Redefining Entrepreneurship with AI

VC Jeff Bussgang on AI, Startups, and the Future

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Andy Sack: This is AI first with Adam and Andy, the show that takes you straight to the front lines of AI innovation in business. I'm Andy Sack alongside my co host Adam Brotman. Each episode we bring you candid conversations with business leaders transforming their businesses with AI. No fluff, straight talk, use cases and insights just for you. I'm so excited for today's conversation. We, uh, have an old, uh, friend of mine, uh, from Cambridge, Massachusetts. Welcome, Jeff Bussgang. Glad you could join us on the show. You've just written a new book. We'll hear all about that today. Um, just wanted to welcome you and say happy New Year.

Jeff Bussgang: Hey, thanks so much. I, uh, will, you know, uh, I, I, I'm a little, uh, taken aback by being called an old friend, but otherwise it's great to be here with you guys and excited for the conversation. Andy Sack: As we stated just prior to recording, it's been a minute or two since we've spoken. Our relationship dates back to the, you know, the early part of the 1990s. And you, you referenced that we were the OGs of Web1 entrepreneurship in Cambridge, Massachusetts. So, um, it's what we'll get into that context. Let's let me tell you what I have in store for us today, uh, just to sort of provide a little bit of structure to the conversation, which I'm looking forward to. The conversation, broadly speaking, your book covers product market fit in the age of AI. Um, and so we want to get into, you know, the origins of the book and, and your insights about that. Uh, but what I thought we would do is start with just basic introductions because I'm the connective tissue here. Uh, I know you from way back. You're one of the few people that I've known longer than I've known my buddy Adam. Um, and so I want to provide you guys an opportunity to introduce yourself. So we'll start with introductions that will get right into sort of the substance of your book. Have you provide an overview, the origin story of the book. And I think that's going to lead us right into a really like the congress, the meat of the conversation, which is sort of how product market fit. Has it changed? Does it stay the same? I think in the book you try to make the case that it, these are sort of timeless tools. And yet, uh, I actually, I think I have a slightly different perspective on that. I'm really looking forward to the, the meat of that conversation. So that's the Structure I'd like to follow. So with that just quickly because I'm the connective tissue, I'll start OG Web one entrepreneur. I started my first company coming uh, out uh, coming out of MIT in 1994 was in Cambridge. During that time in the 90s Web One entrepreneur, Web Two VC spent seven years working at Microsoft doing digital transformation and I'm now co founder and co CEO of Form 3. So that's, that's my background. Adam, why don't you go next?

Adam Brotman: Sure Jeff, it's good to be talking to you. Thanks for coming on the pod with us. Um, so I'm Adam Brotman. I long time digital media, digital strategy, either entrepreneur or operator. Spent the longest stretch of my career as a chief digital officer at Starbucks where my team and I worked on the digital flywheel platform including Starbucks loyalty and mobile ordering, mobile payment et cetera. I went to New York and was the uh, co, uh CEO actually but before that the president and chief experience officer of J. Crew. And then I came back to the west coast and um, I've been doing entrepreneurial things. Most importantly a couple years ago forming this business with my, my longtime friend Andy, I won't call him an old friend, my longtime friend Andy and um, really for the first time in our life like you know, really just trying to help a lot of different instead of just working for one company, helping a lot of different consumer brands and leaders uh, and boards of directors with thinking about now Gen AI and how they can adopt it. Which is funny because you know for years it was all about thinking about Internet and mobile and social and cloud and how do you sort of incorporate those things. And now Andy and I are focused on this new technology called Gen AI and sort of how do we take all of our skills and advise companies and help companies sort of embrace it and use it to be more productive and more innovative.

Andy Sack: You want to give it, give a introduction? Uh, yeah.

Jeff Bussgang: Well it's great to be with both of you. Thank you so much for having me. I went to the other school in Cambridge, Harvard College where I studied computer science back in the late 80s actually focused on AI if you can imagine that in the late 80s natural language processing and computer vision or I did some graduate work and uh, then after going to Harvard Business school in the mid-90s, jumped into startup land Internet 1.0 days. And so I was an entrepreneur and operator at two companies, one that went public in the mid-90s, one that sold in the early 2000s. Both uh, were venture backed. And in 2002, 2003, I co founded a venture capital firm that um, was formed, uh, called Flybridge, that was formed with a couple friends who had been investors in me. Greylock, had been one of my investors in the two companies that I was an executive at and uh, with my co founder, Chip Hazard, who would have been a Greylock partner in the Boston area, uh, over two decades ago. We started Flybridge about 12 years ago. 13 years ago, I started teaching at Harvard Business School. I joined the faculty. Uh, so for the last 13 years, in addition to being a practitioner in the arena, as a early, uh, stage venture capitalist, mainly focused on AI and in the last few years exclusively on AI. Uh, I also teach at hbs Entrepreneurship and Venture Capital.

Andy Sack: Great. I mean, you're now teaching the class that. I don't know if you. There was probably an interim teacher, but I took entrepreneurial management with Amar, Amar Bidet, uh, back in the day. So glad that you're back, uh, on the faculty there. Why don't you tell us a little bit about the book. I mean, Adam and I, just so you know, this podcast really grew out of our own. I've never written a book. We, so we just, uh, Adam and I co authored a book called AI First. This podcast grew out of that book. And so when I was speaking to Brad and he suggested that I reconnect with you, and then I saw that you had your book, you know, uh, I had empathy as a co author. Um, ah, I'm interested the, in the origin story. Let's start there with, with uh, the experimentation machine.

