EJ+ Live Content Session #1: What is Evergreen?

Dave Whorton with Ryan Drew

July 31, 2025

Live Event Transcript

Ryan Drew:
Good morning, everyone. This is Ryan Drew. Welcome to this Evergreen Journal Plus virtual event here on Thursday, July 31, 2025. I'm excited to welcome all of you to our first event on this new platform. I'm especially excited to have this conversation with Dave today, with someone I've worked with closely over the last number of years, founder and CEO of Tugboat Institute®.

As many of you know, I have the privilege of working with Dave and this amazing team at Tugboat, and I've learned a ton from him, personally about what it means to build businesses that truly last and am excited to have a conversation on that topic today. If you've all read *Another Way: Building Companies that Last and Last and Last*, the book Dave co-wrote with Bo Burlingham, you've seen how he lays out a powerful case for what we call Evergreen® companies. These are businesses that stay private, grow through their own profits, and focus on long term success and their own teams and on their own terms. Dave brings a unique perspective to all of this, and as a former venture capitalist, serial entrepreneur, and now, the leader of a community of over 300 Evergreen CEOs, it's been amazing to see firsthand how this philosophy comes to life across such a diverse set of companies.

The plan for today is a conversation with Dave. I'm going to pepper him with a bunch of questions about what it means to be Evergreen and ask all of you that are joining us here, if you do have questions to just send those via the chat. You can send that here to the panelists. We're going to spend up to the next 60 minutes having a conversation and treating this a bit more as a ask me anything type of session, and I'll start off with some questions to Dave and talk a little bit about the journey, about the book, about this community, and we can see where that conversation takes us. Does that that sound okay to you, Dave? I think you're still muted, but I'm going to take that as a yes.

Dave Whorton:
That is a yes. This will be fun.

Ryan Drew:
So, let's get started. I know I briefly said a little thing about what an Evergreen company is, but maybe we can start with your definition, answering the question, what is an Evergreen company?

Dave Whorton:
Ryan, thank you for doing this. This is great, and I appreciate everybody who's joining us this morning. It's fun to have everybody together. So, when I think about companies prior to 2013, I thought about companies were public companies, I thought about companies were family businesses, and ones were venture capital backed and private equity owned, and I didn't really know about this kind of company.

On this learning journey, starting 2012 through 3013, I did see a consistent set of values around people who are building companies that they wanted to last forever, at least well beyond their own lifetimes, which is very different than what I had been exposed to in Silicon Valley, which was all about the transaction and the wealth generating event and going fast.

So, as I dug in and had more and more of these conversations with some early Tugboat members - people like Mac Harman - I started realizing there was actually a different type of company out there, and in my mind, they deserved their own category. I started using the term Evergreen, bouncing it off folks and saying, “I don’t think anything today really defines you as well as it should.” I liked Evergreen because it felt lasting. It suggested being around for 100 years or more - a noble tree that grows year after year, resilient. And people like Mac, Don MacAskill, and others would say, “Hey, I kind of like that. That’s a pretty good term.”

Where it really evolved was when Chris Altman, who helped me get Tugboat off the ground, said: “Dave, this is actually a pretty good word, but we need to put more around it, otherwise it’ll lose definition over time.” I had seen that happen in other organizations. I’d spent some time in the impact investing world, trying to understand it, and realized people were constantly arguing about what it meant to be an “impact” company.

So, I started working on the idea of the Evergreen 7Ps. I think that’s really what defines an Evergreen company today. Briefly, the 7Ps are: Purpose, Perseverance, People First, Private, Profit, Paced Growth, and Pragmatic Innovation. The idea is that a great Evergreen company is always trying to mature along each of those seven dimensions, while recognizing that they act as a system. There are tradeoffs between the Ps - and sometimes non-obvious ones - where you think you’re making a tradeoff, but in reality, by doing one well, you’re actually advancing another. So, that’s a very long answer, Ryan - I apologize - to the question, “What is an Evergreen company?”

Ryan Drew:
That's good. I think it actually transitions nicely into this journey. I know a number of the folks know a bit about that, but maybe you can talk a little bit about or maybe answer the question: What about the get big fast model didn't work for you? And how did that journey start, in terms of planting the seed on this Evergreen thing?

Dave Whorton:
Thanks for raising that, Ryan. If you look back at Silicon Valley in 1995, there was a real shift that happened, and that was led by my boss, John Doerr of Kleiner Perkins, towards this idea of the internet is going to be the greatest wealth generation event in history, things are happening fast, and so we want to get big fast and win leadership of various categories of emerging business types on the internet. It was a pretty powerful idea, to be able to do that, so you'd raise a lot of money, much more than you'd ever raised before; you didn't worry about profitability, or prior to that, you were very concerned about profitability because capital was scarce, and the public markets, frankly, wouldn't even take you public unless you were profitable. Hint, hint. That's kind of what's happening today, if we notice. But yeah, that that became a pattern. And what was interesting is that I don't argue with that - I think there were moments where that made a lot of sense.

I think the problem was when it became broadly applied to every single type of startup, it was either your get big fast, or you weren't relevant, or you didn't matter, or you're a lifestyle business, some kind of pejorative, or if you didn't raise venture capital, there must be something wrong with you. And that’s really the issue. It's less with get big fast itself, a high risk, high reward model where a couple of percent make it, the rest don't. I think that's another thing founders don't understand is that they see the great successes, but they don't see the thousands and tens of thousands of failed exercises to get the ones we talk about today, like Amazon and Google and Facebook and Gen-Tech, folks like that. So, it was my realization that the model was being too broadly applied, and as I looked back at the prior venture model, I realized that was extremely capital efficient.

