

Esther Dyson ... In Focus

Venture capitalist Esther Dyson is the chairman of EDventure Holdings, which publishes the influential monthly computer-industry newsletter Release 1.0 as well as the blog Release 4.0. The company also organizes the high-profile technology conference PC (Platforms for Communications) Forum, March 21-23, 2004. In this interview, she discusses her current interests, many to be covered at PC Forum. They include her investments, how to stop spam, outsourcing, and the overall high-tech industry environment.

UBIQUITY: Where have your travels taken you lately?

DYSON: Well, let's see. Last week, I went to Palo Alto and Seattle via Hungary and London. Then to Washington for one day and then back to New York. Next week I'm going to San Diego and then to Laguna Beach for the Meetup board meeting and then to London again.

UBIQUITY: What accounts for most of your traveling? How would it look on a pie chart?

DYSON: Well, it's always "Other." It's board meetings; it's speeches; it's non-board meetings. I'm an investor in a lot of little start-ups, so I go see them. I go to conferences. It's just a whole lot of different things, and it's really hard to mention just one in particular. It also varies over time. Now, I'm spending a lot of time going to see people who will be speaking at PC Forum in March; I interview all the speakers in advance, so that even though the panels are spontaneous they're still coherent.

UBIQUITY: Do you moderate every panel?

DYSON: We have one that's going to be run by Tim O'Reilly and one that's going to be run by Hank Barry, who's the former CEO of Napster and now a venture capitalist who knows the music/content business much better than I do.

UBIQUITY: You're a venture capitalist yourself. This might be an appropriate time to ask you how you make your investment decisions.

DYSON: Fundamentally, I invest because of the people, so there's never been an investment when I've said, "Oh, shoot. I should never have done that" -- which is the case if you don't really like the people involved. The good ones have turned into real companies or have been sold to somebody that made them real. NetBeans was sold to Sun Microsystems, ParaGraph to Silicon Graphics, Scala went public and then was sold to Epicor, I-Traffic is part of Agency.com. And then I have a lot of less direct investments, such as Google. I wish I had more!

UBIQUITY: What are some current favorites?

DYSON: One of my favorites right now is a company called CV-Online, in Central and Eastern Europe. It's an online recruiting company. We're also going to get more and more involved in training, so we'll be not just trading people but actually building people -- speaking metaphorically of course.

UBIQUITY: Talk about your modus operandi. For example, what would people see if they visited you at your office in New York?

DYSON: They'd see an office on the 20th floor, three blocks away from my apartment. We have a terrace that's really beautiful and about five people here. It's where we put out the newsletter, manage the conference, and keep the data on my investments.

UBIQUITY: Your PC Forum conference is now in its 27th year?

DYSON: Yes, it began before I was with the company, and was actually started by Ben Rosen. And so, as you can imagine, it's more from the days when Mike Markkula was from Intel and a microprocessor guy who moved over to Apple [as CEO]; he gave a speech on how the BASIC programming language was at the leading edge of standardization. That was a long time ago, and we've been through it all: the PC and software distribution and the growth of Microsoft and Lotus and then the Internet and . . .

UBIQUITY: When did you take it over?

DYSON: I joined [founder] Ben Rosen in 1982. I bought the company from him in 1983.

UBIQUITY: Well, it's been amazingly successful, and has the reputation of being one of those special events where "everybody who's anybody" goes.

DYSON: Yes, it certainly has lasted. And of course the way you last is by changing. Although the format has been pretty constant over the years, the content and the focus are entirely different. Originally it was designed as "the conference for investors," which there are a lot of now, of course; then it became just about the only thing in the industry that was unsponsored, and where the industry came to talk to itself rather than impress customers. It's very much not a

tradeshow: It's more like a show-and-tell. People aren't selling products; they're selling concepts and strategies.

UBIQUITY: Who should go? And why?

