Vinod Khosla: Unreasonable Tenacity

If you want to build a legendary company, sometimes, you simply cannot take no for an answer.

MARIO GABRIELE

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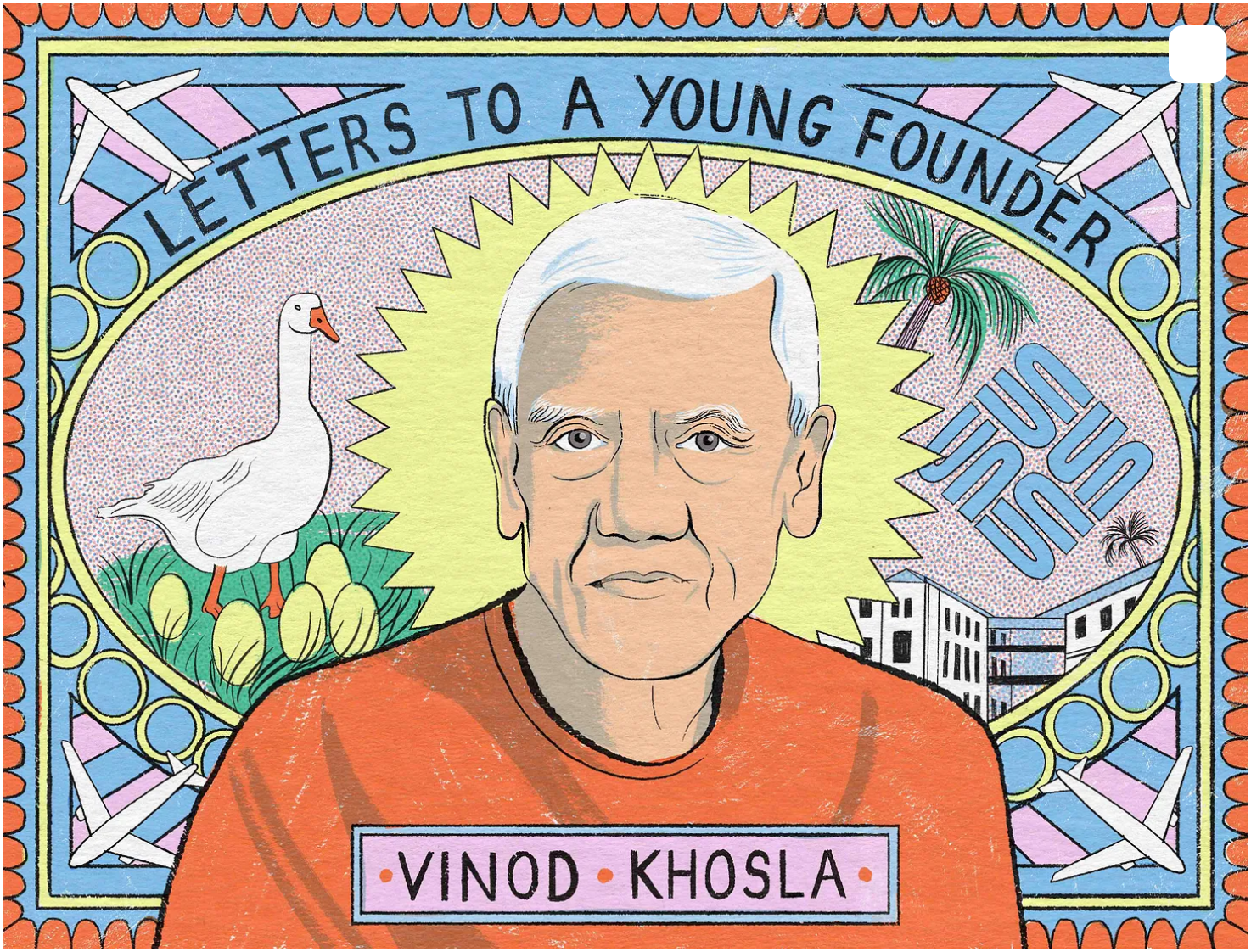

Illustration by Eleanor Taylor

Vinod Khosla was hungry.

Ravenous, in fact.

He'd barely eaten for the last 36 hours, let alone slept. Now, he found himself wandering the desolate terminal of Chicago's O'Hare airport in search of something, anything, to eat.