In many cases, those businesses didn't even need capital. My thought was, as I was having conversations with these folks we were starting to call Evergreen companies, and as we were doing this exploration, I realized there was an interesting dynamic compared to the old model. Frankly, many of these wonderful companies never raised an outside dollar. They simply had the patience to grow from their own profits year after year - which doesn't mean they were plodding. You might say it's turtle versus hare, but there are a lot of really big turtles out there now. They did a nice job.

Ryan Drew:
So how did that transition into why? Why did you decide to start Tugboat Institute? Talk a little bit more about that.

Dave Whorton:
I think that one is little bit in the essence of your last question. I was just losing courage or interest around what was happening in Silicon Valley. I didn't like kind of the sense that we were building companies just to make a few people wealthy. I didn't like that people were working their tails off for 60, 80, even 100 hours a week, sacrificing time with their families, spouses, friends, and parents, in pursuit of a brass ring that rarely dropped. And then it got worse, because the terms started changing. We started having these preference stacks, which is kind of a term of art. You could have a company sold for $100 million, and someone might say, "I'm a VP with 1% - I should be getting a million dollars, right?" And the answer was, "No, you're not." Because maybe the last round was $30 million or $40 million, and they had a 3x preference. We had to pay them back three times their original investment before anyone else got anything.

So, there was this sense that the deal had been broken. Success became a very narrow window, and even when there was modest or medium success, often there were no rewards for the team. I was also fortunate to start working at Hewlett-Packard when I was a teenager. I got to see what it looked like to be part of a great tech company founded, I think, in the late 1930s or 1940s by David Packard and Bill Hewlett. They built a wonderful company that was extremely well respected. Many other companies were founded by people who came out of that experience. They had the "HP Way" - they treated people well, wanted to make real technical contributions, deeply believed in their communities, and thought philanthropy was important.

Those are the kinds of values you see clearly in Evergreen companies today, as we define them. So, I found myself asking: Where are those women and men who are trying to build companies like that? I wanted to find them. And that's what really started me on this journey, which led me to meeting folks like this and saying, "Oh my God, they exist." How fun would it be to get them together and try to be of service to them, given their values and what they're trying to do in our society?

After that first day at our first gathering in Sun Valley, Idaho, in October of 2013, I just didn't see any other path. To go back to just writing another check to a venture firm? No. This was so much more interesting, so much more impactful. And frankly, I felt I had so much to learn from these people, because they look at the world differently. And I love learning. So that was an attraction, too.

Ryan Drew:
Yeah, I know that to be true on the learning side of things. I was going to ask you about the HP way, but you just tackled it. When you look back on the early days, Dave, what's the most difficult myth or assumption you had to let go of as you develop this philosophy? Is there anything that comes to mind?

Dave Whorton:
I think, there are two. One was that this, a lot of people were saying, "Yeah, if this exists, that's just a small company phenomenon. This is more of a lifestyle business you're talking about." I'd go, "No, I don't think so. That's not what I'm saying." It took a while - and this is in the book, *Another Way* - to find the giant Evergreens. Not that I couldn't see them from outside, but until I got inside and had a chance to talk to some of these people, the Enterprises, Edward Jones's, the Cargills, the Wegmans, Myers I realized that no, this is not a small company phenomenon.

So that was one, and the other was one. That was, it was a question posed to me by Pat O'Dea, who was a CEO of Pete's Coffee. And he just said, "Look, how do we Evergreens attract the best people if they can't use stock options? That's the kind of the coin of the realm is stock options and the deal being come here. Work your tail off. Someday we'll sell the company or take it public, and you'll get wealthy." He said, "Look, if that's not what these Evergreens are going to do," he goes, "I think structurally, they can never recruit great people."

What he overlooked were two things: one is people, there are a lot of people in this world that want to work for a purpose-driven company, and they want to feel that every day they can go into work, where they're respected, they're given opportunities, they are treated fairly, their customers are treated well, their suppliers are treated well - they're part of an important ecosystem in their communities.

Second, there are structures that can be very attractive to a lot of employees. Now, they may not appeal to someone who's set on becoming a billionaire - that person is probably not going to join an Evergreen company. But for someone who wants to retire very comfortably, we have a number of Evergreen companies with employees who've become multimillionaires - whether through their 401(k) plans, ESOPs, or direct ownership.

Even in companies without those ownership models, there are still generous bonuses and rewards over time. And if you're disciplined - spending less than you earn each year and investing in the stock market over the long term - you can generate significant wealth outside of your employment relationship as well.

That was a tough adjustment for me at first, because I was so used to always leading with stock options - that's just what we did. When we were recruiting great executives to run companies at Kleiner Perkins, we'd give them 10% of the company in stock options. Senior executives might get 1%. I didn't even know the language of making an offer without including stock options, because all of my work with John Doerr was centered on hiring key executives. And in that world, there was no conversation unless you almost led with stock options. So, this was an important mindset shift to overcome.

Ryan Drew:
Yeah, it's interesting, because I think the Evergreen movement, like by and large, in many ways, is this antidote to our culture obsessed with, celebrity founders, quick exits. I'm curious, why do you think that is - why are so many people drawn to that get rich quick narrative, even when we talk about this and we see these great companies and all this stuff in Evergreen and we know it's not the best path, in the in the get rich quick, sort of get big fast mentality?

