



## **Oral History with James R. Swartz**

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National Venture Capital Association  
Venture Capital Oral History Project

**James R. Swartz**

Interview Conducted by  
Mauree Jane Perry,  
July 19, 2006

This collection of interviews, *Venture Capital Greats*, recognizes the contributions of individuals who have followed in the footsteps of early venture capital pioneers such as Andrew Mellon and Laurance Rockefeller, J. H. Whitney and Georges Doriot, and the mid-century associations of Draper, Gaither & Anderson and Davis & Rock — families and firms who financed advanced technologies and built iconic U.S. companies.

Each interviewee was asked to reflect on his formative years, his career path, and the subsequent challenges faced as a venture capitalist. Their stories reveal passion and judgment, risk and rewards, and suggest in a variety of ways what the small venture capital industry has contributed to the American economy.

As the venture capital industry prepares for a new market reality in the early years of the 21st century, the National Venture Capital Association reports (2008) that venture capital investments represented 21 percent of U.S. GDP and was responsible for 12.1 million American jobs and \$2.9 trillion in sales. These figures, while significant, greatly understate the collective accomplishments of the venture capital industry.

I'm pleased to have initiated and given my early support to this project, which is now receiving support and funding by NVCA. I believe these oral histories will advance the understanding of the venture capital industry. This collection, along with Paul Bancroft's Bay Area oral history project at the Bancroft Library at the University of California, Berkeley, and Paul Holland's Silicon Valley project for the Western Association of Venture Capitalists, will add significantly to a growing body of venture capital memoirs available to the public sector.

A special note of gratitude goes to each interviewee who generously gave of his time while candidly sharing his memories. Their recollections bring to life the dynamic story of venture capital in the 20th century, providing a powerful perspective on the history of this industry.

Charles W. Newhall III 2010

# VENTURE CAPITAL GREATS

A Conversation with James R. Swartz

**INTRODUCTION:** Today is July 19, 2006. This interview with Jim Swartz is taking place at his home in San Francisco, California. My name is Mauree Jane Perry, Oral Historian.

James R. Swartz is a general partner and founder of Accel Partners. He has been active in venture capital since the early 1970s and has served as director for over 50 successful companies. Jim Swartz has been closely involved as the lead investor in numerous industry pioneering public firms including Broadband Technologies, Daisy Systems, Medical Care America, Netopia, PictureTel, Polycom, Remedy Corporation, Riverbed Networks, Ungermann-Bass and many others. In addition, he is working closely with the Accel Europe team as a founder and mentor of Accel's European business. Before founding Accel Partners in 1983, he was founding general partner of Adler & Company, which he started with Fred Adler in 1978 after his tenure as a vice president of Citicorp Venture Capital. He is a former director and chairman of the National Venture Capital Association. In addition to his ongoing professional commitments, he is a significant leader in numerous cultural, civic, and education-oriented philanthropic activities throughout the nation. A graduate of Harvard University, he also holds a Master's degree in Industrial Administration from Carnegie Mellon.

**EARLY YEARS**

MJP: Good afternoon, Jim, and thank you.

JS: Thank you.

MJP: I thought we would begin with the early years of where and when you were born.

JS: I was born in 1942 in Pittsburgh, Pennsylvania, at Allegheny General Hospital, which is still there on the north side – actually adjacent to Three River Stadium. I grew up in a small town about seven miles down the Ohio River from Pittsburgh called Coraopolis.

MJP: You wrote that both your mother and father were important influences in your life. What did each one impart to you?

JS: Well, as an only child they have to be important influences in your life. And they were. First of all, they were both hardworking, energetic and engaged in the community. My mother was a precursor to today's modern woman because she stayed at home when I was young, but then she was working when I was at a fairly early age.

MJP: What did she do?

JS: She did a variety of things, but most of her adult life she ran a medical laboratory for a doctor in a hospital, a pathology lab. She was very active with that and stayed very active with the whole hospital-based medical care stuff, all

of her life really. I think they were just good role models, just good people. There was never any heavy emphasis on education, but it was always known to me it was important to do well and treat people well, which I think was a real characteristic of my father's, and to do well in school, which was really pushed by my mother. Neither one was college-educated. My mother graduated from high school with honors. She was quite bright and interested in things. My father was more happy-go-lucky, much more people-oriented.

MJP: Were you close to them?

JS: Yes, I think in your life you go through periods of more close and less close and so forth. I think certainly in later life I became much closer with them.

MJP: Did they have high expectations of you professionally?

JS: You know, they had high expectations – I always felt high expectations in general, professional wasn't a term that I was raised with because they weren't professional people so to speak. I had a set of cousins who were older, all went to college, all did well, and they were role models. But then I had another set of cousins who didn't go to college and just did fine.

MJP: When I read your answers to the questionnaire I asked you to fill out, [the questionnaire and answers are attached to the end of this document,] it became clear that throughout your education in high school, Harvard and Carnegie Mellon you were exceptionally and consistently hardworking, ambitious, competitive, and successful. Outside of school you held jobs at a gas station, and later on in road crews; within school you led your class as president, you led your football and track teams to victory as captain, you

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completed your academic studies with excellence. My question is, can you comment on your drive and your ambition?

JS: I guess it's a combination of self-starting and competitive. I find myself in almost every situation wanting to be competitive and wanting to be the best. There are times in life when you say, 'hey, what are you doing?' You don't worry about that. But most of the time I just find I want to strive to be at the head of the pack in some fashion. In high school, you don't really know yourself, you just are sort of learning about yourself. It always bothered me if I didn't do well on whatever exam it was, or whatever the homework assignment was. I was one of those kids who religiously did their homework assignments.

MJP: Because you like learning so much or you liked being successful?

JS: I loved learning, no question about that. But I think, to be honest, I think it somehow was more about succeeding than it was learning for learning itself. Although I had read a lot, I've always read a lot and I read a lot in those days. Things that had nothing to do with coursework. I always read a lot outside of courses. I think it had more to do with just wanting to succeed than anything else. And somehow that drive was just instinctively there. I'm still that way to a large degree.

MJP: In reading some of the comments about your firm, it is identified as a competitive firm and you are identified as a competitive leader. Not that you want anyone to lose, you just want to succeed.

JS: Right, right.



MJP: Do you think you're driven?

JS: Yes, definitely. Though I don't know driven by what.

MJP: That was my next question.

JS: I think I'm driven to succeed. I've always been very driven for peer group acceptance. That sounds trite maybe. It's funny, I don't really care – I've always been slightly off kilter with what most of my peer group does. I don't mind doing things differently. And in fact, most of my investment successes have been things that were not going with the crowd. So peer group acceptance a lot of times means going with the crowd. I've always never gone with the crowd. I've always sort of hung by myself. I like people. I enjoy people. I enjoy socializing as much as anybody, but at my core I'm really a loner. I'm really happy to be alone.

MJP: You're comfortable.

JS: I'm comfortable. I'm very comfortable in my own skin and so if I make an investment decision that everybody doesn't quite get, I'm very comfortable with it. I figure it will work out somehow.

MJP: So you must have a strong sense of self-confidence?

JS: Probably too much, Yes, in some cases. I have a strong sense of self-confidence, not overbearing I hope. But I think I'm – I care about people. That's one of the other characteristics. I grew up in a fairly common environment, people of all walks of life, and I've always had a pretty good

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ability to get along with just about any type of person. I tend to care, in the firm or anyplace I've worked, I've always cared about everybody. And always try to set a tone for [that style.]

MJP: Like knowing the doorman, Gill, downstairs.

JS: Yes, exactly. He keeps calling me Mr. Swartz. I said, don't call me Mr. Swartz, call me Jim. I treat him as a respectful person. He has a job, he does it well, and I respect him for it. I enjoy people like that. I get a lot out of those kinds of people.

## **GETTING STARTED IN VENTURE CAPITAL**

MJP: By the time you were 40, you achieved remarkable professional success. How, or I should ask, WHY did you get started in venture capital? Because your degree was in ....

