



## **An Interview with Guy Kawasaki**

**Guy Kawasaki, Managing Director, Garage Technology**

**Ventures, speaks with Growththink University's Dave Lavinsky**

**Dave Lavinsky:** Hi everybody, this is Dave Lavinsky from Growththink and I'm speaking today with Guy Kawasaki.

And as you may know, Guy was one of the original Apple employees, responsible for marketing the Macintosh back in 1984. He has since launched many successful ventures, including the recent Alltop.com, which you can check out at [www.alltop.com](http://www.alltop.com). He is the managing director of Garage Technology Ventures, a venture capital firm, which specializes in high technology start up firms. And he also runs the blog, "How to Change the World," which is ranked among the world's top 100 blogs.

And, I guess in your free time, you're a best selling author. Guy's 2004 book, *The Art of the Start*, was a *BusinessWeek* bestseller. And now, he just released a new book, *Reality Check: The Irreverent Guide to Out-Smarting, Out-Managing and Out-Marketing your Competition*, which you can pick up on Amazon.com.

Guy, I appreciate you taking time to speak with me today.

**Guy Kawasaki:** My pleasure. My pleasure.

**Dave Lavinsky:** Excellent. So, what I'd like to do, Guy, if you don't mind, is for you to briefly give your thoughts to entrepreneurs on how they can solve the challenges of raising capital, and possibly use that to segue into your new book, and discuss how your techniques, in the book, can help entrepreneurs raise capital and, or, otherwise grow their businesses.

**Guy Kawasaki:** Okay. So I think the starting point for this discussion is for an entrepreneur to ask himself or herself the question: "Do I truly have a venture capital deal?" The way the numbers work, something like 3,000 venture capital deals are done per year, and that's obviously out of, I don't know, 25,000,000, you know, little companies that start.

So the first thing you have to understand is, the numbers are very low. Only 3,000 funded VC deals a year. And many entrepreneurs believe the path to success is, you raise a few million dollars, and you become the next Google.

Well, A: There are very few, next Googles, and B: As you heard, there are only 3,000 VC deals. So the first question you have to ask is, Are you a VC deal? It's a very easy answer.

The easy answer is: If in 4 or 5 years, without being on cocaine, you think you will be doing annual sales of 100 to 500 million, you're a VC deal. If you're not, you're not. So, this eliminates a lot of things, like restaurants, retail stores, web consultancies, branding companies, ad agencies.

Now, all of these have examples where they did do 100 or 500 million after 5 years. But, you know, let's face it, the odds of a web consultancy doing 200 million dollars of billing a year after 5 years are pretty low.

**Dave Lavinsky:** Right.

**Guy Kawasaki:** So what people have to separate is the fact that there are fundable VC deals, and there are viable companies. And every viable company is not a fundable VC deal and, obviously, every fundable VC deal has not proven to be viable.

If you want to raise venture capital you should truly be fundable and viable, but if you have to pick only one, pick viability. So that's the step that most people, they just blank out on right there. They think, oh, I have to raise venture capital. The answer is, absolutely not.

**Dave Lavinsky:** I was going to ask, you know: You're probably confronted with, or come across a lot of these companies that are restaurants, consulting firms, that are viable businesses and they may be just starting or they may

already have some success. What are your recommendations to those types of companies?

**Guy Kawasaki:** Well, truly, my recommendation is, you bootstrap it and never try to raise venture capital, never waste your time and aggravate yourself.

Now, I think many more companies can be started, ironically, in these kinds of times, with less cash than before, because real estate is cheaper and employees are cheaper and, you know, there's a lot of people who are under-employed or unemployed who will be happy to do something and take a shot with a start-up. So it's a very, very, ironically, good time to do a start-up.

Now, we're talking, in the *tech* start-up world. The order of magnitude for starting many tech start-ups, now, obviously, not a chip company or a bio-tech company, but if you wanted to do a, you know, Web 2.0, social-media, e-commerce, you know, whatever-kind-of-company, it's 50 to 100 thousand dollars today. Which is, you know, it's a few people's credit card money. It's your friend's, fool's, and family money.

But, 50 thousand bucks goes a long way today compared to 5 years ago when you had to spend 100 thousand just to get an Oracle license.