DYSON: Right now most of our participants are people who feel comfortable with the technology but are probably more focused on the business model. And though the center of gravity is the entrepreneurs, there are also a lot of venture capitalists and strategic people and CEOs from larger tech companies, as well as of course press, analysts and CIOs to help keep us all honest. Participants are, for the most part, people who work 24/7 and need a chance to think a little bit about the bigger picture . . . which is why this year's PC Forum theme is actually "The Big Picture." But the full title is "The Big Picture -- In Focus."

UBIQUITY: Is the big picture pretty?

DYSON: Yes, but it's really more than one picture. The theme points to a tension between the desire, on the one hand, of wanting to be Bill Gates and build something that's horizontal and universal and repurposeable for everything -- and on the other hand the reality that in order to solve problems and add real value, you increasingly need to be domain-specific.

UBIQUITY: Example?

DYSON: For example, you need to understand the medical market, or you need to understand how salespeople work, or how to re-orient a supply chain in real time when a factory has a problem. Even though everybody in the industry says, "Oh, we sell the solution," they're just flattering themselves; in reality, all they can sell is tools for the customer and its CIO to build a

solution with. That solution includes making sure the marketing and salespeople talk to each other, the salespeople actually use the automation tools, and the CEO has a good strategy. These are the things the vendors have no control over, but they can't sell effectively unless they understand the CIO's mindset and challenges.

UBIQUITY: What do people find when they show up at PC Forum?

DYSON: The conference hotel is a resort that's built into the mountainside near Phoenix, and the center of gravity is probably the hotel's large swimming pool complex. So the thing you probably run into first is somebody with sunburn. Many people bring their families, which I like, because it makes them behave better and because most of them don't spend enough time with their families. The kids enjoy playing with each other; many of them come back year after year and become good friends. Some of the older ones listen to the sessions and there is usually some interesting new software for them to try out.

UBIQUITY: If you go into an elevator there, do you run into people making "elevator pitches"?

DYSON: Oh, sure. Wherever there is a VC and an entrepreneur, you can't escape that. It's consenting adults. And there are also people being hired and people being lured to do projects. Still, it's not just a meat market. As I said, people go to PC Forum to promote strategies, not products.

UBIQUITY: How many people are we talking about?

DYSON: About 450, which is just about the right size. You can pretty much find anyone you are looking for . . . and just about anyone you find without looking turns out to be interesting.

UBIQUITY: And the sessions themselves?

DYSON: We have some pretty obvious tricks that we use to keep things really interactive; I'm always amazed that other conferences don't copy us more. We keep the lights on rather than darkening the room and spotlighting the speaker. Instead, the spotlight is on everybody in the room and there's a lot of interaction. Most of the people in the audience are usually speakers at other conferences. We don't have any "keynote speeches," and we don't give out speaker ribbons either, because we think everybody is special.

UBIQUITY: Let's go back to your theme, "The Big Picture in Focus." Expand on that for us.

DYSON: It means: Think about industry strategy, seismic change, the shift from the paranoia of the last couple of years; realize that business is not just about cutting costs anymore, but also about increasing revenues. But the focus has shifted to domain knowledge, and is no longer on generic horizontal activities. The term "in focus" makes the point that you've got to do something *in particular* and be concrete about what kind of value both you and your company can add. One of the basic messages is: You can't sell generalizations and make big promises anymore. You've got to get down to cases. It has to do with the basic tension between wanting to be grandiose and solving all the world's problems, and realizing that one can do more good by gardening one garden than by thinking you can fix all the gardens in the world. And of course the same is true for technology.

UBIQUITY: What do you think of the state of technology? Is it "coming back," as they say?

DYSON: It was always there. What's coming back is just the marketplace's recognition of it.

UBIQUITY: And coming back worldwide? Are you still invested as much in Eastern Europe and Russia as you were?

DYSON: Yes, and I'm still enjoying it. Some of the companies have come over here. We sold one of my tech companies to Sun Microsystems, and then that same entrepreneur (Roman Stanek) started another one, now funded by Warburg Pincus. In the US, I'm on the Board of Meetup.com, which is really interesting this year. They're the ones who let users organize face-to-face the Meetups about everything from particular kinds of dogs to a particular candidate for President. I'm on the advisory board of Orbitz, which I love passionately . . . and as a frequent traveler, I flatter myself that I can give lots of good advice!

