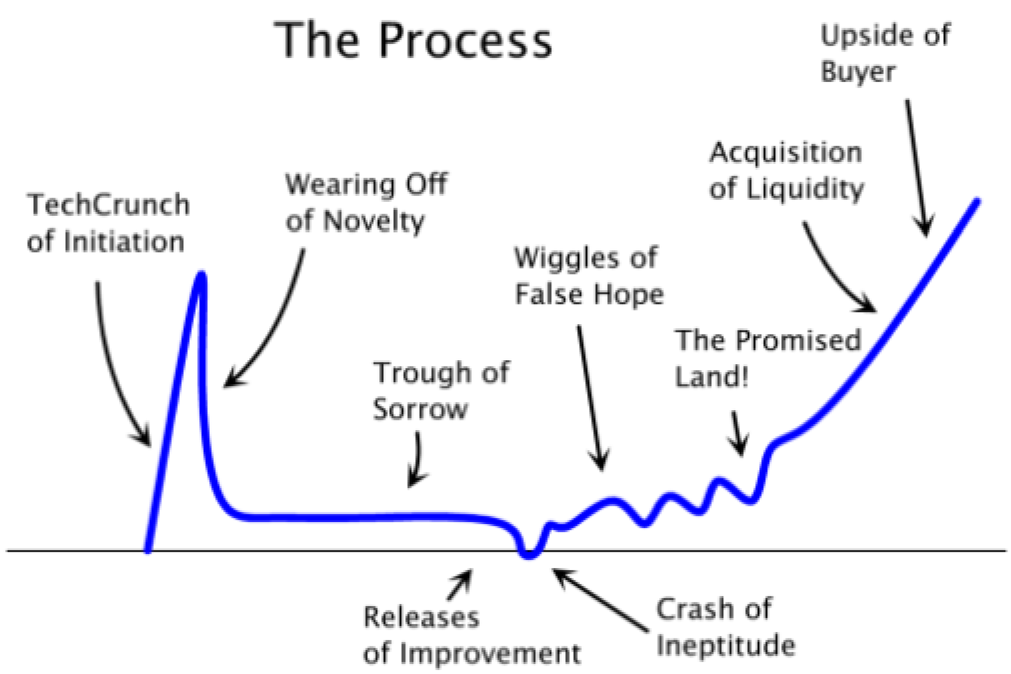
# *On How to Start a Startup*

By Blas Moros

# the startup curve



Intro

Sam Altman and Y-Combinator hosted a class at Stanford called *How to Start a Startup*. These videos are on YouTube for free too and a great resource for anyone interested in starting a company, or for those wanting to implement some of these ideas, learnings, and tactics into a company they've joined.

Lecture 1: How to Start a Startup, Sam Altman & Dustin Moskovitz

1. 5 things vital to a successful startup: a great idea, team, product, execution, and luck
2. Idea:
    1. Start with an idea you're passionate about before anything else. Hard to know what is a good idea because most great startups seem like terrible ideas at first. Have to be unconventional but right
    2. Joining a growing market is far more important than having a quickly growing company. Need these tailwinds behind you
    3. Have to be able to answer "why now?" Why is today the right time to start your startup
    4. Must first think of your audience, the public and then figure out what you want to make or express to fit their needs. Most people do the opposite. You need to keep your focus on their changing needs, the trends that are washing through them
3. Product:
    1. Building a great product is step 1. Everything else is a distraction and if you build a great product, most other things will fall into place
    2. Build something users love – talk to users constantly. Start with something simple and then can move onto more complex things if wanted/needed
    3. Start with a small group that loves you rather than a massive amount of users that feel so-so about you
    4. Know you're getting this right when you get great organic word of mouth advertising
    5. Do things that don't scale at the beginning – get fanatical customers who will give you consistent feedback. The best companies usually have the tightest feedback loops
    6. Metrics to focus on: growth, total registrations, active users, activity levels, cohort retention, revenue, net promoter score
4. Why to Start a Startup – Dustin Moskovitz

1. Why not to start a startup: responsibility for a lot of people, always on call, fundraising, unwanted media attention, in reality not really the boss – report and need to take care of everyone else, you're a role model
2. Best reason to start a startup: can't not do it – you're so passionate you have to do it, something the world needs and needs you to do it
3. Join a well-established company: can get compensated very well, can maximize impact due to scale/scope/reach/financing