Jeff Bussgang: Yeah. And it's. It's kind of a fun time to be talking to both of you because I actually don't have the physical copy of the book yet. It's coming in a few weeks. I have the printout of the, you know, final manuscript and galleys, uh, so it's hot off the presses and available fully. Next.

Andy Sack: Uh, and when did you finish? Let's both deal with the origins. We talk a little bit about the writing process and how in the age of AI, it's a, you know, the publishing industry might be a little antiquated.
Jeff Bussgang: I'd love to go do that. Me start with the origin story. So I've written two books. One Mastering the VC Game. Early in the 2009 time frame, after I'd been a venture capitalist for eight or nine years, I wanted to unveil and take, you know, pull back the curtain for founders on the venture capital industry and help founders think how to master fundraising and company building. My, uh, second book, Entering Startup Land, came really out of my teaching, where I had this observation that there are a ton of books for founders, but no books for joiners. And most young people join startups as employees 2 to 2000, and they need a guidepost and a roadmap how the organization is structured and how to get in. And that's what Entering Startup Land provided to them. And in the last few years, as I've been teaching my course on product market fit, which is solely focused on early stage zero to one startups, I've been injecting AI more and more into the course. And in my investment activity, it's gone from AI being one of the things that I focus on to being the only thing that I focus on. And I began to see these patterns of the lean Startup methodology being transformed by AI. And as I was developing coursework in that arena, a number of colleagues said to me, you should turn this into a book.

And so for the last year and a half, or so, really coincidentally, in some ways, or not coincidentally, right after the launch of ChatGPT two years ago, I've been really focused on trying to synthesize, as you noted, Andy, the timeless lessons of the product market fit journey for zero to one founders combined with the timely tools of gen AI and how founders can become what I refer to as 10x founders by leveraging the modern gen AI tools.

Andy Sack: Great. And so, so you started, uh, um, so the, so you would say the origin story is basically you, you, the insights came from teaching class like, and people said you should go. They liked what you had to say about product market fit.

Jeff Bussgang: Yeah, it kind of came at me in two ways. My, my class has been all about product market fit. And, and so I've been doing that for 14 years, 13 years. I created an online version of the course that forced me to write a lot of things down. When you teach the case method, as you know, uh, you have these stories of different companies and you synthesize it in a loose framework and a loose course rubric. But when you try to create an online version of the course, you have to be a bit more formal and structured. And so that forced me to do a more structured view of the course. And then meanwhile in the background I'm doing all these AI transformation projects, both as an investor and then also injecting gen AI into my coursework. And so people said, gosh, this is really, this is innovative stuff, this is new stuff. You should really, uh, you know, try to synthesize this into A book.

Andy Sack: When did you start writing and when did you finish?

Jeff Bussgang: Yeah, about a year and a half ago I started writing and I finished um, the final edits uh, just a couple weeks ago before the uh, holidays.

Andy Sack: Okay, so check. We had already gone through the chat GPT moment that that moment had happened. Yeah. Okay. And so you know, it's, let's get into it. Like, let's get into how is, you know, your observations from uh, in terms of product, uh, market fit and the a, the role of AI. We could talk about startups in general, um, in this, in the current environment. Because now that Adam and I are back in the seat, we just so, you know, we've launched two gen AI products and you know, I'm og, I, I, I studied with, I worked with Steve Blank and Eric Reese and uh, taught at techstars. And like, you know, the world's uh, doing it, doing it again is like, oh my God, like it's, the world is different. And I actually think that the startup ecosystem has materially changed in some significant ways as a result of gen. I want to talk about those, but let's get into like your observations in the book that you, that you talk about in terms of what, what's the, what's the same and what's different from your perspective.

Jeff Bussgang: Sure.

Jeff Bussgang: And I want to distinguish between AI companies and companies that leverage AI because sometimes, and you know this because AI forward is your mantra. Uh, AI first, AI forward. But it's really critical that founders who don't build AI companies leverage AI to build their companies and be more effective. I don't want these lessons to be just focused on the 1% of the 1%. It's really 100% of all. Founders can leverage AI more effectively to build their companies. And I have a phrase that I use in the first chapter which is it's not that AI is going to replace founders, but founders who use AI are absolutely going to replace founders who don't use AI. And so that's one of the most important sort of principles that I would articulate.

The next important principle I would say is indeed business fundamentals are timeless. You've got to find a customer pain point. You've got to deliver a highly curated, well framed product that meets the value proposition, that is compelling, that's worth money. You've got to construct a business model that generates profits. There are business fundamentals that go into company building that are decades long. Timeless. What's timely is that we can now leverage these AI tools and methodologies to do it so much faster. So you mentioned Steve Blank and Eric Reese and I want to make a huge shout out to both of them for creating the Lean Startup function, really, uh, mindset I'll call it, which uh, is the methodology of starting companies with a lean mentality. Now we could also come back to. It's not always a great fit in all industries, in all situations. But by and large the lean starter methodology was one of the most transformative sets of ideas that the startup ecosystem has seen in many decades and it reframed for entrepreneurs this notion of experimentation. What I'm trying to do in the book the experimentation Machine is help founders think about not only the importance of selecting the right experiments and executing those experiments well, but also how to use AI to run faster and more effective experiments in that pre product market fit journey. That's really the key elements that I try to describe in the book.