JS: Engineering. Harvard Engineering was the sort of pure theoretical kind of stuff. I guess when I was in college, or before college, I thought I wanted to be an Air Force pilot, so I almost did that. I had several congressional appointments so I could have had an appointment to the Air Force Academy. It's maybe good [that I wasn't appointed]; I understand almost the entire class was wiped [out] in the Vietnam War. Later I thought I wanted to be an engineer because I'd grown up in mill towns, but working in that environment, somewhere along the way I was exposed to the concept of business school and business. I finally decided in my junior or senior year [of college] that that was what I wanted to

do. So once you're in business, what do you do? I still had this engineering/manufacturing thing, so I thought I'd try that. I took the best job I could get coming out of business school, and I rapidly realized that that wasn't for me.

MJP: Because you weren't happy or because you weren't successful?

## MENTORS

JS: I wasn't as successful as I could have been. But it was being in a big company and all the politics—I couldn't relate to the people working around me [laughs], I just couldn't deal with it. And I said *This is not for me*. I found that consulting was the opportunity to see a lot of things very broadly at a high level, so I did that for three-and-a-half years. I knew that that was just a stepping stone, and along the way I decided I really had to be in an organization that I was driving myself or played an instrumental role in. And that's a combination of desire to create my own environment, but it's also economically driven. I realized that that was the way I could do better economically—helping to drive something as opposed to just being an employee. And as I was discovering all that, I happened to become very good friends with a fellow named Mort Collins. Mort was one of the pioneers of the venture capital industry. In those days there were no books, you went to the library and looked up the phrase and venture capital didn't exist; it wasn't a term that people were familiar with. Anyhow, there was no way to find out about. You just had to stumble into it somehow by word of mouth. And that's literally what happened to me.

MJP: How did you meet Collins?

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JS: He was a venture capitalist and he had stumbled into it five years before I did. He was a Ph.D. computer guy. This was the 60s, the era when Wall Street people were trying to figure out what computers were all about. He became a consultant to people on Wall Street to help them understand technology. And one thing led to another and they started giving him money and investing. So he put together Data Science Ventures, one of the very early technology venture capital firms. He was based in Princeton, he and Jim Bergman were partners. Bergie is my age. Mort's about seven years or so older. So anyhow, Bergie, Mort Collins and I became good friends, and we were living in Princeton, you know, taking a lot of vacations together, spending a lot of time together and I was a sponge.

MJP: Were you unhappy at what you were doing or were you looking around at this point?

JS: Yes, I was looking for something entrepreneurial; I didn't define it as such, but something where I could have ownership, something I could help drive, be a leader in. I was pretty good at consulting and I enjoyed solving business problems, so as I began to learn more about venture capital, it became clear to me that it was something that I'd probably be good at. There was the economic side, the leadership side, and the business problem side, so it just seemed like a good thing to do.

MJP: Did Mort participate in venture capital as an SBIC?

JS: No, he had one of the very early technology based venture capital firms. A little bit about the history of venture capital: During that era, [there were] Venrock and Warburg Pincus, and an organization called New Court

Securities. [New Court was the American arm of one of the London-based Rothschilds.] So Peter Crisp of Venrock, Charlie Lea [Charles Lewis Lea Jr.,] of New Court and Lionel Pincus of Warburg Pincus funded Mort out of their funds to create this specialist technology firm. DSV was probably the first specialist technology fund.

Q. Were you turned on by computers at that time, and if so, how and why?

A. Yes, sure. Just being an engineering and technology major, I was always interested in it. I majored in engineering at Harvard, and it became pretty clear to me that computers were going to become really important to business. Actually spring of my senior year, in 1964, the cover story of Time Magazine was management, science, computers and business, and the two leading schools were Carnegie Mellon and MIT. Harvard didn't get a computer into their business school until the late 1960s when a bunch of Carnegie Mellon guys went up and started the department. So I was really attracted to that.

Q. But you didn't get an MBA; you pursued an M.S.

A. Yes, it actually was an MBA and they called it an MSIA—MS in Industrial Administration. It was Carnegie's way of being different. It was and still is different; it is much more course-based rather than case-based. Interesting program. There were a lot of computer science courses. There was a management game that was run on the computer. So I had this rich operations research, computer-based, science based background from business school.

Q. Then Mort and you were personal friends. He was investing now in technology.

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A. He took a definite mentorship role attitude toward me, and started introducing me to people. And then he started introducing me to Wall Street people and venture capital people, and he sort of engineered me into the venture business.

Q. What was Mort like personally?

A. He's still the same. He's very bright, loves science, talking science, extremely opinionated, very outward bound, not much coming in.

Q. But he was interested enough in you as an individual to...

A. Well, we shared a lot of interests together, flying, going to the beach, science and engineering. We just had a lot in common. He had been married and divorced and now had a wife who was more our age. He was forming new relationships.

Q. So it just worked.

A. Yes, it just worked.

Q. Did his mentoring lead to a professional position for you?

A. Yes, absolutely. There was a very famous investment bank in that era called Laird. DLJ and Laird were the two hotshot firms in that era.

Laird was also a big leverage buyout operation and a real precursor for many of the LBO greats. A lot of the buyout guys went through there. They had a little venture group, and they had an investment banking group and a brokerage firm. And there was a fellow named Jim Stevens who ran the investment banking side of it. He was on Mort's advisory committee. There's another old New York firm, part of the original venture fabric, called Payson & Trask. It's a really important [firm in that it was there in the] early, formative stage of venture capital. There was a firm out here, Anderson, Draper & Gaither, that was a dominant firm in the 50s/60s and Payson & Trask was similar to it in New York. There was a partner there named Hardy Shepard. Jim Stevens was married to Hardy Shepard's daughter. Jim had been a rising star at Citibank during the era of Walter Wriston, and he later left Citibank to become the number two guy at Laird during the late 60s bull market. He's a very high-quality guy. And I was introduced to Jim Stevens and that whole group and they hired me into the business.

MJP: How did Jim Stevens mentor you?

JS: He was very helpful because he knows his way around the venture business quite well, although he was not a venture capitalist himself; he was a great manager and judge of people. And I started learning a lot of it myself, just picking stuff up.

MJP: And what did you learn?

## **STRENGTHS, STYLE AND FOCUS**

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JS: Well, you watch and observe. I've always been a pretty good judge of people, not infallible, but get it right more than wrong. So I made it a point during that era to meet as many venture capitalists as I could. By then I knew that venture capital was what I really wanted to do. So I started trying to meet everybody in the business that I could. And there weren't a whole lot in those days. I remember going to I think the first annual meeting of the NVCA in New York, and there were only 30 people there, around '73 or 74. So you'd meet people and in those days you could spend hours and hours talking about what they were doing, and the companies they were working on. So you sort of take from the guys that you think know what they're talking about, try to watch them and what they're doing, the types of thing they were working on.

MJP: It was relatively new in the 60s; everybody was inventing it as they were going along. What was it that attracted you? Why did you think, *I can do this?*

JS: The opportunity to analyze business problems; deal with people; I was always good with numbers; I understood the science and the technology well enough to get by. So I just felt I could deal with it.

MJP: Is it that you liked risk?

JS: Well, I've never been afraid to take reasonably calculated risks. I mean, I don't think I'm a jump-out-of-the-window-and-see-what-happens risk taker, but I enjoy doing things that other people aren't paying attention to. I'm not afraid to step out. But do I like taking risks? Maybe. I get some satisfaction, but I think it's more that I'm always a little uncomfortable. I enjoy being out on the edge a little bit, doing something that, you know, stirs you up a little.



MJP: Interesting. Does that satisfy you intellectually or energy-wise or ...

JS: I think both. Yes, Chuck talked about– What did he call it?

MJP: Hypomania.

JS: Hypomania.

MJP: I was going to ask you about that later.

JS: Yes, you know, I'd never even heard of hypomania until he mentioned it the other night and I thought, *Well, yeah, I guess I do have some of those characteristics.*

MJP: At this point, let me throw in how he defined it, just to refresh your memory and then see where it fits with your understanding and experience. He wants me to capture the hypomanic personality of what he thinks is the typical venture capitalist. He defines that personality as one that “produces elevated levels of energy, creativity and risk-taking; helps explain why some men and women are natural entrepreneurs having an almost irrational exuberance; a genetically-based condition that endows people with high-energy, creativity, accelerated thinking.” I think you qualify. Let me continue reading, “inflated self-esteem– “

JS: Probably.

