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Premium

The inside story of how John Chambers is using everything he learned in his legendary stint as Cisco CEO to lead startups through the pandemic

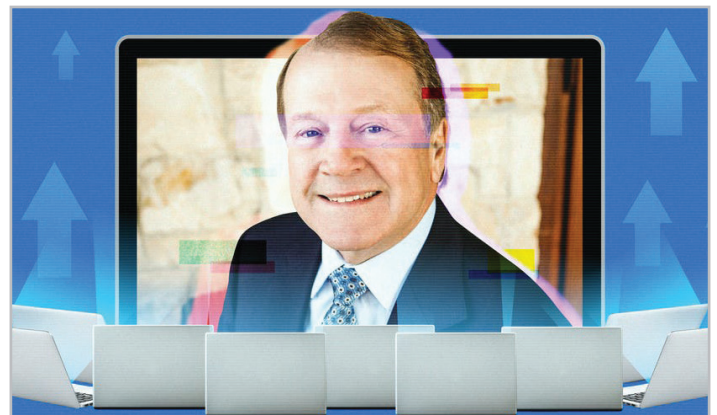
Benjamin Pimentel

- Tech legend John Chambers stepped down as CEO of Cisco five years ago, only to take a new role as head of JC2 Ventures – a venture capital firm more focused on job creation than financial returns.
- Chambers has been using playbooks developed at Cisco to help startups navigate the pandemic downturn, guiding CEOs and young founders who have never faced a crisis like the pandemic.
- Chambers let Business Insider watch him in action during the pandemic when he kept in close touch with startups in the JC2 Ventures portfolio, while sheltering in place in his Palo Alto home. We shadowed Chambers' meetings, including some of his one-on-one meetings with startup leaders.
- “Very rarely do you find a VC who has actually run a company and made the mistakes and got the experience to share with me and basically say, ‘Here are the next three steps and here’s very likely how they will play out,’” Umesh Sachdev, CEO of voice AI startup Uniphore, told Business Insider.
- Some of Chambers’ key advice for startup founders in the moment: Keep close track of your metrics, be honest about which problems are “external versus internal,” and make any big changes like layoffs only once.

In November 2019, John Chambers cut the ribbon at the brand new Silicon Valley headquarters of Uniphore, a voice AI startup he invested in and which he predicted will have a big future in tech.

“Watch this company – I think it has a chance to light the world on fire,” Chambers said in an interview after the ceremony. But amid the upbeat mood of that afternoon gathering in Palo Alto, where Chambers chatted with attendees about his previous role as Cisco’s CEO and his new life as a venture capital investor, the 71-year-old tech legend made a dire prediction: a downturn is coming and it will test startups like Uniphore.

“We forget that it’s been the longest economic run in our lifetime,”



JC2 Ventures; Samantha Lee/Business Insider

he said back when the economy and the stock market were going strong. “These teams have never seen a recession. It’s going to happen. And the recession is where most companies get wiped out.”

Three months later, his prediction came true.

As the pandemic forced most of the world into lockdown, Chambers, a known jet-setter who routinely travelled all over the world for business, retreated to his Tuscan-style home in Palo Alto, near the Stanford campus. Over the past 10 months, he has hunkered down in his home office, and used Zoom, Webex and Google Meet to offer guidance to startups in the portfolio of JC2 Ventures, the VC firm he founded after stepping down from Cisco.

“Everything good health-wise, family-wise?” Chambers asked one morning in September, looking up to a big screen as he kicked off a meeting with Prem Jain and Soni Jiandani, cofounders of Pensando. Chambers sat on a beige couch in the high-ceilinged room, behind a wooden table and his Mac laptop which had a logo of West Virginia University, his alma mater.

“One or two people have Covid, John,” Jain, Pensando’s CEO, reported. “One in India, and one here. We’re continuously in touch with them. So far so good. Both are recovering.”



JC2 Ventures

John Chambers with startup execs at his home.

“If I know the employee or they have worked with us before, I’d love to drop them a text,” Chambers said. “Purely your call.”

On that same call, Chambers mentioned that Pensando isn’t the only one he’s helping through the pandemic. “I got an email this morning from [Salesforce CEO] Marc Benioff asking for some help,” Chambers noted during the call. “He is putting together a group trying to eliminate COVID for the Big Island of Hawaii,” where the executive has a home.

Chambers let Business Insider shadow him last summer as he conducted business with leaders of six of the 18 startups in his VC portfolio. The only condition was that we do not disclose private exchanges and details of pending deals, hires and negotiations.