Adam Brotman: Jeff, I'd love to jump in on a couple things. I was really interested to hear that you were thinking about and paying attention to and involved in AI way before Transformer, uh, models and ChatGPT kind of took off. Um, I just, in fact over these holidays I just read the book Genius Makers by Cade Met and I didn't. There's a lot I didn't realize about how, you know, sounds like you were one of them. There were people that were paying attention to vision and natural language and I had, I didn't realize sort of how instrumental even like Microsoft and Facebook and all these companies were in this world leading up to ChatGPT. And then, you know, and then all of a sudden it's like, wow, this really works at an intelligence and reasoning and knowledge level that can really assist every function in an organization. You just mentioned it's not just for AI companies, for every company to use AI. Andy and I, our whole book is about. It's a corollary or um, it's similar to what you're saying is that our belief is for the same reason that the job as a leader of a consumer brand company, for example, is the same whether or not AI exists or not. This is just a tool to help you achieve those goals. It sounds like you're saying the same thing for founders as they go through a process to get to product market fit. Can you give an example what, uh, I'd love to hear from you and we can give examples on our end. We can go back and forth. Can you give an example of a founder like before they had the gen AI tools, before they had Gemini or ChatGPT or Claude or whatever system they want to use at their disposal. What was sort of an example of like a process that a founder should go through using a proper startup methodology that now can be 10x because of.Gen. Yeah, I'll, I'll tell you a little bit about one example and then we can get into wherever you want to take it. So there's a company in our portfolio called Topline Pro and this is a company that helps service pros. So think of painters and landscapers and uh, lawn people, the ability to create websites, do marketing and effectively manage their customer relationships in an online platform. And that's not a new idea. In fact we just seen an IPO of ServiceTitan, a uh, company that's done a lot of capabilities for service pros over the last decade, but it's always been really hard to serve small business customers. This is true for any company because the cost of acquisition is high, the cost of service is high and the margins can be very thin. And so Topline Pro struggled with this notion of how do I acquire these service pros, deliver the product that I want to them, the websites and the CRM capabilities, and then service them effectively as they use the product set. And as they struggled with this, they started the company back in the 2019 era. They were a YC company started by two former students of mine at HBS. They started using AI tools and they did this pre chat GPT. They, they did this with GPT, uh 2.0 and 3.0.

Uh, they started playing around with tools that would both help create the websites. So take scrape automatically the Instagram pages and Facebook pages of a landscaper and build a website for them as well as reach out to the landscapers automatically. And I'll come back to this in more detail and then service them. And if you fast forward now a couple years later, they have built an incredible automation pipeline which automatically generates websites, automatically reaches that creates a demo of that website, automatically reaches out to the pros and says, hey Andy, I see that you've got a terrific business in Maryland mowing lawns. Here's a website I could build for you. Let me walk you through how that website works. Let me take you through all the functionality by the way, that's all in Gen AI video created video customized with by the salesperson, tailored for that individual. They're pumping tens of thousands of those out and then they've got a chatbot that automatically services the pros and the pros say hey, I want another photo, I want to throw up there. Hey, ah, I need to change my language on this page. Or hey, I've got a new phone number, I need to change my old phone number. And the chat bot engages with the pros and then drives the website edits. So that whole automation process has radically transformed again. Cost of acquisition, cost of service and ultimate scalability for Topline Pro was fascinating.

Adam Brotman: Is that's an example of how a non AI business uses AI to scale across all these issues. So I'm going to get into a little bit of an interesting question like is that in your book? Do you, is that a great example of like what more founders should be doing and thinking about or is it like when uh, they were. When this, when this example, take this YC company that does uh, works with you know, service pros when they're trying to figure out what they should do and what product market fit looks like on kind of a build measure learn, are they using Genai to help them through that process versus the example you gave? Is using gen to scale a good idea? Like in other words gen AI is at the heart of their of what makes them tick.

Andy Sack: Right.

Adam Brotman: Versus like you follow what I'm talking about Using gen AI to help you analyze the situation versus to actually be part of your offering.

Jeff Bussgang: Yeah. And so now let's get into the weeds. So you all know there's a process by which you go from 0 to 1 to find product market fit. There's the ideation process and this is the framework I used in my course. There's the ideation process. There's the series of customer value prop experiments that you run as you test the value proposition, doing customer discovery and interviewing customers to draw out earn secrets or insights. There's the go to market experiments. Once you build an MVP and test out the value prop, now you have to test out go to market experiments to see what's scalable. Initially that tends to be founder selling, but over in a B2B context, in the B2C context maybe you're doing some growth hacking but over time you want to build that more scalably. And then there are the business model or profit formula experiments. How do we price this thing, how do we service it, how do we actually make money? So you have these series of experiments that you run in the product market fit journey. And what I do in the book is I detail how to inject Geni in every step of those processes. So let's begin with ideation Just for fun, in my course at HBS, my first assignment to my students is leverage ChatGPT to come up with a startup idea. Now uh, that sounds very simple and when people try to do it they get very often generic answers. But then I teach them well, what, what does a good prompt look like? How do you share maybe a couple customer interviews or your resume to align founder market fit and maybe some customer insights and then push ChatGPT with a detailed prompt to come up with something novel, to come up with something that you can really see as a more of a breakthrough idea.

And then how do you craft an experiment to test that startup idea again leveraging ChatGPT, what's the first experiment you would run? And you start getting into this mode of wait a minute, I could load up customer interviews and then drive my product feature roadmap prioritization with them. I could leverage something called Chat PRD to create the initial requirements document. I can use chatgpt or the similar tools from Gemini and others to build the initial landing pages and websites and you start really seeing how you could use these tools to go from negative one to zero and zero to one so much faster. And one of the unlocks, I'll just say this last thing. It used to be that founders felt like there was a technical burden or technical hurdle and if they didn't have a technical co founder and an engineering background and a software development background, they couldn't make any progress along that journey. And I think one of the major unlocks is that these tools uh, have democratized founders ability to run those experiments again starting with ideation all the way through MVP and initial testing of value props and experiments of go to market.