Two evenings earlier, in San Francisco, he'd received a call from Computervision's team: They were very sorry, but they wouldn't be choosing Sun Microsystems. They'd decided to go with a competitive product – the much larger and better-resourced Apollo.

It was a moment of existential risk. Winning Computervision wasn't about closing another customer but keeping Sun alive in a critical market. Khosla's company had spent months on the deal. All of a sudden, that seemed to have been for nothing.

What followed is a part of Silicon Valley lore and Vinod Khosla's mythology. It is a story that should be told in his words, as in this latest edition of "Letters to a Young Founder." In reading it, you'll hear the tale of the workstation industry of the 1980s, Vinod's savvy "game theory," and a portrait of unreasonable tenacity. You'll also discover how the Sun founder ended up at Chicago airport in the early hours of the morning, devouring a frozen pizza.

I don't say this lightly: this is one of my favorite editions The Generalist has ever published. That has nothing to do with me and everything to do with the sheer density of stories, insights, and history Vinod packed into his letter. You'll hear how he hired future superstar CEO Eric Schmidt, won over his co-founders Andy Bechtolsheim and Bill Joy, cultivated Sun's unusual, frugal culture, and supported Jack Dorsey at Square.

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Lessons from Vinod

1. **You may be closer to a yes than you think.** We are taught to take our rejections with

dignity, to view them as permanent and inflexible. But how often do we stop trying just before our luck is about to turn? What if one final, ferocious push is all that's needed to convince that venture investor, land that promotion, recruit that game-changing hire, or seal that sales deal? Vinod tells the story of when he refused to take no for an answer – and, in doing so, saved Sun Microsystems from losing access to a key market.

2. **Get the goose, not the golden egg**. When Vinod founded Sun Microsystems, he sought the best technical talents in the industry: Andy Bechtolsheim and Bill Joy. Both were amid PhD programs and showed little initial interest in joining him, with Andy offering to license his work to Sun. Vinod refused. He didn't want the "golden egg" but the goose that laid it. Talent is a competitive advantage; be uncompromising in bringing the best people aboard.
3. **Expect resistance to innovative ideas**. Even at hyper-generative companies like Sun, new ideas are often met with skepticism. Vinod shares that he has seen this pattern play out across companies, including at Block (FKA Square), where he served as an investor and board member. Don't be surprised if your novel idea doesn't gain internal traction immediately. You may have to fight to get it across the line.
4. **Do not forget: your job is to sell**. A founder's job is really a dozen jobs, stacked head to foot under a trenchcoat. One that can be easy to neglect is selling. As a founder, you must sell your business non-stop: to VCs, customers, employees, potential hires, and the media. Doing so can elevate your standing and accelerate your progress.

The rest of the letter is packed full of insights and other priceless lessons from a Silicon Valley legend. To access them all and every future edition, become a member today.

Mario's letter

Subject: The brilliance of Sun
From: Mario Gabriele
To: Vinod Khosla
Date: Thursday, March 21 2024 at 14:01 PM EDT

Hi Vinod,

We ended our last correspondence at an inflection point in your entrepreneurial journey:

shutting down Data Dump and devoting your full focus to Sun Microsystems.

Tech veterans and students of Silicon Valley history will know all about Sun's successes and enduring influence. Sun was a pioneer in the workstation market (essentially higher-performance and more technical PCs) and played a critical role in advancing a networked computing model. Despite its importance, younger founders and investors may not be as familiar with it. Though I thought I had a good grasp on Sun's importance in preparing for our discussions, I've come to realize its significance extends beyond my initial understanding.

From a purely commercial perspective, Sun was a hit out of the gate, logging $8 million in sales in its first two quarters of operation. (This may be one of the clearest examples of immediate, intense product-market fit I've ever encountered!) By the time you went public in 1986, just four years after its founding, Sun had surpassed $115 million (or $330 million in 2024, adjusted for inflation) in revenue. Two years later, Sun crossed $1 billion in revenue. It would reach a valuation of $200 billion at its peak, ride out the rough water of the dot-com crash, go head-to-head with Microsoft and IBM, and ultimately sell to Oracle for $7.4 billion in 2009.

Sun's business success is an essential part of its story (we would probably not be talking about it otherwise). You took a modest amount of venture funding – I read somewhere that you started with just $285,000 and raised a grand total of a couple of million dollars – and turned it into a genuine industry giant.

