

## Steve Case: Vision Without Execution is Hallucination | E34

Welcome to In Search of Excellence which is about our quest for greatness and our desire to be the very best we can be to learn educate and motivate ourselves to live up to our highest potential It's about planning for excellence and how we achieve excellence through incredibly hard work dedication and perseverance It's about believing in ourselves and the ability to overcome the many obstacles we all face on our way there Achieving excellence is our goal and it's never easy to do We all have different backgrounds personalities and surroundings and we all have different routes and how we hope and want to get there My guest today is Steve Case Steve is one of America's best known accomplished entrepreneurs who was instrumental in making the internet part of our everyday lives He was a co-founder and CEO of America online also known as AOL which is a pioneer in getting people to use the internet for the very first time and which at its peak had half of the internet users in the United States using it AOL was the first internet company ever to go public and was the best performing stock in the 19 nineties after it reached a valuation of 100 and \$60 billion Steve is also a co-founder of Revolution ventures a very successful venture capital firm that has invested in more than 500 companies since its formation in 2003 Steve has a tremendous passion for helping entrepreneurs and is also a dedicated philanthropist He is the founding chair of the Startup America Partnership in an effort to accelerate high growth entrepreneurship throughout the country and was the founding chair of the National Advisory Council on Innovation and entrepreneurship among many other boards Steve is also the chair of the Smithsonian Institution According to Forbes magazine Steve has a net worth of \$1.4 billion And finally at least as far as interest go he is the author of the New York Times best selling book The Third Wave and Entrepreneurs Vision of the Future And he is about to release his amazing new book Rise of the rest How entrepreneurs in surprising places are building the New American Dream Steve It's a pleasure to have you on my show Welcome to In Search of Excellence Thank Randall Great to be with you I always start my podcast with our family because from the moment we're born our family helped shape our pa our personality our values and the preparation for our future You grew up in Honolulu in an upper middle class family Your parents were fourth generation Hawaiians

that go back more than 100 years And they were married for 61 years before your dad passed away Your dad Dan was a championship swimmer when he was younger in 1945 he joined the Navy and served as an elite underwater demolition team that was a precursor to the Navy Seals After working in the army he worked very long arms as a corporate lawyer and eventually started his own law firm where he represented the state's powerful sugar and pineapple companies Your mom Carol was an elementary school teacher who retired after her fourth child was born to stay at home and raise you and she later became a career counselor Can you tell us how your parents influenced your life And as part of that can you talk about being permitted to watch only an hour of TV at night the types of chores you had to do around the house and the message on your Christmas cards each year And on a related note in the world of Instagram and tiktok and social media and being addicted to it Should parents be limiting the hours their Children spend online Well there's a lot there to unpack Well first of all it was wonderful to grow up in Hawaii at the time Actually when I was born Hawaii wasn't even a state it became a state on my first birthday Um And uh both as you said both my parents had a long history there and some of the the you know the lessons I learned some of the the perspectives uh I I took from them one was about hard work that you know nothing you know important ever is done easy and and just uh you know just kind of focusing on what you need to do and getting the job done Whether it be at the you know the kid is doing homework or as you said different uh different chores you get you gotta you gotta work hard and and get it done The second was humility They both were quite successful but you know never you know had errors about it never bragged about it or kind of uh understated and didn't really like people that were you know kind of kind of a little too kind of braggadocio Um And also the the importance of serving your community They both were quite active in all all kinds of different things in in uh in Honolulu Uh And I you know saw firsthand the importance of kind of getting back trying to contribute to you know to your community in in in different kind of ways And the final one which I think was an interesting lesson was when I was uh maybe 10 or 11 they basically said whatever money they made they they weren't super wealthy but they because of you know the law firm other things they had some money uh None of it would go to the kids all of it would go to philanthropy in particular to a a school uh school in in Hawaii I think that was both the because they cared about that school and wanted to support that school And again we're very philanthropic and wanted to be supportive in the