Andy Sack: Let's talk about that. So uh, because I think that's true. What are your observations particularly given your background that you were a computer, an AI computer scientist in the 90s and you've been AI focused for so long now, in the last, call it, three years you have gen AI. You know the ChatGPT moment, uh, what I call the holy shit moment. How has company formation and product market fit changed as a result of that? Yes, you can run experiments faster but I, you know it's interesting like getting into the weeds of it. Like I spend. I wonder if Clayton Christensen, uh, his work, whether I mean phenomenal work, uh know, experienced the innovator's dilemma many times and, and it used to be that the innovator's dilemma was the, the startup's opportunity. Does that still hold true in the, in the age of Gen AI, in your opinion?

Jeff Bussgang: It's such a great question, Andy. And this is why I think you have to hold two truths at the same time in this moment. One truth is gen makes experimentation faster, easier, and therefore it's a tool that sort of explodes the capabilities of founders. You know, the Cambrian moment or the, the holy cow moment. The other truth you have to hold though is that good businesses are still rare and business fundamentals still matter. And so the selection of what experiments you choose to run and what business models you choose to construct is a strategic question that founders has to have to still go through that process. So I think that notion of like, how can I use. Just to use another. Clay Christensen, who's a, a phenomenal colleague, may he rest in peace. As, as people on um, on this podcast may know, he passed away. But he had this other concept about jobs to be done. The AI is helping many replace many of the jobs to be done, which is on some of the execution of the experiments. But the ideation and maybe most importantly the strategic thinking about what experiments to run and what business models are valuable, that's deeply human and that's something that the founders really need to hold on to while they leverage these tools to run better, faster experiments.

Adam Brotman: Yeah, one of the one. It's interesting just to build on that, Jeff, because that's in our book. In our AI first book we have a chapter, I think we titled it Andy. I think we titled it Human plus Machine. And we had interviewed Reid Hoffman and, and also we interviewed Ethan Mollick at the. As the last chapter. And so in both cases, like what's interesting about Ethan Mollick wrote a book called CO Intelligence. Like his entire point of his book is this is not about AI or human. It's about AI plus Human. I mean maybe at some point when we get to super, uh, intelligence than you know, automated, you know, general super intelligence or something like that, artificial general superintelligence. Maybe it goes beyond human plus AI, but for the next several years, if not longer, it's human plus AI. And to your point, Jeff, that you're just making like you can. AI can replace some tasks, but it needs to where you can still have a competitive advantage.

If you're a human that guides the AI and uses, gets the most out of the AI and collaborates with the AI, we think about that from the operator's perspective. So we're, we're more focused not on the startup, but on the. Which is funny because Andy is kind of a startup specialist like you and I sort of you know, but at the same time, Andy also is advising Microsoft. So Andy's definitely played at both ends of the spectrum pretty, pretty significantly. And then I kind of come from this like Starbucks, J. Crew, you know, uh, mod Pizza, Ruby Tuesday, kind of like these sort of mid market, uh, you know, bigger public companies, but as an operator and like the job about like great customer engagement, loyalty, brand love, uh, you know, frequency preventing churn, um, innovation, like those things, they need to be done by a brand, they need to be accomplished by a leader and by a company, irrespective of whatever technology you're using or not using. And so we kind of like you, we kind of say, hey, we're trying to infuse into leaders this notion of you need to sort of collaborate with the AI. I'd be curious to hear from your perspective. One of the things that we run into, one of the main topics of this podcast, in fact, is when we talk to leaders, a lot of times they're like, I need the example, I need the use case, I want to jump.

Adam Brotman: It's almost like there's not a resistance, but there's a bit of a, uh, there's a bit of a, a change management, transformational change curve that people have to go through. Do, uh, uh, do you find the same thing with entrepreneurs when you talk to them that like you're trying to get this across to them, that it's not, it's not about AI replacing you, it's about collaborating with AI. It's AI plus the machine. Do you sometimes find that they, like, what part of your job as a professor, as an author, and as a mentor and an investor, what part of your job do you find like, challenging or interesting around getting these entrepreneurs to understand what you're saying versus just wanting to jump to like, tell me what to do with AI?

Jeff Bussgang: Uh, it's a great question. And look, we teach the case method at hbs, so the book reflects the case method. I incorporate a lot of the cases that I have in my class. In the book, I provide some new cases. And, um, the reason cases are valuable is that they provide examples and narratives that allow people to study a little bit objectively away from themselves. And then after they dig into the case and the example, they can say, okay, how does that impact me? Or how does my situation modified or adapted to that story? So I'm writing a case right now, for example, on a healthcare startup called Summer Health. It's a startup that allows young parents to connect with pediatricians over chat. Parents don't Want to talk to an AI about their kids health issues at 1am when their kid is up throwing up. Like they need a human, a qualified human pediatrician to speak to. But what this company has figured out, and this is a 15 person startup, is how to leverage AI to do all the things around the physician to maximize the physician's time and make life easier for the physician, like automatic scheduling, automatic confirmations, most importantly perhaps automatic note taking for various insurance forms and for recording the results of some of the interactions with the patients. So there's a whole bunch of kind of capabilities that in this example don't get in the way of the very deeply human thing of I have a sick child, it's one in the morning, I need to talk to a doctor. And the you know, kind of uh, uh, efficiency curve that we're all trying to get to, which is more, more value delivered in less time at a lower cost. And then I think the other thing you asked about, change management, there is a little bit of envisioning and then there's a little bit of um, you know, how do I get started? And that's why the title of the book is the Experimentation Machine. Which is just to encourage people run an experiment, get you know, fat, get the organizational muscle moving and strengthening on what it is to do a pilot in some area and make a few mistakes and adjust and iterate and then make it better. Make it better. You um, know you mentioned Ethan Mollick.