**Dave Lavinsky:** Agreed, agreed. Excellent, so really, as you're saying, is the costs have gone down, there are more creative ways than just taking your business plan to a venture capitalist firm in terms of using credit cards, using friends and family and I try to talk a lot about creative financing in terms of suppliers, vendors, customers, etcetera are always a good source of capital.

**Guy Kawasaki:** Yeah, I actually think that the venture capital route is usually the last resort or probably the worst resort. Yeah, and I'm a venture capitalist telling you this!

**Dave Lavinsky:** Right, Right! It's funny that you put it that way you know, it's extremely challenging avenue to go down and what most companies don't understand is that they're not – even though they are a viable company, I like the word *viable* that you used, even though they're a viable company. It's a great idea or great company, they may not necessarily fit the VC criteria and that's not to say don't start the business and don't grow the business but it's just that's not the right type of capital that you're seeking.

**Guy Kawasaki:** Yeah, yeah. And you know what, if you start a viable company and you're making profits and all that you may prove that, "Oh, this little web consultancy CAN become a Fortune 500 Company!" Right? You know. Hallelujah!

So I'm not saying that because you quote-unquote only start a viable company, you'll never hit the big time. I'm just saying that you're not going to get venture capital to start it, so God bless you, you know.

Start one taco stand, if you start one taco stand and it takes off and then you start another, and another and another. Pretty soon you're bigger than McDonald's, trust me, venture capitalists will be all over you. But to go to a Venture Capitalist and say "I want to start a new Mexican food restaurant in Palo Alto, and I need a million dollars," don't waste your time. I mean, it's just not going to happen.

**Dave Lavinsky:** Agreed, great. Thank you for going through that.

Maybe you can sort of transition to your new book and let's look at the entrepreneur that has bootstrap, has enough money, and is ready to grow their company and so I'm flipping through, you talk about, you know "How to Get a Standing Ovation," that was one thing that stood out to me.

So maybe you can talk about your sort of background for the book and maybe go through how to get a standing ovation – that was pretty interesting.

**Guy Kawasaki:** Yeah, so my current book is called *Reality Check* and it is a compendium of all of my best writing whether it's book or blog and a lot of interviews and outside writing, and basically it is everything I wish I knew when I was starting out.

Now this, just so people understand, it's quite fashionable these days to make a hundred and fifty, two-hundred page book that's sort of light reading, you read it on one airplane trip and you get sort of one message, the one message being for example: "For your company to be successful, you need to reach a tipping point." Ok! You know, I got that!

150-200 pages, I understand that. I loved it, who can't? This is not that kind of book, this is a tome. This book is 474 pages, and you will not read it in one sitting. Now there are ninety something chapters, so each chapter is short.

But it is more, of a reference book. Today you may be reading about how to create a PowerPoint presentation but six months from now you'll be invited to speak on a panel and you need advice on how to look good on a panel.

So, there's another section on how to be a good panelist, and then you know, six months from then you may need to know "How do I actually lay somebody off", you know, God help you. There's a chapter about that. So this is not something you read from beginning to end, put it down and never go back to it because you caught the one main concept. This is a reference guide.

**Dave Lavinsky:** Good, Good

**Guy Kawasaki:** It's very different from most books.

**Dave Lavinsky:** Okay so you speak in terms of all the entrepreneurial experience and start of growing companies, you think this sort of compiles all the questions that the entrepreneurial management team is going to face during the growth period?

**Guy Kawasaki:** Well, *all* is a strong word, but I have a hard time believing that you could find a more complete book for entrepreneurship and not just the starting stage, but actually the running of a company.

**Dave Lavinsky:** Got it, so maybe you can go through a couple of the lessons, like I mentioned the standing ovation and how to get a standing ovation maybe you can talk about that and a couple other lessons so we can get a gist in flavor.

**Guy Kawasaki:** Okay, so the key to getting a standing ovation is very simple, which is: *Have something worth saying*. And believe me, 99% of people who speak don't... you know... you can eliminate them right there, right?

So, the key – for good speech or good evangelism or good marketing – is to speak about or market or evangelize something good, and if you do that everything is easy, if you don't have that everything is hard.

So number one which is kind of a duh-ism but it's a duh-ism that many people avoid, you know. Are you saying anything that's worth hearing? From then on there are some definite tips that you can use.