Lecture 2: Team / Execution, Sam Altman

1. Team:
    1. Co-founder the most important relationship to get right. Better to have no co-founder than a bad co-founder but still typically suboptimal to be solo
    2. Need someone relentlessly resourceful, tough, calm, technical
    3. 2-3 co-founders ideal
    4. Avoid the pressure of hiring and having a big team: try not to hire until desperate, stay small until you need to. Cost of getting a new hire wrong early on is devastating. Have a high bar and hire slowly
    5. Once you have to hire, hire the best people possible. This is one of the hardest processes and will take most of the founder's time. Sell the vision, mission, and convince them they're joining a rocket ship. Spend either 0% or 25% hiring
    6. Best source by far for hiring is people you and the employees already know
    7. Experience matters for some roles and not others – go for aptitude over experience
    8. Look for: intelligence, do they get things done, can I spend a lot of time working with them?, good communication skills, maniacally determined, pass the "animal" test, would feel comfortable reporting to them if roles reversed
    9. Ask about projects they have done in the past – track records are important
    10. Do a lot of reference calls – are they top 5% at what they do, what specifically did they do, would you work with them again, would you hire them again (if not, why not?)
    11. Employee Equity – give ~10% to first 10 employees over 4 years, vesting is very important
    12. After hiring the best, have to retain them! – make sure they're happy and feel valued, let team take responsibility for all good that happens and you take responsibility for all bad, continuously give people more responsibility, give them autonomy, mastery, purpose, most first time CEO's are very bad managers but can learn quickly
    13. Fire fast: hire slowly and fire quickly, fire those who engage in office politics and who are always negative
    14. Really good people can always find a role in the company, even if it changes from their original role
    15. In the early days, communication and speed outweigh everything else – be skeptical of remote teams
2. Execution:

   1. Often not the most fun but it is the most critical
   2. Way to get the company to execute well is to model it yourself. Everything in startups gets modeled after the founders. Whatever the founders do becomes the culture. None of this can be outsourced
   3. A big part of execution is effort but you can get much better at it
   4. CEO has 5 jobs: set the vision, raise money, evangelize, hire and manage, make sure the entire company executes (set the execution bar – can you figure out what to do? and can you get it done?)
3. Focus – What are you spending your time and money on.
         1. Find 2-3 important things and defer, delegate or ignore the rest. Trick is to say no a lot and this is very hard to do
         2. Set overarching goals. Repeat them
         3. Communicate – even a small communication breakdown will lead to people working on different, not optimal things
         4. Maintain growth and momentum – the startup will die without this, this is the lifeblood and lead to flywheel effects (positive and negative)
         5. Work together in person
         6. If disagreement rises between team, ask users and do whatever they recommend
      2. Intensity
         1. Not the best choice if want a great work/life balance
         2. A small amount of extra effort on the right things can make all the difference
         3. One of the biggest advantages startups have is execution speed
         4. Relentless operating rhythm – ship product, launch new features, reviewing/reporting metrics and milestones
         5. Obsession with execution quality – move fast and break things but care about quality everywhere. Hard to balance but it has to be done
         6. Bias towards action
         7. Every time you talk to great founders, they've gotten new things done
         8. Quick
         9. Do whatever it takes
         10. Show up

11. Don't give up
12. Be courageous
13. Be an execution machine

Lecture 3: Before the Startup, Paul Graham

1. Startups are so counterintuitive. Not sure why but it may simply be because knowledge about them haven't permeated our culture yet
2. Paul Graham will provide today a list of the counterintuitive to help you with your startup
    a. Don't let your instincts lead you astray. Startups are so weird that if you listen to your instincts they'll lead you astray. A big part of YC's job is to provide advice to founders that they'll ignore because they *seem* wrong. You don't need advice about things which aren't surprising. Skiing is also counterintuitive and is why you see many ski instructors but not many running instructors
    b. Do trust your instincts about people
    c. You do not need expertise in startups to start a successful startup. What you need is expertise in your own users. It may even be dangerous to try to become an expert at startups if you're a founder
    d. Unlike college and a lot of life, you cannot "game the system" with startups. There is no boss or admissions office to "trick" only users who either love your product or service or don't.
        i. Billionaire startup founders get zero sympathy and can never show fear to their company so this causes people to think that starting a startup is easy as these founders pretty much have to act this way. After a sprint you see an Olympian breathing hard, you never or hardly ever see successful startup founders "sweating"
    e. Things never get any easier. The nature of the problems change but the volume of problems never decreases, if anything it goes up
    f. Do not start a startup in college. It will take over your life and remove most serendipity. For the unambitious, this may lead to the dreaded failure to launch but for the ambitious, time to think, travel, relax is extremely healthy and lucrative over the long-term.
    g. What you're trying to estimate is not only who you are but what you could become and who can do that? Paul Graham may be the world's foremost expert in trying to predict how tough and ambitious people can become and he is still totally guessing
    h. The way to get startup ideas is not to try to think of great startup ideas. If you do, you'll come up with bad and plausible sounding ideas – the worst kind as you'll likely waste yours and other people's time pursuing it. The way to get great

startup ideas is to take a step back, to turn your brain into one which comes up with startup ideas subconsciously. Learn a lot about things that matter, work on problems that interest you, with people you like and respect. How do you know what is a good idea? Real problems are interesting. Be self-indulgent and only work on things which are interesting and you'll likely come up with some good startup ideas. Gratifying your interest energetically is the best way to prepare yourself for a startup (and, probably, also the best way to live). Getting yourself to the bleeding edge of some technology may allow you to "live in the future" and what seems prescient to others will seem obvious to you. You may not know they're startup ideas but you know they're things which ought to exist. Being insanely curious and learning things for its own sake is a great recipe to work on real, important problems. At its best, starting a startup is merely an ulterior motive for curiosity and you'll do it best if you introduce the ulterior motive at the end of the process. Just learn

