Brian Gracely (00:01.58)
Good morning, good evening, wherever you are, and welcome back to the Cloudcast. We are coming to you live from the massive Cloudcast studios here in Raleigh, North Carolina. Hope everybody is doing well. We are into November. We're getting into the home stretch last two months of the year. Hope everybody is doing well. Another weekend perspective. And I've been thinking a little bit, obviously, a lot of the shows we've been doing lately and what feels like the conversation is around the tech industry is really this transition from

you know kind of the the cloud era continuing to sort of evolve on because errors don't tend to To go away anytime, know quickly and then the beginning of the AI era the generative AI era and and kind of the transitions that happen between that and I've been doing a lot of thinking over the last few months in particular just kind of about what happens when we have these transitions between arrows and You know a couple of things kind of come to mind. Obviously there is a lot of excitement around the technology. There is a lot of uncertainty around

you know, something is new, something is different, something is changing. So what does that mean? People enjoy certainty more than they like, even newness. but then, you know, more so, you know, there's, there's been a lot of, you know, kind of figuring out like, what what's gonna happen next? Like, what's what's gonna win? What's gonna lose? What, you know, what trend will will evolve? What which one will stick and all that sort of stuff. And, you know, I've been trying to figure out, you know, the only thing that happens with these transitions is very rarely, do we see the same

kind of marketplace kind of move from one era to the next, right? So, you know, the internet era was defined by a certain set of companies. was, you know, Sun and Intel and Cisco and a few others. You know, the cloud era was defined by AWS. The browser era was defined by Netscape and then Microsoft and eventually Google, obviously the search era. So we've seen all these eras and, you know, even mobile era, you know, Apple came into the picture and so forth.

Brian Gracely (02:00.172)
So we don't necessarily have the same sort of leading company sort of, you know, dominate. then usually the, sort of hierarchy of first, second, third, all the way down to some number, you know, tends to get sort of mixed up. And so I've been, you know, as much as people have been talking about the sort of transitions of arrows and, know, are we in the beginning of a, you know, a bubble in this new era with AI, you know, you're also starting to look at, you know, what, what does it look like in terms of the dynamics of the marketplace, right? Like our certain companies.

positioned better to continue where they are today, you know, and say a top quadrant or a top third or whatever, are other companies who maybe have been struggling, you know, beginning to just show some light and come back, are there new entrants that are coming along? And I thought it would be sort of interesting to dig into one parallel that I'm starting to see between a couple of large companies, especially who defined one era and are beginning to move into a second era and whether or not their dominance in one era, you know, will continue or if they're starting to

exhibit some behaviors, some early behaviors, some behaviors that look like previous era companies that maybe didn't necessarily transition in the way that they had in the previous era. So I wanted to dig into that right after the break.

Brian Gracely (00:01.71)
And we're back. And as I mentioned at the top of the show, I want to dig into, again, the sort of exploration of the transitions that we're seeing. And in particular, there's been a lot of talk over the last, I don't know, couple of years even. Definitely this year, but last couple of years, especially as we've seen Nvidia's stock price.

go through the roof. know, now I saw, know, Nvidia now as of November here, 2025, $5 trillion in market cap. And, you know, just to put that into perspective, I think Cisco got to about a half a trillion dollars in market cap when it was the biggest company building all of the, you know, building the vast majority of internet plumbing during the, you know, late nineties, early two thousands. And so, you know, that sort of puts in perspective for you.

you know, what is that 10x in terms of size, you know, the size that the internet has become even after the internet bubble burst in 2000 2001, right. But there's been a lot of a lot of talk about how, you know, is Nvidia kind of showing similar characteristics, whereas the market treating Nvidia similarly to what they did Cisco way back in the day. And, you know, there are there are lots of parallels in terms of you know, was there was their stock price?

You know highly inflated or overly inflated inflated or you overvalued whatever number whatever You know terminology you want to use for it. Maybe it was maybe it wasn't who knows You know can it sustain that level if its customers, you know people that are now building AI applications Aren't necessarily profitable, you know and again people can question whether or not the open a eyes of the world or others are profitable and You know, that's a great discussion to have and and so there's been a lot of parallels between like is

Nvidia sort of the the you know, the company that mirrors Cisco the most during this AI bubble and or AI run up, right? People would also argue we're in a bubble too, but bubbles are only you bubbles until they actually break until then it's just a run up, right? And and, know, the argument can be made for that. There are some parallels to that. You know, there are some non parallels in terms of like supply and demand. They're different this time around.

