's revenue was going to be. There was not a lot of suspense; there was no end of quarter, you know, "We're going to go make a deal." And the other guys, they were all ex-Oracle hotshot sales guys and they believed in command and control and we believed in kind of getting everybody into the same page. There was a big, big cultural difference between the companies. The guy who was kind of the spiritual leader of that company at that time was running sales because it was a sales-driven company totally. And he had been told that he was going to be the president of the company, he got promoted to president of the company and he had not been privy to the conversation of acquisition until it was announced. So the spiritual leader of the company just lost his job; the company got acquired and he knew nothing about it, it was really a tough situation for me. I called him up right after the thing and we were starting to put everybody in the same building and everything like that and I said, "Look, we need to go out to lunch," and we made an appointment, we went out to lunch and I said, "Paul," I said, "Look," I said, "I've thought about this," and I said, "We got a lot of integration work to do to get these two companies to work together and my conclusion is that if you want this to work, it will work and if you don't want this to work, it's not going to work …I hope you do the right thing. And I don't have anything else to say. Let's have lunch." I didn't have anything else to say. That was it. I mean I felt like he was the person, he was the one person that could make the difference. I should tell you a little story About three weeks prior to signing the final papers, I called a meeting of 35 people in the company, opinion leaders, not necessarily managers or executives but people who carried weight in the community. And I closed the door and I said, "Everybody's got to sign a nondisclosure agreement, anybody who doesn't want to sign a nondisclosure agreement has to leave. We're going to tell you some inside information. We're a public company, you cannot tell anybody including spouse, friends, whatever, if you don't want to be here, leave." Now, nobody's going to leave with that introduction, right, I mean how juicy is this secret, right?

Hancock: Everyone's leaning in.

Leslie: Yeah, so we shut the door and I said, "Look," I said, "We're getting ready to-- we've got a handshake on a deal, the lawyers are working on the papers, we're probably going to sign this thing in three, four weeks from now. I want to tell you everything we told both boards of directors, so we're going to do a presentation to you for the next hour and a half that goes into the details of everything we've thought about." And this is the idea that had been socialized in the company before. And I said to them, I said, "Look," I said, "This is your company as much as it is my company, if you all don't want to do this, we're not going to do this." Which is like, you know, how can you say that? When our outside attorney got wind of the fact that we were having this meeting, he said, "Oh, you can't do that." I said, "Well, why not?" He said, "Well this is very, very critical inside information; it's going to leak." I said, "It's who we are, we're a company where we have a very high covenant of trust in this company, and it is who we are and we have to do this, I have to do this." And he said, "Well, I have to tell your board." I didn't say, "Tattletale."

<laughter>

Leslie: I said, "Well, you know, you have to do what you have to and I have to do what I have to do." So we went ahead and did this meeting.

Hancock: Did you feel at risk at that, with not from-- you say you have a covenant of trust, but did you feel that there would be-- were you willing to follow through and not do the deal if there had been that kind of response?

Leslie: I believed we had built a great deal of trust in the past, I believed that we had socialized this idea. I wanted to tell them this is going to be a difficult merger, it was going to be-- and I said to them, I said, "I believe that some of who we are will be lost. I hope we will gain new things that are of value, but we will not be the same people; we will not be the same company in a year from now that we are today. We all cherish this company today, but this is the price of doing something that was important to the company." And I wanted their fingerprints on this because I knew it was going to be controversial, the implementation of it would be controversial. And I said that a little bit with my heart in my throat but I also believed that they would believe in us, I did believe that. I didn't plan on saying it, it just came out, it was kind of weird, but we had over a long period of time built a, as I said, a covenant of trust in the company that we told people everything and we let them opine on things that were important to them and we respected that. And that's who we were, I mean that was much my belief of leadership was that kind of style. So we did this, there was no leakage. I didn't get in trouble with my board; it was all good. And we announced the deal, our stock went down by 65 percent, it was actually winding its way down along the way because-- oh, I'm sorry, we announced the deal and then the stock went down by 65 percent and the time you announce a deal until the time you physically close a deal, there's time difference and that's when they tried to renegotiate during that period of time. So when you sign a definitive agreement, you basically have to make an announcement, but the closing of it required stockholder approval and all kinds of other things, so there's a time delay to it. That's when they wanted to renegotiate the deal. Anyway, so we closed the deal.

The following year was the most difficult year I experienced in business by far. People in the OpenVision crew were determined to get me fired so they can get their old leader back. People in the old Veritas crew would come into my office and say, "Hey, they're trying to get you fired, what are you going to do about that? You have to tell them what to do." And I said, "Well if I tell them what to do, then we are them, because they're a command and control company and we are no longer us, why would we want to do that?" I said, "I think what we need to do is set a good example and hope that they get to understand that over time. So we had to kind of bite our tongue and do that. It was a very painful thing to do. I remember, I have an interesting memory, right after we closed the deal, we had a meeting with all their managers and all our managers, we went up to Lake Tahoe and we gave everybody tchotchkes and t-shirts and “Two is Better than One” and all the stuff you do. And we made all these presentations and we're up in the snow and everything like that. The end of the first day, and we're all rehearsed, and we've all got these presentations and we're all trying to get everybody to work together and telling them what his plans are and everything. And at the end of the day, at like four o'clock in the afternoon, there's this little disturbance in the back of the room and then the little disturbance turns into a fist fight and then the fist fight turns into a brawl and we're sitting there saying, "Oh my god, I mean what do we have on our hands over here?" It was the two regional sales managers from the federal district that got-- you know, they're sales guys, right, they're always walking around like this, they got into a fight and then everybody joined in. It was terrible; it was a nightmare, all our work, all day long and this is the result of it, so that's how we started off our integration.

Brock: These were two people from the new…

<overlapping conversation>

Hancock: One from each company.

Leslie: One person from each company.

Brock: Oh, one from each.

Leslie: Yeah.

Brock: Oh geez.

Leslie: Who were both…

Brock: In the same region.

Leslie: They were both the regional manager in the same location.

Brock: Got it, got it.

Leslie: And of course, we all know one of them is not going to be in the job in a year from now, right, so they were all kind of-- everybody's trying to fight for position, it was horrible. So that's how-- it was a very, very, very difficult year for me. Everybody was very tense for a long period of time. About a year later, we were at a meeting of all the director level and above in the company, a management meeting, we're still running the company and doing all the things even with all the tension and everything like that. And finally the North American VP for the company, the number two spiritual leader on their side, raises his hand during a meeting and he says, "You know, Mark," he says, "You make this presentation to all the new employees about the values and who we are and you talk about the culture of the company but we've never heard that presentation." Yes!!!

<laughter>

Leslie: I said, "Well, I'm going to do it right now." And everybody got real quiet and I did the presentation and that was the day the integration was over, that was the day that we became one company. And the company we became had the values of covenant of trust and openness and it also had the characteristic of the drive and determination and competitive spirit of OpenVision. So it became a company that was the best of both and we all became very proud of that actually, that it worked out that way. It was really quite amazing. We finished our first year and then we were at $36 million plus $36 million, $72 million minus about $20M, so about $50 million. So we finished that year at $120 million dollars. Our stock went back up.

Brock: I had a question about the stock if I could.

Leslie: Yeah.

Brock: Why do you think there was that such sharp decline, was that something that you had thought might happen or did that seem like a real surprise?

Leslie: It was-- we thought that it might go down but not that much, I mean it was very, very disruptive to us, it was surprising how-- so two things happened. First things that happened is that they look at Veritas and they know the story of the train schedule and everything like that and they're confident in who we are and our stock had been doing very well for a long period of time. OpenVision was a problem company, OpenVision was, the jury was out on that company, and it had made their numbers, but it never really convinced people that it was going to be a great company. So they looked at them as two equally valued companies where the merchandise on this side was better quality, a higher quality merchandise, than a merchandise on that side, number one. Number two, there is a strong belief that mergers of equals blow up, which it almost did, right, I mean because of the culture clash. And one of my directors said, "A merger of equals," he said, "Is kind of like a collision of two garbage trucks."

<laughter>

Leslie: You have this visual of all the stuff flying off. And then the third, let me see, there was a third-- oh, the third issue was that we quote, "paid too much" that it was too expensive a deal. So those are the three issues that were overhanging the company at that time. Now I had come to believe with my experience in business that "paid too much" is something that every investor says about every deal. And when a deal is strategic as this one-- this one was, I told you the background of what-- this was our future, this idea of getting into the backup business, this backup product they had was 20 years old, it had originally been developed by CDC. It was a world-class enterprise product; it was a great product, this was our future. This was a strategic deal for the company. And when companies do strategic deals, what you pay is not important at all, it's whether it works or not. If it works, the increase in value is so great that it's irrelevant what you paid, and if it doesn't work, the catastrophe is great no matter what you paid. So what you paid isn't what's important, what's important is, is it the right strategy and can you execute it. That's what makes the difference. So I didn't really think about the price being too high or too low. It was a price I proposed to get the deal done, they accepted the price, and we moved on. But that was one of the things, you know, you get criticized by the investors that you paid too much. By the way, I came to believe over running a public company for eight years that there are no investors out there who do not think they're smarter than every manager they ever met. It is the way of the world. And there are no actually investors anymore, they're only traders, that was proven to me by the fact that our stock went down by 65 percent essentially overnight, people just hit the sell button. All these investors, these good friends, you're gone. So that's the way of the world, it's okay. So anyway, we finished the year at $120 million. It was pretty nice, we were heroes again, everybody liked us again.