community But also I think it was a signal to all of us as kids like you better go out and you know find your own way and and and and you know tell your own you know have your own you know life and pick your own priorities and and and have your own you know kind of journey Don't you know I don't we don't want you to you know kind of just be a chapter in our in our story So those were some of the the the the things I took away from uh from from growing up in Hawaii and and also both of my parents how about the world of Instagram tiktok social media Should parents be limiting the amount of time they spend online Probably it's like you mentioned the hour of television at the time because they wanted us to make sure we were getting our homework done and they didn't want us to be spending too much time glued to the you know the television So there was this this rule that we could only you know you know essentially pick one or two things to watch each week and the rest of the time we should be doing other things not necessarily studying could be playing outside could be reading a book whatever but they didn't want us to be you know glued to the TV I think that probably was was helpful Uh It is challenging obviously for uh for parents to you know particularly and today's world where there are so many you know technologies and and before there was one television in in one living room that you know that everybody kind of could keep an eye on as opposed to everybody having phones and ipads and other kinds of ways to stay connected But trying to whether it's forced in some way or just strongly encouraged uh I I don't think it's healthy if people spend too much time on on social media You were born an entrepreneur When you were six you set up a roadside juice stand with your brother Dan using limes from your own backyard you charge two cents a cup of any of your customers gave you a nickel and let you keep the change And from a very early age you learn the value of high margins A few years later the two of you form case enterprise is a business that sold everything from seeds to greeting cards by mail and by going door to door somehow And this is crazy case enterprise won the exclusive rights to sell a brand of Swiss watches And even though you didn't sell a single watch that didn't stop you from moving ahead You created an affiliate of case enterprises called the sales company which sold ad circulars that you and Dan typed on your own typewriters And the two of you even shared a newspaper out You never made much money but that wasn't why you did it Can you tell us why you did do it and what you learned from these experiences And as part of this can somebody learn to be an entrepreneur or do you have to be born with the gene Uh Well iii I wasn't setting out that to

make money I just no none of the ventures were particularly successful So I didn't didn't make money Uh but I did enjoy you know I I frankly I didn't know what an entrepreneur was when I was a kid I just you know enjoyed the idea of starting things up and having ideas and you know creating little businesses and you know as you said none of them really ended up being particularly successful Uh But I just enjoyed it and and uh it was fun to also do not all of them but many of them uh in associate with my brother who was about a year older Um And so I think I did learn a lot about you know trying different things Some some things work some things didn't work you know even things like selling greeting card door to door at one point selling cable television in the 19 seventies door to door where you know 95% of the time maybe even 99% of the time they slam the door in your face because they have you have no interest You just have to keep knocking on more doors Eventually you get to a yes And so I think that was an important lesson to learn um early on uh in terms of the question around uh are you born an entrepreneur or are you you you you kind of a kind of a nurture nature of discussion I think there are a lot of people that are born entrepreneurs but I've also met a lot of people that early on had no no sense of that was their their path and kind of stumbled into it So you know my experience is it is something that some people just have a certain curiosity certain ability to deal with ambiguity certain willingness to take you know kind of risks that but there are also a lot of people uh that that come come to it including some people you know later in life that they I think they're doing something else and they see an opportunity and um and and pursue it and and suddenly figure out a way to create a pretty significant business One great example I remember when I was uh just kind of uh you know kind of still relatively young was the story of mcdonald's the you know the fast food restaurant that you know Ray Croc was selling I think he's in his fifties and selling milkshake mixers you know going you know essentially around different places saying you know you're making milkshakes you should buy my mixer Uh And so they got a bunch of orders from a couple of brothers in uh some place in California you know called the mcdonald's and said like what's going on there and went to visit and was fascinated with the the model essentially one of the first fast food you know concepts and ended up essentially buying it And in his fifties essentially becoming an entrepreneur and scaling mcdonald's into uh a pretty large you know business Part of the reason I even wrote this this new book The Rise of the rest I believe people everywhere in the country stumble onto those ideas They see there's

something that could be done better Uh It's just that many people and many communities never understand what what the next step should be in Turning turning that to the business or don't have the ability to access some of the initial startup capital to get get started And what we've been trying to do uh really for the last decade is try to create more opportunity for more people in more places So there can be more more Ray Croc uh stories So whether you start early as I did and and kind of had an interest in business and then stumble into um in my case uh the idea of being part of building the the internet uh or whether you find something later in life that you see something you know that that's part of your experience that just does frustrate you So this this could be done better and instead of just being frustrated by it uh you actually do something about it and and for a lot of folks that increasingly is starting a company that can actually address that a better product a better service a better way forward And if we can encourage that with everybody you know whether they're no matter where they born no matter where they live no matter what their their their their their background that if you have an idea maybe you have the chance to be an entrepreneur and we just need to figure out ways to help you go from that initial instinct that initial idea almost that initial light bulb moment and actually turn into something as an interesting fact to it I know you know my close friend Brad Kewell we met when we were eight years old in Hebrew school His first business he started with six years old was a greeting card company as well He sold them in local stores Well Brad no doubt did better than I did But then I do remember I think I was in college where he met Eric Woos who ended up end up co-founded a number of companies including Groupon and and others So great example of not just having your own you know kind of interests uh but also the people you end up bumping into can end up being transformative in terms of the life choices you end up making right We have a saying that um you are the company you keep And I think uh when we were at Michigan together there were four of us who had our own business Maybe five It was Brad very successful um guy named Happy Walters who was in the music business as well So a great guy Jeff you probably know as well Um CEO of our uh related group So he's done very well and and I was the fourth maybe there were one or two who had little business as well I sold T shirts door to door and one of the most important and valuable lessons I learned in college was going door to door and cold calling and getting 100 doors shut in your face like you said but it's the one sale after the one sale you don't care about the other 99 people that said no Yeah I totally agree I remember one business