The sessions offered an up-close look at how Chambers is taking everything he learned as a powerful tech CEO who led Cisco through the most devastating market downturns in recent history, and all of his connections – and using it all to mentor a new generation of startups through the present crisis as a VC investor.

The first clue came when Uniphore started having trouble closing deals

The economic impact of the pandemic became clear to Chambers in late January. That was when the leaders of Uniphore, which uses conversational AI to help businesses improve their customer relations, reported problems in Asia. Many of their pending deals, the young founders told him, were falling through.

“John, these orders are starting to slide,” Chambers recalled cofounder and president Ravi Saraogi telling him. “We think we’re gonna lose so many.”

Going into 2020, Uniphore’s sales machine was firing on all cylinders, closing deal after deal. But when Saraogi started to feel the need to personally fly to Asia to seal new deals, Chambers got his first clear sign that something big was happening.



Uniphore

John Chambers with Uniphore CEO Umesh Sachdev.

“I immediately connected the dots,” Chambers said in an interview in March. “I’ve seen this movie before. I began to call my CEOs and my companies and said, ‘I want you to plan. We could have a major restructuring coming our way.’”

Chambers suggests that startups actually have a key advantage over larger rivals when it comes to detecting a looming crisis: Founders are so attuned to their metrics, he says, that they can feel the impact of any anomalies and start to react while their larger rivals are still tabulating quarterly reports.

“It’s hard for large companies to see that because so much of their momentum is going to occur for months after a slowdown happens before it shows up in the numbers,” Chambers said. “For startups, they’re really on top of their business. They know individual transactions. They know how long it’s taking to close versus normal.”

Chambers is the rare VC that was the CEO of a tech titan

The founders in Chambers’ portfolio praise his experience at Cisco as helping lead them through these troubled times.

“An average VC in Silicon Valley sits on many boards, and sees at an aggregate how startups perform,” said Sachdev, the Uniphore CEO, on a video call. “Very rarely do you find a VC who has actually run a company and...basically say, ‘Here are the next three steps and here’s very likely how they will play out.’”

Chambers is handing those startups a playbook that was first written as he led Cisco through the dotcom crash of 2001 and the financial crisis of 2008. In short, he says, it behooves a tech company dealing with a crisis to be both quick and precise, but to also be patient and recognize that things won’t get back to normal right away.

He suggested that startups quickly develop a clear understanding of the crisis, which also requires the CEO to be “realistic on how much was external and how much was internal.” And if you need

to make big adjustments, including layoffs, he stressed, “do it once.” The pandemic did force several startups in the JC2 Ventures portfolio to resort to layoffs before the end of April, but Chambers said the cuts were not severe.

“Make your changes one time,” Chambers said during a virtual all-hands meeting with the leaders and employees at Cloudleaf, one of his investments, which uses AI to help businesses manage their supply chain via the cloud.

“Don’t be doing it one month and then another month. Make your changes upfront. Assume the downturn will be deeper than you think and that it’ll last longer. It always is. And then you do what you call the Silicon Valley 2-step. You make the transition from defense to offense. You begin to look at how you grow, how you break away as you move forward.”

The startups he backs are appreciative of that experience. While Chambers, by his own admission, doesn’t know much about the alternative energy sector, his experience leading Cisco through some of its biggest growth periods to date has been critical for Bloom Energy – which went public two years ago – as it looks to scale.

“Going from that \$1 billion to \$5 billion to \$10 billion – that’s a completely different ballgame,” Srihar said on a virtual call with Chambers. “It’s crossing a chasm in a very classic way in the next stage of your life. There are very few people who have done that and want to be in an advising position to help you through that.”

Chambers wants to create jobs and stem the threat of AI to the workforce

Ultimately, Chambers sees JC2 Ventures as a matter of legacy, rather than a way to line his pockets.

On a call with KR Sridhar, the CEO of JC2-backed Bloom Energy, Chambers said: “I am going to try one time more to change the world and really make a difference and perhaps have a new form of capitalism and to give back and have fun doing it.”

Chambers’ approach to navigating the crisis is informed by that philosophy. JC2 Ventures was launched in 2015, backed by \$100 million of the exec’s own money. Pat Gelsinger, CEO of tech giant VMware, says that Chambers’ background made him well-suited to enter the VC world.

“There’s still a lot of energy in John,” VMware CEO Pat Gelsinger said. “There’s still a network of all the people he knows. John proved at Cisco that he has an intuition about some of the future things. He has intuition, energy and passion. And he has some of the capital from his success then to go invest.”