Hancock: But the heroic story is such a seemingly improbable outcome.

Leslie: There's more. Let me finish.

Hancock: Well there's more but you said it was the hardest year of your life.

Leslie: Totally.

Hancock: You have this integration, it started in fisticuffs, so how were you able to execute for driving high sales with all this turmoil?

Leslie: I, and the team that we had, was a very driven performance team. It was our business to go do this stuff and we went and did it. We always-- we made 44 quarters in a row, we always beat our numbers, right, I can talk about that separately, but we were very, very, very driven company, very driven. Let me finish the story.

Hancock: Please.

Leslie: The following year, we did $200 million, so $36, 120, 200. We then got engaged-- so if you remember back in the original discussion, I said the strategy was to get into the NT space. Now we knew it was the NT space. We didn't know it was NT OS/2, there's a little OS/2 sidebar, but not worth talking about. So now we want to get into the NT space. We've actually crafted a deal with Microsoft at this point in time that they are now going to bundle a light version of our volume manager into NT, So we've got a foothold into the marketplace. We want to sell full versions of this thing, as we did in the Sun marketplace, but we don't have any channel to do this. And we needed to get a channel-- building a channel is risky, we needed to get a channel that could sell $1,000 product into the NT space. There's a million products that go into the Microsoft space that are 69 dollars and 100 dollars, but we only identified three companies that were selling $1,000 products into the NT space, Citrix, CA and Seagate. CA and Seagate both had captive companies that were selling backup software and Citrix was another business. And CA was on Long Island, that speaks for itself for me. I am from Long Island. I'm from Queens. Anyway, I wanted to do a deal with Seagate and called up the CEO of Seagate. I would call him up pretty much every quarter and say, "We want to do a deal, we want to buy your backup business from you." Now Seagate was a hardware disk company that owned a software business that had two divisions, one was a business intelligence division and one was a backup, essentially a storage business, storage software business and I wanted to buy that piece. And he said to me, he said, "No," and he said, "No," and he said, "No," and he said, "No." And then finally, one day he said, "Well why don't you go talk to the president of that division and see if you guys want to do a deal, and then we can talk about it?" So I said, "Great." So I go meet this guy and I kind of lay out the strategy - it's a great strategy. We're going to get into the NT backup space, we're now dominant in the Unix space and we're going to have a pincer movement and we're going to take out everybody in between, and we're going to build an integrated up and down. You can start at the bottom and go up. You can be in the top and use this stuff in your what they call small-of-large, right, which is branch offices and things like that. It's a great strategy. I lay all this out for him, and he says, "It's a great strategy." They couldn't get up market and we couldn't get down market and who's in the center of the market? Legato, right, They're going both ways, and Legato's impinging on their NT space at this point in time. So we go and we kind of talk through this whole strategy and we decide that it's an interesting deal and he goes away and he comes back three weeks later and we sit down and we meet and he said, "Well the banker said we can't do it." And I said, "Well why can't we do it?" "Well two reasons, first of all, extricating this company, this as an entity, out of the rest of the company is so complicated and so risky that it'll never happen, number one. And number two, if we do this deal, we can't do a pooled transaction," I just talked about that a minute-- "As a result of that, because of the price of the deal we're going to have this amortization on our balance sheet that has to be-- we have this goodwill on our balance sheet that has to be amortized every quarter, we're never going to make money again, we're going to have red ink, we're going to have a GAAP reports that show losses every quarter for at least the next five years, if not longer and we can't do a deal like that."

He explains all this to me and I said, "Get new bankers."

Hancock: <laughs>

Leslie: He said, "What do you mean?" I said, "We can do this deal, just go get new bankers, we'll figure out a way." So he comes back two weeks later and he said, "The bankers said they could do it."

<laughter>

Leslie: I said, "I'm shocked." Right, I'm shocked to hear that. So we went around to our-- the way Wall Street works is that you have an investment banker who talks to the company, you have an analyst who writes about the company. We couldn't talk to the analysts because that would be inside information but we could talk to the banker, so we called up like seven or eight bankers and we said, "Look, we're thinking about doing this thing. It's going to be a purchase transaction and we're going to have a gazillion dollars of goodwill, there's going to be red ink forever, we want you to ask anonymously of your analysts, if they would permit us to do a pro-forma presentation of our financials," because we're making cash hand over foot. And just as an FYI, the amortization is the plug number that the accountants use to balance the books. So you buy a company that has $10M of assets on its balance sheet, you buy them for $100M. The difference between those two numbers is $90 million, and they call that goodwill, that's the non hard…

Brock: Category.

Leslie: …assets that you-- but it's a plug number and it has no business meaning whatsoever and everybody who knows accounting, knows this, right? So I said, "Go to your analysts and ask them the question then come back and tell us the answer." And they all came back and said it would be okay. So we ended up doing this deal with Seagate. We bought them. They were $200 million and we were 200 million in arrears in 1998 and we closed the deal, our stock went down by 75 percent.

Brock: Same factors.

Leslie: New factor, goodwill, you're going to have red ink forever, merger of equals, you paid too much, you know. And they didn't really have any insight into what the Seagate business was because that piece wasn't a public company. I said, "Hey, remember me?"

Hancock: <laughs>

Leslie: "Well you guys, you sold. If you had stuck with me, you would have made a gazillion dollars. The stock went, it was a rocket ship after that." No, to no avail, stock went down 75 percent. We closed the deal and they had about-- we're both much bigger companies at this time. I mean they had about 25 presidents, VPs, junior VPs, whatever. They had a pretty big executive staff, and our intention was to do what we did last time which was to basically integrate everybody and build a company that was the best of both. So, during our year of integration, we discovered that the best people don't go to work for a division of a software company that's a division of a hardware company, they're B players. This company was the first company to have an NT backup product, they started out with 100 percent market share, they were at 42 percent market share, they were growing 30 percent in a market that was growing 50 percent and CA now had 48 percent. CA now had 48 percent of the market. So they were essentially, although they were growing 30 percent and patting themselves on the back. They were losing share every quarter. And we inherited this, we ended up-- it's very interesting, these two integrations, at the end of a year, we had four execs left of the 25.

Brock: Wow.

Leslie: And it wasn't like a, we didn't have a Saturday Night Massacre, it was just one at a time, we made decisions and just happened that way. Over the next 18 months, we took our market share in the NT space from 42 percent to 72 percent.

Brock: In how long?

Leslie: In 18 months.

Brock: That is quite a swing.

Leslie: Yeah, it's a market that's driven by distribution and resellers. We inherited 21,000 resellers and about 12 of these very, very large distributors that distribute into that marketplace, and that market can swing. We basically restructured our entire go-to-market so that it was extraordinarily channel friendly to the distributors and to these resellers up and down the line, and that worked great and we basically took market share and we finished that year at $712M.

Hancock: Stunning.

Leslie: Including all of the kind of integration stuff that's going on, right? Everybody's worried about their job. They're talking at the coffee machines, you know what goes on, right, in these companies? We finished the year at $700M.

Brock: So that jump was $200M to $700M.

Leslie: $200m plus $200M, $700M. So the guys that sold, they weren't smart. The guys that bought were very smart. They made a lot of money.

Brock: What did the stock do?

Leslie: Oh, this was in 19-- in 2000, so we closed this deal in '99, in 2000, do you remember the original valuation of the company was $64M?

Brock: Yeah.

Leslie: In the height of the bubble, in 2000, $64B!

Brock: Oh my goodness.

Leslie: A thousand times. So we closed the deal, we did $712M, that was in 1999. In 1999, something else happened as well, I'm pretty sure it was-- yeah, it was 1999, we were head to head with Legato, our old romantic partner…

<laughter>

Leslie: …on every single deal in the marketplace because we had now-- when we did the deal with OpenVision, they were three times our size. But we had made, you can see the numbers, we had done really well in the marketplace and we had moved on and we were very, very competitive in the marketplace. I think at the point in time, 1999, 2000, we were three times their size, that's how well we had done. We were head to head in every single deal in the marketplace. And I remember, I said to our sales executive, I said, "Look, I want to know at the end of the quarter, I want you to track this carefully, every deal we won and lost against Legato and for how much. So I want to get an absolutely clearest possible picture of their revenue and to come back in and report at the end of the quarter," and [at the end of the first quarter] I write an email to the board saying, "I think they missed their quarter." And then they made their quarter and it was like, "Oh, okay, I mean, and we must have missed something, we have to double our efforts to figure out what's going on." So we double our efforts and the end of quarter two, I write a note says, "I think they missed their quarter," and they make their quarter. At the end of quarter three, we do this all over again, we think they missed a quarter but I'm embarrassed to write to the board, I don't say anything, I just kind of let that go. And at the end of quarter four, and this is a fascinating thing to me, at the end of quarter four, they announce that they're going to postpone their earnings call by a week, and that they missed quarter four and that was the announcement, they didn't give any numbers. And then a week later they announced that they actually missed quarter one, two and three also.