Dave Whorton:
It's funny - you can try to get rich fast, or you can try to get rich slow. I don't have a problem with that. In fact, we like to say that if you build a beautiful Evergreen company, the byproduct of that is you generate a lot of wealth, which is awesome. Let's celebrate that. We're not saying to people we don't appreciate that you should be rewarded with wealth; we do believe that, but it shouldn't be that the purpose of the business *is* to generate wealth.

I know you listen to Naval [Ravikant] - he's got this great podcast, and he did this whole tweet storm about how to get rich. You can do this and that, and I think there's actually some very good advice in there: think about leverage business models, think about how you can use software, media, and people to gain leverage over just being an individual contributor or contractor.

But at the very end of it, he says, what you're really going to learn is that that actually wasn't the goal, right? At some point you reach a level of maturity where, whether you generate the wealth or not, you realize there are things way more important. I'm not saying we want people in poverty, but if you're doing reasonably well financially, the things that matter most become clearer later in life. We hear this over and over again from older people: it's relationships. It's the people's lives that were impacted. It's knowing your kids love you and want to spend time with you, that you have dear friends you can share a coffee or a book with, and that people come to thank you for the contributions you made to their careers or communities. That's just beautiful stuff.

And people don't show up and say, "Hey dude, congratulations on all the money you made and for being such a jerk in the process." That just doesn't happen. What I love - and this is subtle - about Evergreen companies is that these leaders are actually making a commitment to relationships with the kind of companies they're building. They're not looking at things as win/lose relationships. These are win/win relationships. They want their people to have a good work experience, their customers to have a good experience, their suppliers too. They care about long-term relationships - they want to partner.

In fact, two of our members just recently announced this on LinkedIn. I loved it – ECRS and Text-Em-All, LLC – they had just gone into partnership on what Pete described as a pretty challenging problem to solve, but he trusted Brad and his team to really do it well. And wow - two certified Evergreen companies partnering on a tough technical challenge to deliver a better product for, primarily, Pete's customers. You have to love that.

So anyway, there's something about this - it's almost a higher consciousness about what's important - that's being demonstrated by these Evergreen leaders, owners, and people in these companies. And frankly, they can have it all over long periods of time. They can have financial security. They can have great relationships. Hopefully, they can go home at night without being so stressed out because there's a board meeting coming up, the company isn't where it should be, and they're afraid of being fired. That's the kind of energy you feel over and over again in either public companies or ones backed by outside investors who have very high expectations around delivery of results over a very short period of time.

Ryan Drew:
We'll sort of return to the growth aspect, maybe a little bit more on Paced Growth, but answering sort of a basic question: how do Evergreen companies grow if they're not taking money from outside investors? We talked a little bit about that and the importance of it, but how does that happen?

Dave Whorton:
You have to be very thoughtful about your business model - really thoughtful. If you’re a founder, you want to be thinking about: what kind of business model can I create? It may even be a model that doesn’t exist in your current industry, but one that gets you to early profitability.

And when I say profits, I mean cash. You’ve got to bring cash in, because you need that cash to scale. Evergreen companies grow from their own fuel. Later, as you build your company, can you get into more capital-intensive models or verticals? Absolutely. But at the beginning, you need to put a tremendous premium on early profitability.

Clayton Christensen, the Harvard Business School professor who is famously known for his disruptive theories, he and I were able to have a conversation about this before he passed away. He loved the idea of Evergreen companies. His quote was: “The problem today with Silicon Valley is, you guys are impatient for growth, but patient for profits. History shows the opposite is what really holds true for really disruptive companies. You should be impatient for profits and patient for growth.” Markets take time to develop, technology takes time to mature, and you want to give yourself all the runway in the world to let those things happen.

If you’re building a truly disruptive company, it may take 10 or 15 years. And if you’re raising money, you’ll run out of it long before you get there. But if you’ve designed your business model for early revenues, you can keep the team intact and well paid, keep the vision alive, and eventually, when things come together, they can come together in a really significant way.

That’s why the business model is so important. You can’t go hire an entire executive team in the first six months. In venture, that’s what we did - we’d make an investment, put in a big chunk of money, and immediately hire six or seven recruiters to build out a team from scratch, like assembling a sports team and throwing them on the field to hit aggressive goals. But those people come from different backgrounds, experiences, and cultures. It’s a wild-west effort to pull together, and it’s not sustainable.

So instead, you have to be deliberate: Who’s my first hire? My second hire? In what order? When do I really need to bring in senior leadership? And which senior role is most important at that exact moment? You can’t expect to hire seven or eight executives right away. Evergreen company building is slower, more deliberate. I would also argue that it creates very strong foundations.

You have to be crystal clear about what your product is, who your customer is, and then execute with focus. You may maintain that focus on a single product and a single customer for a decade or more before expanding. In contrast, the venture model pushes you to build every product you can imagine, chase every customer, say yes to every opportunity, and sign every business development deal. That abundance of resources often creates the danger of a lack of focus.

I remember at Good Technology, we raised a lot of money. With $40 million on the balance sheet, every VP would walk into my office asking to hire more people - not because we needed them, but because they had ideas. Soon, everybody's doing everything. But that doesn't mean you're doing what you need to do or doing it well.

That's why Evergreen discipline in company building can be so powerful. My friend Ho Nam, a very successful venture capitalist, once observed that companies with strong foundations actually grow faster over time - not slower. Most people assume you grow quickly when you're small and slow down as you get bigger. His observation is the opposite: companies that build carefully and deliberately may look slower at the beginning, but then their growth accelerates, because they're scaling from a rock-solid foundation.