MJP: “... impulsivity, aggressiveness, and a propensity for taking risks.”

JS: I came back and looked it up too, and it describes me pretty well; maybe not 100%, but it describes a lot of my characteristics.

MJP: Do you have ups-and-downs with it or is it a constant bzzzzz [*making a buzzing sound*].

JS: No, it's not a constant bzzzzz [*making a buzzing sound*]. I generally have my fingers in a lot of things, moving things along, in a lot of dimensions. I know I would be terribly unhappy if I retired and just went and sat on the porch somewhere—I'd go crazy. So do I need to keep doing this stuff? Yes, probably.

MJP: You're also successful, so there's no reason not to keep doing it. And the edge, it seems to me, that you've described and that you like being on, you never let it get so much out of control that you're out of control.

JS: Right, very much so. I think you meet, particularly pure entrepreneurs, there's a certain class of pure entrepreneurs who really get out of control, I mean, they're just really over the edge, they really push it. I never let myself get to that point. And there are, definitely, there are venture capitalists like that, absolutely.

MJP: Can they sustain themselves?

JS: I think they have large burnout today. I think some are able to sustain it, you know, Vinod Kosla comes to mind. He's always way out on the edge, and he's gotten burned with it. But somehow he's able to pull back in and do it again successfully.

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MJP: I sometimes think of the successful venture capitalists as having special glasses on top of their heads that let them, like someone who works in the mines, turn on a light and see in the dark. Venture capitalists see into the future.

JS: Yes, they see into the future and they see what I call 'situational awareness.' A lot of good venture capitalists, most venture capitalists, the good ones can walk into just about any kind of meeting and in about five minutes figure out who's doing what to whom and exactly what the issues are, sort of cut through it and figure out what's going on.

MJP: Who is like that?

JS: I think I'm like that and I think there are other people like that that can walk in and pretty much figure it out pretty quickly. And I think that also translates into, you know, the visionary thing and looking forward. I don't know that you have any real crystal balls on things, but you sort of look at a given situation and project its trajectory reasonably well.

MJP: Is that intuitive or analytical?

JS: I think it's intuitive, yeah. And that relates to the situational awareness. So I think it's less about predicting what's going to happen in the future than it is about taking an existing set of circumstances and trying to project its trajectory. You know, is this something that's going to succeed or not, does this collection of people and things and ideas make sense somehow or is it really stupid. And

the best venture capitalists are able to do that pretty consistently. They get it wrong sometimes.

MJP: What percentage do you need to get it right to continue?

JS: I think good venture capitalists, if you're following the 80/20 rule, whatever, you know, can get it right 70, 80, 90% of the time. I think so; that's been my experience. At least they can weed out the pretty good idea from the really stupid idea. No one's good enough to always predict which ones are going to be the really good ones and which ones are going to be OK or mediocre or whatever. But in terms of sorting out something that's a pretty good idea, a reasonable idea with good odds of succeeding vs. something that's just, you know, silly ...

MJP: Is it a gift?

JS: Yes, it's a gift, but it's also pattern recognition, you know. If you do it long enough, you see enough situations and it becomes very self-reinforcing. Sometimes you can look at something for five minutes and say, *This is really stupid, get me out of here.*

MJP: Have you ever said that, but then the company has done well.

JS: No.

MJP: No?

JS: I mean, I've had ones that I thought, *I don't know or I'm worried about this or that* that have become big, but I've never had ones where I've said, *This is stupid*. The big misses, in my experience, have been just getting hung up on something, you know, I really liked the idea, but I didn't like the ethics of the individual, or I didn't pursue it aggressively enough, I didn't move on it as quickly as I should have, or I got hung up on something I shouldn't have, or tried to price it too closely—those kinds of things, yes, I missed a lot of big deals that way. But I honestly don't think I've ever missed something that I thought was stupid and then it became wildly successful. Maybe I have and I've wiped it out of my memory. But not many.

### **CITICORP: 1974-1978**

MJP: Between '74 and '78 you worked at Citicorp. Can you tell me about it?

JS: So what happened was I entered Laird, I had a really good experience, I learned a lot, but the world was coming apart. There was a thing called 'fixed-rate institutional pricing.' Stocks then were all sold at a fixed price, that all went away, the market was collapsing. Laird got in real financial trouble, so it became clear that I needed to get to higher ground because Laird was going to go away. And it did, it ended up merging and merging and eventually got subsumed somewhere into Merrill Lynch.

So Jim Stevens helped engineer my moving up to Citibank into the venture capital group. The guys there figured out that I could help with a lot of the portfolio management given my consulting background, and that's how I got in.

And I did help. I helped them restructure a bunch of things. I was at Citibank from '74 to '78. And I insisted that I come in as a Vice President. I didn't have an ego, it was that someone told me 'Don't ever go to a bank unless you're a vice president; everybody else is meaningless.' And it turned out that at the time the only vice presidents were Pat Welsh and Russ Carson. They were my contemporaries, but they had five years of venture experience and I didn't so the guy that was running the group had to figure out a way to get me in without getting them too rustled. They gave me the title of VP International, and I inherited all the international portfolios, but my real mission was to work on some of the troubled companies. I spent sort of half my time on the troubled companies and half trying to figure out the international thing. And that was my early exposure. In '74 I had three guys in London, a couple of guys in Geneva, three or four guys in Canada, and a portfolio of about 80 companies around the world I had to try to figure out what to do with. That was fun.

MJP: What was the industry like in those years?

JS: It was terribly depressed, very depressed

MJP: Can you describe it?

JS: Sure. Seventy-four was massive inflation, no growth due to the oil crisis, standing in line at the oil pumps—you remember that, right. And I think the history is there was one new venture capital project in 1974, which was Tandem. So it was very, very depressed. Citibank had a portfolio that cost \$50 million but was only valued at \$20-25 million. The senior executives at the bank were saying, *What the hell are we doing in this business? Let's get out of it.* It was a difficult time.

MJP: Was it good time for you personally to be in it?

JS: Yes, it was great because you could learn a ton. It was a great time to be in it. I think it's always good to enter the venture business in a down turn, because everything is slower, you have more time to think about and analyze things; pricing is better, everything is more sane and rational.

MJP: In spite of the tough times, were you convinced that you had found your niche?

JS: Yes, I was still convinced that this was a good business, absolutely. Absolutely. No, I never deviated from that.

## **PARTNERSHIP WITH FRED ADLER**

MJP: Then in 1978, you and Fred Adler joined forces, and this is a big story.

JS: Yes [laughs] it is a big story. I got to know Fred when I was at Citibank, and I went on a board with him around '75. And we were just talking, and it was clear he has an exceptional mind. He's a very complex human being. But as a business mind, he's brilliant. He has one of the greatest business minds ever. So it was clear that I could learn a lot from him, and I could sort of smooth out some of his rough edges. Business was recovering and all the young guys at Citibank were sitting around trying to figure out how we could leverage ourselves into a situation where we could have an ownership position. The bank didn't want to give us ownership; we were all still paid employees. So we were all having conversations with everybody about joining a firm.

MJP: "We all" being?

JS: Myself, Pat Welsh, Russ Carson, Arthur, the guys who were there at the bank. I was having lots of conversations with Pat Welsh about he and I going and doing something. I was being approached by people, a lot of Boston firms in '77. I started sharing some of this with Fred, talking with him, seeking his advice, and he said, "Well, I've been doing this as an individual for six or seven years," maybe ten years, "and I've been thinking about starting a firm myself. Why don't you come join me and we'll start a firm." I thought about that for a while and that's what I did. And then we wanted to expand it. I had this good friend, Arthur Patterson, who was with Citibank, and he joined us.

MJP: What was Fred like?

JS: What was Fred like? You could write volumes about that. Fred's an extremely complex person. He's brilliant, psychotic, highly manipulative; a difficult and a lovable human being at the same time. When I started with him, he was difficult and abrasive, but in the five years we were together, it just got worse and worse.