Brock: And what was their explanation for their previous reporting?

Leslie: You could go look at their announcement at the time. The interesting question is how come I knew and he didn't, the guy running that company? And I know why he didn't know because in my company, when I had to place my office, we were building a new building and they said, "Where do you want your office?" I said, "You go build the building first, lay it all out and I'll tell you where I want my office."

<laughter>

Leslie: "So you lay the whole thing out and show me the picture and I'll tell you." And I said, "I want my office," when they finally showed me, I said, "I want my office on the second floor, near the conference rooms, near the bathrooms, near the coffee bars, right near the stairs, right near the elevator, I want to be in the highest traffic location in the building and I want glass walls." And for nine years I didn't have an assistant or a secretary working for me. I was, if you want to talk to me, you talk to me…

Hancock: Really?

Leslie: …and my door is open and I'm visible to everybody and that's who I was as a CEO. And I knew the CEO of Legato well because I was romancing him for the better part of a year. In order to see him, you had to go through, into a separate area where he had two secretaries and in the back of that room, the back of that corridor, it was his office, you know, isolated, and that's why I knew and that's why he didn't know. People did not want to tell him bad news, so they were cooking the books and stuff like that. And it's instructive about how you-- the philosophy of leadership. I used to go around to town hall meetings and say to my, the people in the company, I'd say, "Look, I get paid to fix broken stuff, so I'm here to find out what's broken, because if I don't have broken stuff to fix, I don't have a job, so please help me."

<laughter>

Leslie: So truly, I mean, but he didn't want to hear the bad news. So that company blew up and they got sold to EMC. First of all, everybody, the entire management team got fired, they brought in this new management team and the company eventually got sold to EMC at a fraction of its prior value. So we took out our principle competitor in the marketplace.

Brock: Did you ever think about trying to acquire them…

Leslie: Then, no.

Brock: …after that?

Leslie: Why would I acquire them, I already killed them, right?

Brock: Okay.

Leslie: Yeah, so I didn't think about it, but it might have been okay to do that but I didn't even think about it. We were doing our stuff, right, I mean-- and then they went to EMC, they were never a problem for us after that. The world is very unforgiving, a company has that kind of catastrophic failure and it's over for that company. So 1999 we did $712M, Legato was off the map. In the year 2000 we did $1.2B in revenue. We became a Fortune 1000 company, Fortune 999.

<laughter>

Leslie: Better than 1001.

Brock: Yeah.

Leslie: We just made the threshold. I told my board actually two years prior that I was looking for an exit personally, not in a bad way, I just said, "Look, I think I want to go do something, other things." They told me that they wouldn't do the Seagate deal without me. I said, "I'll stay," because I thought it was central to the company.

Brock: Yeah.

Leslie: The Seagate deal was done. We finished it in 1999, and 2000 I said, it's time to go start a search, and they said okay. And to give you-- I mean, my sense of it is I think I told you the story about how I discovered that you could actually go start and build a company and that I had this dream when I was 23 years old and I wanted to do this stuff. So here I am, I'm 55 years old and I turn around and I say, you know, I've actually done what I wanted to do, and I'm actually now free for the first time to do other things. Internally, a sense of freedom, because up until that point in time I was only doing this, I mean there was no, I mean, this was my life, right, and now I'm free to do other things and I said I want to do other things. There's a little anecdote here. So when we were on our road show, our IPO road show in 1993-- I don't know if you ever, you ever been on a road show? You lose track of time and place when you're on a road show because you're just being carried around from place to place to place. I remember we were on the road show, we were in this car someplace and I said, "Does anybody know where we actually are?" Because you have no idea; you just lose complete track of this thing. So we're in the car and there's me and our CFO and there's a banker from each of the two companies that are taking us public and we're just sitting there talking and we say, "Well, if you could be anything you wanted to be and you weren't what you are today, what would you be?" which is a little parlor game because we're just talking to each other. And one guy says he'd be a high school football coach, and this is 1993, and I said for no reason that I can think of, I said "Well I would like to teach in business school," That was the first time that thought had ever occurred to me. It just fell out of my mouth and then I said "Huh, that's kind of interesting," you know? So in the year-- so after that, actually I said "Well someday I might want to do this. So I ought to see if I can find an opportunity to teach at Stanford since it's four miles from my house and it's one of the world's greatest business schools. I don't know a soul there but I'm sure someone on my board knows someone there, so I think I'll just go and do that. Of course see if I can find someone." So I finally got a contact and I said "Look, I'm a CEO of a company and I don't have a lot of time but someday I'd like to teach, and can we build a relationship? Is there lightweight things I can do?" So starting in 1994 I started building a relationship with Stanford, and one of the things I wanted to do when I said I wanted to retire is I said I want to teach. I want to go and do that. It was just something that-- it was the next thing in my life, right? So I wasn't planning on going to grow flowers in the garden, <laughs>

- or have coffee at 10 o'clock in the morning. That wasn't my idea, but I just said there's other things I can do and I just want to make time in my life to do that. So we recruited a new CEO. We recruited the number two person at Oracle. We said "We really want to be able to take this company from a billion two, whatever, to five billion. Let's go look at the biggest software companies and see if we can find an executive who can do that." We couldn't do a lot of background checking because at Oracle if they know you're looking around they fire you and then you lose your stock options that haven't yet vested. So we had this candidate, number two guy, big reputation. We ended up making an offer. We hired him. I believe today that it was a mistake for the company to do that, and I was the author of it. So my mistake, but we gave him-- having the experience that we had in '94 of building the company on strategic transformation, we were now ready to go to the next phase. We had thought about this and said we know what we want to do. We had defined it. We defined the horizon for the company for the next 5 to 10 years and we said we wanted to acquire VMWare. I was on the board of VMWare, and when I was a child of 22 I actually architected the first ever software hyperviser. So I actually understood this stuff. We were the perfect acquirer. They were a $50 million company. We were a billion dollar company, billion plus company so we could acquire them. The cost of acquiring them was nothing. We were Silicon Valley, which was a cultural thing. We were all software, which is another cultural thing. We had our distribution channel in place to the entire world so we could accelerate the future of their company, and I had the relationship with the CEO and we really liked each other and it was kind of a layup. And so, that was part one of the strategy and part two of the strategy that we had defined at that time was to acquire the Linux enterprise properties, that would be RedHat, MySQL, JBoss, build a complete enterprise stack and compete with Microsoft in the enterprise operating system business. So Veritas would be a storage management, virtualization, operating system three pillar company. We can take a moment of silence there.

Hancock: Yeah.

Brock: <laughs> Yeah.

Leslie: It was a great strategy.

Hancock: Yeah.

Leslie: The company, had we done that, I don't know what the next transformation but had we done that, the company would have emerged as a $10 billion competitor to Microsoft. I mean a major player in the industry, and $100 billion market cap, no question about it. So, the new guy came in saying "I'm the new Larry Ellison." Remember I described my office? His office was different. So his office-- we had actually just built a new building and I had just built an office there but he changed the office. Instead of having a door to the hallway from his office, you had to go-- he built a door to his assistant's office and in order to get into his office you had to go past his assistant. It's kind of like the guy at Legato, right? And he put a bathroom in his office.

<laughter>

Leslie: So he's like the new Larry Ellison. He's like "I'm so special," but he really believed he was going to be a strategist because we'd given him the strategy and it was my idea, not his idea, he didn't think it was a good idea. So he didn't do the VMWare deal. It was a few years later and I actually left the board shortly after that because I was so disappointed and frustrated with the future of the company. There were three bites at the apple for the VMWare deal. The first time Veritas competed with Symantec, Symantec ended up acquiring the company for $635M and Veritas didn't meet that bid. When that deal-- and then Symantec walked away from the deal and they got back together again and Veritas said-- the company said "We'll sell the company for $650M," and Veritas said $635M, and then they couldn't agree on that. And so, that deal didn't happen. And then a few months later EMC showed up and I called up Veritas and I said "Look, I can't tell you the name but there's a new acquirer. The price is higher and you won't like the name. So you need to go pay attention," and they didn't do the deal, and it was shortly after that that I said this is just hopeless. Great things are never going to happen here. I mean another little story. They came in after-- back in time they weren't buying VMWare, they decided they wanted to buy a company called Precise Software. Precise Software was an Israeli company and remember my three categories? One hundred percent in category two.