Ryan Drew:
Interesting. So, you talked a little bit about in growth and we talked about pragmatic innovation, which is different than disruptive innovation, often associated with the VC backed startups. I am interested to know in your opinion, maybe you hum a few bars on this.

Dave Whorton:
Would you like me to sing, Ryan? That's going to be hard.

Ryan Drew:
No, maybe we won't start singing today. We'll save that for our non-recorded conversations.

Dave Whorton:
That sounds great.

Ryan Drew:
How do Evergreen companies innovate without taking venture capital funding? How do we think about pragmatic innovation versus sort of talk us through those different pieces.

Dave Whorton:
Yeah, you know, pragmatic innovation is really the idea that you're making capital efficient experiments to determine where opportunity lies. So instead of, like sitting around a room and saying, "Hey, look, you know, we have a strong feeling that this is an opportunity, we've been able to raise $10 million against this vision. Let's go build it," we have to go out and talk to the customer, and we need to try prototypes – it could be through slides, it could be through clay models. It could be through I guess with some of the AI stuff, you can actually mockup a whole web experience, even before you truly implement it in a scale platform. And so, you're just looking for information to validate that you are heading the right way.

Then, as soon as you start getting validating information, you resource it more, a little more money, little more people into that opportunity. You hear this from Robert Pasin about planting a lot of seeds, and Jim Goodnight talks about digging a lot of holes, and Jim Collins talks about shooting bullets before cannonball. So that's very much kind of the philosophy that lies at the core of it, which is you have to reduce market risk by doing things to get a sense for where the market is. Because market risk has always been – I learned this when I was in venture capital – the most dangerous risk of all in starting a company: you build something, you build a team, you get the market, and it doesn't go it, it just doesn't take. This is part of the lean movement that started back in the early 2000s – it was all about getting out there, lean product design, getting your minimum bio product, and then building from that. It's very Evergreen in that but I'll also say that if you're going to be around for 100 years, part of pragmatic innovation is also invention.

So, you have to be able to invent things, and those things may take a long time, which, in some cases around could be disruptive innovations. You could be an emerging technology, and you've got a group they put up the pirate flag down the street, and they're trying to bring this technology with a new distribution model to the classic Clayton model, to market in such a way that it might disrupt your core business, the one that exists today. But why not be disrupted by your little team down the street with the pirate flag? To be disrupted by somebody else, somewhere else.

And so, back to Clayton, I don't think we're in a disadvantage as Evergreen companies in trying to fund disruptive innovation, because the fundamental tenet of effective disruptive innovation is to give yourself the benefit of time. Because these technologies, when they first come up, are very immature. They can't compete in mainstream markets; they need to be nurtured in a niche market. VCs don't back these markets, but disruptive innovations often start in niche markets. There's a really unique opportunity for evergreens. Then, the last dimension of pragmatic innovation – this is one I know you love, because you're so good at this – is kaizen. It's just continuous improvement that every single person organization should be committed to – how do I do my job a little bit better? How do I remove a step? How do I make this higher quality? How do I reduce waste?

While you're doing pragmatic innovation, maybe around products and services, you're also doing invention - around whole new dimensions of vision. You just keep going, and why do you do that? Because every dollar saved in an Evergreen company goes to the bottom line. That gives you an opportunity to reinvest in the business, to reward the team for their contributions, to reward the owners for tying up their capital forever, strengthen the balance sheet, pay down debt, or go buy another company. I mean, profits are a really good thing.

And Kaizen has two dimensions: it's increasing quality and it's also saving money. Both of those can happen simultaneously. That's another dimension of pragmatic innovation. I just love the whole pragmatic innovation idea because it's such a competitive advantage. I don't think people often see that, because they assume it's got to be the big check from the big VC. But remember - the hit rate there is pretty darn low.

Ryan Drew:
Yeah, I remember early on when you and I were chatting, it's a stupidly simple point, but you can control two parts of this: you either boost in revenue or you're controlling costs, and pragmatic innovation plays within both of those things really nicely. I think it's a really solid point. I'm going to switch the focus for a second, and I will thank the folks that have that asked some questions. We received a few that have come in directly to me and a couple that have come in through the Q and A. We'll sort of veer this conversation as we see these. We talked about the framework of the Seven Ps® principles, and one of the first questions we got was: did you ever consider an eighth principle where Evergreen companies embed caring for the planet in their strategies and execution plans?

Dave Whorton:
When we went through this exercise – I shouldn't say we, it was primarily me – but there was a lot of time hiking, reflecting, you know, why do I love Sun Valley? I love the space and nature, the clear, clean air, and my old golden retriever, who's no longer around. But we had a lot of good times and as I

thought about the pattern, I saw consistently in that and was hearing in the early conversations what didn't include planet – it included the elements are captured in Seven Ps. I did attend, as I said earlier, a bunch of impact investing conferences, just to kind of get a sense of what was happening in those communities.

There were arguments about what planet meant; one person was almost yelling on stage, saying that a planet means you're serving the bottom billion, that's what planet means. Others think, “No, it's about the environment. It's absolutely about the environment.” So, it was interesting to see that there wasn't really consensus on that. But what I realized over time, this is through conversations, is that there's a number of Evergreen companies where their Purpose is planet. What is Patagonia's purpose? It really is the planet, right? It's sustainable products – it’s to lead in that and to inspire others to do the same. In my mind, that allows people who are really focused on planet to adopt that within how they think about their purpose statement.