3. For work that you don't love doing, set up situations that force you to work (deadlines, incentives, bets) but try to do as much work as possible which is involuntary, which you simply have to do. If you work on things you like, you don't have to force yourself to be efficient
4. If you think of technology as a fractal stain, anything along the edge represents an interesting area. You can quickly become an expert in a new branch of technology and develop domain expertise
5. How you identify a real problem is the key question and one Paul doesn't have a great answer to. But, if you can't tolerate working on boring things you likely have a great curiosity which can lead you to working on genuine problems
6. Hiring people you know and like has far greater benefits than the potential monoculture and blind spots which may arise

Lecture 4: Building Product, Talking to Users, and Growing, Adora Cheung

1. Need a lot of compressed time in a row (chunks of time) to think about and develop your startup. Working 2 days straight has far greater benefits than a couple hours per day
2. Problems: Need to identify a problem, how it relates to you, make sure others have it, whether you're passionate about it or not
3. Solutions: learn a lot and become an expert (join industry for a little in order to understand the details and the real opportunities), identify customer segments, storyboard the ideal customer experience, need an obsessiveness about the problem and how to solve it
4. Product: once you are a domain expert and know your customers and what an ideal experience looks like, build a minimum viable product in which you can describe what problem it solves and how in one sentence
5. Users: start with family, friends, co-workers, online communities, niches, local communities, bloggers, cold calls, emails, press
6. Customer feedback: have emails/phone numbers/support set up before getting users but going out and talking to users most important, retention rates, ratings, net promoter scores, make it a conversation and ask why, why, why (meals, drinks), beware of honesty curve (people closer to you will lie to spare your feelings)
7. Feature creep: build fast but optimize for now, manual before automation (early on do things which don't necessarily scale and learn how to do things firsthand before trying to automate), temporary brokenness > permanent paralysis, beware of Frankenstein (listen to user feedback but don't build features right away, get to the bottom of what they're really asking for)
8. "S" is for stealth, and stupid: imitation is cheaper than innovation so people will try to steal your idea if you have a good one, there is a first-mover advantage,
9. Take one channel of users at a time and really learn it. If it works, great, keep going but if not iterate and start on another channel. The key is creativity and occasionally revisiting failed channels. If it was easy and bland, people would already have done it so you always have to find the little thing that nobody else is doing and take it to the extreme
10. Growth
    a. Sticky – high customer lifetime value, repeat users buy more and more, cohort comparison
    b. Viral – wow experience and good referral programs, customer touchpoints, program mechanics, referral conversion flow

c. Paid growth – is customer lifetime value greater than customer acquisition cost, breakdown by customer segments,
d. The key is sustainability and you do this by consistently delivering a good experience
e. Have a growth plan when you start – what is an optimistic but realistic path for this business to grow?

11. Better to have 1-2 major differentiators than 5-10 minor ones

Lecture 5: Competition is for Losers, Peter Thiel

1. You want to always aim for monopoly and avoid competition
2. Simple formula to value a company: a business creates X dollars of value and captures Y% of X. X and Y are independent variables
3. Perfect competition is easy to model and talk about but it is irrelevant in a dynamic world
4. Monopoly gives people incentives to innovate and create but can lead to price discrimination and higher prices
5. There are two kinds of businesses in this world: those that are perfectly competitive and monopolies. There is shockingly little in between and this dichotomy is not well understood as people lie about the nature of the businesses they're in. Those who are perfectly competitive flaunt their differentiators and monopolies say how much competition there is.
    a. We're in a narrow market vs. we're in a huge market
6. Big mistake is to start in a massive market and shrink. Rather, start very small, very nichy and create a product/service users love and grow concentrically from there
7. Characteristics of monopoly businesses: proprietary tech, network effects, economies of scale, branding
    a. Aim to create a product/service which is an order of magnitude better on some key dimension. Or, even better, create something totally new – from zero to one
    b. You want to be the last-mover in your industry – Google is the "last" search engine. The vast majority of the value of a company lies in their future cash flows. People tend to overvalue growth rates and undervalue durability
8. Psychology of competition: often mimetic (lemming-like psychology), competition often serves as validation as people are afraid of failing at something while being different, don't be afraid of being/acting differently