<laughter>

Leslie: So they come into the board meeting and they kind of lay out this plan. They build these crappy little modules that do these different things at low prices and they're going to buy this company for $500M and they make this whole presentation. It was all precooked. I don't know it's precooked. Nobody spent time with me. It's all precooked. They've been kind of laying this out for a while and I'm sitting in the board meeting. I said "Why would anybody want to buy that company," <laughs> which is not a good thing to say.

<laughter>

Leslie: But anyway, they ended up buying the company. They ended up selling it back to the original founders for a dollar. I mean it was such a disaster for the company it was unbelievable. So the company - I mean I had a vision of where the company ought to go and this guy was taking it to a different place, and it was just not-- you're on a board of directors. You lead, you follow, you get out of the way. I mean so I just decided to leave. I just was very unhappy, and that was the end of my time with Veritas.

Brock: Could you discern which different tack the new person, the new CEO was taking?

Leslie: There was no different tack strategically.

Brock: Okay.

Leslie: I mean he was-- I believe that there-- he was a great operating-- he's a very smart guy. He was a great operating executive. Some people in the company described him as-- and he made a lot of contribution to kind of making the company more efficient, but people say all the trains run on time. The problem is they go in a circle, and that was probably a pretty good description of him. He was not a well-liked person in the company but a very, very good operating executive, but not CEO material. Not someone who-- he didn't have the personal leadership skills and he didn't have the strategic thinking, but as a number two to Larry Ellison you don't need that because he's got all that stuff, right? So a couple of years later he decided to sell the company to Symantec. It was a deal that was done for-- the two people who did the deal, John Thompson and Gary Bloom, both did it for reasons that were personal, not business. John Thompson was already leaving. It was well understood that he was on his way out to retirement. He had built a great company and this was an opportunity to double the size of the company. Veritas stock was low. Their stock was high. It was an easy acquisition for them. They became the third largest software company in the industry with the stroke of a pen. Gary was worn out from Sarbanes-Oxley which was very, very hard on the CEOs at that time and had not been able to prove to himself that he could find a strategy for the company. By selling the company you get an exit where you get yourself fully vested. You get a change-of-control vesting and you get an exit. It's very hard to resign as a CEO. I mean it's just the most difficult thing in the world. You're in prison as a CEO. So this was an exit for him, a profitable one. So both of these guys did this deal. There was never any synergy there and every time they wanted to talk to Wall Street the stock went down more.

<laughter>

Leslie: I was already-- I had sold my last shares. I think a week before they announced the deal I had sold my last shares in the company. So I was-- it had no meaning to me, and eventually the deal closed. It was never a successful acquisition and in January of last year, February of last year, January/February of last year the company separated into two companies, Symantec and Veritas in a private equity buyout by Carlyle and now I'm on the board of that new company.

Brock: Oh. The new Veritas. Interesting.

Leslie: I'm a board advisor. I actually didn't want to be on the board but I was not sure. I mean I had a lengthy discussion with Carlyle saying my objective to be involved and your objective to have me involved are not consistent. You want to add luster to the deal. You want me because I understand the industry, but I said "But for you, you have $700 million of cash flow. You pay off your debts. You clean things up. You get your debt paid up. You sell the company and you get 3X and you call it a homerun and you've got CA on your hands," and I said "Unless there's some resurrection of greatness in the company, for me personally, I have no interest in making money for you guys. Nothing personal, right? I mean it's just not something interesting to me." But we talked about that and I said "Look, instead of board director why don't you just make me an advisor to the board of directors and that way if I decide to leave it will be invisible," and we decided to go ahead and do that. It's worked out okay. I've been having a good time here.

Brock: Oh, I'm sorry.

Hancock: Go ahead. Go ahead, please.

Brock: Oh. Is it the same pieces put back together in the new Veritas?

Leslie: Pretty much. The disappointing part is when I left, my last year as chairman we finished the year at $1.5 billion. That was the year of the nuclear winter. I remember that Siebei Systems in the year 2000 was a $2 billion company. In the year 2001 they were an $800 million company. Veritas went from $1.2B to $1.5B and made 25% operating margins. I mean it was a great year for us in the face of that adversity,

and when Veritas left Symantec-- so it was acquired in 2005 and they spun out in 2016, 11 years later. You remember the scorching growth rate we had, right? So it went from $1.5B to $2.2B in 11 years as compared to the plan I had.

Hancock: So Mark, when you're telling the story your voice stays level and yet I can't imagine what that feels like to have this life vision and you have this..

Leslie: So no, no. So, no it's not..

Hancock: You've gone from glory to..

Leslie: No, no, no. So look, I look back at this and say I'm deeply disappointed that it didn't meet a greater destiny, but at the same time I have no personal regrets that I left when I did. I could've stayed another 10 years. They wanted me. They asked me after he-- they made him CEO. They asked me a few times if I want to go back. I didn't want to do that. I said I've done in my life what I wanted to do and I'm good. I'm good. So I have no-- I have disappointment, not regret, if that makes sense to you.

Brock: Absolutely.

Hancock: It does.

Leslie: So, yeah, I'm okay with. It is what it is. Whenever you leave you cede control and you don't know what the outcome's going to be. It's okay.

Hancock: You had this idea that you articulated in 1994 you might like to teach. So tell us how you actually began at Stanford..

Leslie: So, I didn't know anybody at Stanford in the '90s and I called up and started calling people I knew to say "Do you know anybody at Stanford," and they finally introduced me to a guy named Chuck Holloway. He was a very senior person in the school. They don't have seniority, but in terms of his role of changing things and getting things done, and he and a guy named Irv Groesbeck had built this entrepreneurial initiative in the school. I met originally Irv and Irv said go talk to Chuck. Chuck was kind of the gatekeeper on new lecturers, new, non-tenure track, practitioners they call them. So I had worked with them and we had built a case around Veritas and I was a class guest and I had done some mentoring and some business plans. This was while I was working as a CEO, this lightweight stuff I talked about. And then finally I came in and I said "So I'm ready if you guys are," and I said when we started, I said "Someday in the future I want to teach. You'll have an opinion and I'll have an opinion and we can do what we want to do." So the first reaction was "Well, we don't have anything for you but I can introduce you to someone at Berkeley if you're interested." So I said you bet, and I was very inspired about teaching. My experience at HBS in case teaching, I thought that an amazing way to learn is through these cases and I really could see myself doing that. So I got a contact over there and I ended up teaching. In the first semester I taught at Berkley it was unbelievably painful because I was teaching, co-teaching with one of their professors over there. The class was from six to nine one day a week and I live in Portola Valley and if you leave at four o'clock you're late for class.

Brock: Yeah.

Hancock: Yeah.

Leslie: So I had to leave at three o'clock so I could get there at 4:30. So I'd hang around for an hour and a half so I could go to class. The class had two episodes every class, two sections every class, and then you got out at nine o'clock and then you've got to drive home. I mean it's just horrible. It was just a nightmare but <laughs> it was my chance, right? I wasn't going to go give up the chance. So I did that and I don't know if it was Berkeley or-- it might have been Berkeley. One of them sent me to-- suggested I go take this class on how to teach cases by this guy named Timmons who was at Babson. He was one of the great, great entrepreneurial case teachers, and he taught a class on teaching entrepreneurial studies, right? And I was very inspired by that was well, kind of how you think about teaching a case. Anyway, they called me back up at Stanford and they said, "We have this opportunity. We want to teach this-- we have an oversubscription for this class where they're teaching people how to build a business plan. Would you be able to take on another section of it, or maybe not a section but maybe you can do a two-credit seminar thing," and I said sure. So that was my first time teaching there and then the following-

- they have quarters over there. The following quarter they said "We'd actually like to start another section of our flagship course in entrepreneurship," S353 – Formation of New Ventures, That was the first course that Stanford did in entrepreneurship, and it's been the one that's spawned all the other courses and the reputation of the school. So Chuck and a guy named John Morgridge were teaching this class together, and they asked me if I would teach another section of the same class in the spring quarter, and I was just dying for the opportunity and I said absolutely. And so, they got me involved with the planning. "We're going to be talking about this case and that case," and they kept asking me what I thought and I said "I have no idea what any of these cases do, so why don't you guys decide what you want to do and I'll just do what you do." So my first time really teaching at Stanford was in, let's see, it was in the spring of 2001 and I was teaching formation of new ventures, a four-credit course, and the plan was that I was going to go to attend their class in the morning, which is a 10 o'clock class, and then at 1 o'clock I would teach the same case. I would watch them and then whoever taught that case, they would watch me, and then we would talk at the end of the day. That was my first year doing this, and I was alone in the classroom. I had no-- most practitioners start teaching with a-- yeah, in a buddy system, right, but I said "Okay. I'll do. I mean whatever."