Now a lot of Evergreens, and Ryan, you know this probably better than I do, because you run the certification program, their Purpose really has to do something around the experience they want their people to have – they want their people to have an exceptional experience if they commit their careers to that company, they want to know it's going to be a really rewarding path. And so, there’re some people who their purpose is changing a market in some way. So, it isn't meant to exclude people that care deeply about the planet, but it's to have those people really understand, as they define their purpose to be planet, or planet and people, which is fine too. You know, I hope we view this as kind of having a big umbrella, and those all can be included.

Ryan Drew:
For sure. I agree with that statement 100 percent. Here's a fun one for you, Dave, that just came in. Someone said, “Shame on me. But I don't think I've heard where the name Tugboat came from. What's the story?”

Dave Whorton:
Oh, that's so funny. I'm in Menlo Park right now at the Stanford Park Hotel, interestingly enough, owned by Chris Alden, who helped start Tugboat Institute with me. His brother runs it – it’s a family-owned business -- it was one my early explorations of Evergreen. Just about a mile from here is a Starbucks, and I was sitting outside there with Trae Vassallo, who helped me co-found Good Technology. I was starting a venture capital firm at the time, and I wanted to go back to the original model, pre-Netscape, capital efficient, kind of a craftsman type business. As I was describing this, I said, “Help me brainstorm on a company name.”

So, we're brainstorming and came up with peloton, glad we didn't do that; Sherpa, that's being used by Ram Shahram already; and then it just popped in my head: Tugboat. And I thought about it, because in San Francisco Bay you see a lot of tugboats. I think Crowley Marine has a big fleet of tugboats, and I can't name a single captain of a tugboat, I can't name a single tugboat’s name, but, man, they're doing important work.

A lot of inlets like San Francisco Bay are very difficult to navigate, and they're in there – sometimes they're piloting the boat, sometimes they're just nudging the boat along, kind of giving it some direction. But that’s not what's important. What's important is the big boat – it’s the cargo ship, aircraft carrier, oil tank, or whatever – it’s so, little, powerful, helpful, unassuming, hopefully, humble. It kind of felt how I wanted entrepreneurs experience interacting with me and my future team.

I think it carried over really nicely with Tugboat Institute. I think a lot of the members view themselves to be kind of like tugboat captains: doing what they need to do, they're pretty humble and very competent, they have a level of mastery, they're good leaders, but they're not waving a big flag about who they are. So, it's kind of a fun thing. And like all things, names mean nothing – they're just a shell until you actually help define them. So I hope we've kind of defined what it means to be a tugboater at least in our community.

Ryan Drew:
We had another question that just came in – maybe it's a good time to talk a little bit more about Tugboat. And what your vision in the long-term future of Tugboat is, how we view what Tugboat is, and the subsequent question is: is Tugboat Evergreen? How? And so maybe that's a more complicated problem…

Dave Whorton:
Maybe that's one you should answer, Ryan.

Ryan Drew:
No, totally. But maybe start with: can you talk a little bit more for the audience here about what the long-term vision of Tugboat is?

Dave Whorton:
We work, as Ryan knows, in five-year planning cycles. Every year we update our five-year plan, and then we hold a strategy offsite, so we're always looking forward. I've always been a big believer in what I learned from Andy Grove in a class at Stanford - Andy was the former head of Intel - which is that strategy is evolving and adaptive. You can't set a five-year strategic plan and expect it not to change. You have to hold that loosely.

So I'd say I believe - and I think this really has to be by the consensus of both the Tugboat team and the membership - that our goal is to help as many Evergreen companies globally as possible: first, to identify and understand that they are Evergreen, and then to help them mature by being exposed to best practices from other Evergreen companies. We want to be really generous about that, whether or not they're members of Tugboat Institute, so that they can benefit from the wisdom of companies in this community.

We're close to 300 members now, and it's incredible how much we've learned from each other in this process. EJ Plus subscribers know this - we've got over 500 pieces of content, most of it videos and articles created by members themselves. They're sharing their wisdom. That was one of the things I tried to establish early: you're not joining a private club; you're making a commitment to share authentically. That benefits not just the peers you sit with at a Tugboat event, but also the broader community. Someone could be in Africa, Southeast Asia, or even Armenia - where I just recently traveled - and discover, "Hey, I think I am Evergreen. And wow, it's so cool. I can read all this material about Radio Flyer, WireCo, SRC Holdings, and so many other wonderful companies." And of course, they can pick and choose what makes sense for their business.

So, I'm speaking at a high, vision level here. The practical part is figuring out, together as a community and a team, how we want to be of service in that way - how we want to help. And I think there are lots of great ideas.

I’ve been asked a few times, “Do you think we’re 90 percent done or 10 percent done?” Honestly, I think we’re maybe 5 percent done in terms of the impact we as a community can have on the lives of millions - if not tens of millions - of people. Because running a great Evergreen company really is a wonderful way to contribute to society.

Ryan Drew:
You do such a good job of articulating, the two guiding lights for us as a team: one is to harness and improve this community of great leaders, and the other one is to evangelize this Evergreen movement as broadly as we possibly can. It's interesting to hear you say that that I fall on the same path and learning from you over the past number of years on what type of market penetration we've made, when we talk about, how much impact, and we say less than 5 percent, I'm like, “Yeah, it seems about accurate.” The way we talked about it here is, we're just getting started; I think that's really cool to hear you say that, so thank you. When you think about the Evergreen Seven Ps, Dave, which one do you think that leaders most often struggle to implement effectively? And what would be your piece of advice on overcoming that? I know we've talked on sort of reverting us back into the Seven Ps, but wondering if you have any thoughts on that?