Andy Sack: What's your perspective on the top two or three changes to your business being a VC as you think about investing in a new startup? Because there's no, you know, Sam Altman like and we, the number of wrapper apps like they, as you said, the barriers to entry have gone down. So coding, you know, suddenly anyone can produce an app. You've got, the moats have totally shifted, uh, the ability to have a moat. And I'm not sure that they've, that the moats have necessarily gone forward towards in favor of startups. So I'm just sort of curious. You're, you know, uh, I've been out of the startup game for the last couple years. What's your perspective on how it's changed your business literally in the last two years?

Jeff Bussgang: It's a really hard answer to give because I don't really know how all this is going to play out. So I approach this with a lot of humility. Here's my current.

Andy Sack: But you've made some investments in the last two years.

Jeff Bussgang: I mean we make a ton of investments. We're exclusively investing in AI companies. So here are a couple hypotheses we have. One hypothesis is that the incumbents are not going to take up the entire market. I remember back in the 1990s, Steve Ballmer would invite us to the Microsoft offices and he'd Brief the senior VPs in the industry, VCs in the industry, about where Microsoft is focused on. He would say, don't go here, don't go here, don't go here. We're going to cover that area. And we would all leave the meeting and say, you know, screw them. We're going to absolutely compete with them here, here, here. Because focused organizations, focused startups can deliver huge amount of Value and be incredibly disruptive particularly when these platform shifts as we're seeing. And that's been true with cloud, it was true with the Internet, that was true with mobile, and it's absolutely true with AI. So hypothesis one, plenty of room for startups. Hypothesis two is that there will be moat built around proprietary data sets, last mile workflows where you can be the system or uh, of record and the human interface as you were, as you were saying before Adam, which is the quality of the human interface. And we're investing in a ton of companies that are focused in those three areas. So I'll give you one example. A company in the legal tech space called Noetica which was founded by a former Harvard Law School student of mine who cross registered in my class, Dan Wordman. After law school Dan went on to Wachtel and did nothing but focus on corporate debt transactions. Which I was like for me that would be the most boring thing I could imagine. But Dan is a wonky nerd, loves corporate debt transactions and he got deep, deep, deep in five, six years at Watel. And he kept saying surely there's a way to automate this process that I'm doing of looking up old contracts and looking at old terms and matching what JP Morgan normally does with deals of this size and what bank of America does for deals this size and what the covenants look like and how to set up the triggers for those covenants. And so he built a, an AI based platform, Noetica AI which has preserved, ingested all the public documents about debt transactions. And then for every law firm they work with all their private contracts and debt terms and creates this incredibly rich repository of terms for corporate debt transactions. OpenAI, Microsoft, Google, they'll never see what the law firms have behind their firewalls of the detailed terms as well as the back and forth that led to those final terms negotiations. So there's an incredibly deep proprietary knowledge base there. And then further there are workflows involved in executing these corporate debt transactions and compiling these um, very complex legal contracts that Dan knows intimately. And he can build that last mile interface which he's done. And now he's working with 10 of the top 15 law firms in the country, providing them with this capability to speed up their process. And this hints at something else, Andy, which is super important from an investor and founder standpoint. Noetica and companies like Noetica in our portfolio in the AI space not going after just the IT budget, they're going after the entire budget of it, plus staffing.

They're not just saying, hey, the IT budget for a legal tech law firm is going to be a few million dollars. They're saying we're going to replace associates and hourly billings and that's going to be dramatic. And you see that in coding, you see that in customer service, you see that in a lot of analytical jobs, um, legal, accounting, uh, a lot of these professional jobs are going to be replaced by AI capabilities. Andy Sack: What's your take on the whole AI job replacement both fact fiction narrative. You mentioned that entrepreneurs aren't going to be released by AI. I think the nature of startups and business is fundamentally going to change. You know, um, Adam and I, I have the perspective that the world is under a massive shift unlike any that I've experienced in my lifetime that like the we won't recognize the world in two years.

Jeff Bussgang: I agree with you. I'll give you a couple data points on that.

Andy Sack: So yeah, and, and touch on employment, your perspective on employment piece.

Jeff Bussgang: So we're going to see more AI agents working for companies than humans very soon. We already have companies in our portfolio that are 15, 20, 25 employees, but have employed hundreds of agents to work AI agents to work for them. We have one company in our portfolio that's 20 employees and they've reached 40 million in revenue because of their use of AI agents throughout all parts of their process. Um, Jeff, can I, can I jump in?

Adam Brotman: Sorry, I want to, just to stop you for a second, I don't mean interrupt, but I, that's a fascinating thing to pause on for just a second. When you say they're using agents, can you define what you mean by agents? Because that, that term gets thrown around a lot.

Jeff Bussgang: Yeah.

Adam Brotman: And even for guys like the three of us that live in this space, we would have like a half an hour discussion of the nuances of the definition of agent. When you say agent like that company, what do you mean? Do you mean like custom GPTs? Do you mean like full autonomous agents that have goals and go off for a week and then come back? Like what with computer use? Like what do you mean by agent?