<laughter>

Leslie: So teaching is very, very time consuming and teaching the first time is even more time consuming. So I was spending 20 hours for each case and I was doing 2 cases a week, 20 hours of preparation. So they would give me their notes, and I would read the case, and then I'd read their notes and then I'd just develop my own notes, which is my own take on things, and things I wanted to talk about. I was new at this. And so, it was a very, very strenuous exercise for me and I remember teaching the very first case. So I watched them teach. I would have my own notes. I would watch what they do and I had their notes, and then over lunch I would markup my notes, right, just any changes that I wanted to do and then I would go in and teach the class. That was the plan on record. We did that for 20 cases. So at the end of my first session, Chuck Holloway who taught the case in the morning and then I taught in the afternoon and then he watched me teach it - a very nice man. I'm very fond of him, and I was looking for some mentoring at that point in time, and we talked about a few different things. I said "Oh yeah." He said "It'd be okay if you came out from behind the lectern from time to time."

<laughter>

Leslie: I was so nervous. I was so nervous that first time. So anyway, I came out from behind the lectern and we <inaudible>. I worked very, very hard. At the end of my first class I ever taught, the end of the last session the students gave me a standing ovation. It was, you know, and I'd changed-- I teach to impact all and to inspire a few. To inspire a few people to do something they would not have otherwise done in their lives, and I've done that. I've been success-- in every class I think I inspire one or two people to change the direction of their lives, to try something they wouldn't have otherwise done. And so, that was my first experience teaching. Then they said "Well, how would you feel about teaching two sections?" So this is in the-- I don't remember which quarter but the next following year. It was like "Why don't you teach two sections? You could teach one at 8 o'clock and one at 10 o'clock," and I said okay because I really wanted it.

<laughter>

Leslie: Well, that was one of the most exhausting times, second only to the year of integration <inaudible>. It was one of the most exhausting times I ever had in my life. I finished, and I had these two sections and I finished teaching and I went over there and I said "I will never do that again." And so, I was teaching alone in this, again, teaching alone and I don't know what they were thinking, teaching alone. If you teach alone you never get a day off. You can never-- you never alternate who teaches. You never get a little more time. It's just really, really, really intense when you teach alone. So I said "I'll never do that again." I said "I'm happy to do two sections with a partner but I can't do it alone. It's just too much. It's too much work." So I've been teaching there ever since. After, let's see, in 2003, about three years after I got there-- oh, before I do this I should say something else. I had a really important experience in I think in my second year of teaching. I was trying to teach a class, this is an entrepreneurship class, about how companies start up and then they build a product and then they go to market, and when they go to market they hire a whole bunch of sales people. They have a plan based on the experience of sales professionals before, which is this is how much they're going to do, this is how many we've got, and this is how long it takes them to go build this what they call a capacity plan. They put all this stuff in place. They spend a lot of money and then a year later instead of making $10 million they make $3 million. People get fired and it's a catastrophe from an economic point of view, and this happens over and over and over and over again in these companies. I see this pattern and I want to show it to the students to say "Caution. This doesn't work, this way of doing it," and when I'm doing that and I'm thinking about this, I had this epiphany which was not-- I couldn’t even articulate it but I could see that what happens when you go to market is that this takes a year or so to actually figure out how to get the whole thing to work, and until you get it to work you get no productivity out of your sales people. So, I see this analog to a manufacturing learning curve. You guys know the semiconductor business, manufacturing learning curve, volume increases, cost declines. Every semiconductor that comes out they get better yields. They go through this "learning curve". The interesting thing is they all know they're going to go through the learning curve but they actually don't know what they're going to learn until they do it, right, and then they "learn" this stuff and then things get better and prices go down, and what I realized was the same thing was true on the go to market side, that as you go to market, you go through a learning curve. The whole corporation, features, functions, usability, price, ecosystem, positioning, sales model, I mean there's a long list of things. When you learn about all these things which are unique to each company and each product, what happens is that you increase sales yield, which is the analog to manufacturing cost, and as sales yield increases, as the merchantability of the product increases, sales yield increases, and when sales yield gets high enough, that's when you hire a lot of people. So I came out with this paper called "A Sales Learning Curve". It's published in HBS in 2006. So it took us years to actually get it written and published, but the process of doing that, of having an idea-- I went to Chuck Holloway, my personal rabbi there..

<laughter>

Leslie: ...and I said "Hey, I have this idea," and I explained it to him and he didn't understand me, and I explained it again and we-- it took a while to actually articulate and then I say "Well this is an idea that probably exists out there." So we did a literature search and it didn't, and then I said "Could we write a paper?" I said "Would you do it with me because I don't know what to do." And so, we did that together. We wrote the paper 30, 40 times. It was really cool. We wrote it 30, 40 times kind of polishing it which is what you do in academia because they've got nothing else to do.

<laughter>

Leslie: And then we give it to the HBS people, the "Harvard Business Review" people and they say they'll publish it and they say "We're going to give it to our editor," and they give it to their editor and I get it back from the editor and I said "Oh, this is way better than what I could do."

<laughter>

Leslie: They really know what they're doing. This is so much easier to understand, and they didn't change anything. I mean all the content was in there. It was just the way they wrote it. It was much better. It was a humbling experience. So I got that published and then I evangelized that to the community of people in Silicon Valley. I went to every opportunity to speak that I could find. The first time I did it was at Stanford with an audience of about 400 people, and then I went to every venture capital CEO meeting, and whatever, any place I could go. I presented it to about 5,000 people over a period of a year or two and changed the-- it's become a seminal paper in Silicon Valley. People who I've never met, even in different generations actually have read the paper and they meet me and they say "Oh, you're the guy who wrote the paper." So I have that experience and it changed the culture of venture capital in that the year. After you develop and ship your first product is now a year of experimentation and tolerance rather than a year of execution and measurement. So that has changed in the Valley and it's changed because of-- I remember presenting it to people. It was a weird experience. I'm a very audience sensitive speaker and I was presenting this paper and I had a canned pitch at this point in time and I would always see in the audience that they would just be sitting there, with not animation. And then afterwards they would all come over to me, all come over to me and say "It's exactly what I experience and I never had the framework." And what was happening is that they were not leaning forward because they were intellectually digesting, right? It was in a sense harder work, right? But it was a very rewarding experience. I never thought of myself as someone who could write a paper and change the way people think, and that for me was very exciting to be able to do that.

In 2003, myself and some of the other practitioners basically were complaining, whining why don't we teach anybody in the school about sales because you can't-- I mean this is a business school. We send these people out to run businesses and they know zero. There's no course in this school that has the word sales in it.

Brock: Interesting.

Leslie: It's just-- yeah, it's amazing. So finally they call a meeting of about, I don't know, five or six people. One of the guys in the meeting is a guy named Jim Lattin, who's a marketing professor who I don't know how they roped him into the meeting, but he showed up. I showed up to the meeting and I said "I have an idea what this course would look like and here's 25 topics that we can build cases on." So I really had a lot of passion for this thing, and then there was this general discussion and everything like that and finally I think Chuck Holloway <inaudible>. He said "So it sounds like you're interested and it sounds like the marketing professor's interested, and why don't you guys go create a course," and everybody left the room and I'm staring at him and he's staring at me. We'd never met each other and we say "Okay, we're going to go make the course. We're going to go create this new course," and he's a guy who's created courses before. He's a tenure track guy, a lovely guy, one of my favorite people in the world, and I just had lunch with him this week actually, and we started out with a 10 credit, 35 student maximum registration. You start out by putting up 10 blocks on the whiteboard that are all blank and you say what are we going to teach, and what do we have in the way of cases. So, we did a literature search. We found terrible cases but a bad case is better than no case when you have a lot of white space. We got some cases written. We had a lot of support from the case writing department, and we started this little course. The following year we went to 20 sessions. The following year we did a major housecleaning and tried to get rid of all the crappy cases and ones that we wrote ourselves that didn't work. And then the following year we went to two sections and then with a full enrollment of 65 students and then the following year I said "Let's go to four sections," because we had a lot of demand for the course. We brought in two more instructors and they watched us for a year and then we, me and Jim Lattin, split up and we each took one of these people and we then became the person to coach them and became their teaching partner.