Ultimately, though, Sun's legacy is defined by its innovations, insane talent density, and extraordinary culture. It's hard to overstate just how technologically generative the company was. Over the years, Sun was responsible for creating networking protocols and the Java programming language – and contributing to the development of RISC processing, UNIX, virtualized computing, different file systems, and novel systems architectures. If Sun hadn't existed, it doesn't seem unreasonable to say that our world and the tech sector would look different – a little slower, a little less advanced. (Indeed, this letter might not exist since sending it relies on some of Sun's technology.)

None of this could have happened without Sun's incredible culture and talent, from the leadership downward. According to a classic Harvard Business School case study, you were

directly responsible for recruiting your co-founders, Andy Bechtolsheim and Bill Joy. You would go on to amass other remarkably gifted people like future Google CEO Eric Schmidt. While every successful company hopes it can create a "mafia," Sun seems to have had among the most powerful ever, with its alumni going on to build and back other great businesses.

You know all of this, of course. You lived it! But hopefully, revisiting it gives richer context for our conversation and sets the stage for readers. In particular, I would love to dig into these different facets at Sun, with the goal of surfacing insights contemporary founders can use to build legendary companies of their own.

Talent is the lifeblood of any epic company, and so I would love to start there. How did you recruit such incredible talent to Sun? I ask this both on a strategic and tactical level. As far as I can tell, you didn't have an obvious recruiting advantage; you were a 27-year-old MBA with a solid business in your rearview mirror but limited work experience. You were a biomedical engineer by training, not a computer scientist.

As you mentioned last time, since you had emigrated from India, you lacked the "old boys network" that others might have leaned on to find their first hires. And yet you persuaded Andy Bechtolsheim and Bill Joy to leave their PhD programs and join you. Just as importantly, you must have seen something in them that made you believe they were not only technically gifted but capable of being strong entrepreneurs. You then went on to recruit a high-leverage employee base, many of whom had yet to prove their exceptional capabilities. How did you do that? What is that you look for in people? How do you think about talent identification, especially from the perspective of a founder?

In tandem with that, I'm keen to hear your thoughts on Sun's culture. What was it that made it such a creative, high-output place? What were the values that embodied it? I remember reading somewhere that because you didn't smoke or drink coffee, for example, you tended to hire people who also abstained from those habits. Was that a conscious choice? A ritual that helped reinforce a Thielian "cult?"

Finally, there's a classic Sun story that is the basis for the Harvard case study mentioned earlier. It describes a critical moment in the startup's journey and how you dealt with it. In summary: Sun was trying to close a deal with Computervision, a key player in a space that

you were trying to get a foothold in. To do so, you needed to beat out Apollo, a competitor with a much larger team and a more established reputation.

As the story goes, after going through the sales process, Sun was told that Computervision had chosen to go forward with Apollo. At which point you hopped on the next flight from San Francisco to Boston and camped out in Computervision's office until the CEO agreed to meet with you to explain his decision. When he finally came down to talk at the end of the day, you managed to change his mind. (The case study frustratingly cuts out at this point without really giving the details of what happened – hopefully, we can correct the record.)

I love this story for so many reasons. It says a great deal about who you are, but also the sheer willpower it takes for a startup to succeed. To build a meaningful business from scratch, you may have to go through a dozen or more such moments that test your determination. Forty-one years later, I wonder how you think of that moment and its significance – and what other entrepreneurs might be able to learn from it.

Thank you for spending this time with us.

Best,

Mario

Vinod's response

Subject: The brilliance of Sun
From: Vinod Khosla
To: Mario Gabriele
Date: Wednesday, April 3 2024 at 16:22 PM PDT

Hi Mario,

I have always been fanatical about people I can learn from. That's why I help startups in sectors I don't want to invest in – because I'll learn something new. I'm probably learning even faster now than I did at any other point in my life, including at Sun, because I do more

of these meetings. I remember my son looking at my calendar the week before Christmas, and there were 70 meetings. He asked me, "How can you do that?" Part of that was because it was right after OpenAI's boardroom issues in November of 2023 – but it's still representative of how intensely I pursue new knowledge.

I share this because it impacts how I think about talent and the team we assembled at Sun. When I was just starting out, I was interested in people who were superstars in any way that I could learn from. The same as today.

I had a maniacal focus on hiring all talent and spent 50 percent of my time early on recruiting. For example, I personally reconstructed most of the senior org chart of our biggest competitor, DEC (Digital Equipment Company, one of the top two computer companies worldwide, alongside IBM). More than anything, I had to recruit Andy Bechtolsheim and Bill Joy to join us, convincing them to drop their PhDs. My passion for "changing the world of mainframe computing to distributed computing" was one of my big advantages in hiring to build Sun into the powerhouse it became.