I did in college also kind of ties into the kind of go to market strategy Who's your customer kind of mentality Which is I had this idea that uh of selling fruit baskets to to students doing exam week that that instead of just eating junk food if you're staying up uh you know kind of late You you eat fruit but I knew that the students themselves probably wouldn't have the desire to buy the fruit nor necessarily even the money to buy the fruit So I end up targeting their parents and said while your kids are studying hard don't you want to eat healthy And that actually worked out pretty well where where parents were willing to foot the bill to get these uh these fruit baskets to their to their their kids doing that exam you know time frame Just so just another example of seeing an opportunity at that point I happened to be in college figuring out you know what to do in terms of that particular product But then also figuring out what's the best way to essentially bring that part product to market and who are the logical customers for that Which even though the consumer was the student the better customer to pay for it was their parents Let's talk about education which I think is one of the most important ingredients of our future success You graduated from the private school A K through 12 school with 3700 students that was founded by Protestant missionaries in 1841 in 1841 a school that was ranked as the greenest school in America in 2008 and 2009 in which Sports Illustrated ranked as the nation's best sports program At some point You're the most famous person who had gone there until President Obama showed up as a freshman You when you were a senior after high school you went to Williams College in Massachusetts it was your first choice And your dad also went there From the minute you got there you knew you were going to be a businessman Williams didn't offer a marketing degree So you majored in political science because it was the closest thing to marketing You were not a dedicated student You didn't particularly care about grades and would shoot for s instead similar to your childhood Your full time campus occupation was to start and then promote one business venture after the other you use your dorm room as an office and sign up your roommates as business partners We just talked about Williams Fruit Baskets You also created a record label called Purple Cow Records whose only known album was a Simon and Garfunkel influence compilation entitled The Best of Williams volume 1 1978 and which sold for \$4 You also took control of a company called Magic Bus a poor performing student run shuttle that transported students to the airport and made it profitable after a short while you wrote music reviews so you could get free concert tickets You also were

the lead singer in two rock groups The Vans which was an imitation of the cars and the which is influenced by the nack whose one and only hit was my Sharona Obviously none of this is tech related We're going to talk about the specifics of your career in a few minutes But before we do can you tell us about the one computer class you took in college and what you thought about it And can you tell us about Alvin Toffler book called The Third Wave and how both influence your future and how it should influence our future Well uh the the the computer class I took uh and this was the late 19 seventies Uh it was still the era of punch cards you know personal computers had not yet been invented So you had to write a program and then basically you know take it to somebody to run this these punch cards and you know two or three hours you get the result back which for some was you know a success for me more often was a failure I got you know some something wrong in in my formulas I had to go do it again So my first experience with computing was sort of a negative one I said this is this is kind of hard uh and and not that you know interesting and and so forth So you know later when personal computers started emerging in the early 19 eighties I saw that as a way of of addressing some of the problems I saw in in my first experience with the you know computer you know class but I didn't do particularly well in that in that in that class And he said I was not as focused on on grades as I perhaps should have been I was you know doing what I had to do to kind of you know kind of stay sort of in that you know in the middle zone you know but I really was more passionate about the things I was doing outside of the classroom in terms of some of the you know the businesses I was getting involved in The other thing I did outside the classroom was I kind of stumbled on to this you know essentially the idea of the internet And this again was you know well before the internet was available to to people it was still a government uh kind of technology and you know some educational institutions had it Uh but the Alvin Toffler book and he was a futurist and also wrote other books Future Shock and some other ones but he wrote a book I think was 1979 maybe 1980 you know called the Third Wave And I was mesmerized by it He basically was was saying that the first wave of innovation was the agricultural revolution And then that was followed by the second wave which was the industrial revolution And he was predicting and this again was was uh over four decades ago But the the you know the third way would be the digital revolution and you know talked about essentially what we you know the world we now live in where we're kind of hyper connected and uh able to access you know people and and services uh