And after that, we did that for about two years and then I said-- and then I had been at that point teaching for 10 years and when I started teaching I said "I'll teach for 10 years and see what I want to do," and now that it was 10 years I said "I love teaching but I don't want to teach two quarters in a row." I was teaching two sections of sales in the winter, one section of formation in the fall, and I had started a new course at that time called "Real Life Ethics" and I was teaching that also in the fall. So I was teaching 14 credits and I said "I want to teach but I just don't want to teach two quarters. So do I want to teach sales and give up formation and ethics, or vice versa?" Since ethics was my newest course I decided I wanted to continue with that. So we recruited yet another person, instructor into the sales side and I left the class at that point in time. It's a great class. They've got four sections that have 280 seats. They educate about 280 seats out of a class of 350. It's a high-demand elective. It's one of the "don't leave home without it" electives. Many, many students have said "When I think back to school this is the most practical course I took." It's not a course about how to sell. The name of the course is called "Building and Managing Professional Sales Organizations". So it's a course about quotas and compensation plans and territories and district managers and going direct versus indirect, so all the things if you think about at a CEO - it's designed-- the target audience is CEO, investor kind of person. What do they need to know about sales?

Brock: Right.

Leslie: So I consider that to be a big accomplishment in my life. Because of the success of that when I said I wanted to build an ethics course they said "Sounds great to me. What do you need in the way of resources? Do whatever you want." So now we have this-- it's so interesting. The ethics class is a truly great class. The students come to this class. They just love this class, but we always have trouble with recruiting because it has the word ethics in it. After their first-year ethics class they become allergic to that word.

Brock: Oh.

Leslie: So this year I changed the name of the course to "Dilemmas/Decisions" and we now have waitlisted classes.

<laughter>

Leslie: Same class and it's a great class. It's a labor of love. I really enjoy teaching the class a lot.

Hancock: Can you tell us about some of the-- you mentioned key issues that you talked in the other one. What are the key topics you raise in this and then maybe some of the cases?

Leslie: Oh, so in the ethics class..

Hancock: Ethics, Dilemmas and Decisions class.

Leslie: Yeah. Dilemmas. Decisions. So one of the-- I think I told you about the case. I think I told you about one of the cases. Want me to talk about that one? Yeah.

Brock: EB Investment and its dilemma.

Leslie: Traction ventures, the investment dilemma. We had one where the chairman of a company used to be president. He became executive-- chairman, not executive chairman. He gets a call from one of the vice presidents who worked for him and now works for the new president. He used to be the COO, personal friend of this guy, and he goes to have breakfast with this person and when he gets there there's two other VPs at the table and it's a palace revolt. “We don't like what's going on. We have no plans but if things don't change we will make plans”, and they drop that in his lap. Making a long story short, I mean there's a lot of detail to this thing. We're making a long story short. This is a guy who was profoundly devoted to this company, this guy they want to fire. They're personal friends. They vacation together. The kids go to school together. When a guy moved up to the area to be the COO and he was CEO, he slept in his house for six months. I mean they're like this, right, and eventually this guy has to fire this guy, I mean at the end of the case, and it really is your loyalty to your job as chairman or to your deeply personal friend? And so, it's a real heartbreaker for the students. I don't think anyone would want that job, right?

<laughter>

Leslie: No, seriously. I mean it's like you-- and also they find out, you find out in the case. The case unrolls over time. You find out in the case that the reason this guy's so passionate about this company and these drugs that you're building is because he has the disease that this drug helps.

Brock: The guy that gets fired?

Leslie: The guy that gets fired. Yeah. I mean it's like you can't make this stuff up, right. This is a true story. We have a topic about activist investor. We have a topic about retail. They want to go into the-- this company builds a consumer product and they want to sell it through Walmart. In order to sell it through Walmart, you've got to pass a test. The test is you put it on the shelf and then they figure out how much has been bought and then they decide whether they want to have you go on their shelves or not. It's a product. They've been in business for a while. They've got great distribution and it's a great product, but they can't pass the test because the big companies basically stand out front and hand coupons to everybody and advertise on the radio and do all these things to kind of push the product. They have their people standing in there fixing up the shelves and stuff like that and there is like, you know, a half a dozen people in this company. They just can't-- I mean, you got to do it in 40 stores, right? So this company decides to send out their employees to buy their product for cash. And then the question is, “Is this a scrappy entrepreneur or is this unethical?” Oh, yeah and we have a very spirited debate. So I have just given you some, you know, this-- we do 10 of these things we probably written close to 20 of them by now. We have a whole bunch we don't use anymore there in inventory, they're just great cases. They're compelling, the students have this-- we unroll the story and then when class ends, they stand out in the front of the building in threes and fours, and they continue debating the topic because it's so compelling.

Hancock: We could talk all day Mark, but I know that you have other things waiting for you.

Brock: Yeah.

Hancock: So I would like-- we would like to turn now to another topic, which is your impact to entrepreneurs directly. People that you've served as an investor or mentor. I think, it's been now tens of companies that you've been involved with?

Leslie: I haven't fully counted, but I think over my career it's probably 50 or 60 companies that I've been on the board of, or been an advisor to, or something like that.

Hancock: How do you approach that role? You've been an operating role?

Leslie: Yeah.

Hancock: You've been a CEO of 7x24, what is that like?

Leslie: Yeah, so being a director is very different, you know. It's interesting many people who are CEOs who become directors see the opportunities to do what they think is the right thing and then they express that at the meeting and they want to operate-- they want to get their hands on the controls. They're frustrated when things aren't done the way they think. I don't think that's the role of a director, I think that the director-- you know, it's very humbling to recognize that as a CEO I thought about this business 7x24-- when I decided to do things, I had lived with this idea inside me and with my team and we had taken it apart and put it back together 100 times. Then we said we're going to do something like these mergers and stuff like that, and you can't walk into a meeting once every two, three months and get a gulp and actually, really know the way a CEO does. Number one. And number two, when you start operating the company then the CEO, if they listen to you, becomes unaccountable. I have a saying I use with my students and say, "If you don't listen to your board and investors, you may or may not get fired, but if you listen to them you'll definitely get fired," The meaning of that is, is that once you start doing what they're telling you to do, what do they need you for? They really need someone to have their own ideas and to do what they want to do, and then convince you that it's the right thing to do, not the other way around, In fact, when a board recognizes the fact that the person doesn't do anything and pushes all the decisions to the board, they actually fire them and get someone new. So, I think, that's a true statement. So I do three things at a board or in an involvement with a company. Number one, I'm a go-to-market entrepreneur-- an entrepreneur go-to-market expert. I've been doing it myself. Been doing it with other companies. I've created the courses. I've thought about this for 25 years deeply, and I have a lot of success behind me. So I really have some contribution to add.

Number two, I try to inspire the company to think strategically, to look for the opportunities for transformation. To look for the opportunities that truly make a difference to transform the company to greatness.

And the third thing I do is, I try to build a relationship with the CEO where we can talk about the things that they worry about; the issues of leadership and coaching and things like that. I'm never an investor board member and I'm never a management board member. I'm an independent board member and there's a lot-- I spend a lot of my life thinking about issues of leadership and I can really help these people a lot of the times with the issue of the day that they're dealing with. So those are three things that I do on a board.

I recently in the last year or so, I concluded that sometimes I make a little money between my options and my investment and I usually get options and then double up by making an investment. Sometimes the company-- sometimes I lose money, neither of those cases does it make a difference. If I make a lot of money I actually end up giving it away. So actually, it's just a hobby now and I'm trying to restrict my activities to things that are personally fascinating and interesting to me. So that's what I'm doing now and I used to try to do-- the economic value of the company used to play, you know, something that I believe was a sure hit, which of course you never know. But something I believed was the right thing was the great economic return would be attractive to me. Now, what's most attractive to me is something that I think has the opportunity to change the world, is intellectually fascinating, really cool people. That's really what I'm interested in doing right now and because it's a hobby-- when I thought of it as a hobby I said, "Well, it's a hobby," it's kind of like going back to when I was trying to figure out what I wanted to do in my next job as a CEO, it's like, "Okay, so it's a hobby. So that means I can think about it in a different way-- what's important?" And then, I thought about what's important.

Hancock: As you reflect on these 50, 60 is there one or two that you would like to sort of cite as something you particularly-- memorable to you for certain reasons?

Leslie: Well, one of the recent really successful companies is Pure Storage. It's a great example-- the guy who started Pure Storage was one of the technical founders of Veritas. He was the person who from the year 1988 until, I don't know, maybe five years ago was the single person of the company who was the architect of that disc product that I told you about, the virtual disk So he was the guy that built it and owned it and enhanced it and, you know, he was a senior fellow in the company who made a lot of money as a founder engineer. It was all great and this is a perfect example of what makes a company great. So I mentioned earlier that opportunity comes from disruption. So I remember in the early days of the industry when the industry transitioned from tape to disc and when the industry ran on tape. When they did the payroll application they would have payroll master file, which would have the name and details of every single person. They'd have a payroll item file, which would have the weekly hours and whatever else was relevant that was put in, you know, key punched into a tape. They would run this tape against this tape and out on the other side would come a new tape, the new payroll master. There would come a set of payroll checks. There would be a payroll register, there'd be tax stuff, there'd be all kinds of stuff that would come out on the other end. Then they would take this new payroll master-- the old one would become the grandfather and this one would become the father and then they would create a new child next time.