Brian Gracely (02:21.55)
and what we know and the scope of what's out there and the level of competition that's out there and all that sort of stuff. But the company that's of starting to jump to mind for me, or is starting to look to me more like Cisco of that era. And again, I talk about Cisco partially because I was there in the middle of it during that period. kind of a first row seat, front row seat, if you will, to what was going on and kind of the manias that was going on around the internet.

But the company that's starting to kind of look like that to me more so is Amazon. And here's where I kind of draw those parallels. And Amazon has been in the news lately for a bunch of different reasons. Obviously, if we go back a few years, we go back to July of 2021, Andy Jassy, who had famously helped build and grow AWS into the juggernaut that it was in terms of cloud computing.

kind of the absolute leader. We've talked about him being a first ballot Hall of Famer in the cloud Hall of Fame. Andy Jassy took over running Amazon, became the CEO of Amazon in July 2021. Ever since then, it's been an interesting time and he took over an interesting time. We were kind of coming out of COVID, not necessarily coming out of COVID, but the pandemic had started to dwindle. There was a...

you know, somewhat of a cure for it or at least a you could you know, you could get vaccinated for it. But, you know, he sort of took over Amazon at a time when there was a part of Amazon that was growing like crazy because everybody had shifted their behaviors to you know, kind of ordering online everything online from toilet paper to anything you wanted to all the time because it was just more convenient and it, you know, potentially made you safer from a health perspective. But at the same time, you know, there was sort of an over

reliance upon Amazon, people weren't necessarily going to kind of live that life of ordering everything all the time. And so Andy, you know, kind of had to take over the time when it felt like, you know, Amazon was at a huge peak, their stock was was way up at the time, all of these sort of, you know, big internet stocks were way, way up. But then the reality started to set in. And people got back to a normalcy, in which, you know, from a retail perspective, they weren't buying nearly as much

Brian Gracely (04:45.882)
They weren't valuing the immediacy of delivery nearly as much. Amazon had built out a ton of capacity, so they had sort of overcapacitized on the retail side of things. On the cloud side of things, companies did a lot of rationalization of, does everything, while we put everything into the cloud, does it need to be in the cloud? Does that make sense? Is that still cost effective? Do I need to be as robust in the cloud as I had been in the past? We heard stories of companies who were keeping

you know, five and seven X copies of data just because, that was easy to do. you know, Snowflake told us to do it. And companies kind of came back and said, whoa, whoa, whoa, why are we doing this? You know, our cloud bills are pretty exorbitant. And so that first year or so, maybe a year and a half of Andy's tenure, they went through some, you know, reorganizing, rebalancing, again, to kind of go from one state

of you know, 2000 2001 2002 to you know, what 2003 was going to look like and even in 2004. So they had done a ton of hiring, they had to rationalize that they did some layoffs. And, you know, so was it was a bumpy time. The stock did appreciate somewhat it's up about 24 % since Andy took over. And this episode is not intended to be a critique or a criticism of Andy's tenure at Amazon. It's just a

kind of an evaluation of, know, Amazon has a couple of things that sort of happened, right? Like, they have become incredibly dependent upon AWS to be their profit center. you know, AWS is a very, profitable business. It continues to be even more profitable year over year. I'll put a link in the show notes. There's a good chart sort of showing how that's grown. But at the same time,

you know, some other trends have sort of come along, right? We've seen, we've seen them go through now, the second CEO since Andy's been there, Adam Salipski was there. Adam struggled, or at least, you know, was perceived to struggle, kind of missed the generative AI focus that a lot of companies are getting a lot of bump for, you know, kind of stuck with their previous approach of, you know, we're going to do everything around builders. And, you know, we're seeing more of a sort of a solutions approach happening around generative AI, whether it's, you know, SaaS like services or