through this what he called sort of electronic cottage the electronic frontier So when I read that I knew I wanted to be part of that I wanted to help help make that idea you know kind of you know come to come to life So both the experience in that computer class some of the frustrations which led me to even when we started AOL how do you make it easier to use more useful uh more fun more affordable and and reading Alvin Toffler and then also reading a lot while I was at college uh you know different magazines talking about the idea of video text and teletext and interactive TV And you know some services like you know Miel in France and Prest in the UK they were the you know beginning pioneering services of this interactive world what we now think of as the internet world And that was just captivating And so that really was when I was graduating that's I knew that's what I wanted to focus on After you graduated from Williams College you applied to a bunch of MB A programs and your applications you wrote that you envision the future when two way cable systems would make the standard television set a combination of information line newspaper school computer referendum machine and catalog The schools were not impressed You were rejected by all of them You also applied for jobs at the prestigious New York advertising firm J Walter Thompson and also applied for a job at HBO You were rejected by both of those as well in search of excellence How valuable is a college education And is it even necessary And if you want to go into business or progress in your career once you're working what's your view on the value of an MB A or other graduate degree in areas outside of law and medicine Well I think it varies depending on you know kind of really who you are and what you really want to do I I think you know college education and and you know graduate education for some can be helpful both in terms of kind of learning certain you know skills particularly I learned uh at Williams College which is a you know kind of a classic liberal arts you know school Uh There are some things even if the the specifics themselves in terms of courses I studied you know some much of that I would not necessarily remember the process of learning new things digesting information sorting through things analyzing things then communicating you know things that that skill set has served me quite quite uh quite well Uh as you said when I was graduating uh I actually knew because of some of the things I just talked about the third wave and others what I wanted to do was do something with the internet Um but in 1980 you know there was it was still more of an idea not really an industry So there weren't companies to apply to be part of that And back in 1980 you know venture capitals weren't backing 21 year old kids with crazy



you know crazy ideas So that led me to kind of pursue a you know somewhat more traditional path with some some some some bigger companies But I knew I wanted to do that It just took me a while to figure out you to do I as you said I did apply to you know several business schools They all all rejected me One of them was was uh Harvard And uh about uh I guess six years ago when my first book the Third wave came out I was on a book tour and going to a Boston TV station and we drove by the Harvard Business School campus and I said let's stop the car and I wandered in and we filmed what turned out to be kind of a a funny little uh you know video talking about why you asking going to the mission's office asking why they rejected me And and uh and and and so forth But yeah to me it was it was I was just trying to figure out how to you know kind of break into that and then I you know trying different things uh made sense As you said I wrote this ended up being you know pretty accurate in terms of predicting the future but most people it back then probably thought it was kind of you know kind of crazy Uh and you know the thought they wanted to you know hire somebody who maybe had you know you know a different perspective on on on things Um But I kept at it and eventually you know I was able to you know get my first job then my second job and able to then you know propel that into some of the entrepreneur opportunities I had no online companies So you end up taking a job in Cincinnati for Procter and Campbell which had a great marketing program You figured that'd be a good way to build up some business skills Your first job there were doing a test market of new products in cities like Indianapolis where you worked on products like lilt the home hair perm kit and a hair conditioner called the Bound You saw that one of the ways they launched new products like shampoos was through something called sampling where they would put a little small version of the shampoo and a little pack and and distribute it with newspapers or direct mail hoping that people would like it and buy it which ended up being a core strategy for AOL during your years of high growth where you distributed many millions of free trial versions of AOL by sending discs in the mail You then worked at Pizza Hut for a couple of years in Wichita Kansas is the director of new pizza development where you would travel around the country eating pizza As you tested new product combinations you found that people continue to like the plain old cheese pizza and sauce pizza the best which taught you to keep things simple Another lesson that would serve you well and have a huge impact on your success And you mentioned Ray Kroc his famous uh motto was keep it simple stupid kiss We're going to talk about control video