Dave Whorton:
That’s a good question. I think it’s one people outside our community often struggle with - especially those who might be aspiring Evergreens. There’s this gravitational pull toward the idea that you should sell your company someday. Whether you’re in YPO, EO, or a business school alumni group, there’s this prevailing energy in society that says the real objective is to sell.

That mindset almost plants fear in people. They think, “Wow, I own one stock - substantially all of my net worth is in this single company. You’d never do that as a public market investor, so why are you doing it privately?” From there, people make all sorts of arguments: “You really should sell, then take that cash and put it into a diversified portfolio - public stocks, private equity, venture capital, real estate, gold, cryptocurrency, all that stuff.”

I think that’s unfortunate. A lot of people benefit from that way of thinking - investment bankers, lawyers, wealth management firms - but that doesn’t necessarily mean it’s aligned with your purpose, or why you’re here on this planet or why you’ve been given this opportunity - with your intellect, your luck, your team - to build something special.

That’s why the Private P can be so challenging. There’s so much societal energy saying, “You’d be a fool not to sell.” And that’s why having something like Tugboat Institute is so important. If you’re a member, you’ve got 300 peers who are committed to doing the hard work of building something that will last and thrive beyond their own lifetimes. And that sets an example for the rest of the world - showing that there are people who truly see the value in building something lasting, and who are comfortable owning a single share of stock.

Now, the corollary to this is: I do think Evergreens should make distributions to owners once they generate excess cash. And I think it’s wise for owners to invest that money in a diversified portfolio - so they have at least some diversifications outside the core company. In fact, I believe that makes it easier to be fully committed to going the distance. There’s wisdom in taking a little off the table - but today, that’s best done through distributions.

Ryan Drew:
Yeah, that's helpful. How we often talk about the Seven Ps framework is that it's a complex system, and someone shot me a message that I'll try to sum up. Is there one master principle or primary mental model that helps Evergreen leaders prioritize when other Ps might be in conflict? I think that captures the question. But really, if I think about it further, an example is profit versus people first during a tight economic period – can you talk a little bit more about the framework? And maybe what's the guiding principle? Is there one? Or how do we think about these things?

Dave Whorton:
I think it really depends on the team, the market, the owners, and the competitive dynamics. I'd be oversimplifying if I tried to reduce it too much, but I'd say the main thing you want to avoid is violating any of the Seven Ps in that process. It's not about making tradeoffs like saying, "I'll just sacrifice my people to get higher profitability." If there's no good reason beyond wanting to boost profits, and the response is to lay off a bunch of employees instead of finding ways to redeploy them, that's a mistake. Public companies do this all the time - firing thousands of employees almost indiscriminately - to prove to the capital markets that they're disciplined leaders. But over the long term, that's damaging to culture. Instead, the mindset should be, "If someone isn't performing over an extended period, I may need to let them go - but I won't make knee-jerk decisions."

It's the same with Purpose. You never want to sacrifice it. In fact, even in the toughest of times, Purpose should be a touchstone and a guiding light. The problem with venture capital or private equity backing is that the moment you take that first dollar, whatever noble purpose you had as a founder gets overridden. Your new purpose is to maximize returns for investors - for their funds, and ultimately for the general partners of those funds. For the first few years, there may not be any tension; you're all pointed in the same direction. But eventually, when those general partners decide it's time to exit, you'll be pushed into a sale even if things are going really well. Many entrepreneurs find themselves saying, "Everything is finally working - and now I have to sell?" But that was always the goal. That became the purpose of your company the day you took that money.

Ryan Drew:
I think you've talked about this before, but I'm wondering, how do you get out of that? If you're bought into this Evergreen thing, and you've done that early on, how do you get out of that?

Dave Whorton:
It's really hard. The easy answer is, sell the company and start a new one with whatever proceeds you have. And don't do that. The hard answer is, try to cut a deal with the investors to say, "What price could I pay to buy you out?" Then you have to have some source of capital for that. I've seen some people borrow money to do that if they've been profitable and growing, but the expectations of the sellers usually are so high that you just can't meet what they expect. I've heard of examples where people have tried to do that; they've tried to buy out their investors, and they can't hit the price point because they'd have to put so much leverage on the company.

Now, SRAM – the bike component company on the Midwest I had talked with the founders of many years ago – is an interesting example. They had brought on private equity, and they realized very quickly they made a mistake – the conversations that happened immediately after closing the financing made them say, "Wow this is uncomfortable. These guys are gunning to get us public in two or three years. They want all kinds of things to change. They've got these teams showing up basically saying how we're going to run the business." Fortunately, it was a minority investment. But even though it'd been a short amount of time, another guy said, “Look, we made a mistake. We'd like to unwind the financing.” The investor responded, “You can't unwind the financing. If you want out, you need to give us a really good return.”

So, they ended up having to pay out. I don't know what that number was – I’m sure they told me but it's probably confidential so I shouldn't say. It ended up being quite a bit of money, a pretty high return in a short amount of time. They decided to borrow the money and take the risk of dying under debt when they could have been driven to be a public company. And now they survived this. They paid off the debt, owned the company. They almost had a near death experience as far as they were concerned.