Passion is something that Chambers has in spades: “Money has never been very important to me,” he told Sachdev, the Uniphore CEO, in a call. “I love winning and I love to compete. Money is a way of keeping score. But I’m much more interested in the team winning.”



JC2 Ventures, Cloud Leaf
John Chambers at virtual Cloudleaf all-hands meeting led by CEO Mahesh Virina.

Core to Chambers’ investment strategy is a relentless focus on job creation: His hope is for each of the startups in his portfolio to post 50% job growth a year over the next decade. “That’s an aggressive number, I know – but doable,” he said.

Chambers is trying to get out ahead of what he sees as a coming wave of job losses around the world, as AI and other cutting-edge technologies disrupt entire industrial sectors.

That’s also why it’s so important to him that the startups he advises aim for going public, rather than getting acquired by a Silicon Valley giant. He says that he leaves it up to the founders as much as possible, but he makes his preferences known – in his view, getting bought puts a serious damper on new hiring.

“I’m assuming that we’re gonna play it out long term,” he said in an interview. “It’s the CEO’s and the board’s decision whether to do that or not, but I’m after job creation.”

In fact, none of the JC2 Ventures startups has been acquired. Only one, Bloom Energy, has gone public. Chambers does acknowledge that acquisitions are part of the VC game, and said he would be happy to see one-third of the startups in the JC2 Ventures portfolio get acquired or go public in the next 1 to 2 years.

“More than 90% of your headcount is added after you go public,” Chambers said. “If you’re acquired by a company, even a great company like Cisco or Microsoft or others, your headcount growth is largely over except maybe in engineering.”

Having Chambers on board as an investor means getting access to his vast network

For startups, having an industry legend like Chambers on board has its perks.

Chambers can offer both mentorship and support, as when he counseled Uniphore's Sachdev through moving his company and family both from India to San Francisco to support the company's accelerating growth. "John told me, 'I can't tell you it's not a risk. But we're going to do everything we can do to take the right steps,'" Sachdev recalled.

Sometimes, though, what he can offer is a little more material, as when Chambers flew Sachdev home from a business trip to India on his private jet.

But perhaps Chambers' biggest advantage as a VC is his vast network of contacts, drawn from his decades in the industry. One of them is Gelsinger – who, incidentally, is Chambers' neighbor in Palo Alto – who recalled Chambers' enthusiasm as he encouraged the VMware CEO to work with Pensando.

"He started calling me up about a year ago, 'Pat, Pat, work with Pensando. I promise you Pat, it's gonna be great. We're gonna make it great, Pat.' John is always John and I quite enjoy him as a person," Gelsinger said. VMware and Pensando would go on to announce a partnership in September.

Soni Jiandani, cofounder of Pensando, said during one meeting that Chambers was instrumental in orchestrating a key partnership, which had taken six months and 20 executive-level meetings to finalize.

"We clearly would not have had that position and access if it weren't for John," Jiandani said.

Pensando has raised \$278 million from investors that includes Lightspeed Venture, Qualcomm Ventures and tech giant Hewlett Packard Enterprise, which also signed a partnership with the startup in June. HPE's CEO Antonio Neri is another long-time Chambers who shares his vision for the big role edge computing will eventually play in enterprise tech.

"John and I didn't need that much time to get aligned on this," Neri told Business Insider. "John is a mentor to me, and also a great friend."

Startups that work with Chambers will definitely find doors opening more readily, said Dennis Fernandez, a veteran venture capital investor based in New Mexico.

"He can bring street cred into an unknown company," Fernandez said. "You can see how a new startup gets introduced as that John Chambers-funded venture. Everyone wants to get in it. So he has that power; he can kiss some frogs and turn them into a prince."

Chambers isn't slowing down

Despite the challenges of the pandemic, Chambers is still encouraging the startups on his watch to think big.

While Chambers upheld his well-earned reputation for being one of Silicon Valley's friendliest and most personable execs during the calls observed by Business Insider, he gave some rare direct criticism on a call with Cloudleaf.

Chambers praised the startup's momentum, but also said: "I don't think you're dreaming big enough. I don't think you're getting tough enough on yourself. I know that you're not prioritizing and working on the communications as much as we need to."

That encouragement speaks to Chambers' real motivations for going into VC. He's not in it for a paycheck, he suggests, or to increase his influence. He's doing this because, again, he wants to change the world. It's exactly where he wants to be.

"I love what I do," Chambers said in an interview. "I'm not doing anything that I don't want to do."