MJP: Did he try to manipulate you?

JS: Yes, sure. But it wasn't about me; it was about his life. When I first knew him, he was married, he had children; he had a normal life. But his life disintegrated. He was able to keep business going, but even that disintegrated at some level, to the point where both business and personal situations



became just intolerable for me to deal with any longer. And that's when I engineered our departure.

MJP: Was that awkward?

JS: It was tough. It's one of those things, one of those tough periods you have to deal with in your life. You dread it, but once you're in it, you get through it. It took six or nine months, but we did get through it. And at the other end, it was successful.

MJP: For everybody?

JS: Yes, for everybody.

MJP: You wrote [in my questionnaire,] "*When working with Fred Adler, I was introduced into the hard knocks of venture capital.*" Can you comment on that?

JS: Yes. Well, you sometimes have to be brutally tough about things.

MJP: For example?

JS: An example would be getting into an investment that you've been misled about then having to turn around and sue everybody to get out. That's not something most venture capitalists would do. But Fred would do it at the drop of a hat. Fred would generally like to play rougher than the average venture capitalist. He'd bully or manipulate his way into a deal. And on some things that was OK, but on a lot of other things we would have to go around and make repairs, fix this or that. So it was a style that I was just never comfortable with.

MJP: Do you think Fred has a hypomanic personality?

JS: I don't know what he has. Whatever dimensions may define that type of personality, he's off the charts on all of them. Probably an extreme hypomanic personality.

MJP: And you didn't know that going in?

JS: No. No. I knew him as tough and abrasive—even abusive—in some instances, but brilliant. And I was self-confident, you know, I can handle this, I can make this work.

MJP: But your values were different.

JS: Very different.

MJP: And where did you get your values?

JS: I think in religion. I was raised as a Lutheran-Protestant—I certainly got those values from my parents. They're both very church-going and very values based. And then I've always had this sense of wanting to do what's right; I've always been that way. So our value systems are very, very different. And our way of doing things was very, very different. So mid-way along, it became very clear to me how different they were. And then everything started to heat up and things started going faster and faster and then we just finally reached a boiling point where I just didn't want to be a part of that.

MJP: How did you divide up the financial value of the company?

JS: [Laughs] With great difficulty because Fred's a great litigator; he spent most of his career as litigator.

MJP: So he was armed.

JS: [Laughs] Yes. And he was a senior partner in a law firm while we were doing all this, so he had this whole law firm at his disposal. But we had our agreements and he had seven lawyers against us. But we worked our way through.

MJP: Did you have lawyers?

JS: Arthur and I hired a lawyer to advise us, but we never introduced him into the equation. We knew that if we did, things would go nuclear. So we had a very conscious strategy. Throughout the partnership, I was the hard-nosed guy; I was the one who always went toe-to-toe with Fred, and Arthur was always the appeaser. So we switched—Arthur became the hard-nose, and I became the appeaser. And we used other tactics too. There were very few things that mattered to Fred, but one thing that did matter to him more than anything—and we knew it—was his reputation. So we used that to our advantage sometimes.

MJP: You mean he didn't want to be embarrassed so he had to do the right thing just because of the ramifications in the community as it were.

JS: Exactly.

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**LAUNCHING ACCEL**

MJP: And did you and Arthur know all along that the two of you wanted to do something together.

JS: Oh, yes. While all this was going on, we were raising money and launching Accel.

MJP: You did? Well, you said you like to do a couple of things at once. [Laughs]

JS: Yes, we did that during the period from September '83 to the spring of '84.

MJP: Did people ask why you were raising this separate fund?

JS: Well, sure, because we went back to a lot of the same limited partners, and most of them understood what was going on, and many of them ended up coming over with us.

MJP: Now, in '83 money was starting to get tight again.

JS: Yes. So we got in just under the wire.

MJP: How much did you raise your first go round?

JS: We actually raised two funds, a domestic and an international, for a grand sum of \$68 million, 40 and 28 respectively.

MJP: That's a lot of money at that time. You can see how at a certain point life comes together. There you were at Citibank; in order to get into Citibank you had to look at the international landscape. Lo and behold, ten years later ...

JS: That was the natural thing to do.

MJP: Because Europe was ... ?

JS: We raised \$40 million domestically and \$28 million internationally. In those days most venture capitalists weren't raising money internationally.

MJP: How did you come to that idea?

JS: It was contrary, we just thought it was a good idea. We thought it would be a good long-term thing for the firm because even then we felt that venture capital would eventually become a global business.

MJP: Back in the 80s?

JS: Um-hmm.

MJP: Even though Europe wasn't as forward-looking about technology and entrepreneurial enterprise?

JS: No. It was more about a belief in what we wanted rather than a vision. We just thought it would be really important to have international connections as rapidly as we could.

MJP: Of course, venture capital in Europe didn't exist, so it was reasonable that they should invest in an America-based company.

JS: Right, absolutely.

MJP: And was that part of your strategy?

JS: It was absolutely part of the strategy to be able to raise money in Europe too.

MJP: Because they were looking for you.

JS: Yep.

MJP: Were you unique in this way?

JS: No, we weren't unique, but we were one of a handful of firms that would travel to Europe to try to raise money.

MJP: Were you competing against banks or other small firms?

JS: Well, we were mostly competing against lack of knowledge.

### **WORK STYLE – PERSONAL STYLE**

MJP: In the context of your starting Accel, I would like to go back to the hypomanic personality to look at some of these characteristics: "elevated levels of energy,

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creativity and risk-taking help explain why some men and women are natural entrepreneurs.” There you were.

JS: Yes, I got a real charge out of putting together the international fund and the three different tax domiciles. It was complicated, and it was fun to figure it out. It was really fun.

MJP: Fun.

JS: Yes, because, you know, you didn’t really know how to do it. ... and you just have to meet with people and figure it out.

MJP: Could you sleep at night?

JS: I drive Susan crazy with it, I sleep perfectly. There are very few things that get me to not sleep, very few.

MJP: So how do you alleviate your worry, when and if that happens?

JS: Well, you know, some people go out and exercise a lot, whatever; I don’t do that. I just pick up a good book and read, just get my mind on something else.

MJP: I see you’re surrounded by lots and lots of books. Are you reading them?

JS: Yes, I’m reading four or five of them right now.

MJP: Do you always read four and five books at a time?

JS: No, usually two or three.

MJP: A lot of these books are religion-oriented.

JS: Some are.

MJP: So in a way, you retreat.

JS: Yes, I retreat; I would describe it that way. I retreat, get some solitude, you know. I'll go to a movie, whatever.

MJP: You married relatively young—

JS: Yes, by today's standards.

MJP: And you've been married all this time to the same woman, and you have three children who were born fairly close together. How did you do it all?

JS: You know, you just do it. You know how it is. Of course, Susie's been terrific, she's a terrific mother, and she's always allowed me to pour myself into my work. But then again, I was fortunate to sort of wake up along the way and just start carving out time for the kids. I consciously made time for them.

MJP: How did you do that; did you take off half a day each week or ...

JS: Yes. Yes, you try to make yourself available when they want you to be available. So I always have a rule in the office that if any one of the kids calls, it doesn't matter what I'm going, interrupt me.

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MJP: Is that a model you gleaned from your parents?

JS: No, I just made it up; I just said this is what I want.

MJP: Because you wanted a family.

JS: Yes, I think that was a rebound thing. As an only child, the experience of Thanksgiving dinner being just my parents and I was not something I wanted to repeat. So creating a family, marrying into a family was always important to me.

MJP: And you married someone who supports you emotionally and brings family to your life; does she also share those same values?

JS: Oh, very much so.

MJP: And she is creative in a completely different way. [Susan Swartz is a professional artist.]

JS: Yes, and she's more creative when I'm off doing things, so she'll get more into her work when I'm away. And when I'm around, she tends to want to do things with me.

MJP: That's a good balance. You're connected and you're independent.

JS: Yes, it's made it work.

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MJP: You're lucky.

JS: Yes, I'm very lucky.