Lecture 6: Growth, Alex Schultz

1. Customer retention is the single most important thing for growth
2. Number one problem Alex has come across when dealing with startups is that they don't have product-market fit when they think they do. If you don't have a great product, there is no reason to try to grow it because it won't work
3. Retention rates will differ for each industry/vertical but a great metric is whether the users who install it, stay on it on a long-term basis when normalized versus a cohort basis
4. Great founders determine what the most important metric is to focus on and hold the team accountable to. At Facebook, it wasn't number of registered users like MySpace and others focused on but rather on monthly active users. Often it is not very clear what the most important thing is for a company to focus on. Job of the CEO to determine the "north star", the metric that if everyone aligned to would help the company thrive
5. Always keep the customer in mind when trying to grow, not yourself or the company. What "magic moment" would drive people to keep coming back – i.e., seeing friends on Facebook, checking into a beautiful home you found on AirBnb…
6. Knocking down "barriers" is really important for growth – Facebook had to move from a social networking site for college students to simply a social networking site
7. Tactics
    a. Virality – payload (number of people you can reach in one blast), frequency, conversion rate % are 3 key factors to understand how viral something is or can be
    b. SEO – do your research to know what key words/phrases you should be targeting, what do people search for related to your site, how many people search for this, how many other people are ranking for it, how valuable is it for you – Google AdWords, getting a lot of links from high authority / credible sites through Google is the most important thing
    c. SEM
    d. Affiliates/referral programs

Lecture 7: How to Build Products Users Love, Kevin Hale

1. Growth is the relationship between conversion and churn
2. Be fanatical about creating meaningful relationships with your users. Origin stories for relationships (first dates, how you proposed, etc.) are extremely important and it is the same for startups (must have a robust narrative). That first impression, that first interaction with the user is hugely important. The teams that build the best product realize/find so many more "first" interactions and "origin stories," to help differentiate themselves – first email, account creation, blank/starting interface, login link, ad link, homepage, landing page, plans/pricing, login, signup, first support
3. Software engineers and designers are often divorced from the consequences of their actions. Can't silo and cut off these departments from customers – need responsibility, humility, accountability. SDD (support driven support) – make everyone do customer support to tighten and sharpen feedback loops and to get everyone focused on the value/service provided to customers, turning creators into supporters
    a. Paul English at Kayak installed one customer service line into the engineering department. After they got the same complaint more than a couple times, they'd solve the bug themselves, immediately
    b. John Gottman (relationship expert) Four Horses of bad relationships – criticism, contempt, defensiveness, stonewalling
    c. Hale's company, Wufoo, would ask users who needed customer support to describe their emotional state. This not only made the customers nicer but also helped the company better solve the customer's issues. This also helps you build better software – direct exposure, for at least two hours, a minimum of once every 6 weeks
    d. Make everyone say thank you – handwritten letters go a very long way
4. There are 3 ways to dominate – offer best price, best service, best overall solution
5. Have to balance building a great relationship with a great product, functionality, wit, humor. Number one focus must always be making it as easy to use as possible and anything on top of that is polish
6. Must go to the deep, underlying reasons why people are asking things from you whether they be complaints, questions, feature requests, more
7. Dangerous to have multiple different product directions – build the smallest, simplest version first and see the reaction before building it out
8. Wufoo didn't like "hackathons" so they did "King for a Day" – they'd randomly select one employee and give them the backing and resources to be in charge for 48 hours.

What people most want and value is making a difference and with this power everyone could eventually have a deep and direct impact

9. Challenges and pros of working remotely: Wufoo saved all companywide business discussions for the second half of Fridays and would only allow discussion to go 15 minutes during the week otherwise it would be tabled until Friday. And, one day was already dedicated to customer support. So, engineers really only had 3 8-10 hour days to build but with focused, undistracted time this was more than enough
10. Wufoo installed profit sharing from the very beginning and bonuses were based on how they did in customer support and whether they achieved the goals they laid out for themselves which is visible to everyone and discussed at the Friday team-wide meetings
11. Wufoo hired people on a temporary basis for a month and gave them a project to see how they performed. They also observed how the potential new hire does with customer support because many engineers don't have the empathy or desire to deal with customers directly
12. kevin@ycombinator.com

Lecture 8: How to Get Started/Doing Things that Don't Scale, Stanley Tang (DoorDash), Walker Williams (TeeSpring), Justin Kan (Justin.TV, Twitch)

1. Stanley Tang on how to get started
    a. Created a crude landing page to see if there was customer demand. Zero risk but helped them decide this was a real market. People were willing to put up with a bad website, look at PDF menus, call in, wait, etc. At the beginning had no drivers, no back end, nothing because at the beginning it is all about testing your idea and figuring out whether it is something people even want and product market fit. They did zero marketing, it was all word of mouth – proof of the latent demand
    b. Test your hypothesis, launch fast, do things that don't scale
    c. Stanley and his cofounders were the drivers, customer support, etc. They did things for a long time which didn't scale. Another benefit of doing things which don't scale is that you become an expert in your business. They learned the ins and outs of drivers, restaurants, customers, etc. They would manually send a personalized email every night to every new customer, asking them how their first order was
2. Walker Williams on how/why to do things that don't scale
    a. One of the greatest advantages startups have is the ability to do things which don't scale. Three places to leverage this advantage: finding your first users, turning those users into champions, finding product/market fit.
        i. There is no silver bullet for user acquisition. Do whatever it takes to bring in your first customers. Can't focus on ROI initially, focus on growth. Does not recommend giving your product away for free. Users have to value your product and often they treat free products very differently than something they pay for. This may deceive you into thinking you can turn free customers into paying customers
        ii. Easiest way to turn customers into champions is to delight users with experiences they will remember. Best way to understand how to do this is to talk to customers – everyday, constantly, for as long as you can. Three ways to talk to customers: run customer service as long as possible, proactively reach out to current & churned customers, social media/communities. Problems are inevitable but do whatever it takes to make them right. One detractor can negate 10 champions but the upside is that your biggest detractors, if handled properly, can become your most loyal champions