in a few minutes But before we do I want to talk about stepping stones that nearly all of us have in our careers in search of excellence If we can't immediately get a job in the field we want to pursue How important is it to take jobs in different industries that we may not enjoy very much or even dislike where it's not obvious how they will help us to get to where we wanna go and how important are these early experiences and lessons to our future success Well I think you just have to as you said take a take a first step even if it's not the the ideal step You have to take that that first step Um And for me I actually you know thought that well because there was not internet companies I could join or because I wasn't you know there weren't venture capitals willing to back do internet companies back back then Uh I should go learn some things and you know get some ability uh that might lead to opportunities emerging down the road So Procter and Gamble was the one of the companies I I thought would be great at the time And still to this day they have one of the great training programs for young people uh around consumer products and brand management and and so forth Uh but again you know further you know kind of uh example of uh maybe I wasn't the best uh interviewee or maybe I didn't have the best resume Maybe some of those mediocre grades were coming back to bite me Braton Gamble actually interviewed on the on the college campus but they they rejected me as well So uh uh but I decided I really want to work there So I I wrote to him and said I'd like a second chance I'd like to you know I like I really believe that you know it would be a good fit for me I think I'd be a good fit for you And uh I'd like to you know have you know have another chance and they said OK well if you'll you know get to New York and thus in such a day a few weeks from now that somebody will be there And uh so I did that it was a snowstorm and you know it took you know five or six hours by bus to to you know to get there and you know finally you know finally got there and showed up and I think the fact that I was so passionate about pursuing it and was willing to jump through hoops to get them to take me seriously again probably led to that time They decided they would they would hire me and I moved to and as you said did learn some things there that uh I probably wouldn't have expected that would end up applying to what we then later did with AOL such as some of the sampling you know kind of tactics you mentioned giving people free samples which uh you know they were doing for shampoos we ended up doing for as you said our AOL you know trial disks and I was there about two years and and actually enjoyed it and there a lot I did learn a lot from it and enjoyed being in in Cincinnati But again I I

had a bigger aspiration I wanted to get involved in in something more entrepreneurial So I left and went to uh a pizza hut in Wichita Kansas which at the time was a division of of uh of Pepsico and I had a you know a promotion in terms of you know going from being a manager to director and a you know pretty good increase in in salary Uh but also I figured that would be a good you know learning ground for me as well because Procter and Gamble has always been sort of a kind of a top down kind of command and control operation Most of the big decisions were made at the headquarters Uh Pizza was sort of the opposite The power really was in the hands of the local restaurant owners who were French I they really were making a lot of the decisions And so I was only there about a year but some of that experience also not just in terms of keeping things simple in terms of the you know the the products but also recognizing you know how decisions get made and sometimes how big company you know kind of executives versus more entrepreneurial uh uh you know kind of founder types end up making different decisions also end up you know kind of having a a cadence that's quite different Things tend to be pretty slow in big companies things tend to be pretty fast and in in small companies So again that was a takeaway had nothing to do with pizza I had nothing to do with you know Pizza Hut or even Pepsi Co it had to do with you know being on the ground and seeing what was happening And the last point on on with Pizza Hut that you mentioned I traveled around uh and I did I we were a company was headquartered in in Kansas But I thought when I think of the time there was something like uh 50,000 independent pizza restaurants in in the country And I said rather than sit here in our in our corporate offices in our test kitchens trying to create new things I bet somebody out there somewhere has a great idea and maybe we just take that idea and put it through the the Pizza Hut system I think we had something like 5000 restaurants at the time Uh So that's why I'd end up spending a lot of time traveling around and frankly I tied it in with the work I've been doing over the last decade with rise the rest traveling around the country trying to find entrepreneurs with interesting ideas really builds on the idea of traveling around the country trying to find interesting pizza you know po products or pizza related products Uh That that could be uh kind of you know champion so that the lesson there is good to hit the road and see things firsthand And if you're if you're on the road and you're meeting people and and you know bumping into ideas you know that's one way you can be entrepreneurial You know if you're just sitting in your in your home or sitting in your office

you're less likely to bump into the the people that might change your life or the ideas that might change the way you think about things and lead to some uh startup idea or some strategic insight uh that you only really could get by you know being you know kind of out and about So I even to this day that's part of the reason why we do these rides bus tours to we want to be in those cities We want to meet the entrepreneurs on their own you know home home turf We want to see what's happening in each of these communities and it's no different than what I was doing you know 40 plus years ago traveling around the country looking for the next great pizza idea In 1983 your brother Dan who had become an investment banker invited you to attend the consumer electronics show in Las Vegas We introduced you to the directors of a company called Control Video a struggling computer game company that offered you a marketing position on the spot You jumped at the opportunity to fit with your desire to pursue your vision of an interactive world of a computer based communication and entertainment You eventually became the marketing director at the first board meeting you ever attended You were 25 years old one of the board members named Frank Caufield who later became one of the founders of Kleiner Perkins Caufield and buyers one of the best venture capital firms in history looked at the company's sales numbers for the holiday season and said that you would have thought customers would have shoplifted more than that The company was in a freefall it ran out of cash And then you recognize that was when the startup thing was tough The company eventually rebounded through some partnerships you made and eventually you and two other people you met there Jim Kimsey and Mark Sarif decided to leave Two years later in 1985 the three of you started what became AOL But let's go back to the downfall of control video over the years both as an entrepreneur as an investor I've learned more from my failures actually much more than my successes in search of excellence How important is failure and our ability to overcome it And as a venture capitalist yourself assuming everything about two companies is equal Would you rather invest in an entrepreneur who has failed at least once or invest in an entrepreneur who has never failed Well first on the on the control uh video side um my my my brother Dan late brother Dan uh was an investment banker and would see new company ideas from time to time And he did send me when I was working at pizza the idea for this company before it it got launched Um And I thought it was interesting There was some risk II I told him about but I thought there was a lot of opportunity And then I did go to that consumer electronics show and