MJP: Getting back to hypomania and the notion of inflated self-esteem, personally, I'm not clear on the difference between good self-esteem and inflated self-esteem.

JS: Yes, we touched on that earlier. I guess the way I think about it is: self-esteem is good, but it's bad when you've got a chip on your shoulder.

You know there are some people who walk into a room and they're just full of themselves. I've just never thought of myself that way. I'm not that way. Internally I know I'm capable, but I don't try to exude it when I walk into a room.

MJP: You're confident; you know it, so you don't need to let everyone else know it.

JS: Right. I'm happy enough with it. In fact I particularly enjoy going through cocktail parties; I'm very happy to just sort of float through it.

MJP: Interesting. Well that's that middle America, democratic, small-town, honorable, egalitarian ...

JS: Right. And that's why I love living in small towns. We've lived in Princeton, we've lived in Park City, Edgartown. I still don't feel like I live here [in San Francisco.] I wish I did feel more that way, but I don't. This is a small town relative to other cities, but it isn't a small town in the same way Park City or Princeton is.

**ACCEL AS A PARTNERSHIP**

MJP: So, we were talking about how you set up your firm. You described Arthur Patterson as a long-time partner and personal confidante.

JS: Yes, he's the trustee for all my stuff. We've always been highly transparent with each other while still maintaining our personal spaces.

MJP: You trust him.

JS: I have implicit trust in him and vice versa, I'm sure.

MJP: Another good partnership.

JS: Yes. That's really critical. I've been very blessed to be able to find someone like that.

MJP: Where does he live?

JS: He lives in Pacific Heights, in San Francisco. Arthur and Louise Patterson. He's lived here since '79. He was married before; they didn't have any children, and they ultimately divorced. A few years later he met and married Louise and they have four young children. Arthur comes from a very established, successful, New York family. His dad was Chairman of Morgan Guaranty Bank/ JP Morgan. There were five boys, and they're all successful.

MJP: Very different experience from your childhood.

JS: Yes, a totally different experience. Fred used to call us his silver spoon and his lead spoon partners.

MJP: [Laughing] And there's humor.

JS: Oh, yeah, we all enjoy great humor.

MJP: A great ingredient in a partnership. And what was your partnership like? Did you set up from the beginning to be equal partners?

JS: Yes, Arthur and I have always been absolutely equal partners. And we try to manage it in a way where everyone else is either equal or on their way to becoming equal, that's something we felt very strongly about.

MJP: Now, by 1983 there were many venture capital firms.

JS: Yes, a good number.

MJP: Many of them still exist. But you didn't join other firms, you started your own. Why is that?

JS: Yes, [laughs] that's a good question. The one serious conversation I had during that era was with Kleiner Perkins, because Frank Caufield had been a long time good friend, so I'd gotten to know Perkins pretty well. I knew Brook a little bit, so I had semi-serious conversations with them. But I was still living in Princeton, and I knew I wanted to raise my kids there; I didn't want to move to

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California. So it just wasn't right. If I'd wanted to move out here, it might have been different. But I'd have had a harder decision. So from my personal point of view, that was part of it. I wanted to stay in Princeton, I wanted to stay on the East Coast. So starting my own firm was a good alternative, but that wasn't the real driver. You know it's interesting, I never really seriously considered it. We were working with Fred, and we very much viewed the firm as much ours as Fred's. We were comfortable with it and comfortable with the limited partners and dealing with the whole thing. We ended up managing most of that. But to be truthful. This is the first time I've ever even thought about it. We just sort fell into it.

MJP: How did you get the name Accel?

JS: Well one of our friends said to me, "You know, Jim, you've got to have a name that's ahead of Adler." Arthur and I were Patterson and Swartz; we'd spent our whole lives at the end of the alphabet. So for a five-year period we were at the head of the alphabet and we thought, *Gee, this is pretty nice*. [Laughter] So I was thinking about it, and one of my good friends said that to me, so it became a challenge to find a good name that was ahead of Adler. So I started going through the dictionary, and the dictionary I had had the word 'accel' in it, which is a shortened form of the word 'accelerando,' which when used in music scores means to gradually pick up the pace. And I thought, *That's pretty cool, that's pretty good*. So I talked to Arthur and it sort of grew on us.

MJP: That's a great story.

JS: [Laughing] That's where it came from.

MJP: And that reflects your originality and competitive spirit. And did you have a clear vision of where you wanted to go?

JS: Very clear. Adler was a technology firm; we did all sorts of technology including medical technology and so forth. We decided we wanted to be a specialist technology firm. We wanted to concentrate on communications and software. And during that era that was pretty forward thinking because communications was just getting started, and, in most cases, software was still viewed with a great deal of skepticism. Why? Because software was just people, and people walked out the door every night, so what assets did you really have? So there weren't a whole lot of people interested in investing in software.

MJP: There must be a story behind how you chose those two.

JS: Because we'd had some success with them, me in communications and Arthur in software. We perceived that they were both going to get stronger—we didn't know how much stronger, but we felt that in both cases, it was the early days of those industries.

MJP: Why not three industries or four industries? Why those two?

JS: Because that's what we knew and felt most comfortable with. Both of us had done a fair amount of healthcare investing at that stage. We'd both done a number of device companies; we'd both done a number of services companies. And I'd done a number of biotech companies. But we just didn't like those areas as much.

MJP: Was it that you didn't like them intellectually or that you didn't like the deal structure or the ideas?

JS: Well, biotech was just incredibly difficult. And services—I don't know, we just somehow gravitated to communications and software. I'd like to say were brilliant and knew that [was the way to go], but that wasn't it. We just felt more comfortable in our own skins doing those kinds of investments.

MJP: What did you want to accomplish?

JS: To build a firm that was a good place to work and that would survive us.

MJP: What was your vision?

JS: We wanted to be a very successful early-stage firm, for sure, and we wanted to invest in early-stage venture capital. Did we want it to become bigger and broader? I don't think we had a vision about that. Of course, as time has gone on we've wanted to expand and do other things, but we still wanted to keep core, early-stage investing, and our partners do as well. So we've expanded by doing joint ventures with sister firms, if you will, as opposed to trying what NEA or Oak have done, which is scale way up and go bigger. I think both Arthur and I and the guys who work here enjoy working in an environment where there are 6 or 8 or 10 people around the table. Once it gets beyond that, it gets a little less interesting for us.

MJP: Where did you get your deals? How did you go out and get them? You know, in the early 1960's Bill Draper and Paul Wythes of Silicon Valley literally

knocked on unknown engineers' and entrepreneurs' doors. But in the 80's, in New York, what did you do, how did you find deals?

JS: A combination of other venture firms, people we knew in the business. But mostly it's your historical relationships. The projects you've been working on, the people you worked with in those companies and their close network.

MJP: The network.

JS: The network of people you've worked with. It's almost entirely that. And then we put a lot of energy into brand building and getting Accel identified outside of our little network.

MJP: How did you choose your limited partners?

JS: To be honest, in the early days they were whoever wanted us for the most part. There were some whom we just wouldn't have anything to do with, you know, some people were obnoxious. We wouldn't deal with them. But by and large, we weren't highly discriminatory; we just sort of did what we had to do. And the few people we didn't get along with eventually moved away.

MJP: Has your relationship with your limited partners changed over the years?

JS: No.

MJP: Has your selection changed?

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JS: No. Well, we've been able to be more discriminating. One of the things we try not to do is allow one partner be very big, they've all been relatively small positions. In addition, we added new partners. I think we've been very respectful of the partners and of what they wanted, but we've never invested a huge amount of energy in trying to cultivate them or build them to a certain level or whatever.

MJP: How would you differentiate your firm from others in the industry, then and now?

JS: I think we've always been a little more focused and thoughtful about what we're doing. We try to pick scenarios that we know and like and stick to those.

MJP: You mean like communications.

JS: Right. So that's evolved into other areas now, but that basic philosophy, or the term that Arthur coined, the "prepared mind" –it comes from that saying, "Chance favors the prepared mind." We have a very prepared mind about certain businesses and so we know a lot about them, so when we see the right opportunity, we can react pretty quickly. So we try not to do very many things that we don't know a lot about.