Obviously everybody tells you to practice, and everybody reads that they should practice, and very few people do, but you know. I have given basically the same speech about five-hundred times. Literally, five-hundred times, and now I am perfectly comfortable. Now I'm not saying you need to give a speech five-hundred times to be good at it, but it certainly takes more than two times. That's one.

Another is, if you have the ability to pick a room, pick a room that's small and going to be crowded. Because I would personally much rather speak to five-hundred people in a four-hundred fifty seat room than five-hundred people in a two-thousand seat room.

**Dave Lavinsky:** It's more exciting, and more packed.

**Guy Kawasaki:** Yeah, it's more exciting, the chemistry is better, the emotion is better. I would also recommend circulating with the audience prior to the speech so that you meet them and they form some kind of impression and bond with you so they want you to succeed as opposed to just hiding from the audience up to the very last minute like musicians do.

**Dave Lavinsky:** That's a great idea.

**Guy Kawasaki:** It's a very different approach. And, most audiences want you to succeed. They don't want to see you fail because...

**Dave Lavinsky:** It's very uncomfortable when you have a speaker up there and it's very quiet and not good.

**Guy Kawasaki:** Well not only that, it's not only uncomfortable, it's a waste of your time. I mean...

**Dave Lavinsky:** Right, right.

**Guy Kawasaki:** So if you go to a hockey game and you're watching the Sharks play the Wings and you're a Sharks fan, you want the Wings to fail. Right?

**Dave Lavinsky:** Right.

**Guy Kawasaki:** No question. Now if you're at a debate and you're debating, I don't know, pro-life versus pro-choice, you want one side to fail. Okay. But in a keynote speech, you've pretty much self-selected people that want to hear what you're talking about.

**Dave Lavinsky:** Right.

**Guy Kawasaki:** So, very few people in the audience want you to fail. Maybe except the next keynote speaker, but ...

**Dave Lavinsky:** Right.

**Guy Kawasaki:** But even then, that's rare. Generally speaking people want you to succeed, so, how hard could it be? I mean, everyone has the home court advantage in speaking. So, those are the keys.

**Dave Lavinsky:** Going back to the first thing you said on that was, which was, it's worth hearing. And I think a lot of entrepreneurs struggle with the fact that they think it's worth hearing... but other people don't. Particularly when they start talking about their ideas, and they get so excited about it that they get so detailed and they just ramble. Do you have any sort of litmus test for whether something's worth hearing or not?

**Guy Kawasaki:** Well, I'll tell you that they have to get their point across in thirty seconds. That's basically the attention span of a venture capitalist on a good day.

**Dave Lavinsky:** Right.

**Guy Kawasaki:** But, specifically for venture capitalists, and even for the press, if you want coverage by TechCrunch or something like that... we'll use an online dating analogy. There are two extremes of online dating, and one extreme is

eHarmony, where you fill out, you know, seventy-five questions about “Do you like children, do you like dogs, do you like red wine, white wine, do you like to walk on the beach, do you like climbing mountains”, you know, because you're finding this psychographic profile to find your life partners so that you can have this holistic relationship, right?

**Dave Lavinsky:** Right.

**Guy Kawasaki:** So that's eHarmony. At the other extreme you have HotOrNot where you look at the person's picture and say "Ah, cute, I'd like to date her."

**Dave Lavinsky:** Right.

**Guy Kawasaki:** That's a five second decision. Okay?

**Dave Lavinsky:** Right.

**Guy Kawasaki:** Well I hate to tell you, but on that spectrum, it's the HotOrNot side.

**Dave Lavinsky:** Got it. Agreed, agreed.

**Guy Kawasaki:** And so, if people don't decide that you're hot in five or ten or *maybe* twenty, twenty-five seconds, it's over. It's that short. And so, you know, if you want to form this psychographic holistic bond with your potential customer over the course of one hour, God bless you. You're going to be like looking for a job.

**Dave Lavinsky:** Right. Okay. Great analogy. I like the eHarmony Hot Or Not analogy. It hits home really well. Back to the new book, another question you mentioned was the top ten lies of entrepreneurs, and I was hoping you could touch on that.

**Guy Kawasaki:** Well, the top ten lies. I do the top ten lies of entrepreneurs, venture capitalists, marketing people, engineers, lawyers... there's a lot of lies in the book. But I don't expect by outing these lies that people will stop telling them.