met the met the team I I consulted with him for a little while before I decided to join you know full time Uh And it was actually to me a lesson in timing that the idea they had was actually a pretty good idea This is back in 1982 1983 that uh at the time uh very few people had personal computers home computers they were just beginning to come on the scene but a lot of people had Atari game machines And so the idea of this company uh was they created a product called Game line that essentially it was a game cartridge that also was a communications modem So you'd plug the game into your you know into your game you know con console and also plug it into your phone line and you then could download video games almost like having an in home arcade You can basically play any game you want from this you know this central store almost like Netflix is today for video games you know 44 plus decades ago which it was a great idea And actually when I was announced there was a lot of enthusiasm a lot of retailers uh toys Russ and other big players at the time bought a lot of uh these game line products But by the time the product actually came to market the the the whole Atari game market and ecosystem had imploded it went from being really popular to being really unpopular just as they were coming to market And that's why this is you know the thing you mentioned from Frank Cofield one of the board members was was was true that the sales were abysmal Uh so that lead to you know having to lay off I think it was you know 70 80% of the company and having to you know kind of hunker down and try to figure out a way to survive I worked on a couple of things including a partnership with uh one of the phone companies at the time Bell South just to provide some capital to allow it to uh to survive But after you know trying to just stay alive for you know about 18 months 24 months then we decided it was time to take some of the learnings we had and some of the people that were part of that company and launch a new company that was focused then on set up the Atari game market on the personal computer market And that really led to the the founding of of uh of a 1985 of what we initially called quantum computer services but eventually got rebranded as AOL Let's talk about failures and successes is a failure and necessary ingredient of success And I want to go back to the question Two entrepreneurs everything else equal one failed One hasn't Which would you rather invest in I'd rather invest in somebody who had a success but also had some failures So it's sort of a mixed bag if they've had a string of failures that actually is a is a concern If they've just had successes and never had to deal with challenges never you know kind of really been under the gun That's a you know that's a a problem

as well as you say you learn a lot from the struggle you learn a lot from uh from the failures including the importance of continuing to you know fight the battle whether that control video example or even some of the early days of of uh of our new company quantum there were several times where I almost went out of business and and we kept fighting at it and eventually we were able to you know to be successful I think that persistence that perseverance you know really uh you know kind of paid off So I I think it is important if you're any anything that's really worth doing uh you know some battle worth fighting some mountain worth climbing is gonna take time So you gotta be patient and be hard It it's gonna often be two steps forward one step back and having that resilience having that you know that person systems having the the passion is critically important to do that and also having a certain humility knowing that that it can be difficult And that does come as you said from having some you know some failures that you know you got knocked down to knock knocked on the ground But you you you got up dusted yourself off and said all right let's let's take another shot Let's go back in time in 1985 37 years ago And many of my listeners and viewers weren't even born yet as crazy as this sounds When you started in 1985 it was illegal for customers or business to connect to the internet That time the internet had been funded by an agency within the department of defense called DARPA the Defense Advanced Research Projects agency and was restricted as you said the educational institutions and government agencies which meant you had to focus on policy and how to commercialize it When you launched only 3% of people were online and they were online for only an hour a week At that time no one really knew or talked about or cared about getting online It was a small niche and people considered it a hobbyist market Most people didn't even have computers And if you did have one you want to get online you needed to buy a external modem that could connect you to the internet through a dial up phone line It was super slow It take a couple of hours to download a single song and you couldn't do video Your goal was always to expand it make it much more mass market a mainstream thing And you did was geared toward that goal of making it accessible easy to use more useful more fun and more affordable When you started there were two very well funded companies in the space that had a huge head start on you which had around 800,000 users and was owned by the publicly traded H and R block and prodigy which had been a joint venture between IBM and Sears which had 1.1 million members The critics said you would never last How could you possibly compete with these multibillion dollar