Jeff Bussgang: Yeah, let's take a minute on that. 2025 is going to be the, the year of the AI agent. So it's, it's worth taking a bit of time on this. AI agents are autonomous decision making entities that have a set of goals and objectives and in a set of uh, context can actually perform tasks across a broad range of modalities. So let me make that more concrete. So we have a company and I feature them in the book, a portfolio company called Blitzy. And Blitzy is a code generation company. They have 3,000 agents on their platform that allow them to go from a set of requirements to one agent takes those requirements and translate them into detailed requirements. And then another agent takes detailed product requirements and translate it into an architecture diagram. And then another AI agent takes detailed architecture diagram and translate it into a technical specification. And then another agent takes the technical specification and translates it, uh, into code, various modules. And then another agent creates the QA testing scripts to analyze the code and to see whether it meets the requirements documents. And then another agent executes the QA testing scripts. So each agent has a very specialized task in this, in this example, software development pipeline process. And you see this now more and more in companies where these very specific AI agents are performing tasks in an autonomous fashion against the goal and are able to do work, do.

And again, the language of Clay Christensen, the jobs to be done, they are actually executing and doing the job that needs to be done in that moment. And there's human oversight in various steps of the process. But these agents over the course, in this example of Blitzy, over the course of a week, can generate a 300,000 line code application that would have taken years for an engineering team to develop. And they can do it again in a week with a couple junior developers and a good senior architect, uh, who can review the results. So that's what I mean by AI agents and the example here of, of coding.

Adam Brotman: Yeah, thanks. Sorry, I didn't mean to interrupt your flow, but that's interesting.

Jeff Bussgang: Yeah. And so go back back on your point about workforce. I think we're going to see a really interesting phenomenon. And time and time again, as you have said in past, technology changes, automation has moved and, and the technology lifecycle adoption curve has moved at a pace where jobs were not destroyed. You know, John Maynard Keynes had this famous line about his grandson will work only 20 hours a week because so much of automation is going to change the nature of work. Well, that certainly, you know, a few hundred years later did not happen. We keep finding more things to do. And so our efficiency keeps getting greater and greater, our productivity gets greater and greater, and yet unemployment's really low. Automation usage is very high. I don't know if this is uniquely, let's say transformative or catalytic such that we may have just hit peak employment. I have a theory that the magnificent seven, who are the first companies to really adopt AI and really drive efficiency internally, and you can see this in their revenue per employee across the last few years that those companies may have just hit peak employment and that those companies will grow 20, 30% a year in revenue from now on. Uh, not grow employment. Employment. And so will we be losing millions of jobs? I don't think so, but I think we're going to grow without adding a lot of new jobs. And I think there will be some slack in the system and you can already begin to see it in certain functions. And I think the customer service function may be the first function totally where you'll start to see it. See this because in the coding function, when you people have talked about co pilots and, um, co generation tools generating 30, 40, 50% more efficiency, people want to reap the benefit of that efficiency. But in customer service, people want to, you know, bank the cost savings and cut the number of humans in the cost, um, customer service operations like at a J. Crew or Starbucks.

Andy Sack: Yeah. Awesome. Um, Jeff, do you want to. Is there anything that we didn't touch on that you would like to touch on? And we're. I know we're approaching the end of our time with you, and the only thing. Is there anything that you want to touch on? And b. Do you want to give a clear plug? Uh, I loved reading your book. I was super excited for the conversation. So, um, go ahead.

Jeff Bussgang: Thank you. Well, since you gave me the window, uh, go to jeffBussgang.com to pre order the book today. It's shipping in February, but you can get the first three chapters immediately and then the rest will come very soon in a few weeks. And yeah, I think, I think the thing that I would say is just to encourage people to get out there and run experiments, personal experiments, where they use the tools themselves for their work and also in their companies to be champions for running more experiments and trying these tools and really testing some of these theories.

Andy Sack: Jeff, I'm curious, what's the consumer AI experience I always look for in changing platforms for the new consumer app? Have we seen it yet? I mean, ChatGPT is clearly the platform, but I'm looking for other consumer AI experiences. I'm curious what you think. What's impressed you on the consumer side?

Jeff Bussgang: I love ChatGPT, I confess. So I do think that is a transformative product. 300 million users a week.

Andy Sack: Yeah. Fast.

Jeff Bussgang: It's incredible. Fastest ever in history. I think Perplexity is an excellent product. I've really enjoyed using that product and I think they're making fantastic strides and that's a fun company to keep an eye on for a consumer. I think the note Taking applications are very good in zoom calls. Having the note takers there and having them summarize and synthesize and allow you to go back. Day AI and Granola AI are two examples of that that I think are very good and very fun. And then I've been enjoying Gamma, which is a generation, a presentation generation tool, takes prompts and then generates PowerPoint like or Google Slides like presentations. That's been super fun and uh, I've really enjoyed using that as well.