My goal is that maybe they'll just tell different lies so it's not so boring. What many entrepreneurs don't understand is that as a venture capitalist and a press person we listen to pitches three, four times a day. Right.

**Dave Lavinsky:** Mhmm.

**Guy Kawasaki:** So they think that they come in at ten o'clock in the morning and they are the first person that we have ever heard say, "We have a patent-pending, curb-jumping, paradigm-shifting, new technology, that no one else can do, we have first mover advantage, we have a proven team, with a proven technology, with a proven business model, and all we need to do is get one percent of the people in China to use our service and we will be filthy rich."

Because we hear that five times a day.

So all of those are lies. You know, that "we are a proven team"... you're NOT a proven team. In fact I would make the case that a proven team is the *worst* thing for an entrepreneur or organization, because a proven team that has worked 20 years at Microsoft worrying about having too large a market share and anti-trust violations -- that's hardly the company that's going to be an entrepreneurial organization.

So, those are the kind of lies, "we only need one percent", "we have a proven team", "proven technology", "no one else can do this"... it gives me a migraine just thinking about those things.

**Dave Lavinsky:** It's the stuff that you hear every day over, and over again. Entrepreneurs do have to realize that venture capitalists and other investors have heard the same thing over and over again. And as you've been around the block and back you, maybe the first time you heard that it was exciting, but you've heard it so many times and seen it not ring true so many times you just can't even listen to it.

**Guy Kawasaki:** Well you know as an entrepreneur if you hear yourself using the words "patents", "first mover advantage", "proven", and "conservative" you're lying.

**Dave Lavinsky:** Right.

**Guy Kawasaki:** All those words are surrounded by lies. Every time.

**Dave Lavinsky:** That's a great lesson. I appreciate that. So I want to be respectful of your time today, and maybe I can and ask a general closing question which is that you have a lot on entrepreneurs listening to this conversation and is there anything that you want to make sure that listeners of this conversation know about entrepreneurship and about growing their business that maybe I didn't ask you but should have.

**Guy Kawasaki:** Well, I think that one thing that an entrepreneur should always keep in mind -- and it's a good test as an employer, manager, entrepreneur, marketer, salesperson -- is: "Are you asking people to do something that you yourself would not do?"

Let's say vis-à-vis employees. Are you asking employees to do things that you would not do either in terms of ethics or in terms of the difficulty of the work you know, what ever. If you wouldn't do it don't ask your employees to do it. So that's number one.

Vis-à-vis customers you know, you might have the world's greatest web 2.0 website and all you have to do is fill out 65 fields of personal information and provide your Visa card number, not that you're going to be charged, but just because we want to verify that you really exists and that you're over 16. Right? And for all that information we will give you a free password to our Web 2.0 content site. I don't think so!

**Dave Lavinsky:** Right.

**Guy Kawasaki:** So if you always ask yourself that question I think that that'll keep the rudder in the water. You know, keep you going in the right direction.

**Dave Lavinsky:** I agree. I have seen that a lot also there's always a lot of sports-to-business analogies, a lot of great sports coaches do a lot of the work with their teams or they have done it when they were the player so you can't ask someone to do something that you yourself wouldn't do,

**Guy Kawasaki:** Right.

**Dave Lavinsky:** And expect them to do it or excel at it. Excellent.

Well, Guy, once again, I really appreciate your time. I'm going to make this audio available I'm going to next to the audio, if anyone is listening to this right now you should see a link to "Alltop" and Guy's blog and to Guy's new book that you can buy at Amazon called *Reality Check*, so Guy once again I appreciate your time.

**Guy Kawasaki:** Thank you. Can I just plug "Alltop" specifically for your audience?

**Dave Lavinsky:** Please do.

**Guy Kawasaki:** “Alltop” is a digital magazine rack. We aggregate news by topic and for an entrepreneur I don’t know how you can stay on top of innovation and start ups and venture capital more and more easily than by going to startups dot all top, innovation dot all top, and venture capital dot all top. We have all the news there that you need to keep on top of.

**Dave Lavinsky:** Excellent. Excellent. I will include links to all three, to Alltop’s home page and those three sub-directory pages everyone can go and check those out as well.

**Guy Kawasaki:** OK. Thank you.

**Dave Lavinsky:** Excellent, thanks again.

**Guy Kawasaki:** Thank you.