MJP: You're not distracted by what's hot or what's trendy.

JS: Absolutely, that's a byproduct of that strategy. It allows you the luxury of not getting whipsawed. And that's hard for the young people to get because they've been so influenced by what's hot.

MJP: You listen to what's inside.

JS: Yes, absolutely. And Arthur and Jim Breyer are the same way, as are the more senior guys.

MJP: It keeps coming back to values because character is everything.

JS: it's very, very important.

MJP: You haven't swayed very much from trusting your instincts and being who you are.

JS: Right.

MJP: But you're lucky because you know who you are. Not everybody does, intellectually or otherwise.

JS: Yes, I am lucky, no question about it.

MJP: But then you're prepared. [Laughs] How hard did you have to work in the beginning in the 80s?

JS: Hard.

MJP: What is 'hard'?

JS: Seven days a week; six-and-a-half for sure. The normal routine was Monday through Friday traveling and dinners in New York three, four nights a week,

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you know, into New York at 6 and back at 11, and in Saturday for half a day or three-quarters of a day.

MJP: And what was that like for you?

JS: Most Saturdays you worked mornings and part of the afternoon, you usually had a number of meetings, and then you'd start again Sunday afternoon reading and preparing.

MJP: Reading ...

JS: Whatever you had to read.

MJP: The reports, the research, the numbers.

JS: Right, right. It was a real six-and-a-half day week. And that went on for a long time.

MJP: How long?

JS: Probably until '93, -4, -5, somewhere in that area, that's when things started to back a little bit and we started to get interested in other things. You know, you had enough success, you didn't feel like you just had to do it. But I still enjoy working with that intensity if I let myself get into it.

MJP: At the beginning of our interview, I asked you if you felt driven. During this stage—'83 to '95—did you feel driven?

JS: Oh, very much so.

MJP: Driven to ...

JS: Well, to make Accel a success, to make a financial success for myself and my family, to have a peer group success. So I would describe myself as very driven. In fact, back in probably '93, I was driving myself to a frazzle, and I started to drive everyone around me crazy too. And I remember going out to dinner with Arthur and Arthur [encouraged me] to pull back here a little bit. So I took it to heart and I started to pull back. I took a sabbatical and went away for four months, didn't talk to anybody. Nobody would believe that, but I did.

MJP: Was there a crisis that precipitated this?

JS: No, I just felt I need to do it for myself and I also wanted to get out of the way and let the firm breathe, just not have me around for three or four months and see what happened—let everybody figure out that life would go on.

MJP: This was before the intense—

JS: Just before the bubble. So we had enough success at that point and things were really active and vibrant, but it wasn't crazy.

MJP: You were about 51, 52 at this point.

JS: Um-hmm.

MJP: Interesting time to be able to take off four months. What did you do?

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JS: I wanted to do something that didn't involve travel because I travel so much. I wanted to stay in one place for a change. And I wanted to do something athletic to get myself back in shape. So I joined a master's ski racing program. I went training and racing with those guys everyday. It took my skiing way up. And I read a lot.

MJP: And why did you stop doing that that is, stay away from the firm?]

JS: That's a good question. Well, the main thing was building the firm wasn't done yet and I felt I still had a lot of interest in the business and still a lot to do in the business. It never occurred to me to stop at that point; it was time to come back and reengage, and that's what I did.

MJP: What a wonderful partnership in that they would cover for you and this was in everyone's best interest.

JS: Oh, yeah. I think it's a great concept, the whole sabbatical thing, every five or ten years; it's very healthy.

MJP: Has Arthur done the same?

JS: Arthur's never taken off; Jim Breyer took off. But, I put a policy in place for everybody to do it, but Jim and I are the only two that have done it.

**PictureTel and REMEDY**

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MJP: Interesting. Well, in the middle of your success, I'd like you to talk about what you consider your most interesting investment; PictureTel, Polycom, Remedy—I don't care, you choose.

JS: I don't know. Most interesting?

MJP: Yes, and I'd like you to describe how you, as the VC, added to the company's success, what's the story, how does it reflect the passion and the excitement of being a venture capitalist.

JS: I think probably the most multi-dimensional one was PictureTel. It was a good financial success, but it wasn't a huge financial success. It was a really interesting company-building exercise. The original investment was a very, very contrarian investment because there was another company called Compression Labs that owned the market when we came into it. It was an interesting financial structure going into it, and a lot of small-scale high-powered finance that had to go on. This was a public company that we took private, which was fraught with risks. And the company was going bankrupt in the process. So there was a lot of risk-taking and chutzpa that had to take place to even get into the investment. And there was a big company-building exercise once we were in it, very high growth pattern, very complex business model, the different distribution challenges that had to take place. In that era, Japan was in its big ascendancy, you know, the whole video conferencing market looked like it might go there, so we had to figure out a strategy for Japan. So we were traveling over there a lot, meeting with our people—

MJP: What year was this?

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JS: This is the late 80s, when Japan was at its peak. And a management team that wanted to partner with the Japanese, they would've just ripped us off as opposed to ... Expending enough energy with the management team to convince them to go direct into Japan and build our own business over there. And then the whole PC era, you know, video on the PC and starting another business unit, trying to capture all that. Then the network shift to IP happens. So the technology's shifting under us, trying to deal with that. Anyhow, it was a very multi-faceted experience. And I was pretty deeply involved in all those decisions.

MJP: How many years did it take from the time you were first involved until you felt you could—

JS: Exit? Six, seven years, something like that.

MJP: The Loneliness of the Long Distance Runner.

JS: [Laughs] Yes, I had one that was 12 or 13 years. And that one we did real well in finally.

MJP: So what is it that sustained you? Was it the complexity?

JS: Yes, the complexity and the challenge and, again, proving a point that you could really make it work. I love those kinds of challenges where people don't think that it'll work.

MJP: So, again, here's your competitive spirit—against yourself.

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JS: Oh, yeah, against myself, absolutely.

MJP: Did you stay up at night figuring out these issues?

JS: Sometimes, yeah. I didn't stay up at night—I'd go to bed at midnight or 11:00 [laughter]. No, I didn't lose any sleep over it, no, but I'd work on it late, yeah, sure.

MJP: And did you always make the right decisions about not merging, about not going in such-and-such a direction?

JS: Not always, but mostly right.

MJP: Where is PictureTel today?

JS: It lost its way eventually and was acquired by a competitor.

MJP: And what about the people; with PictureTel did you stay with the people who started the deal, the entrepreneurs?

JS: Yes, mm-hmm. Different people came and went, but the core people were pretty much the same.

MJP: What's more important: technology or management?

JS: Well, that's an age-old question.

MJP: In this deal.

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JS: In PictureTel it was both. The people who built the technology were important; they stuck with it and made it happen. But we also had a superior technology.

MJP: Did you change the vision of the company or the technology along the way?

JS: Not in a significant way.

MJP: No?

JS: You had to package it differently and position it differently and so forth, but no wholesale change.

MJP: So the challenges were financial and marketing and—

JS: Distribution and international expansion. And those were the challenges for the first five or six years. Then they started to become technology again as the next generation technology started to come, and that's where the company sort of lost its way a little bit, in some of those technology intersections and decisions.

MJP: How, as a VC, did you add to this company's success? Or was it all the ways you described? [Laughs]

JS: Yes, because I was in the middle of all those decisions. And in some cases if I hadn't been there they would have gone another way.

MJP: When I asked you to choose a company and you chose PictureTel, is that because of the complexity?

JS: Yes, it was because of the complexity.

MJP: So that's what you just love.

JS: Yes, right. I think there have been other ones that I've made a lot more money on, which have been easier.

MJP: What's the easiest big company that you've done?

JS: Well, Remedy was pretty straightforward; not a lot of issues there and we made a ton of money. It was just a good product and a good market and great people.

MJP: How did you get that deal?

JS: The entrepreneur was a friend of one of our guys and had worked with him.

MJP: How does it work at Accel, is it your deal if you bring it in or is it the team's deal?

JS: I've always felt that it's the firm that works on it. We try to make it as much of a team play as we can.