UBIQUITY: You've started blogging lately.

DYSON: Well, yes. I'm not very good at keeping up-to-date, but I'm trying. I was at a conference somewhere and Ev Williams [cofounder of Pyra Labs, the blogging-tool company recently acquired by Google] was there, and he personally signed me up and gave me my first blog. When the founder of the company is going to do that for you, it's hard to resist. So that's when I started.

UBIQUITY: What's your experience been?

DYSON: Well, there a lot of things I think of, or want to point to, that don't necessarily fit somewhere -- and my newsletter's not accessible to everybody, which is a pity (and someday I might change the newsletter's business model for that reason). So the blog is one more useful medium.

UBIQUITY: Do you read other people's blogs?

DYSON: Some of them, but honestly, I'm not part of the elite blogosphere. There are just too many things to do already.

UBIQUITY: Which leads quite naturally to the subject of spam. What's your solution?

DYSON: Sender pays. I've been saying that for years now -- long before Bill Gates mentioned it! There are lots of different models around that, and there are lots of other things you can do as well. But I think that, ultimately, in one form or another, the sender-pays model will have the biggest impact.

UBIQUITY: Bulk mail senders or all senders?

DYSON: You can't discriminate. I mean the moment you say, "This is how we define bulk mail" or any other kind of supposedly unwanted mail, one, everybody will figure out how to send "almost bulk mail, but not quite," and two, someone will argue with the definition because it ends up catching responsible, wanted mail or it leaves out other, irresponsible messages. You need to leave the entire responsibility up to the sender to figure out whether the message is wanted, and if the sender gets it wrong, *he* should suffer, rather than the recipient. Though in practice, the ISP may play a role by taking a guarantee or something, and then if recipients start objecting to what comes out of that ISP, it can go back and charge the sender.

As a sender, you may be charged for all mail or only for "abuse," and if people don't mind getting your mail then you don't have to pay. There are various different models of how to do it

precisely. But the fundamental notion is that it has to be the sender's duty to figure out whether the message is going to be welcome. The sender pays and he puts his money on the line. This means that if people don't respond and the sender's wasting money, he will eventually stop sending. Or it may mean he gets charged if someone rejects his mail. But either way it's up to him to figure whether the mail is going to be welcomed.

UBIQUITY: Would this approach work throughout the world?

DYSON: Yes, and so the IPSs in India or whatever are going to have to deal with the problem that their mail is going to be rejected unless they have a way to charge their users for unwanted mail. They may not charge the US rates and they may charge them in their local currency; that's fine, because we don't really care how they charge them, we just care that they stop spammers from sending spam.

UBIQUITY: Do you see this as a solution that's going to come anytime soon?

DYSON: We're hearing a lot of discussion of it now. Though it's certainly not quite happening yet, I think it's going to come reasonably soon because the problem is rapidly getting worse -- which means that it will soon get better. Thank heaven! What I don't want is some government or other authority figuring out for me what is spam. I think that's really dangerous.

UBIQUITY: What's your general philosophy about the role of government with respect to Internet issues?

DYSON: Well, I like the concept of the "accountable Net," where the people on the Net are accountable to the other people on the Net that they interact with. That includes, for example,

ISPs being accountable to other ISPs for knowing enough about their customers that they can charge them if they're sending spam. It's up to people to verify the identity of who they're dealing with if they need to, or they can ignore them. They will go to ISPs who make that possible and to service providers who provide certificates and so forth. Of course, you use the government as a last resort when people are actively committing fraud, but you don't go around making lots of things illegal.

UBIQUITY: What do you think of "challenge and response" as a way of discouraging spam?

DYSON: I think it's fine as another method, but it tends to be burdensome, and one place where it fails is that right now half the spam you're getting is actually responses to spoofed e-mails that are sent in what looks like your name to somebody with a virus -- and then the bounce goes back to you. If you have challenge and response all over the place, you're going to get tons of those challenges as well.