So they always had this rotation of three and they rotated the tapes and when they came out with the disks-- they came out with removable disks that went onto drives and when they did the payroll application, they had the payroll masker disc, they had the payroll item disc and then they created the new payroll master disk. So it was a completely-- the disk-- the only value of the disk was that you could access something in the center of the disk without spinning the whole disk, right? Which you would have to do with a tape and over 30 years we learned how to think about disks as not as tapes, but as their own thing and John was a guy who spent his life thinking about what I call the geometry of a disk. How many platters? How fast does it turn? How fast do the heads move in and out? How do you format the physical disk? Does it make a difference? He spent his entire life thinking about the geometry of a disk. When flash was invented the first thing that they do was they make flash disks, which are exactly like what I described in the payroll application. They get your disk, put it in the flash, it works faster. John looked at flash and said, "It's a new geometry," and as a result of it being a new geometry we need to rethink how we think about this as a medium. Now, let me give you just a little tiny piece of the background of it here. The company NetApp a very prominent, famous company in the valley built the company on an idea that was intrinsic to the geometry of the disk. So what happened in the early 80s was that companies started to build network file servers. That instead of keeping everybody's files here, let's keep them in a single place and then everybody can go and get them, right? And so we built these-- put in a server, put in a big disk behind it and everybody would go get their files from this big thing and what happened when they did this, is that, you know, you have five people on there, the performance is a good, you had 10 people on there, the performance was good. You put on a 12th person and the performance crashes for everybody. What happened was, that in this disk in order to make it efficient for the users, you want your different segments for a file to be adjacent to each other so when you read it, you just pick them all up one after the other. When you have people writing to the disk while people are reading the disk, the person that's writing has to go back to that same space all the time and the other guys are all over the place. So what happens is, you reach this kind of place where it starts thrashing and nothing gets done and that's what happen-- so that's what happened. That was the architecture and the idea that NetApp had and would build a company on this, was to say, they call it WAFL; Write aAywhere File Layout. They said, "When we're writing the file instead of writing it in the same sequential segments, we'll just write it wherever the heads happen to be and we can find an open spot and at night we'll clean it up," and the performance curve went like-- it would go like this and then like this and with NetApp it went like this, right? So they changed the industry, a simple idea and it was dependent on the geometry of the disk. Now, flash comes along, there's no moving heads, you can write anywhere you want anytime you want. It had no penalty. The whole idea of what NetApp did has been obsoleted by the essence of the technology. Not that anything changed they would just kind of create these disks out of flash and then they'd treated the same way. John's insight was that it was a different geometry. So let me talk about what he did. He said, "When you have high performance applications what happens is, is that the disks are depopulated," that is, you can't really fill them up because you can't get the data off there. So what you really want to do is take the same amount of data and put a whole bunch of discs so you get increased bandwidth to the-- to this data. So the disks are essentially depopulated. So the first thing we could do with flash is we could get rid of that problem. A second thing we can do with flash is that we can de-dupe it. We can de-dupe the data. Anytime we write data we only write it once and then we just write a pointer which is very efficient for space. And the third thing that we can do is, we can compress everything because computing cycles are cheap. We can put a computer inside the system it will be invisible to everybody-- it does all the compression and decompression and they got about a compression ratio-- an overall compression ratio of about 50 to 1 as compared to disks and as a result of that they were able to come to market: “Pure Storage, 10 times the performance, 1/10 the power and space, same price as disk”.

Hancock: Wow.

Leslie: Wow, and the insight was new geometry. So I look at that and say, you know, when he told me this idea, I could see the disruptive nature, that flash was disruptive but we haven't seen the disruption yet. We haven't seen the-- haven't been-- nobody's cashed out on the opportunity yet. So I helped him get that company started and build it and it's now a big, public company and that's one of the great stories of the day.

Hancock: Surely. Congratulations on that.

Leslie: But-- so for me the fascinating part was, "Hey, let's not think about flash as another disk. Let's think about it as its own thing." One of the companies that is a favorite experience of mine was Skybox.

So I was teaching my formation of new ventures class. I had three students in the class. Two of whom were from the engineering school, PhD candidates and they were in aeronautical engineering and one of them whom was in the MBA program and they were together working on a program. Now, when you teach it's a sea of faces, they're all brilliant, but you don't know anybody's back stories. You don't really know what's going on in their lives outside of what you experience in their classroom persona and so. One day I'm doing a business-- there is a business-- you know, people are presenting business plan presentations and I'm a judge and these three guys get up and they make this presentation that they want to go build the next generation of imaging satellite and they want to go have a fully loaded launch cost of the satellite of $5 million. So fully loaded launch cost is the physical satellite, the renting some space on a rocket ship to put it into orbit, the insurance, transportation and all that stuff. Not paying down the R&D, but $5 million fully loaded launch cost and the next cheapest one flying is $500 million. It's like, "Whoa!" So they were making this presentation and at the end of their presentation, I said to them, "So you guys actually want to start a company or you just kind of talking here? What do you want to do?" and they said, "No, we'd love to start a company," and I said, "Well, I can help you do that," and I brought the-- I introduced them to Khosla Ventures, who's probably the most adventurous venture firm in the industry willing to do crazy things. Not crazy, but, you know, exciting things. The partner of a record was Pierre Lamond. I might have met him at that-- no, I met him at a different company before that. They put in $3 million. We started this company and over the next few years we raised a total of $90 million and in, let me get my dates right here, in November 2013 we launched our first satellite. And the satellites fully loaded launch cost was $15 million. Not bad, of course when you say $5 million versus $500 million is like, "Well, if we're wrong by two or three who cares, right?" It still has the same-- it profoundly changes the economics of the industry and being a creature of Silicon Valley I say even if this doesn't, you know, we have to go take market share from other people by being, "Cheaper and faster." But more importantly, the economics open marketplaces didn't exist before and they will find us. That's what-- it's such a disruptive technology.

So the first launch was on a-- I love this story, the first launch was on a Russian Dnieper rocket ship. A Dnieper is used in Russia for commercial launches they sell it in this market. It's very hard to get a launch for you-- you want to rent a space on someone else's rocket and you've got to find someone going to the right place at the right time. It's a very thin kind of idiosyncratic market that you try to shop in, right? So we finally end up on this Dnieper and the thing gets moved out and it gets delayed, which was good because we had more work to do and we finally launch this thing. And I say that when we figure out we're going to launch on a Dnieper, I say to the CEO, "So we're all going to go to Russia, we're going to eat caviar, we're going to drink vodka and we're going to have a launch party. Like a REAL launch party." He said, "No, it doesn't work like that," and I said, "Well, what do you mean?" He said, "Well," he said, "The Dnieper actually is a repurposed ICBM that used to have multiple warheads aimed at the United States. It's on a secret Russian base in a silo," I said, "Oh, okay." So about a week before-- about two weeks before launch, the actual launch (this was six months earlier), we're sitting in a meeting and a new investor says, "So are we worried about the weather?" Because you always hear about, you know, in Cape Canaveral, you know Cape Kennedy whatever, "Oh, it's raining. It's too cold. It's too hot and it's cloudy," whatever. They always have this weather report and so, the CEO says, "No, it's an ICBM. They go rain or shine."

So that's a little anecdote on the company it was a very-- it was kind of a fun thing. But we launched a satellite and it worked perfectly. We knew at that point in time that this was serial number one, that we could do this for $10 million because it gets better as you go along. If you buy your own rocket and launch 10 of them at a time, you know, that's more economical. And we really change the world. We really-- when we were building this company, everybody in the space business was watching this company looking at it like a bunch of high school kids in a science project. They're really cute, but, like, you know, it's not exactly-- this is not real and then they launched this thing and it worked, it was like a miracle. I mean, we changed-- today there is a whole collection of space startups, and Skybox was the first one. Skybox opened the window for opportunity for space entrepreneurship. So we were getting ready to launch our second one in July of 2014 and Google came along and bought the company for $500 million and my three students made about, Oh, I don't know, $20M, $25M apiece in that transaction. When it was all over they wrote me a note that said, "If it wasn't for you, we'd still be in the basement of the engineering school arguing with each other." So that was probably from a psychic reward point of view, probably the most psychically rewarding company I was ever involved with. Those were students that were inspired rather than impacted. They changed the world. They walk away from that believing they can do things that they never believed before and I helped them do that, and it's very rewarding for me, personally.

Hancock: I'd like-- this reminds me that I'd like, for the record I did want to make sure that we asked you about your key concepts about strategic transformations and your arc of a company. Could we have your thoughts on that?

Leslie: I mean, read the paper. Mark Leslie LinkedIn.

Hancock: Before the..

Leslie: Mark Leslie first round review.

Hancock: For this video?