Andy Sack: Yeah, great Jeff, it's been delightful. Thank you for being on uh, AI First. Um, great to reconnect with that. Uh, we'll close out the episode. I want to thank the audience for listening to AI first with Adam and Andy and Jeff. For more resources on AI, check out AI First. Sign up for our newsletter. Uh, checked out, check out LinkedIn. We have a lot of amazing material on our website. And uh, for leaders who are looking to expand their knowledge on AI, AI use cases, et cetera folks. Until the next episode. Jeff, thanks again. We truly believe you can't over invest in AI Onward. Okay, Adam, that was a great episode with Jeff. What are your thoughts on that? Anything jump out at you from that?
Adam Brotman: Yeah, I mean the biggest thing that jumped out for me and it was a great episode was this theme of anything you want to do with Gen AI is going to be better uh, than if you didn't use Gen AI and let me explain. So there's this misconception that we, we run into all the time right now from business leaders that people feel, I wonder if Gen AI could really help my business, like how could I be taking advantage of AI? I'm a, I'm a manufacturing business or I'm a uh, I'm not an AI company, I'm not a tech company, whatever it is. It could be sector stage maturity, whatever that like gets people to think like I wonder if it could help me. And what, what he was talking about was like going from 0 to 1 or product market fit, particularly for these founders and saying, oh there's a before neural network, you know gen generative AI systems became a thing to all of us in the last couple years. There was a tried and true way to go from zero to one and to think about lean startup methodology, uh, product market fit, process build, measure, learn. And that process you would do without a alien intelligence that was like super smart and super capable and, and so you would just do it. Now his point was like, like everything else, like he's describing a particular thing and ah, how much better it can be if you do your experimentation you're supposed to do to get to product market bit as a founder if you are sort of getting the assistance of AI to help you with that. And I was struck by well uh, that makes sense. And I'm sure if we would have gotten into the details of this book and into the details of more examples and he gave some examples there it would have been like oh yeah, that makes sense. Like you there, there's a job to be done, there's a task that the jobs break down into and AI, Gen AI makes those tasks either easier, better, faster or smarter. And that's true. And he was pointing that out but I kept thinking when we were watching it, yeah, and that's true of being a consumer brand CEO and that's true of being a CMO and that's true of being the head of supply chain or that's true of being a glove manufacturing CEO. Like in other words I was realizing that like there's a common theme here which is gen AI just makes you better and it makes your whole team better and there's no current set of processes or tasks that probably today wouldn't be enhanced by gen AI and that's only going to be more so in the future. So I thought that was uh, he was just, he was doing a great job of giving examples and articulating it for that use case.

Andy Sack: Yeah, I mean I thought that um, I mean the thing that jumped out at me is he's written a book for, aimed at entrepreneurs and about the experimentation machine which is basically how to use AI and be a better entrepreneur. And here's the playbook and we've written the same, a different Playbook but the same type of book for really CEOs and C suite and boards of uh, predominantly brands. But we've written the same book but a different audience focused on a different audience. I think that we could have gotten into more nuance. Like I was trying to move the conversation to this, to really the, the some fundamental differences that I see having been schooled in product market fit like we talked about Eric Reese and Steve Blank and the Lean Startup methodology, that's what I brought to Microsoft when I was there. And I think AI is a game changer in the actual nature of the game and I actually think that Jeff is someone that we could have had that conversation. I'm glad we scheduled a follow up call. I don't know if we'll record it for the pod, but I think that we could have gone there more and really I think that it's for the first time that the balance of the balance of power may have shifted more back towards established enterprises. Even though they're a little bit slower to adopt the technologies of AI and agents, they may have more power in the new game of business. And it'll be interesting to see how entrepreneurs respond and react. I mean there's a lot of chatter above 3 to 10 person, billion dollar companies. I think that will happen. Um, I'm watching YouTube videos on that. But the nature of the game changing is something that I would have liked to have gotten more to. Those were my thoughts on.

Adam Brotman: Yeah, wait, let me repeat back what I think you're saying, which I think is interesting. You're saying what he was saying. What we've been saying even in our book is take your current processes, tasks, jobs to be done, tasks to be done, and realize that if you augment, slash, delegate either one with Gen AI, those same tasks, jobs to be done, et cetera, can be uplifted faster, better, whatever, through Genai. That's not changing the game. It's just like putting on an Iron man suit to play the same game. And your point is? Wait a minute, there's. You could, because of Gen AI, there might be an unlock to actually change that game and improve that game in some way.

Andy Sack: Let me go, uh, I'll go. I'll be more, try and be more articulate about, I think the nature of being a startup versus an established enterprise. As a result of the ChatGPT moment, which happened three years ago, as a result of generative AI, the nature of business has changed. How Suddenly he talked about it, suddenly, you know, it's changed for both entrepreneurs and startups. Suddenly anybody, more than ever anybody, is a coder. The language of coding is English, it's not C. Um, and so with that reduction in barriers, there's more entrance into it as a result. And we encountered this with, with our releases at Forum three, it's harder to stand out as there are more entrants. So the nature of standing out and capturing attention becomes more important. In addition, data, and data favors incumbency. It used to be Clayton Christensen's work. The innovators dilemma was inherent in that. Like, oh, Blockbuster Video, you know, they heard about Netflix. But if I was a VP at ah, Blockbuster Videos, like, who cares about Netflix? We've got 2,000 stores and locations, we're distributing VHS tapes. I don't care about Netflix. And suddenly that was that. Gap in awareness of the vice president of Blockbuster allowed Netflix the time to go to ships, DVDs by mail, by snail mail. That got them enough customers that then they went to streaming and Blockbuster went out of business. And Netflix is Netflix. And that, you know, that Blockbuster had the animated dilemma as a result of AI because of the data advantage inherent in business. Existing businesses that have been operating for five or 10 years, I think that that's it, that that fundamentally changes and puts more assets in the, in the bucket of the incumbent over the, over the new business. And so the gap, the speed of time, which with a, a new business, uh, an entrepreneur needs to ramp up, it's going to be faster to scale than ever. And I, I'm watching videos of them doing it with agents.

But I'm um, I'm not convinced that it. The battleground of business hasn't changed. The moats and battleground of business haven't changed to favor existing businesses. Does that make sense?