    iii. The product you launch with will not be the product that finds market fit. Goal is to go from A to B as quickly as possible. Optimize for speed over scalability/clean code. A great rule of thumb is to only worry about the next order of magnitude. If you have 100 customers, don't worry about what happens when you get to 100,000 – you'll find ways to make each step work
   b. walker@teespring.com
   c. All too often (most of the time?) great ideas start out looking like silly ideas
3. Justin Kan on Press
   a. Before you try to get press, know who your target audience is and your goals (customers, investors, industry)
   b. Types of stories: product launches, fundraising, milestones/metrics, business overviews, stunts, hiring announcements, contributed articles
   c. You don't have to be entirely original, just original enough. Think about the ecosystem and context in which you are trying to break out
   d. Mechanics of a story: think of a story, get introduced (avoid cold calling), set a date (4-7 days in advance), reach out (get a commitment to invest time), pitch (beforehand, write your ideal story, memorize it, and try to cover all major points during interview), follow up, launch your news
   e. PR firms: like everything else in startups, want to do it yourself before outsourcing, can help with contacts (maybe) and follow up, firms can't generate stories, firms are expensive
   f. Getting press is a lot of work so make sure it's worth it
   g. Press is not a scalable user acquisition strategy and getting it doesn't mean you're successful
   h. Keep contacts fresh (establish a good relationship with a couple reporters that you can count on and that you can help too), stay on top of the news and always treat others well and help other entrepreneurs out (golden rule)

Lecture 9: How to Raise Money, Marc Andreessen, Ron Conway, Parker Conrad

1. Conway on what makes him invest: is this person a leader? Is this person rifle-focused and obsessed by the product? What inspired you to create this product? (Hopes it's a personal problem they're trying to solve). Communication skills. Invest and look for extreme outliers. Invest in strength rather than lack of weakness (serious strength often or almost always means serious flaws too but if you don't take that on you'll miss out on the game changers). Frugal entrepreneurs – bootstrap as long as you possibly can
2. Be so good they can't ignore you. Sean Parker – want to get to the point where you could "be the Twitter guys" so that you could pitch nonsense and people would still invest in you. Almost always better off trying to make your business better than your pitch better
3. What should founders do differently when raising money? Entrepreneurs miss the relationship between risk and spending/raising cash. Onion risk – you raise seed money to peel away the first 2-3 layers of risk, series A for the next layers, etc. This is a great, systematic way to think about where to spend the money you raise
4. Don't ask investors to sign an NDA
5. One of the biggest mistakes in fundraising is not getting things in writing. As you leave the office, write an email to the investors with what was agreed upon. Be as efficient as you can, don't obsess with it, get it over with, take notes in meetings and follow up on what's important
6. Seed investors extremely important in laying the foundation of the company so be choosy and ask around who the best are. Knowing the valuation is tricky but don't raise more than you need and just get it done. Most founders sell 10-15% of their companies in the seed round but it is important to know at what level of ownership you will begin to feel de-motivated
7. When you start a company, you have to find a co-founder which is as good or better than you are. This is what makes Google, AirBnb so spectacular
8. Avoid investors with zero/little domain expertise, a limited rolodex to make good introductions, those in it just to make money. Worth spending significant time understanding who you are partnering with for the next 10-20 years. When Ron invests in an entrepreneur, almost always continues to invest in that person in any future endeavors. Do you respect and can you learn from the investor?
9. Trust is everything
10. All VC industry works by constraints, conflicts, opportunity cost. The easy cost everyone focuses on is losing the money you invest but, in fact, the more important loss to think about is what that money could have been invested in instead and the opportunity cost of the time of the partners

11. Invest in people and team first, especially in seed rounds. Don't really know their strategy, product market fit, etc. at this point so have to make sure you trust and believe in the people more than anything
12. When things are going well, the founder is in control but when things are going badly, the investors are in control. Marc has been on boards for 20 years and never been involved in a vote that mattered – all about intangibles and not about the details

SVAngel

# What Ron and SV Angel Look for in a Company

**WHAT WE LOOK FOR**

- Great TEAM #1...."chemistry with Founders"
- Solid idea or product is important - pre requisite
- Company in Growth sector
- Solving a practical and REAL problem
- Network effects and first mover advantage…
- Metrics matter...Know signals of consumer adoption
- Early traction and working beta product
- Good elevator pitch...keep it simple
- Decisiveness--often tested in building the team
- Exec summary important as door opener
- IP does Matter
- Don't over-negotiate terms or dwell on terms…Build a big company!
- Hire ahead of needs if possible and do backdoor references
- Understand success rate
- Distribution and Business Development always important = SALES!