Leslie: Right. So-- yeah, so giving my personal experience. I have come to believe that companies that are great are built out of-- that are-- So first, I believe whatever product, whatever company we have has its own lifetime. It could be a year or two, and it could be 100 years, but it has its own lifetime. And that the world continues to change around this and eventually that product and that idea will be imperiled by new things, right? And that-- what a company has to do with this-- and I kind of describe that sourcing as an article the company has to do to be a great company, is to build a new business on top of that. Something that is different and transformative and creates a new opportunity and can you continue to build arcs? That the fundamental problem associated with that is a problem of leadership. We have, and certainly in big corporations, CEOs, that come in for a tenure of 5 to 10 years. Tthey just want to run the business and make every quarter and be successful. Making every quarter in a sense is the opposite of transformation. Transformation has risks and it's not about execution, it's about strategy. Whereas, making every quarter is essentially about execution. And so, we kind of look at some lessons. You look at a Kodak, as an example - a once great company. A company with a brand that there was no place that you could go in this world where you didn't see a kiosk with a little yellow boxes with Kodak film in it. Kodak was the-- had insight to the fact that digital photography was coming. They had more patents than anybody else. They had the first products and more than anybody else. And they failed to transform the company and they went out of business. And then they couldn't sell their patent portfolio! It's a story, you know, it's a story of tragedy, right? And the question is, given that they knew, why didn't they do anything about it? And so, that's kind of what this paper is about. I define that there's two kinds of leaders and companies. There's the kind of leaders that are operationally driven, do things well, make the next quarter, do incremental improvements. There are people who are opportunity driven. Who want to go build a signature company. Who want to go change the world. They are willing to take more risk, and you need that kind of person in order to be able to build a great company. Now, sometimes companies go back and forth between them, but eventually you need that kind of person. I wrote the paper before I-- just before the more current news, but I have a perfect way to illustrate it. Microsoft went from Steve Ballmer to Satya Nadella. Steve Ballmer ran the company as an operationally driven-- made the quarters-- stock didn't move, the company became less and less relevant and everybody had essentially written it off as a company that would be around for a long time. But-- and would make cash, but eventually would die you know what I mean? They were always protecting their existing product base and things like that.

Satya Nadella came in and said, "All's fair. Let's change everything." He went after the cloud-- the idea today you can download all of the Microsoft office products onto your phone for free. That never would've happened in a million years under Steve Ballmer. Not-- Office is one of our premier products and anybody that wants it is going to pay for it. So this mindset that the world changed with mobile and you're not going to charge $400 for a word processor and a spreadsheet - that didn't exist before Satya Nadella. So he's a perfect example of the contrast of the two leaders.

And the other perfect example is Apple. Apple went from, you know, Steve Jobs the opportunity driven visionary leader. Tim Cook, bless his heart, he is certainly a nice man. What have we seen since 2011? Seen a better camera on the iPhone, 6 years, there's nothing going on there. The place is just vacant of ideas and courage, essentially and but, it's an amazing company and they're going to milk the cash and, you know, there's so much momentum behind it that before it goes over the top of the curve it's going to have years of going up the curve, right? So it's all going to look good, even when it's a decaying on the inside. So those are the two people that I think illustrate perfectly, I call Tim Cook the new Steve Ballmer. So the final note in that paper or the final idea in that paper, that I think is interesting is the window of optionality. People always wait too long. If you look at the arc of life of a company, the window of optionality is after the risk is out of the existing product, when you're on the steepest part of the growth curve, when things are going great. You're making money hand over foot. Execution doesn't matter because everything is great, that's the time to take risks to do the next thing, because as soon as you pass that point it gets harder and harder. Well, eventually you go to the far side of the curve where you're closing factories, laying off people, crying to your investors and there is no money or opportunity to do anything at that point. The active investors are all over your behind and everything. So that's the point in time when you missed the opportunity to do anything. So there is a window of optionality in this-- on this arc. So that's the-- kind of the essence of that paper.

Hancock: Thank you. I'd like to pull back the sort of periscope and take a 10,000 foot view-- you came here thinking that you might give it a try in Silicon Valley and you've not only been phenomenally successful, but you've been at the heart of it, and it's transformed itself again and again. How do you look at Silicon Valley's change and transformation and is it at risk? What do you see right now?

Leslie: I should preface this by saying, I'm a genetic optimist and genetically happy. So I never see the glass half-full I only see it-- I never see a half empty, I only see it half-full. I think that Silicon Valley is about 50 years old. It is the miracle of our time. I think it is the Florence of the 21st century. It's the place where the smartest people and the most ambitious people find their way here from all over the world, truly, all over the world. You go around to these companies and it's hard to find someone born in Kansas, is all I can tell you, and we change the world. Not always good, but we changed everything about the world. We have more homeless and more higher rents and more traffic than we used to have, which is probably exactly what they had in Florence. Yes, you know, they probably had exactly the same problems of high rent and too much traffic in the streets and too many homeless people and things like that.

We are building the cathedrals of our time. The Apple headquarters and the Facebook headquarters these are all these architectural wonders, you know. People are going to come for many years in the future and look at them in wonder, as the cathedrals of the Renaissance.

And I think there's at least another 50 years in front of us. I think we're going to-- and we don't even have to-- so the underlying-- the thing that underlies all of the innovation in Silicon Valley is the speed of processors, the density of storage and the bandwidth of communications. Those are the three things that drive all of the innovation above it, and I see those things to continue on indefinitely into the future - and we don't know what it's going to bring. I mean, who knew about the Internet? Who knew about the iPhone? I remember being-- I'm a very observant person in the industry, I spent a lot of time thinking-- I remember being surprised at the Internet, like where did that come from? And then before I finished the sentence it was all over the place. Same thing with the iPhone, I mean, the iPhone you know - 10 years old and most people can't imagine that they didn't have it before 10 years ago - that it's so much a part of us. You never leave your house without your iPhone or android or whatever. And if you do, you go back and get it even if you're late for your next appointment.

Brock: Absolutely.

Leslie: That's how identified we are as an extension of self. So these innovations, these changes, why should they stop, I mean, it's amazing the things we're going to do. AI, robotics the horizons in front of us are as exciting today as they ever were.

Hancock: I know David had a few other questions that are along these lines looking ahead and..

Brock: No, I think we've really covered them. I think this is-- that's excellent.

Hancock: I do have one. I hope this isn't extraneous to what you already shared Mark, but as a great teacher you have lessons that you share. I noticed you-- we-- you talked about inspiring all-- excuse me, impact..

Leslie: Impact all, inspire a few.

Hancock: Impacting all, inspiring few. I think there's something called the Leslie law that you've-- are there as you think about inspiring the next generation of innovators and entrepreneurs are there some advice, pithy advice or..

Leslie: Definitely.

Hancock: Now's the time, please share.

Leslie: So when I teach I have a-- what's known in the school as a last lecture. And a last lecture is your parting, you know, you've do some course summary, but mostly it's your parting ideas that you want to leave with the students. I go through this, you know, kind of things I've learned in my career. I go through this talk about leadership and how to build companies and what does a CEO do.

But the last two slides I think are the pithiest. You talk about being a CEO in the next to last slide it says, "If you want a friend, buy a dog". And I have a picture of my dog and it speaks to the-- it's a-- the slide right before that by the way says, anything you want to do in life, if you want to do something special in life it takes commitment, intensity, focus and endurance. And when you do that you give up something else and there's no 110%, there's no quality time, those things are delusions and if you want to be great you have to make that commitment. Nobody becomes an Olympic gold medalist who didn't spend 10 years of their life and doing nothing, but becoming an Olympic gold medalist. It's just-- you can't do it. So if you want to go build a great company, you want to be a CEO, you're going to be in a lonely job. They say it's lonely at the top because it is, it is very lonely at the top. There's things you have to do. It's lonely that you have to think about things with nobody else to think about it with, is some of the things you do and it is lonely, you can experience loneliness. But you have to be comfortable in your own skin and comfortable without the social reinforcement that most people need in order to do the job. So my second to last slide, if you want a friend, buy a dog. It gets a laugh, but it means something.

And the last slide and I think is the most important, that is the advice I give to people that I personally value the most. "Regrets in life will be tempered with time. But regrets for the things you've never done is inconsolable". That's, for me, words to live by, and I translate that to say, "Look, you guys are headed out into the rest of your life. You should do what you want to do and what has meaning to you. You will have a day of reckoning in the future," your 60 years old, you're going to say, "Have I done what I wanted to do, or at least tried?" It doesn't matter what your parents think. It doesn't matter what your peers think. It only matters what you think and what you want to do, and you have to be thinking about that day of reckoning someday in the future. Have I done with my life what I wanted to do? Have I decided what's important and have I placed my energy onto what's important? And I believe that to be the most important thing in life, that regret for what you done tempers-- is tempered with time. Regret for what you've not done is inconsolable, I believe that. Those are my words, they're not mine-- it's a quote from someone else, but those are words to live by for me.

END OF THE INTERVIEW