companies And even your mom thought you were crazy I want to free the story here We're gonna talk about the three P and the rise of the rest in a few minutes But before we do what's your advice to future entrepreneurs who think about starting a company survey the playing field and see companies with a huge head start either because they've been around a long time They're well funded They have great management teams and they said to themselves this is crazy and I'm not going to do it well several things Uh first of all uh even though there were some bigger companies it was still as you said a very small market So it felt like this was still the first inning and there are more innings to play and the and the leadership could you know change So the fact that it was still an emerging market you know yes there were critics who thought it would always be a niy hobbyist thing and most a lot of people thought most people would never have a desire to be on the internet It sounds crazy now But that was the conventional wisdom you know when we started you know 37 years ago uh but we believed eventually people would get online that gave us the you know the conviction that we should start something and and the belief that you know we we could figure out a way to compete the challenge though It was it was hard to raise money you know that we were based in Northern Virginia most of the venture capital at the time was in places like Boston and San Francisco There were essentially none in the in the Washington DC Northern Virginia area So that made it harder to get started and we were only able to raise \$1 million of venture capital By comparison the company you mentioned prodigy had \$1 billion which then led us to say well we can't beat them if it's a head to head battle they'll crush us So we need to figure out another angle And one of the angles was to establish partnerships with PC Manufacturers so they could take the lead on marketing since we didn't have any money to market And another was to focus on on really trying to create a more simpler more graphical service that would have broader consumer appeal and specifically to focus on on community that some of those big players you mentioned like one they focused on content others like prodigy focused on commerce We thought the place to focus was on community We thought that would people would be the killer app of the internet which is certainly turned out to be the case You see that now with with the with social media But also it was the most practical thing for us to do because we could launch that with less capital than if we had to you know build up a library of content or or a whole uh distribution strategy around uh you know commerce So all those things really led us to launch a different kind of service that was essentially private

label white label services in partnership with the computer manufacturers that was focused on simplicity that drive consumer adoption and also focused on community because we believe that would be the you know the you know the the place to focus So that really kind of drove our first you know few years of of uh of effort I think really taking a step back in terms of how your listeners might uh you know take some some you know insights some lessons from it is even if you know what mountain you want to climb it doesn't necessarily it's not obvious what's the right path to get there And sometimes you'll try one path that won't work you'll go another way But sometimes you shouldn't take the obvious path You should find another path uh kind of a a path less traveled if you will maybe that's your way to enter the market in a in a unique and and differentiated way versus just trying to do more of the same and and run the same place that the other other folks including some of the existing leaders uh uh were were were running It took you a challenging seven years to get to 200,000 customers when you did in 1992 As I mentioned in the intro you became the first internet company ever to go public You grew like a weed in 1996 you passed a billion dollars in revenue on September 8th 1997 You acquired Compus Serve on November 23rd Interestingly you bought Netscape for 4.2 billion and after the deal closed Netscape co-founder Mark Mark Andreessen who is now one of the most successful venture capitalists in the world joined AOL as chief technology officer at this point AOL was worth twice as much as Berkshire Hathaway You are 40 years old worth 1.5 billion and had become an American icon less than a month later you announced that you were buying Time Warner for 100 and \$64 billion in stock making the combined value of the company \$350 billion and what the press called the deal of the century The rationale for the merger was simple It would help Time Warner get into the digital age It will help you get into the broadband age Unfortunately the minute the deal was closed everything went south the internet ad market collapsed The dot com recession happened The hope for synergies between the two companies never happened And the sec launched an investigation into your accounting practices by the time you stepped down three years later after the merger of the company had lost \$200 billion in value Today look back the deal has been described as the biggest train wreck in the history of corporate America I mentioned a few of the things that went wrong but I want to focus on what you said was the most important reason The deal was a failure You tell us about the Thomas Edison quote and why it's the biggest lesson you've learned as an entrepreneur and as a venture



capitalist It's a great quote Tom said is obviously one of America's you know greatest innovators greatest entrepreneurs over a century ago He said vision without execution is hallucination having a big idea uh is important but it's really the starting point Ultimately it's how you execute that idea which really comes down to having the right people focused on the right you know priorities and the vision for AOL and Time Warner coming together was quite compelling It was compelling then it's even more compelling today If you look back at what some of the things that we said were possible two decades ago and some of the new services that have launched since and Netflix and Spotify and uh uh you know other things like that are are just examples of that but that wasn't good enough Ultimately we weren't able to kind of unify the company drive the the synergies take the lead on digital music or take the lead on streaming of of uh of movies Uh And much to my disappointment uh the company was operated really as completely independent sort of siloed divisions as opposed to thinking about it as more of a unified uh kind of company more of a unified platform Um So it was hard because I was the the founder who had led a company for you know more than a decade and and had as you said great success as part of the deal with Time Warner I agreed to step down as CEO so I went from running something to more watching not really having the you know the steering wheel in my in my in my under my control And it was frustrating certainly for me to you know watch a number of decisions get made That ended up being uh being a mistake But I did at least take away this lesson around you know execution and and and making sure that you know they do have the right people focused on the on the right priorities and all of the things we do now at revolution and certainly the things we're doing related to rise The rest I think build on that lesson that how do you how do you having that The powerful idea is is important such as rise the rest in terms of investing in entrepreneurs in different parts of the country that's important But how do you actually make that happen And there's a whole whole slew of things that need to need to happen and you need to get get set the right priorities and put the right people in in charge of those sounds sounds simple But it's one of the key lessons I continue to to to learn and even relearn that Ultimately it all does come down to people Entrepreneurship is a is a team sport And uh you know you just got to get make sure you spend a lot of time making sure you have the right people focused on the right things And and uh if you do kind of anything is possible if you don't nothing is possible we've talked about some of the critical elements of executing and and having the right people