**PERSONAL CHARACTERISTICS**

- Decisiveness--often tested in building the team
- Do not procrastinate
- Be proactive
- Clear vision, all the team understands direction and mission
- Team and team builder as CEO
- Passion
- Flexibility on idea and morph constantly
- Good listeners....strong willed but flexible
- Reliability and responsiveness...
- Move fast...sweat logistics...devil in details
- Execution is everything....make mistakes but learn from them
- Trust your gut...make decisions
- Reliability and Responsiveness
- Over-communicate...with all food chain, Team AND Investors and Customers
- Hire ahead of needs if possible and backdoor refs etc
- Lead by example...24/7 no distractions

**HOW TO PICK INVESTOR**

- Rolodex vs time vs Pedigree and Track Record
- Helping on next round
- How many repeat entreps
- Backdoor references
- Value add
- Business advice....via pattern recognition
- Experience/Mentoring
- Network/syndicate
- Responsiveness

NEVER FORGET…Your reputation is your biggest asset.

Lecture 10: Culture, Brian Chesky, Alfred Lin

1. Culture: everyday assumptions, beliefs, core values and behaviors/actions of each member of the team in pursuit of our company mission
2. Matters because it provides the first principles for the employees to act upon, provides alignment, stability, trust, exclusion (who not to hire, what not to do), and retention of the right employees (FASTER)
3. Core Value Worksheet:
    a. As the leader, what personal values are most important to you?
    b. What are the most important values for business success?
    c. What values will you look for in employees?
    d. What could never be tolerated? (consider the opposite as values)
    e. Remember to incorporate your mission into your core value. Are they credible and uniquely tied to your mission?
4. Elements of high performing teams: trust, healthy conflict and debate, commitment, accountability, results
5. While results are the output (whether financial, a great product/service, or otherwise) the input is culture
6. Best practices for culture
    a. Incorporate your mission to your values
    b. Performance = think deeper, harder, longer about values
    c. Interview for culture fit
    d. Evaluate a performance on culture as well
    e. Make it a daily habit
7. AirBnb was never meant to be the big idea. It was meant to pay the rent which would allow them time to eventually think of the big idea
8. Brian says he was lucky not because they stumbled upon a great idea or anything else but because he found two great people that he respects and wanted to start a company with. He admired them and was almost intimidated by how smart they were.
9. The founders are like parents and the company the child. The company will manifest behaviors, traits, values, dysfunctions, etc. that the founders exhibit
10. Phase 1 is creating a great product and phase 2 is building the company/culture that builds the product
11. While rituals and behaviors may manifest differently and change, there have to be some core ideas, core values that never change. These core values have to be unique to you. Trust, integrity, honesty don't count because everybody strives for that

12. First hires are so important because the next 10, 100, 1,000 hires will reflect these early employees. You need diversity of background, age, skills, religion, etc. but never diversity in beliefs, values
13. AirBnb core values: be a host, every frame matters, simplify, champion the mission, be a "cereal" entrepreneur, embrace the adventure
14. Foundational stories keep coming up and become embodied in the culture – i.e., AirBnb's Obama O's cereal
15. Constraints bring out creativity
16. 3 things people never discuss regarding culture: how important it is, it is hard to measure and what is hard to measure often get discounted, culture only pays off in the long-term
17. Are the best in the world already working with you and, if not, could you hire them? Always be raising the bar
18. 2 part interview process: functional/technical and then core values interviews with people outside of the area the hire would work in
19. Culture and brand are two sides of the same coin. Culture is the principles and belief inside the company and brand is the promise that you make to your external customers
20. By having a weak culture you forego your best brand evangelists – your employees
21. No such thing as a good or bad culture but there are strong and weak cultures
22. If you don't have a deeper core belief which your employees and customers can rally around, you're a utility. And utilities get sold at commodity prices
23. Better to have 100 people that love you than 1m people that sort of care about you. This leads to you starting out doing things that don't scale in order to build that love and trust with the passionate few. Once you make an experience perfect for one person, it's actually not that hard to make it perfect for more. Where people get in trouble is they try to solve both scale and passion at the same time
24. Brian answers many questions with stories rather than linear responses