Adam Brotman: It does, it does. And it's. That's it. So we could hover on that. That could be like a whole hour of conversation because that's your point about like it used to be the challenger, the innovators dilemma. But if, if something in the game, it's almost like your point is no, the game's not the same. It's almost the game it used to be like, you know, you had a home field advantage at Seahawks Stadium before all the other teams fans showed up and we don't have a home field advantage at Seahawks Stadium anymore. And that's a factor that like changes the nature of how you might think about that game. And so there's, you know, or another analogy be like changing the rules of the game. Your incumbent point is interesting. Know what it reminds me of? It's another conversation. It's related, but different, which is we've Talked to some CEOs of B2B software companies and we would. And so which is in a lot of ways like founders of the founders of the companies that Jeff's talking to and that you're talking about this game, this like lean startup game, this uh, you know, incumbent versus challenger, um, and innovators dilemma. Like it's not, it's not all about B2B software companies, but it's a lot of B2B software companies in that space.

Andy Sack: Right?

Adam Brotman: It's not only that, but it's like littered with B2B software companies. And, and so like the fact that you just said this like, oh, the game changed. The incumbent has an advantage that they used to have a disadvantage on. A lot of that has to do with like the speed of software development. Which is what you were saying. Right. Speed of software development. The speed, build a prototype, something, all of that. Right. And the, the thing that's also related.

Andy Sack: It's more than just the speed of the software development. It's actually, you know, in our conversations, uh, it's actually the. All the data that is available to existing enterprises suddenly becomes a huge advantage with generative AI in a way that a new business doesn't. Doesn't have that.

Jeff Bussgang: Yep.

Adam Brotman: And okay, so then it reminds me of something. That's right. So that's because maybe, uh, we shouldn't go down this other road because it reminds me of separate topics. We could either park it or spend.

Andy Sack: Name the separate topic.

Adam Brotman: Separate topic is when we've talked to more mature B2B software companies, SaaS companies in particular, um, their, their game has changed.
Andy Sack: Right. So like in other words, no, we've talked about. We wouldn't want to be CEO of an existing B2B SaaS business because suddenly the, the, the entire industry of SaaS is a real head scratcher when you've got customers like Klarna who are going, yeah, I don't need Salesforce anymore. I'm just going to roll my own.

Jeff Bussgang: Yeah.

Adam Brotman: And that's right.

Andy Sack: So what I would say is there's the jagged edge of the of industries and it's worth. At some point we'll do one because we're focused on consumer businesses. The jagged end and by the way, I think the jagged edge of uh, the game board changing chain. It's why I like consumer businesses, because there's all this consumer data. But it's very different for a restaurant chain and a gym than it is as you said, the local sports team, the Sounders, for instance, is that the game board changes to varying degrees and at some point we should have that conversation. But that, that's a really use that, that got highlighted in the talk with Jeff. One of the thing that, for me that was really we've talked about and we're. We're hovering on as a company is, you know, the Harvard Business School method of case studies. He's, he said it three times in that interview. Case studies. Case studies. Case studies where you know, we're digging in deeper for both assessment and case studies. And there's just a lot of wisdom people learn. Audiences want case studies, which is why we're doing this AI first podcast. So, um, and you know, bringing CEOs on board to interview them to illustrate the straight talk of what's. Of how to use Gen AI to improve EBITDA and ROI.

Adam Brotman: Now speaking of case studies that, and on the Jeff episode that we just listened to and produced, you know, he brought up an interesting case study. I want to go back and listen to it. I know we just did it but like the one where you mentioned the company, I can't remember the name of it, the public company data for like debt financing or whatever.

Andy Sack: Yeah, so what, what about that stood out for you?

Adam Brotman: Well it's funny, you know now it's funny now that I think about it. We were having a conversation with him right after we stopped recording. And I don't know if you mentioned that in that conversation or in the episode, but in any event in the 5 minutes post episode.

Adam Brotman: Yeah, yeah. So like either way just to kind of tee it up so if anyone's listening they can follow, which is he mentioned an example of one of the companies that he's I think an investor in. But certainly a case study that where they go, they basically are helping um, a certain type of company with like ah, call it the legal drafting of like corporate debt documents that are like complicated like big time like corporate debt document. And he realized that like oh, you can go find this company that he's case studying said all that information is out there because public companies and publicly traded debt companies all have to file their actual like exhibits of the, of the, you know, the debt instruments and the debt uh, agreements and the term loan agreements and whatnot. And so I think I understood him correctly. What he was saying is there's all this information that's out there, all this data that's out there and it's like what an amazing thing that you could go and train on that effectively or go at least go scrape it, assimilate it. It's all there. You're not doing anything like I don't think you're doing anything wrong. And you like, you take it's all there. It's meant to be reviewed by people and that's why it's online for SEC filings and whatever and you go look at it and you're like oh great, I've got all of the big banks for right? And like you go feed that into an LLM multimodal system and like great, now let's, let's, let's see what we can do. Now that we're going to talk to an actual client and we're going to bring the actual client in, they're like this is what I'm thinking. And now the LLM can be really, really smart about that narrow application. And you know, Andy, you and I are talking about like, I thought that was interesting as a case study. And you and I have Talked about like LLMs are these general purpose things, but the whole, the whole theme is they allow you to sort of roll your own enterprise software on the fly.

Andy Sack: Oh yeah. I mean, clear. Clearly that anecdote, um, uh, stood out for you and I, I, when I heard it as well, it jumped out as me. Mostly because it's relevant to conversations we're having about forum three. Let's say, let's mark that for our audience and ourselves in a, uh, one on one session when we're not doing a postmortem on an interview. We'll try and I'm sure our audience will hear more about that. This whole public data, private data and ways to improve. But we're hearing that both from the customers we're talking to as well as uh, in the interview with Jeff. Anything else you want to highlight before we do the wrap up?

Adam Brotman: No, I mean that was.

Andy Sack: I thought it was a great interview. Uh, yeah, me too. I look forward to touching uh, base with him again. We believe that you can't over invest in using generative AI. Onward.

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