Ryan Drew:
Wow. We just got a question, sort of in the same realm. I'll read it. It's a bit longer. There's a growing trend among private investment firms adopting a long term buy and hold strategy, distinct from the traditional private equity model, focused on buy, build and exit. What are your thoughts on founders and business owners selling to a private investment firm or family office that aligns with the Evergreen principles, emphasizing stewardship, purpose and enduring value? Does this violate the seven Ps? I've seen where owners try to transition ownership to family members since they don't want to sell to PE however, those family members are not prepared to operate, and it fails. Seems like these private investment firms are trying to fill that gap. I am curious of your thoughts.

Dave Whorton:
I've been challenged by this because I thought when I was first starting Tugboat Institute, that the family offices would be the solution for capital for Evergreen companies. So, I went and met with about 70 family offices from the largest American companies and some international ones; I met with their investment teams, not the principals. The dirty secret of this is that most of the people that had those family offices have private equity backgrounds and venture capital backgrounds, but primarily private equity and so they actually, in most cases, have an incentive system by which, when they make investments, they get paid, you know, generous salaries, generous bonuses. But when they make direct investments, like buying a company or investing in a company. They get special incentive if that company is sold or taken public.

So, the teams themselves, in almost all cases, have an incentive system which - regardless of what the family says about long horizons - ultimately pushes them to sell if there’s a chance at a high price. They’ll do it. Now, there are exceptions. Some families will actually buy 100% of a company and tuck it underneath, but not many.

Berkshire Hathaway is unique in this regard. Warren Buffett has built a reputation for buying a family business - whether 100% or in stages - and continuing to operate it under the same leadership team, consistent with its brand and practices. He won’t buy it if it isn’t naturally aligned with him, and he won’t change those things. That’s why he’s so selective. But he’s pretty unique.

I hope we’ll see more investors over time who truly understand what it means to be a minority investor in an Evergreen company - it’s a generational investment. They should think about it as something to pass down to their children and grandchildren, and, if they acquire these businesses, they should behave consistently with what you see at Berkshire Hathaway. But honestly, we just don’t see much of that today.

Ryan Drew:
Totally. Hopefully that answered the question that came in to the individual that asked it. I'd be remiss not to ask you, since I've got you on the spot here, Dave…

Dave Whorton:
Oh good, Ryan.

Ryan Drew:
I know you've been waiting for this moment. I really do. I know my pen more than most people I've ever worked with or worked for - and how much you read is always amazing to me. So, on behalf of the EJ+ audience, and I know others as well, I'm curious: is there a book - or maybe a podcast, since I know you listen to those too - that you find yourself recommending or gifting to people who are part of this Evergreen movement? And it can't be your own book. Maybe it's more than one - I don't want to suggest there's a silver bullet - but what would you recommend to this group?

Dave Whorton:
It's interesting, and I'm glad you opened up the aperture to podcasts too, because I was listening to one this morning about Ferrari on the *Founders Podcast*, which I really enjoyed.

One book I think is especially important, and it's a classic, written long ago, is *The Effective Executive* by Peter Drucker. Our team is actually reading it now for our book club. What I love is that it's still directly applicable today. We're basically all knowledge workers, and how we spend our time is so important. As individuals, we have to take responsibility for that - not expect our bosses to tell us what to do - but be thoughtful, make good decisions, and recognize whether a decision is just a one-off or something that sets a pattern for the future. The principles are so basic, yet so powerful.

I was introduced to the book through our friend Spencer Burke, who brought me over to Edward Jones. I met Bob Chapek, and he went to his bookshelf, pulled down *The Effective Executive*, handed it to me, and said, "This is what we give every new employee when they join. We're disciples of Drucker." And Edward Jones has clearly done a pretty good job building their organization.

Another one I love - and I mention it in the book - is the interview between Joseph Campbell and Bill Moyers. My buddy, who's the co-founder of \[Good], told me, "Don't read it – listen to it. You have to hear Joseph Campbell's voice." Campbell studied the mythologies of the great civilizations and found common patterns: the hero's journey, the maturation of the individual, and ultimately, what role we play as humans in the world. I've listened to it at least half a dozen times, and certain segments probably twenty times.

As for podcasts, the two I check most often are *Acquired* and *Founders*. The *Acquired* guys have really come into their own over the last five years, and it's been amazing to see their following grow. They've become especially interested in multi-generational family businesses like IKEA, Hermès, Mars - great stories, and they do a solid job.

Then there's *Founders*, which I mentioned earlier. It's more historical, focusing on figures like Henry Ford and the early titans. He basically summarizes books - four or five at a time - and distills them down to the key lessons. That Ferrari episode, for instance, was terrific. I find it a really good use of time.

And of course, I read books all the time - I love it, and I wish I had more time for it. One thing I admire about Warren Buffett and Charlie Munger is how much time they dedicate to reading. Because as you move further along in your career and start leading organizations, you realize the most important role you play is helping with the big decisions. And what helps you make those big decisions is having enough historical context to avoid repeating the mistakes of others - so you can go out and make some new ones instead.

Ryan Drew:
Yeah, it's funny. We live in such a fast-moving world these days. I hope reading isn't becoming a dying art, because it's something I really admire about you, and I think it's incredibly valuable for all of us as lifelong learners. It's also something we see embraced throughout our community – we have so many readers, so many learners.

Dave Whorton:
I think that's part of what we look for in the community, is we want people who are adaptive learners. People who are open minded, they're curious, they're willing to withhold judgment, and so then when they get exposed to an idea that maybe feels a little contrarian or different, they lean in, saying, "That's interesting. I wonder why they why would they do that?" Versus like, "Oh, that's a dumb idea." I think curiosity is awesome.