Brian Gracely (07:03.118)
you know, API access to a model or, you know, chat GPT type of interfaces and so forth. you know, we're seeing some of that, but I think what's most interesting to me and what draws the parallels for me, and I'll pull up a couple of things here. It's really kind of four or five things that are kind of drawing these to me. they're sort of, they're saying to me, you know, Amazon is going to be an interesting company to take a look at as this transition happens. And again, this isn't intended to be a

you know, what was Amazon or Amazon's in a terrible place. I mean, I think we had this conversation, you know, a few years ago about, hey, what's going on with Google, right? Google is, you know, wasn't really figuring out cloud, you know, people were, I mean, us included, you know, we're saying like, hey, are they sure they should stay in the cloud business, right? They're still, they're not making any profit in cloud. They're not growing at the same rate that everybody else is growing. You know, their AI story appears to be in shambles. They're, you know, it's crazy. They invented AI and

And now they're not, you know, they're, kind of getting lapped by other companies. You know, you fast forward two or three years and Google is in a tremendous position, right? Their cloud business is doing extremely well. Their AI business is doing very, very well. Their TPUs strategy looks to be very, very prominent given, you know, the challenge that other companies have in terms of getting Nvidia GPUs and so forth. So this is not intended to be a, you know, what was Amazon or sort of a knock on Amazon, but it is an interesting, to me, it's an interesting.

kind of look at where they're starting to have some parallels to, you know, sort of what they would call the old guard companies that, you know, they, they try very hard not to be. So, you know, a couple of things that kind of came to mind. So the first is, you know, we are seeing a significant change from one industry era to the next, right? So in the case of Cisco, it was, you know, the era of going from the internet, but also on prem.

enterprise just beginning to build out their on-prem stuff to SaaS, SaaS sort of taking out. And what that did was really consolidated a lot of who the buyers were for networking services. It also really changed the paradigm of how the internet began to work. And it introduced a whole new set of competitors that they hadn't necessarily gone after and a whole new dynamics of that market. In the case of Amazon, we're seeing the transition from the cloud era to the AI era. And we're already beginning to see that those

Brian Gracely (09:24.14)
behaviors and those architectures and so forth are different, right? And Amazon, even to this day, still really kind of pushes very hard on kind of their primitive model of, don't mean primitive in terms of like, not mature, but like their model is built around around builders and you do it yourself. And what we're seeing, at least in the early stages of the AI era is much more people are looking for solutions. They're looking for things that are

that are more now based as opposed to let me build a bunch of things and we'll kind of evolve them. The second thing is, companies that were in a once dominant position in the market now appear to be less dominant. So just to give you an example, even Cisco during the 1999, 2000, 2001 era, there was a slide that John Chambers would show all the time at company all hands meetings. And he would basically say, hey,

our market value is more than our next 20 biggest competitors, right? It was, you know, sort of this, you know, brag and, and, you know, statement of like, look how well we are doing in the marketplace. We are so much bigger. We are so much more influential than their next biggest 20 competitors. And, and Amazon for the longest time would always talk about, Hey, we have a seven year headstart, you know, in the cloud versus everybody else. Look at where we are in the Gartner magic quadrant. are far up into the right. Nobody else is in our same sort of

area and you look at that now and You know, there are many companies up in that space right again the hyperscalers Even including now Oracle and others have sort of moved into that space now. Nobody is as Profitable. Nobody is as large in terms of revenue still but in terms of growth rates over the last three or four years You know the the the marketplace has has very much sort of

created a level of equilibrium that didn't exist six, seven years ago. And so again, you move from a very, very dominant position in which you dictate the market, you dictate the way people talk about the market too. You are in a strong position amongst one of many. that changes the dynamics of saying, hey, we never think about our competitors too. We only think about our customers too. I gotta think about my competitors because

Brian Gracely (11:41.774)
The conversation about my competitors is as much about what we talk about with our customers as just what's the new features that we're coming out with. So we're seeing those parallels happening as well. At Cisco, we all used to walk around with a little badge. When you used to have a physical badge to get into buildings, you carried around two badges. One of them had your picture on it, and it would let you in the buildings. And the second one was another little badge that was on the same little lanyard.

and it would have like the six or seven guiding principles of the company. And they were very much similar to the Amazon kind of guiding principles or leadership principles. It was all about striving for excellence and working collaboratively as a team and about being the change for our customers and putting customers first and all those sort of things. And what started to happen over time was number one,

you add a lot of employees that kind of worked around when the company was smaller or more nimble or those principles were really dictating every conversation. And then over time, what starts to happen is, you know, the market changes, things evolve, and you start adding more and more, you know, principles. And we started to see Amazon do that. Andy's, you know, added a couple more principles here and there. And again, you know, even at Cisco, we used to joke that, you know, the principles used to be pretty easy to read, you know, there's only eight of them, they could fit on a, you know, two by three.