Andy Bechtolsheim was the first person I recruited. Most people don't know this part of the Sun story, but when I approached Andy in 1982, he had issued six licenses to his workstation technology. He wanted to license it to me for $10,000, just as he had to these other startups. Several of these startups were credible: one was funded by my future friend and partner John Doerr (called Cimlinc), and another was founded by Jim Clark and became Silicon Graphics.

If I was going to compete with these other startups, I didn't just want a license. I wanted Andy. That's when I said to him that I didn't want the golden egg; I wanted the goose that laid the golden egg. I had to convince him to drop his PhD and join me. That was the first step in Sun building a technological and talent advantage. I hung around Andy's office at Margaret Jacks Hall at Stanford. And I also helped him talk to other licensees.

I also knew I wanted to add Bill Joy. He was at Berkeley at the time and was *the* software guru. To get Bill, I also had to convince him to drop out of his PhD program, but it took about six months. Bill, I know, did not want to bother talking to me and kept deflecting me, so I offered to bring Andy to Berkeley. That started the conversation. He joined much later after Sun's founding, but I offered to make him a founder. I told him, "I don't care, I'll make

you a founder. I just want *you*." I guess I pioneered the non-founder founder!

When you recruit great leadership, it becomes easier to hire other incredible people. Because of Bill and Andy, I was able to attract Eric Schmidt as an early employee. He came to us most recently from Xerox PARC to be our VP of Engineering. We were then able to hire Carol Bartz, who became CEO of Autodesk and Yahoo. We kept adding great people: Bob Lyon and Tom Lyon, both of whom founded multiple very successful companies; Larry Garlick, who founded Remedy Corporation; Bill Coleman, who founded BEA Systems and was CEO of Veritas. Out of the first 25 employees we hired, probably ten billion-dollar companies were later created. The only other startup I've seen with that kind of record is PayPal: Peter Thiel assembled an incredible team.

Even though I was in my twenties and had never managed anybody, had never built anything, we collected a set of exceptional people. The secret was just to hire incredible people, even if they didn't perfectly fit what the company was doing at that time.

I'll give you an example: we hired this researcher from Xerox PARC who was an expert in databases. People said, "Why are you hiring a database expert – you're a hardware company." But over time, he was a key part of creating the Network File System (NFS), which was, incidentally, one of the first examples of open source software and is still used today. This is the lesson: when you hire exceptional people, they do exceptional things. And they are good enough to change their context.

How do you determine whether someone is exceptional? You talk to them and see what you learn. I looked for how they thought about areas they did not know; I like to surprise people with questions and see how they think. I always asked people (still do) what they read to understand how wide their knowledge is and how broadly they learned and thought. If you learn a lot, then they're good people. It really can be that simple.

Fast forward to today, and talent identification is one of the areas I feel I can really help entrepreneurs with – especially because most board members misadvise founders. They make big mistakes in who they recommend. They say, "You're in business X, and this person has twenty years of experience in X. You should recruit them." That's a bad phenotype for a hire. You should be looking at their fundamental characteristics. What is their rate of learning? What is their openness to new ideas? What kind of teams do they

build? That's way more important than simply choosing someone who knows healthcare because you're a healthcare company.

The single most important decision for an entrepreneur to make is who to listen to. Whose advice should you trust, on which topic. Listening to the wrong board member can result in you packing your company full of people with lots of experience but none of the other important qualities. Founders often ask their parents or friends for advice – people who have generally not built billion-dollar companies. Or they find someone with a title at some big company: the CFO at a Fortune 500 or someone leading marketing at IBM. But none of these people have seen the establishment of new markets or the dynamics of finance in the startup world. To those people, startups are an alien planet!

I also saw my job as selling: selling customers, selling VCs, selling partners like Kodak (who funded Sun's first double-digit million round of $10 million), selling each employee and often their spouses, selling reporters... I remember when the Uniforum (UNIX forum) in 1983 (I think) had an opening session called "News from AT&T, DEC, and SUN" when we were about 30-40 employees and an article called "The Four Horsemen of Computing" with us at less than 50 employees and everyone else at over 100,000 employees. Getting that kind of attention came from selling our story to the market.