We're gonna talk about revolution and the rise of the rest funds and it's missed in a few minutes But before we do I want to talk about one of my favorite topics which has been one of the main main ingredients of my success preparation but not the kind of preparation most people think about It's what I call extreme preparation 99% of the time I'm always the most prepared person in the room which means that if someone prepares one hour for a meeting I'll usually spend at least five and in some cases 40 Can you tell us how important preparation has been to your success and give us a few specific examples and going a step further How important is extreme preparation going way above and beyond what would be considered regular great preparation I'm talking about the kind of preparation that you spend 30 or 40 hours on for a single event or meeting Well my experience in including with AOL and more recently with revolution and rise The rest is one of the most important aspects to really get take off you know kind of really get acceleration really have significant growth significant impact it requires partnerships There was a great African proverb If you want to go quickly you can go alone But if you want to go far you must go together So a lot of my my career the last four decades has been around establishing partnerships and to your point it takes time you've got to really understand who are the right partners What are their motivations How are decisions likely made in that in that organization What might be a a win win approach that could result in them being uh interested So when you know I spent a lot of time trying to figure out who those partners might be a lot of time trying to analyze which ones to really focus on a lot of time Then trying to really dig deep in terms of understanding what's going on there and what some of the motivations are what what might really you know catch their uh you know their their attention Uh So it's kind of your your form of of uh preparation is trying to make sure that rather than just kind of wander into something and hope for the best that you really are thoughtful and trying to you know think through almost like playing 3d chess Uh and really think a few steps ahead and really uh be be thoughtful in terms of what you know likely will have the greatest impact and what what are some of the paths that might lead you to being able to convince them to do something uh something with you And I I continue to learn that lesson all the things we do you know really are animated by accelerated by by partnerships and it takes time to really figure out what they should be and and and then figure out how to get them and then figure out how to build you know execute against them build on them So there there aren't just you know things you you you talk about but things

that really do end up moving the needle in terms of the impact you're trying to have Let's talk about the other parts of success in search of excellence Can you tell us about the three PS and the characteristics of great entrepreneurs And can we talk about these one by one Sure The the the I I've of all the different things I've I've learned and from a different not not just by a o experience but as a as an as an investor I realized that there were a few things that really were pretty consistent that really were you know key drivers and I you know we call them the the three PS and we've talked about a lot of this already one of them is perseverance really trying to you know kind of take the long view that that I've I've learned that sometimes revolutions happen in evolutionary ways they end up you know you know twists and turns that are kind of hard to predict And if you really care about something you really think it's important you really have to you know persevere So that that was one of the you know the key pieces II I I've learned and continue to relearn that you know how how do you keep keep fighting keep persevering Even when the you know the chips are down even then when others might give up Uh Even when there might be you might be soured by skeptics and doubters If you think it's important you've got to you've got to persevere and then we talked about passion where does passion rank and the factors and passion I think really kind of animates the perseverance point It it it's hard to keep fighting if you don't really believe it's it's in the mission Uh And and so there's sort of a linkage between really trying to understand what what is possible and and really being super excited whether it be in those early days For me I was passionate about the idea of the internet I just believed in the idea of the internet I just believe the world would be better if everybody was connected to the internet more recently I just believe in the idea of rise I just believe that if if entrepreneurs everywhere have a shot at the American dream that's better for them that's better for their communities that's better for the for the country And that passion then leads me to persevere including as I said some of those difficult days with AOL where we where we were struggling and almost didn't make it or some of the you know the challenges we've had over the last decade with with with rise of arrest So a passion and perseverance are are are critically important and and sort of linked Thanks for listening to part one of my amazing conversation with Steve Case the incredible co-founder of AOL who is changing the entrepreneurial landscape of America Be sure to tune in next week to part two of my awesome conversation with Steve