little little card, they got to a point where they had like 26 or 27 of them and the font was so small on them that, you know, people were just always sort of adding things because they were like, well, the markets change, I got to add a thing, I got an add a thing, I got to a thing. And ultimately, you know, the knock is not that you, you know, didn't evolve with the market or listen to the market or make changes for your company. It's that you, you know, you made culture the center of everything that you were doing.

And then, you you look back on it and you've added all these things and you sort of go, well, what, what is the culture anymore? If the culture is 27 different things, let alone seven or eight things, you know, what does that mean? Does that mean we're sort of anything to everybody? The culture is whatever you want it to be. We can just kind of keep adding things. And I think the reason I highlight this is, you know, when Amazon has done their recent, their recent reorganization, they laid off 14,000 people. And again, we're, never excited to.

Brian Gracely (14:01.838)
to really talk about that. not trying to praise that in any way. It's, you know, it's unfortunately part of the business culture. You know, they, they were very adamant to say, well, this really wasn't about our earnings numbers because they, they had great earnings numbers this last quarter, right? They even, know, the Amazon AWS business was up 22%. They made their numbers. They, you know, they, and they also said, well, this wasn't about AI. I don't want to make this about just like, you know, AI is replacing people. said,

you know, we need to, you know, evolve our culture, get back to being more nimble, we need to be able to, you know, stay nimble and continue to strengthen our organization. And this is the second time in two years now that they've had to send out a note saying, hey, we're strengthening our culture and our team, we're strengthening our organization. And and ultimately, what that means, at least, you know, historically, what that means is, it's, it's very hard to change culture. And, you know, I, we joke all the time on the show that whenever there's an acquisition,

You know, they're you some some large company buys a smaller company, you know It's one thing to to acquire their technology But anytime you know that that CEO of the smaller company goes well They acquired us for our culture and they really want to bring our our smaller nimbler culture into the bigger organization You you kind of you know from from years of experience having lived through it and having watched it happen like that doesn't happen right like you can't you can't change culture and

you can't really put culture in reverse and go back to a time when you were smaller or more nimble or whatever. And just by laying off people, you know, it doesn't, it just kind of doesn't work that way. And, you know, again, this isn't us, you know, saying for sure, we know this is what's going to happen at Amazon, but just having historically seen this happen at any company of any size, and Amazon is a larger company, you know, whether they work in the office or don't work in the office, it is very, very hard.

once the company gets to a certain size, you know, to just magically be like, gosh, I remember the good old days when we just had great ideas, and it was on a whiteboard, and we all would stick around it till late at night and invent this thing. And it just, it kind of can't work that way, because the business is now bigger, the expectations on the business are bigger and different. You know, we used to have a thing when I was at Cisco, where people had great ideas all the time, right? It wasn't a matter of like, there wasn't enough good ideas floating around.

Brian Gracely (16:22.946)
But what would end up happening is the ideas, literally people would go, well, that's an interesting idea, but it's not a whatever the threshold level idea was. And at some point, the threshold was like, well, it needs to be a $20 million idea. So if a customer were to reach out to you and go, hey, I want this new feature, you kind of had to go, well, do I think that's going to generate, say, $20 million in new revenue for the company? And eventually, over time, became $1 million. It became 20 or

$25 million eventually became like, you know, a half a billion dollar idea because what, people would sort of tell you is, well, when the company grows to a certain size, um, you know, in order to, move the needle in order to, you know, convince wall street that what we're doing is, interesting, right? You're a public company in order to, uh, you know, be able to leapfrog something else that's getting funded within the organization. needed to seem pretty big and pretty, consequential. And, know, What ends up happening is some great ideas exist in the company, but they just kind of can't go anywhere because it didn't, you you couldn't prove that it could, it could cross that threshold. And oftentimes you would see people leave. You would see people go on to invent that thing somewhere else. and you know, I'm not saying that's necessarily what's happening in Amazon, but I, I, know, I feel pretty confident that that's the kind of conversation that probably is happening, right. And in the past,

you could spin up a new two pizza team. And I'm sure they still go through the six page process. And I'm sure they still go through a lot of the same processes. But when you are, you know, AWS, and you're doing $120 billion in revenue, you know, whereas 10 years ago, you were doing $3 billion in revenue, right? A new big idea is just it's just a different category. It's just a different level of scope. It's a look, it's a different level of like, ooh, how could we change the world?