Lecture 11: Hiring and Culture, Patrick and John Collison, Ben Silbermann

1. Most important parts of culture: who do you hire and what do they value, what do you do on a daily basis and why do you do it, what do you choose to communicate, what do you choose to celebrate (and punish)
2. Transparency of mission and information and the current state helps everyone be on the same stage and work productively together
3. Culture is the resolution to a bandwidth problem. Culture is the invariance you want to maintain as you get involved in fewer and fewer decisions over time as the company grows
4. In hiring: look for people that are talented, that you want to work with, creative, low ego, hardworking, had many different interests and good track records in these (those good in many areas tend to be better collaborators than those who are great in one area), truly want to build a great product, genuine, straight shooters, people who really enjoy finishing things, care a great deal (really bothered even if things are only slightly off), obsessive about details
5. Culture is a lot more like gardening than architecture – you plant seeds and then pull out the weeds that aren't working
6. Early hiring is like value investing – get great people early in their career or find people who are undervalued for whatever reason
7. "Advice is very limited experience, wildly over extrapolated." – Paul Graham
8. There is no wrong place to find great people
9. Common failure mode is starting a company which is too niche, which has too short a time horizon. This can stem from people coming right out of school trying to start a company. Everything in school is judged in months, not 5-10 years like a startup is and this influences their thinking and behavior
10. To hire people in areas outside of your expertise, ask world class experts what they look for and what questions they ask. Also ask them if there are any younger people they really respect, where they work, and if you could talk to them
11. Keep iterating and playing with questions to calibrate over time the best indicators of quality hires
12. Be extremely transparent about why you think working with you will be an amazing opportunity but also the gory details about why it'll be so hard
13. The "10x better person" rule is a bit abstract so another way to think about it is, "is this person the best at what they do among their friend group?"
14. Referencing is so important. Ask the candidate that if you asked a good mutual friend what you are best at, what would they say? Shows self-awareness and creates a bit of

social accountability. Also, can create an artificial scarcity by asking if the candidate is top 1%, 5%, 10%, etc. of people they've worked with

15. Early on the relationships are more natural because there are fewer people but have to constantly remind everyone of where you're trying to go, how, and why. Later on, when the process is a bit more formalized, keep iterating what the entire process from first day on the job through 30 days in looks like – managers, friends, and top priorities for self/team/company, and general architecture of the company. Really get to know them as people (how they learn/work, how they like to be recognized, etc.).
16. Get people working on a project right away and give people feedback as quickly as possible
17. As you scale, keep making teams feel as autonomous and nimble as possible within the larger company – a startup of many startups rather than one monolith.
18. A rapidly growing company has to figure out how to effectively create good social bonds at scale. It's always a severely imperfect approximation of what you would ideally do if you were small – what's the least bad way of managing this growth

Lecture 12: Building for the Enterprise, Aaron Levie

1. Aaron's goal is to convince the class that everyone else who has spoken is wrong and that you should actually be building a company for enterprise companies
2. Always look for changing technology factors. For Box, the following made their pursuit feasible where it wasn't just 2-5 years before: cost of storage dropping dramatically, more powerful browsers and networks, more locations and people to share with
3. Any market that has a significant change in the underlying raw materials or enabling factors is in an environment that is about to change in a very significant way. Also, if the end consumer demands a new experience or medium, the industry is ripe for change
4. Early on, Box was overserving consumers and underserving businesses. Had to choose which path to go down and chose enterprise because it's a much larger market and the value proposition is different – good enough vs. looking for how to get the most out of technology and willing to pay for it. However, they were a very young and inexperienced team, going up against some of the richest and most powerful companies in the world. So, they could only do enterprise if they approached it differently, taking advantage of the shifting technological landscape. The cloud, cheap computing, standardized software/platforms, global businesses, user-led demands and the need for every business to have cloud storage made it a great time for Box to aim for enterprise. Every company in the world needs better technology to work smarter, faster, more securely
5. Patterns to recognize
    a. Spot disruptions – look for new enabling technologies or fundamental trends that create a wide gap between *how things have been done* and *how they can be done*
        i. Storage getting cheaper, internet getting faster, browsers getting better but still sharing files in the same old way (i.e., PlanGrid)
    b. Intentionally start small – start with something small and simple, then expand over time. If people call it a "toy" you're definitely onto something. This is typically the space where you can innocuously sneak your product/service in within the given market and then, once you have a foothold, expand over time
        i. i.e. ZenPayroll
    c. Find asymmetries – do things that incumbents can't or won't do because it's economically or technically infeasible
        i. If the incumbent goes after a suite approach, they'll push integration so you should aim to be platform agnostic
        ii. Look at the cost structure of an incumbent company and discover where they can't lower prices because that business model is fundamental to the existence of the company

  iii. Where can you find ways of monetizing the customer that are unusual or unique that no one has discovered before and thus is not really practical for anybody else to do (i.e., Zenefits)

d. Find the almost-crazy outliers – go after the customers that are *working in the future,* but that haven't totally lost their minds. Find the customers that are at the bleeding edge of technology and partner with them to discover how your product can evolve (i.e., Skycatch)
   i. "Live in the future and build what's missing" – Paul Buchheit
e. Listen to customers – but don't always build exactly what they want. Build what they need (i.e., Palantir)
f. Modularize, don't customize – every customer will want something a little bit different. Don't make the product suffer for this
   i. Build a platform rather than custom technology and custom vertical experiences directly into the software itself. Really think about openness and APIs as a way of delivering vertical or customer experiences. Don't build that directly into the product (i.e., Salesforce)
g. Focus on the user, always – keep "consumer" DNA at the core of your enterprise product. This will always pay dividends (i.e., Box)
h. Your product should sell itself – sales should be used to navigate customers and close deals, not be a substitute for a great product
i. 3 recommended books – *Crossing the Chasm, Innovator's Dilemma,* and *Behind the Cloud*