You mentioned Sun's technical innovation. It was an extremely innovative place. It wasn't just Java or SPARC. When we were operating, no one was doing networking for computers, no one was doing distributed computing, nobody was doing graphics, no other company was doing open source, nobody was doing a megapixel terminal – except Evans & Sutherland in specialty defense applications. Sun's history is full of firsts! NFS, Open Source, Java...the list goes on.

There are some great stories about how we made those innovations. For example, creating the first RISC processor took a huge effort. Today, IBM has no good research, but back in the day, it did. I remember reading one of their esoteric papers about RISC, and I thought it was pretty cool. So, I tried to get Sun to do it. No one on the team was interested.

Since I couldn't get attention from anyone inside the company, I went outside. Dave Patterson was a professor at Berkeley who was doing work in the area – and still is – so I approached him through our customer support team because our engineering team wasn't

interested and got him to do some consulting for us. He became a sort of Chief Architect for Sun while he was at Berkeley and helped us build RISC. It was really transformative for the company.

That experience taught me an important lesson: people resist brand-new ideas until they have proof. Even at an innovative company like Sun, that was true. I love these kinds of ideas. I think of them as ideas with 1x downside and 100x upside. This continues to be my ethos to this day – I still say, "90% chance of failure and a 10% chance of changing the world," I'll take that every time!

I've seen it plenty of times since. For example, when Jack Dorsey wanted Square to launch Square Cash, no one else on the board thought it was a good idea. I thought it was great – it would bring consumers into the ecosystem. If Jack had listened to the rest of the board and followed "sensible business practices," which dictated focus on a singular thing, he would have lost out on much of Square's market cap. The same thing is true of Amazon and AWS. What business did a retailer have building the new computing architecture? What business did Google have doing Waymo self-driving cars? That sort of innovation should have come from IBM, but that's not how innovation works.

You asked about Sun's culture. Apart from the incredible people, we did have some fun quirks. For one thing, we were very frugal and scrappy. I wouldn't even let our team print color brochures for marketing materials. Everything was black and white. I remember they poked fun at me for that. The team gave me a beautifully wrapped gift box on Sun's first anniversary. Inside was a sharpened pencil.

Our scrappiness helped us win the Computervision deal. At the time, Sun was trying to gain market share in the CAD/CAM space, a large and growing area, but Apollo already had two of the top three companies. The only one they didn't have was Computervision. If we didn't get Computervision's business, I thought we'd be permanently locked out of CAD/CAM systems, which was the main technical market – our market. That was a tough position to be in, but it also meant we had nothing to lose and everything to gain. It was very simple logic.

I remember all of this like it was yesterday. I mapped out the game theory of how to make a deal happen. For example, I understood that Computervision's VP of Marketing liked our

solution, but the sales team liked Apollo. That was because they had to go head-to-head with other CAD vendors who used Apollo – it was advantageous for them to be able to offer the same thing. All of these factors played into how we pitched Computervision.

They still turned us down. Apollo played golf with the Computervision guys – again, the golf thing. They would drink together, and I had this funny accent. I was Indian, in my twenties, and definitely not a part of the East Coast set. But when I got the call in my office that Computervision was going with Apollo, I wasn't ready to give up. I had nothing to lose, right? I had my wife bring my clothes to the office and took a red eye to Boston. I remember it all vividly. I took Route 128 to their office with no appointment. I just sat down in their lobby and said, "I want to see the CEO, the VP of Marketing, the VP of Manufacturing, the VP of Engineering." I just asked for everybody and said, "I'll sit here until I see them." I arrived at about 8:00 AM, and it was probably four or five in the afternoon when the CEO finally came down and said, "Look, we've already made a decision, but let's go talk at this bar." At the bar, I told him he could have all our technology for free. We wouldn't make any money, but at least we wouldn't be locked out of the market permanently.

He was afraid to disturb his team, so he agreed to meet me in Chicago. We met at the Hilton at Chicago's O'Hare airport and finished our negotiations somewhere around 3:00 AM-5:00 AM the next morning. Then, we signed a handwritten contract, which led to a deal with Computervision. I remember going looking for food since I had not eaten in a long time, and the best I could find was frozen pizza at that early hour!

The skill of our team meant that in the following years, we moved much faster than any of our competitors, shipping better and better workstations and technology. It was the right decision and set Sun on an upward trajectory.

More next time.

– Vinod

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Shantanu May 28

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