And so, you whenever I see this now, like, hey, we're going to we're going to evolve the culture back to something more nimble, we're going to change the culture back. Again, it is nearly impossible to it's nearly impossible to change the culture. Now, you can change the culture from within and if leadership drives it, you can potentially do it. It's very hard for, you know, an acquired company or a new leader to come in and just go, I'm just going to change the culture. That's very

Brian Gracely (18:45.346)
very rare, very few, and far between, right? Those sort of Lou Gerstner sort of stuff at IBM. But it's almost nearly as impossible to sort of go, I want to put the culture in reverse, go back to a time when we were smaller and more nimble just by laying off some people and sort of be like, OK, this will get fixed, right? And again, not that this can't happen, right? Like we're seeing it happen at Google, where

people said, you're not organized well to do the thing. Now, I would argue they're probably not changing their culture as much as sort of going, OK, we're getting rid of some problems. We're putting the right people in charge of some stuff. And that very well might be what Amazon's doing. But I will say that when you start having frequent layoffs, unfortunately, sort of what I'll call death by 1,000 cuts, because what ends up happening is like, OK, yeah, you have

a big cut, this one's 14,000, they had another one not too far, not too long ago, have to go back and find the notes. But what ends up happening is there's two things that people care about a lot, well, there's three things people care lot about at their job, especially at tech jobs, right? One is, am I working on something that's interesting, right? Because you're there 365 days a year and many, many hours of the day, and am I working on something interesting? Do I think this is something that's gonna be, you know,

You know relevant in our industry and a big deal on our industry. Am I keeping up with what's going on? I mean, that's that's always you know, somewhat top of mind for people in the tech industry because our industry does change so much But the other two things are just things that that every person worries about number one is you know What's my compensation going to be right? How much am I getting paid because I have day-to-day things I have to worry about can I pay my bills, right? Am I able to take care of my family? Am I able to to save and plan for things in the future, right? So, you know in Amazon's case

You know so much of their culture has been driven by You know the fact that you know their compensation is it is or at least was incredibly incredibly Driven by the stock price and the stock price is just not on the same sort of runs over the last four or five years that it was you know in the previous 27 years, which you know was a You know complete anomaly to a certain extent an amazing business that the Jeff Bezos and others built

Brian Gracely (21:04.737)
But when your compensation is materially impacted by the fact that you're not growing at the same rate that you were five, six years ago, that's part of people's kind of psyche. And the other part is, is there stability in the work I'm doing? And I will tell you again, from having been at Cisco and been at other places, once you get into the death by a thousand cuts, the, we're having layoffs this year, hey, we're having layoffs again this year, hey, this is...

the biggest set of layoffs since the last set of layoffs and the kind of headlines that come along, you will get a lot of people and maybe it's the people that you don't want to stick around, but you get a lot of people because people tend to be risk averse even in fast moving companies. Not everybody wants to be the hair on fire, YOLO, what you're doing. People start to worry about, am I the next one in this group? Am I the next?

it will impact what you do. will, it will change the way that, you know, subconsciously you're thinking about, okay, you know, what do we want to, what do we want to present to people? What do we want to say? You know, do I, do I not want to be the complete outlier of what's going on? And quite honestly, what ends up happening is as much as maybe you have the best of intentions, maybe you're Andy Jasky and you have the best of intentions and you're like, look, we are an amazing company. We have an amazing culture. We just need to sort of

dust off some things and scrape off some things and kind of clean up some things and get us back to where we were. The trust that people had in leadership that had been built up over the building the stock price up to huge levels and being an amazing group that built AWS, it becomes eroded because what ends up happening is people go, hey, I trusted you. You told us where we were going. I trusted where you were going.

