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The Wing Manifesto: Welcome To Wing Two

DECEMBER 6, 2016 PETER WAGNER ESSAYS

Three and a half years ago, Gaurav and I set out to build a different type of venture firm. Informed by our decades of experience in two premier but increasingly diversified venture groups, we saw the need for a pure-play partnership dedicated to early-stage business technology investing. There is a fundamental difference in the ways that great consumer and business technology companies are built, and we designed every aspect of our new firm to meet the distinctive needs of startups in our domain. We chose the name Wing in recognition of the power that flows from pursuit of a single purpose.

Today we announce Wing Two, our second fund and the next step in Wing's evolution as the best-of-breed venture capital firm devoted to early-stage, long-term company building in business technology. We are honored to have the support of the industry's most sophisticated investors, including many of the world's leading universities and private foundations. These institutions have committed $250 million to Wing Two, a pool of capital that, together with our own substantial personal commitments, will allow us to play the pivotal role of lead investor in truly consequential ventures.

It surprises some to learn that we turned away many times this amount of capital. Indeed, it would have been easier to follow the herd and raise a billion-dollar-plus fund. However, capital has gravity, and too much of it would pull our strategy towards larger deals, later stages, and higher investment velocity. Wing focuses on the critical "pre-adoption" phase, engaging deeply with founders long before there is evidence of market uptake.

Such time-intensive work is increasingly rare in today's VC industry, which has evolved to favor larger investments intended to scale companies that are already successful. This evolution began in the consumer market, where early stage risks are incredibly high, and is now taking hold in business tech investing too. But we are company-builders, not portfolio managers. The size of

Wing Two has been carefully optimized to support the capital needs of ambitious companies while not exceeding the scaling limits of Wing's quality-driven craftsmanship method.

The Wing Method

The "Wing Method" is the manner in which we engage deeply with our early-stage companies, helping talented founders set the foundation upon which to build an enduring business technology company. The underpinning is a thoughtful, craftsmanship approach, nailing key foundational issues before scaling a startup. It's our belief that this early phase is "where the die is cast", by which we mean a set of pivotal strategic decisions are made that will reverberate throughout the life of a company. Many of the problems seen in today's crop of one-time unicorns are occurring precisely because these key steps were skipped in pursuit of premature scaling.

The concept of Product / Market Fit lies at the heart of the Wing Method. The centerpiece of our strategy is our proprietary Wing Network, a large community of trusted relationships amongst the key buyers and users in our target market segments. We make extensive use of our Wing Network to help teams test and validate their company's value proposition, product definition and go-to-market strategies. Most entrepreneurs want to get on with building product before they've actually received enough feedback, so we encourage them to run the "Race to 50", which means gathering high quality feedback from at least 50 qualified customers before feeling too comfortable and locking down on a product definition. This is often about 5x what the founders were thinking! That set of 50 then becomes the starting point for a waterfall of market engagement, with some subset becoming beta customers, and some subset of those eventually converting to paying, referenceable customers. We have found an early investment in UX / UI design to greatly enhance this process, as it gives the customers something tangible to respond to, and increases quality of feedback and eventually quality of the product itself. Our designer-in-residence Chris Guidroz and his team have proven to be a secret weapon in this regard.

In addition to Product / Market Fit, our Wing Method also helps build startup muscle in other unique ways. These include the "genetic engineering" of the initial "nuclear" team; "storytelling" for potentially opaque technical visions; and go-to-market model development with a focus on self-reinforcing consistency—a "golden thread" running through product, marketing and sales.

The Wing Method as described above is aimed at a company's earliest stages, but that is only the beginning. Our work continues throughout the scaling phases, to the IPO and beyond. Having done

this repeatedly over the years, we have learned that our effectiveness in the later stages is greatly enhanced by the mutual trust and confidence built within the early-stage crucible.

We are constantly iterating to improve the Wing Method, and experimenting with additional initiatives that might become part of our core discipline. The belief that we can discover and elevate such a discipline, a better way to build great business technology companies, has been one of the primary motivations behind Wing since day one and was highlighted in our original "Wing Manifesto" (http://wing.vc/perspectives/essays/the-wing-manifesto-part-i) .

The DMC Shift

Our other motivation in founding Wing was the titanic “rogue wave” we saw building in business technology. Businesses of all sorts and sizes were on the verge of a profound digital transformation. Whether they self-identified as technology companies or not, technology was poised to shape the basis of competition in their industries. We believed this transformation would be driven by three reinforcing waves: the cloud back-end, the mobile front-end, and data as the value driver in these new business systems. We called this the “DMC Shift” (DMC standing for Data-Mobile-Cloud), and were convinced it would propel the biggest platform shift yet seen in business technology.

The pace and ferocity of the DMC Shift has exceeded even our aggressive expectations. Traditional enterprise applications are being consumed by AI-powered “Data-First” (http://wing.vc/perspectives/essays/why-data-first-applications-will-come-to-rule-enterprise-software) and “Authentically Mobile” (http://wing.vc/perspectives/essays/mobile-first.-but-whats-next) reincarnations. Infrastructure is being totally reimagined through the Cloud-Native (http://wing.vc/blog/devops-and-the-digital-trialectic) lens. Cyber security is evolving frantically to keep pace with a new generation of architectures and threats. Incumbents have never been more vulnerable, and the environment has never been friendlier for innovative startups harnessing the power of the DMC shift.

The Next Leg of the Mission

Looking ahead, we expect the DMC Shift to continue unabated. This provides ample encouragement and adrenaline for our team as we begin the next leg of our mission. We’re honored to be working with the incredibly talented founders of our existing portfolio companies, and we’re hugely excited at the prospect of helping more bold entrepreneurs to realize their dreams as we

begin investing Wing Two.

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http://wing.vc/perspectives/essays/the-wing-manifesto-welcome-to-wing-two
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