Ryan Drew:
Absolutely. I love the call out to Joseph Campbell. We know how much you love it here. For those that haven't read the book, there's a whole background on why it was so impactful to you, which I think is just really neat. I want to be mindful of time – we have about 10 minutes left, and for those that do have questions that they'd like to ask Dave, please fire them our way – I think we can still fit in a couple more. In some prior conversations that you've had, Dave, on other podcasts, I don't know how deep you've gone on this topic, but you've talked a little bit about why Evergreen might be a better path for women in business, or disadvantaged minorities who traditionally secure a small share of VC funding another way, like for the for those founders that are starting companies. Can you talk a little bit about that and maybe explain a little bit more on that thinking?

Dave Whorton:
I'd be happy to. The neat thing about the Evergreen model is that you don't have financial gatekeepers. In the world where you think everything has to be "get big fast," and the gatekeepers are the angels that lead you to the VCs that lead you to the later stage VCs, etc. There's this constant raising of capitals and networking – it's kind of an insider's game, no matter what you say. If you're a top computer science person, or a person coming out of Stanford, you're probably going to get a real serious look by a venture capitalist. If you're a minority coming out of small town and didn't get a college degree, good luck.

What I love about Evergreen is that if you have the discipline around early profits - and patience for both profits and growth - you're forced to focus on what really matters. You have to find a customer you want to serve, and a product or service that truly creates value for them. They're your gatekeepers. They're the ones who decide whether you succeed or fail. You're competing in the marketplace - not selling yourself on an idea or a future just so you can raise money. You're actually doing the hard work of delivering value to that customer.

It's the same with your employees. You learn over time - often by getting it wrong - who really belongs on your team, what you stand for, what your culture is, and how you operate. At some point, you get good at this. You've got happy customers, happy employees, and as Anna Taylor likes to say at Enterprise, "those profits sure start to take care of themselves."

I want people to understand this: whether you have a high school degree, a college degree, or whatever your background is - you can build your own company. You can own it. You can control it. Hopefully we can give you ideas and support so you don't feel isolated. Because one of the benefits of being venture-backed is exposure to a lot of ideas, people, and an entire ecosystem. But why not create the equivalent for Evergreen entrepreneurs? That's what I love about what we're doing here with EJ Plus.

For women specifically, I learned something powerful from Jessica Herrin. In a venture-backed company, the pace is grueling. The expectation is constant growth, year after year. If a woman CEO says to her board, "I'm going to have my first child, I'd like to slow the business down a bit," the answer is usually, "Then we need to replace you." But in an Evergreen company, it's your company. You set the pace. That's exactly what Jessica did. She decided to slow things down one year, and she told her investors - including me - that she expected slower growth because she wanted to invest in this personal season of life. Ironically, she still had a strong growth year - but she gave herself permission, and that's the beauty of PACE. You can prioritize other things that matter. That kind of flexibility would never happen in a traditional VC context.

And that's why I want minorities, women, and anyone who feels underserved - or who doesn't have access to capital markets - to understand: this is not a barrier to building a great Evergreen company. You don't have to settle for being "just" a small business unless that's what you want. If your ambition is to build something great, and you're committed to serving your customers and employees with focus over a lifetime, you can create something of real significance.

Ryan Drew:
We use this phrase here, that Evergreen companies represent capitalism at its best – and this will be my final question to you – why is that? Why do we say that? Why do you believe that Evergreen companies represent capitalism at its best?

Dave Whorton:
Yeah, that actually came out of a conversation I had with George Parker, a professor at Stanford Business School whom I deeply respect. He's in the finance department and was one of the deans of the school. I don't think he's actively involved there anymore, but he does have a place in Sun Valley - small world, right?

Early in my learning journey, he said something to me that stuck. He appreciated my energy and sense of discovery - I'd be like, "Hey, look what I'm figuring out!" And he said, "Yeah, that's interesting. But just keep in mind, Dave, the greatest calling of a company will always be to become a public company."

At the time, that didn't feel right to me, but I couldn't really argue it. I didn't know enough. So, I just said, "Well, maybe we'll have to agree to disagree." And over time, I'd go on to argue the opposite – pretty aggressively.

Ryan Drew:
Strong disagreement?

Dave Whorton:
Yes, because I’ve seen it; the contribution Evergreen companies make to their communities is incredible, and they get so little credit from society for it. But they do it anyway, because they know it’s the right thing to do.

Take the Meyer family, for example. That’s an incredible company out of Grand Rapids in the Midwest. The fact that the family will not take a distribution larger than the company’s philanthropic giving in any given year is amazing. Have you ever heard that from a venture capital, private equity, or public firm, that they will give more to philanthropy than to the owners in a single year? For them, that’s just the rule.

Or look at the generosity of O.C. Tanner’s descendants and how much they do philanthropically. And while I point to philanthropy, what’s probably even more important is the jobs they create, the career paths they provide, the opportunities for people to grow, learn, and take pride in their work. That alone is a huge contribution, and then on top of that they give even more.

How could that not be the greatest calling of a company? To me, it feels absolutely clear now. Maybe not twelve years ago, but certainly today.

Ryan Drew:
Thank you, Dave, for doing this. I really appreciate it, and I hope that those that did ask questions feel like they got their questions answered. We're really excited about kicking off this new set of EJ Plus Live Events, this being our first. We're excited about those that are upcoming. You'll see those coming your way on the website via communications to you as all as members, and we look forward to seeing you on this platform again soon. Thank you all for taking time out of your Thursday, and we look forward to seeing you soon. Dave, thank you very much for doing this. Appreciate it. All right, talk to you later. Bye.