

BUSINESS

Second Act for Corporate Titans: Startup Whisperers

Cisco's John Chambers and AmEx's Kenneth Chenault are part of a wave of former big-name executives who are putting their business acumen to work in venture capital and offering counsel to young companies

By Vanessa Fuhrmans

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In his two decades running Cisco Systems Inc., John Chambers transformed what was a small networking-equipment company into a tech giant. His second act? Investing in and coaching more than a dozen startups with the hope of creating the next Cisco.

After retiring as Cisco's executive chairman last year (he stepped down as chief executive in 2015), the 68-year-old Silicon Valley pioneer launched a venture-capital fund, JC2 Ventures, with \$100 million of his own money. But it's not just his money at work. To the fledgling companies he backs, perhaps more important is the value he brings as a "chief guru," as one startup founder dubbed him.

He estimates that he talks or texts, on average, with each CEO in his portfolio three or four times a week. He visits potential customers with Jörg Lamprecht, CEO of Dedrone, a 75-employee drone-security firm. He interviews finalists for any leadership role at Uniphore, an Indian speech-analytics and voice-assistant technology firm with 120 employees.

"It's not about the investments," Mr. Chambers says about his portfolio. "I want to first be a strategic partner with the CEO, where I am his or her most trusted adviser, mentor—a coach."

Mr. Chambers is part of a wave of big-time CEOs and executives who, instead of more conventional retirements of just sitting on a couple of big-company boards, are embarking on second chapters as guiding lights on the startup scene. And more could pursue this route as Wall Street's performance demands and technological disruption make the top job at megacorporations less hospitable.

Others who have taken to the startup path include former Time Warner Inc. CEO Richard Parsons, who has teamed up with Rachel Lam, the longtime chief of the media company's investment arm, to fund their own VC firm, Imagination Capital. And American Express Co.'s Kenneth Chenault, who retired this year after 16 years at the credit-card firm's helm, is now chairman of General Catalyst Partners, whose investments include Airbnb and Warby Parker.



Former American Express chief Kenneth Chenault PHOTO: MARK LENNIHAN/ASSOCIATED PRESS

One factor behind the trend: Many CEOs are calling it quits with more personal wealth than ever but before they're ready to quietly ride off into the sunset, says Donald Hambrick, professor of management at Penn State's Smeal

College of Business.

Working with startups “is stimulating, but it’s not grueling in the way being a public-company CEO now is,” Mr. Hambrick says. “If Chambers’s investments go bad, he’s not going to be vilified or scrutinized in the same way he would if he were still at Cisco.”

Nor is Jeff Immelt, another former CEO-turned-venture capitalist. The longtime leader of General Electric Co. spent much of his tenure there working to transform GE into a digital industrial company but left amid growing investor pressure to reverse GE’s slumping stock price and boost its stagnant profits. After withdrawing from the race to become Uber Technologies Inc.’s CEO last year, Mr. Immelt joined venture-capital firm New Enterprise Associates in February, where he has said he hopes to help entrepreneurs build tech and health-care startups. Mr. Immelt declined to comment.

Another force behind the CEO-to-VC track: As startups wait longer to go public or run into culture problems, as with Uber, more investors are looking for experienced operators to help them scale and navigate the pitfalls that can come with growing so fast.

Mr. Chambers says he’d now rather nurture a bunch of small companies than run another big one for a different reason: Startups, he says, will create most of the new jobs needed to replace the tens of millions soon destroyed by artificial intelligence and automation. “Big companies will just not be able to move with the speed of innovation,” he says.



John Chambers’s JC2 Ventures includes drone-security firm Dedrone and speech-analytics firm Uniphore among its portfolio companies. PHOTO: STEPHEN MCCARTHY/SPORTSFILE VIA GETTY IMAGES

Though many of the companies he’s invested in so far are based in the U.S., Mr. Chambers is also betting on India’s and France’s ambitious efforts to foster a digital tech sector. At the VivaTech conference in Paris last month, he helped lead a master class for startup leaders. “In three years, France moved from the worst place in Europe to do a startup to the best,” he says of the French government’s efforts to attract technology investment and foster startups.

It’s too soon to determine whether corporate success will translate to the VC world, but Mr. Chambers’s playbook for identifying startups is the same he used to snap up more than 180 companies during his tenure at Cisco. If the company isn’t poised to take advantage of a market in transition, “we don’t do it,” he says. “Then it’s the CEO—is she or he a potential world-class CEO who really wants to be coached?”

Though he won’t disclose how much he invests, he says he typically buys between a 3% and 15% stake in the company.

Usually the CEOs approach him first. “I stalked him,” said Dedrone’s Mr. Lamprecht, who met Mr. Chambers after his company was named one of three winners of a Cisco innovation challenge in late 2016. After sending him repeated texts afterward, Mr. Lamprecht finally got a response to one showing how Dedrone’s technology was securing the World Economic Forum from rogue drones at its annual conference in Davos, Switzerland, where Mr. Chambers had just arrived. The next month, Mr. Chambers bought a stake in Dedrone for an undisclosed amount.

Uniphore CEO Umesh Sachdev says Mr. Chambers mentored him for nearly a year before buying a 10% stake in the company this past November. Speaking at MIT Technology Review’s “Innovators Under 35” event in New Delhi in 2016, Mr. Chambers offered to hold monthly group

mentoring sessions via video with Mr. Sachdev and the other honorees. Pretty soon, “I was spending the most time with him—I just had all these questions,” Mr. Sachdev says.

At times this year, they have spoken several times a day. Mr. Sachdev was overhauling his management team and planning to relocate to the Bay Area this summer to spearhead Uniphore’s North American expansion, and he was worried about a potential leadership vacuum in India and the signal the move would send to his staff there.

“It seemed hard, like too many things changing at once,” he says. “It helps to have someone like John Chambers tell you, ‘I’ve been through this multiple times—you’ll get through it.’” He also had Mr. Sachdev map three different scenarios for how the changes might play out—including a media leak of the news—and plan for each, then gave pointers on how to present the changes to his board and employees.

“He’s as involved as I want him to be,” Mr. Sachdev says. “He never forgets to say, ‘This is my advice, but the choice is yours.’ It just encourages me to get him more and more involved.”

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