## **REFLECTIONS**

MJP: I'd like to move on now to general reflections.

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JS: Yes, okay.

MJP: If you were going to sum it up, what is it about venture capital that you absolutely love.

JS: The intellectual challenge. I think it's the learning experience more than anything, staying current with what's going on, and learning about new things, learning about new businesses, new technologies.

MJP: Have you ever had a company that has changed the world or parts of the world?

JS: No, I don't think so. I wouldn't go that far. I think we've had companies that contributed to change, played an important role, but I wouldn't claim to have had anything that's absolutely changed the world. But it's an interesting question.

MJP: Was there a common thread to your investments?

JS: I think the main common thread is backing someone who's passionate that I can live with and help build a company. I think that's the main thing I like to do. There have been times when, you know, I could've made investments, but I didn't like the people and I didn't want to deal with it. I like to do investments that are not obvious at the time, not obvious at all, and still try to work with them, and build them up, and work with people you enjoy working with. I think one of the mistakes I made early on was trying to become friends with the

entrepreneurs. You eventually learn that you can like them and admire them, but you don't want ...

MJP: Why? What happened?

JS: Oh, I think you get too close to it and you get too close to them, and it sort of inhibits you in some ways, so I think it's better not to be. But it's still important to me to work with people that I like working with.

MJP: I think you've answered these, but if you want to give one-liners or two hundred-liners...

JS: Yep, yep, yep.

MJP: What were you best at?

JS: Judging people.

MJP: What were the strengths you brought to the partnership?

JS: I'd say being the fair dictator, you know, sort of arbitrating the right way through something.

MJP: Based on what: instincts, values?

JS: Based on being fair.

MJP: And what is unique to your skill set?

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JS: We're all a collection, but we're all unique, so your history is probably what makes you unique. Everybody's different, so what makes me unique is what I've been, I think, what experiences I've had.

MJP: Have you created a guiding value that could sum up who you are?

JS: A single guiding value? I'd say being able to make a difference in a way that doesn't interfere with what's going on within the company or with the people or whatever. In any situation, I've always tried to look for what isn't getting done and try to have an impact there. I'm a firm believer in lead, follow, get out of the way; whoever came up with that was brilliant. So many people don't realize that, they've got to insert themselves in everything. So that's one value I believe in: lead, follow, get out of the way.

MJP: But make a difference.

JS: Yes, whatever you're doing make a difference. And sometimes just getting out of the way makes a difference.

MJP: Those are very thoughtful answers. And as a personal comment I would observe that if you had a philosophy, it might be Be Who You Are.

JS: Yes. Very much so.

MJP: There's a core to you.

JS: Yep, yep. I would agree to that completely.

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MJP: Yes, that's nice. It's a nice legacy.

JS: I have to remember that because it's very true.

### **NATIONAL VENTURE CAPITAL ASSOCIATION**

MJP: We haven't talked about the NVCA and the bubble and transition. So, let's just get started.

JS: NVCA was very important to me personally, and I guess it was my sense of wanting to contribute, but also my sense of wanting to be recognized as the peer of some of the greats in the business. So when I got the opportunity to be president of the association, it was a big honor for me personally.

MJP: Which was after how many years of participation?

JS: I think you're on the Board five years, and then they sort of pick from the people who are going off the Board who's going to be President. This was about 1985, '86, '87.

JS: There were a number of issues that we dealt with at that time including pension fund investing, ERISA legislation. Chris Brody and I ended up getting that done.

MJP: Well that's a whole other interview. [Laughter] I wish we had time to delve into those issues now.

JS: I mean, it was more Chris than it was me, but I was always involved in and around it. And then sort of in the last two, three years of it, I got involved pretty heavily.

MJP: Which meant you went to Washington and you educated congressman.

JS: Yes, yes. I negotiated with the Department of Labor and all that stuff. So at the very tail end of it, I was pretty instrumental in getting the final thing negotiated. Chris was pretty good with things, and I was pretty good with working with those people, and getting them to do the right thing.

MJP: You didn't have some legal training.

JS: No, it was just doing what was right, you know, it was very clear—jeez, guys.

MJP: Do what's right for the growth of the economy—

JS: Right for them and for us, they weren't being harmed. There were certain natural ways to put it together. We just had to convince some of the administrators to come around to get off all the legal stuff.

MJP: How did you do that?

JS: Just sitting in a room with them.

MJP: So it was a question of energy and focus.

JS: Right, energy and focus, absolutely, and also the right advice and planning.

MJP: You know, in every book about venture capital and its growth, that legislation is pivotal, absolutely pivotal. When I called up the NVCA and we wanted to do some research about the Association, I found that it doesn't have a history, it doesn't have a library, it doesn't have a resource center, no documentation.

JS: The NVCA?

MJP: Yes.

JS: I've kept a lot of it from that era—

MJP: Oh, it's history! And exciting history!

JS: Yes, and most people have forgotten it. I always thought I might do something with it.

MJP: Maybe you will give your papers to them. Was that a high for you?

JS: Becoming President was a high for me because of that sort of peer group acceptance. But getting that legislation done wasn't a particular high, it was just something you got done. You needed to get it done and you were able to get it done.



MJP: It also changed the direction of the NVCA. It went from being a networking association to being an effective lobbying resource.

JS: Right, exactly. There were two pivotal things, one was capital gains legislation in '78 and again in '81 and '82, you know, sort of pivotal success with classic legislation and then ERISA was a classic success in the regulatory ... The original ERISA hearings were I think in '78, maybe '79, '77, 78. And I was good friends with Chris in New York, so I testified in those original hearings and subsequently had testified a number of times. And as I got more active with NVCA, I had a bunch of meetings with various people. And then the sort of final push, which took a year and six months of intensively trying to get the final stuff negotiated and signed as agreed to.

MJP: If you were chairman in '85 and you were on the Board for five years before that—

JS: I think I went on the Board in '79 or '80.

MJP: So you weren't even on the Board when .....

JS: No, that's right, I was not on the Board when I did that first testifying. And part of the reason was, you know, Chris was very political, but he had more big companies, and Fred Adler and I were always into this little pure startup techies, so we were articulate representatives of the cutting-edge, early-stage guys, and we were doing a lot of biotech, whatever, so we were good poster children in the early stage. It was the early stage venture stuff, yeah.

MJP: Have you ever written down or talked about the history of your work at NVCA?

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JS: I've thought about it, but I haven't.

MJP: It's pivotal!

JS: It's also one of those stories where, you know, success has many fathers, but I know who was doing what.

MJP: Well, another time maybe we'll get some detail. That's great fun.

JS: And while I was president, there were some other really good things that we did. For example, there was this, call it, entrepreneurial, grassroots thing that NVCA launched. I expanded it and formalized it. It finally got rolling in the '90s, it's pretty big now. I was instrumental in getting that started; it's pretty big now.

MJP: What was it called.

JS: In those days it was called something like American Entrepreneurs Association or something like that. It has a similar name today. I was also instrumental in extending NVCA into some other services like Insurance. And in '86, '87, 88, I was testifying [relative to] stock options; what a mess that is.

MJP: Still then?

JS: Oh, it's become a colossal mess.

MJP: Are you going to get involved?

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JS: No. I mean, that's— No. No, no, no [laughing].

MJP: Are you political?

JS: At different times I have been. I'm not political in business, but do I engage in the political process. Yes. And I thought at one point about getting involved with office, but once I got close to it ... I don't get too sucked in and I try not to get sucked in at all. But I've gotten somewhat involved with various political causes.

MJP: Give me one as an example.

JS: I guess the ones that have been most Utah governor stuff, I've gotten involved in that, and that got me into the Salt Lake Organizing Committee.

### **THE BUBBLE : INFALLIBLE INSANITY**

MJP: Now, let's jump to the bubble a little bit. How did you manage it?

JS: By not managing it.

MJP: Would you define for me the bubble as you see it, and then explain what you mean by not managing.