UBIQUITY: Some people are saying that spam is going to destroy Internet commerce pretty quick unless something happens.

DYSON: I think people get over-excited about this stuff. When I'm traveling it annoys me a lot more because when I'm in a hotel using dial-up it is much more frustrating, and it's frustrating if you're someone with poor connectivity and a limited budget in Africa or India or something. It is horrible, for sure, but as far as I know it hasn't killed anybody, although maybe somebody had a heart attack over it. All I know is that there are worse problems in the world than this one.

UBIQUITY: Have you traveled to India lately?

DYSON: August.

UBIQUITY: As you know, a current hot topic is the increasing amount of offshore outsourcing that US companies have been giving particularly to India, as well as other countries. What do you make of that development?

DYSON: Well, I think from the point of view of the Indians, it's really terrific. I mean you have all these guys with educations who are finally able to be productive and make real money and build the Indian economy. I think there's been a very U.S.-centered discussion of this in the US so far. But the US is going to need to adjust to some new global economic realities. One thing to remember is that India is going to be a great customer for the US and for its software products and so forth. So the challenge is one of adjustment: how does the labor market handle the transition? One thing for sure is that the transition is going to be a tough one.

UBIQUITY: You don't see offshore outsourcing as exploitation?

DYSON: Exploitation is a loaded word. I see it as companies finding people who are less expensive, who do good work. Some companies exploit people in the US and exploit people overseas and some don't. From the point of view of the workers, these are really good salaries. They are not being forced into these jobs. And they learn as well as earn from them.

UBIQUITY: Yes, absolutely. Of course, the trade union argument would probably be that workers in India are less expensive because they're not getting all the health benefits and so forth that their US counterparts are getting.

DYSON: Generally, they're not, but they didn't get the health benefits when they were hanging out on the farm either. I would love for labor prices to be the same around the world, but the fact is that productivity isn't the same around the world, and neither are living costs. There are lots of differences to be reconciled over time, as the world becomes even more fluid than it is now. But the guys in India who are rich programmers are still in very small numbers compared to the rest of the country or the rest of the world.

UBIQUITY: What's holding the rest of India back?

DYSON: Not enough US jobs [joking]. A lack of education. The fact that it's a huge country, and there is just a lack of resources and an abundance of inefficiency and bureaucracy, and all of the things that hold back all these troubled economies.

UBIQUITY: You mentioned India as being a potentially very large market. How would a US or European entrepreneur develop a good strategy targeting?

DYSON: People like Unilever and Wal-Mart are going to make money in India first, so it's not the case that every US entrepreneur should rush over and open an office in India. But overall for the US economy and the big exporters, it is indeed a huge, huge market, and my advice to entrepreneurs would be not to forget that fact.

UBIQUITY: Well, let's end by asking you for some words of wisdom, and switch focus from entrepreneurs to students. You've said that when you were a Harvard undergraduate you spent much of your time seeing movies, and that you don't regret it a bit. What's your advice to today's Harvard students?

DYSON: Well, I also wrote for *The Crimson*, the daily paper, which was my main activity. But I was not exactly a classroom stalwart. I'd tell them they should not worry too much. They should look for an interesting job where they can learn and understand that it's unlikely to be their last job. So as long as they're learning they're OK.

UBIQUITY: What do you think is most important that they learn?

DYSON: *How* to learn. How to be flexible. How to listen to people. People skills are becoming more and more important as more of the other stuff gets automated. So the ability to listen, to understand patterns, to see what's going on, to motivate other people to work in teams, to be open-minded. And how do you learn to do these things? I don't know any way other than to try.

[End]

See <http://www.edventure.com/> for more on Esther Dyson, her company (EDventure), and her annual conference (PC Forum).

Source: Ubiquity, Volume 4, Issue 50, Feb. 18 - 24, 2004, <http://www.acm.org/ubiquity/>