You told us to go in that direction. You told us to start this new group. You told us to hire those people. And then some of those things didn't work out. And now we're getting the blame for it. We're getting fired for it. You were the one who told us to go build that thing. You were the one who told us to go hire those people to make those investments. And now you're coming back and going, we got those things wrong. the leadership's not to blame. The employees are to blame. And again,

Brian Gracely (23:21.816)
People could argue, well, leadership didn't make as much money or leadership is now at greater risk and maybe they're going to get sacked by the board and all those sort of things. But at the end of the day, the everyday workers are the ones going, I'm supposed to trust you. I'm supposed to believe in you. I'm supposed to put my future in your hands because again, you told us to go in this space and that space. And that group got laid off and this group got laid off. And that thing that was a big deal two years ago, you're now telling us doesn't even matter to the company.

And, you know, it begins to question the leadership of it. And we saw this happen at Cisco. know, Cisco went through many, many, many, and they still go through this. Unfortunately, you know, it feels like every year there is a announcement of X hundreds of people, X thousands of people are getting laid off. and it's, you know, it's like, the stuff that was cool five years ago is no longer cool. And we're getting rid of that, those mistakes and moving on to the next set of things that we think are going to be the next big thing. And, you know, there's

There's an argument to be said of like, well, you know, you've got to constantly experiment. You've got to try and move in new directions. You won't get everything right. But from a culture perspective, if your idea is like, hey, we're bringing back this strengthening of our culture, this nimbleness of our culture, just from experience, those things sometimes work counter to what you think they do. it takes a lot to sort of get back to it. And again, I'm not by any means

predicting the the downfall of Amazon or the failures of Amazon or that their their leadership is not capable of any of those things. They are an amazing company, an incredible company. mean, you know, even even in difficult times, right. And again, they're they're starting to live in a world in which, you know, their stuff is not just technology. It's not just, hey, we're doing retail. It's you know, they have to deal with geopolitics. They have to deal with, you know, supply chain things that are, you know, global and I mean, just problems that didn't exist 10 years ago, 15 years ago.

But sometimes when you do see parallels to a company that went through similar types of things at a time when it was like, they are the biggest company in the world. They are the most important company in the world. They are leading the way for what our future will look like. And then you start to see similar behaviors. You start to go, OK, I've seen this movie before, if you will. And like we like to say in our industry, history doesn't always repeat itself, but it does tend to rhyme quite a bit. As I'm thinking about it and I'm looking at it,

Brian Gracely (25:48.814)
It does feel a little bit like the company that may have more parallels to Cisco of 2000, 2001, 1990s, late 1990s to early 2000s and how they evolved is less Nvidia and maybe more Amazon. And I don't know if that'll prove to be true. We've seen many times covering things on this show for many years that companies, especially strong companies, especially large, well-funded companies and well-backed can evolve over a few years.

Um, but you know, as, as we sit here in this transitional period and we're trying to figure out, know, will the landscape look like it did in the previous landscape? Um, you know, there are some, there are some interesting parallels is all I'll say between where, where Amazon is, where they're going, some of the decisions they've made over the last three or four years. And, and what happened with Cisco as they sort of transitioned from the biggest company in the world, the most important company from a technology perspective in the world to one in which people went, okay, yeah, that era is, is well defined in that company.

played a critical role in doing that, but do they still play that role? And, you know, in Cisco's case, it didn't necessarily work out. I went back and looked at their peak, their stock price was $70. 25 years later, their stock price is now $73. And it has been 25 years of trying to climb back to even getting close to being where they were, you know, back back in those days. So, you know, not saying that's going to happen with Amazon. This isn't a you know, don't take this as financial advice or

any that, but you sometimes there are some parallels that are worth looking at and going, you know, will they learn from the past? Are they blazing new trails because the world is completely different and maybe it is. But it's interesting to sort of watch where they're putting their emphasis, you know, right now. So with that, I don't know, I'll wrap it up. Again, we're always looking for, you know, as we go through transitions, both to learn.

what's happening with the technology following the money, but also looking at are there parallels to what we've seen in the past. So maybe this sheds a little bit of light on a little bit of what's going on. Anyways, we'd love to hear your feedback. Let us know what we got right. Let us know what we got wrong, where we're crazy, where we don't understand the differences between 20 years ago and today and where the world's going. So let us know. Show at thecloudcast.net. We'd love to hear your feedback. So with that, I'll wrap it up. We'll talk to you next week.