JS: I would define it as the sheer craziness and sheer volume of what was going on. There were all the public market manifestations of it, but at the venture

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level, it manifested itself in sort of this very rapid-fire decision-making and this race to do things because everybody else was, that we all got on this rat-race thing that we just couldn't get off of. There was just a period of infallible insanity that just came into the business.

MJP: Infallible insanity, that's a good one.

JS: Yes, you thought you were infallible in an insane way. And it manifested itself in Monday partner meetings with approving ten investments and waking up the next morning saying, "What was that company? What the heck did that company do – Who was that guy? We just committed to putting \$5 million dollars in it; I don't remember their name, I don't remember what they do." [Laughing] I mean, people got the guys confused. So that's my memory of it. And sitting in, and personally not doing much of it, personally being bored by it, just not understanding it, but sort of sitting there biting my tongue, because if I tried to stop it, I was just going to get steamrollered. So you sort of work around the edges and try to stop what you could. Then you say to yourself, *Yes, well maybe there is something there*, trying to do some of it yourself.

MJP: Did Accel get burned?

JS: We didn't get burned badly. Well, we got burned in the sense– We didn't have any big, huge things, but we did a number of projects that were really stupid. We had one fund that was invested in nine months, all of it in '99, and that fund was a disaster. If we are lucky we will return the capital, which is actually pretty good for the era. We never had any high-profile failures like Web Van; somehow we avoided that.

MJP: So how did you manage it?

JS: By not over reacting.

MJP: What does that mean?

JS: You know, by letting everybody have their head and work around the edge. This is the lead, follow or get out of the way. There's a great line in a book called *Money Game*, written in '68 or '69 by a guy named, well a pseudonym of Adam Smith, but the guy's name is Goodman. I can't think of his first name. But he was a very good writer and analyst. He wrote about the 60s bull market—There was big bull market from '64 to '69—and he has all these characters in the book and they're all real characters, several of whom I knew. A couple of them are still friends of mine. And he describes them, and he describes the stock market, it's just classic for the era. And there's one guy talking about how you manage a bull market. It's worded a little better, but the essence of it is, you either go to the Rivera or hire yourself a kid. And that's the way you manage in a bull market, it is so true. It's so true. The older generation, you know, they're just *You'd better just get the heck outta the way*, or if you want to stay in the game, get a kid and let him do his thing.

MJP: It's interesting that when I talked to Chuck [Newhall] about it, he looks at venture capital in general as a romantic quest. He has this fabulous way of seeing things very dramatically. Yet the period of the bubble he compares to the most difficult time in the A Chau Valley in Vietnam. It was just rough, it was raw.

JS: Yes, it was very rough and raw, it really was. I've never been in a [fire fight], but it was like being in one in a civilized way. I mean, you had stuff coming at you ever which way, and what do you do to survive; who do you grab on to, who do you avoid?

MJP: But if you got out of the way completely, then, I guess, the danger is you'd miss an opportunity.

JS: Absolutely. We all knew it was craziness, but we didn't know when it was going to end. So as long as the craziness was continuing, you were going to make a ton of money.

MJP: Do you think that time could ever happen again?

JS: Oh, sure, absolutely. Whether it'll happen in our lifetime, I don't know. But in my lifetime it *has* happened three times: '66-70, '81-'83, and '98-2000. So it takes about 15 or 20 years for everybody to forget and a new generation of kids who never head anything about it to come on.

MJP: And did it spawn any good things?

JS: I think it definitely did more harm than good. But there were some good companies that came out of that era: Amazon, eBay, Yahoo. A number of good, interesting companies came out of it, but they would probably come out of a more rational time too. I mean, they're great ideas, but ...

MJP: Marketing can only drive things so far and then you need a good product and good [management?]

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JS: Yes, and you need access to capital and a reasonable market to be able to attract the capital.

MJP: Did you ever doubt yourself?

JS: No, I never doubted myself. I became pretty depressed because there were plenty of people around me whose respect I'd lost. They were practicing a business I did not understand.

## **INTERNATIONAL ARENA**

MJP: How did you think of going to Europe? I mean, why not China or India?

JS: Well, that was before China and India were becoming ... I wanted to expand geographically and I saw it as a way to be much more active in Israel without actually being in Israel. Then we ran into a guy who was passionate in London. So I helped him do it.

MJP: And did you have to push for it by yourself?

JS: No, uh-uh. I mean, I thought it was a good idea, and there were shades of different degrees of support for it. Jim Breyer was very much in favor of it—he and I thought pretty much alike about it. Others were less supportive and a few thought it was a bad idea.

MJP: What about India?

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JS: India maybe, yep. Maybe.

MJP: But Europe has enough going now.

JS: Yes, it's coming into its own now. It's going to work out just fine.

MJP: Just as Bill Draper went to India in the early 90s, you went to Europe.

JS: Yep. Europe was the easy thing for me to do because I knew how to do business there, I knew a lot of people there, I knew enough about it. I felt that I was on the edge, but it was a measured edge. I felt pretty confident we could make it work.

MJP: So did you create a new fund to specifically focus on European investments and that extends to Israel?

JS: About half of it's in London and half is in Israel. That was 2000; it's now 2006 and I wondered if I wanted to do another one? I don't think so. It's just where I am in my life. But we have done China. Jim Breyer led our entry into China, so we've been there going on two years now. And if we found the right person, we'd do something in India. Would I rise to that occasion? Maybe, it depends on who the person is. The guy who started London, Kevin Comolli, is a wonderful guy.

MJP: Two last questions: Is there anything I haven't asked you? I want to let you have the last line.



JS: No, I think we've covered the ground.

## PHILANTHROPY AND COMMUNITY INVOLVEMENT

MJP: One thing we haven't covered: Your range of interest outside of work, including your philanthropic efforts, is truly extraordinary. Something you didn't mention, but that I've discovered through my research, is your James R. Swartz Entrepreneurial Fellowship at Carnegie Mellon.

JS: Oh, the Fellowship, that's new, I just started that.

MJP: That is so exciting! Can you talk about that a little bit and what motivated you?

JS: Well, first of all, I'm a big believer in scholarships because I got scholarships to both Harvard and Carnegie Mellon.

MJP: Four-year scholarships?

JS: Yes. And a two-year fellowship to Carnegie Mellon, which totally paid for my education. I'm also a big believer in helping people get someplace. So I did a scholarship. Then I thought, *Okay, now what do I do? Do I give X millions to Harvard ...* So I've done my thing with Harvard. I feel that I've given them enough money to pay back what I owe them.

MJP: You did the "right thing."

JS: Exactly. I did that for my 25<sup>th</sup> Reunion. So, again, in my philosophy, where can you have an impact, how can I make a difference? Carnegie Mellon was a great school when I was there; it sort of lost its way for a while, and it's coming back now. The new dean has been there for about five years and he's really great. And he's doing a great job of bringing it back. So ten years or so ago, I set up a scholarship, and it's the largest scholarship available there. I guess my competitiveness made me ask: What is the largest scholarship? They told me and I said, okay, here's more. I've been talking with them the last couple of years about their program to help foster entrepreneurship. There's a similar program at Stanford called The Mayfield Fellows, which is run by Tom Byers and it's a great program. The program at Carnegie Mellon is modeled after what Tom has pioneered at Stanford.

MJP: I was reading about your scholarship on the web. It is making a difference. It's huge: ten people's lives.

JS: Yes, so now ten people can now be helped to become better entrepreneurs.

MJP: And it involves mentoring.

JS: Yes. There's the individual and then there's mentoring on an extended project with a company, and then there's a mentor within the company, and there's also a venture capitalist who is involved in the process.

MJP: It's very exciting.

JS: Yes, it's good. It's one of those things that'll take a while to get perfected, but it's a big step

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MJP: It's a wonderful legacy. Have you read the website?

JS: No. A month or so ago they put out a press release that I read.

MJP: Bravo to you.

JS: Thanks.

MJP: It's real leadership. It will make a difference and you're paying back; you're honoring what was given to you many-fold. I'm very impressed. Is there anything that I haven't asked you that you'd like to talk about?

JS: No, I think you covered everything. You've asked some provocative questions that I hadn't thought about.

MJP. Thank you very much, Jim. This interview with you has been a pleasure.