Lecture 13 – How to be a Great Founder, Reid Hoffman

1. Perception of a great founder is Bezos, Jobs, Gates, etc., superheroes and superwomen who are great at many things but the reality is that a great founder deals with a bunch of headaches and nobody has superpowers. It's not a product of genius
2. Team – Typically, it is best to have two or three founders rather than one "super" founder. Can offset each other's weaknesses, have a diversity of opinion and split up tasks
3. Location – great founders seek the networks that will be important for their problems and their tasks. SF is great at many tech related networks/tasks but not it is not the perfect spot for all startups (i.e., Groupon had to have a massive salesforce which would have been difficult to establish in SF). Have to have the network support what you're doing.
4. Contrarian – easy to be contrarian but hard to be contrarian and right. A good question to ask is, "how does a smart person disagree with me?" Contrarian is also always relevant to your audience – what is it that I know that other people don't know?
5. Do the work vs. Delegate – have to do both but how much time you spend on each can vary a lot
6. Flexible or persistent – have to be both. Have to firmly have an investment thesis – why you think this startup is potentially a good idea (what you know that others don't) and while you're in the battlefield, gathering data, listening to customers, testing your product, are you gaining or losing confidence in your investment thesis?
7. Confident or cautious? – great founders are able to hold their belief, to think about what it is you want to be doing or going, while also being able to listen to criticism, negative feedback, competitive entries, understanding why/how this affects your investment thesis
8. Internally vs. externally focused – both! Have to understand the current problem, the highest priority, and put your focus there to try to solve it
9. Vision or Data – data only exists within a framework of the vision that you're building to
10. Take risks or minimize risks – founders typically thought of as risk-takers and while that is true (contrarian ideas always have some element of risk to them), there is an incredible focus on taking smart risks which don't threaten everything if you're wrong.
11. Short-term or long-term – all of these are paradoxes and false dualities. Have to be both. Always need to keep long-term vision in mind but if you're not focused on the problem immediately in front of you, you're toast. Always need to be one step ahead and thinking about the future and most important priorities. Product distribution most

important and then financing. When you're raising a round, think about how it will affect your next round, what relationships will help, how distribution fits in, etc.

12. How do you know if you are or could be a great founder – great product person, great leadership and persuasion skills, clear communication skills, useful to recognize whether you're on track or not. However, there is not one skill set and different types of companies require founders with different skills (software – speed to launch and speed to market are key, in hardware it is accuracy because if you mess it up you're dead). We all have the ability to grow and adapt. But, key to have a vision you're working towards while taking in input from all sources, understanding if you're confidence in your thesis is growing or diminishing, and building your network to support your vision
13. Co-founders – really important that you collaborate well (do you help each other get to truth, help each other reason through problems that can kill you), want to and can spend a ton of time with them, respect them, do you have a diversity of strengths across the whole spectrum of strengths that will be useful? (technical, business side, etc.). A good exercise at the beginning would be to establish a list of things that might go wrong and how you'll deal with them before you're in the middle of battle
14. Vital to cut through the noise, set yourself apart, understand what is your really decisive edge
15. Reid only meets with people if they come through a reference
16. Good time to pivot is when you are trying many different things to try to improve your confidence in your thesis but nothing seems to be working. A frequent mistake is trying to pivot at the last second, giving yourself no space or time to maneuver.
17. Founders tend to have no balance. If Reid hears them talk about balance, he doesn't believe they're truly committed to winning
18. It is frequently a good bet to go after a market that doesn't exist yet and that other people ridicule. What do you know that others don't that is a contrarian reason for why this market should exist

Lecture 14: How to Operate, Keith Rabois

1. Theory always very different than practice. People are messy and since companies are made of people, companies are messy. Takes a heroic effort to keep it all together. Want to eventually get to a place where you could disappear and it would take a long time for people to notice. "Build a company that idiots could run, because eventually they will." – Warren Buffett
2. Everything is going to, and should, feel like a mess at the beginning. You will be constantly triaging – figuring out what is a real problem and what isn't.
3. Editing vs. writing is one of the best metaphors Keith has learned about your job.
    a. Editors eliminate, clarify, and simplify. Use a framework people can repeat, remember, easily think about, and explain to others. Don't accept the excuse of complexity. Editors also ask clarifying questions and allocate resources. Your goal over time is to use less "red ink" by explaining what you expect, how you think, the vision, etc. so that people over time are more and more on your page. Ensuring a consistent voice is another key role of an editor and to show other people how to do this themselves. Editors also delegate more than they work, and this is how it should be. Fine line between delegating and abdicating – depending on level of employee. Most important job of manager might be editing the team. Most people are ammunition but you need barrels and that is how you add velocity to your company, by adding barrels and then stocking them with ammunition. When you find barrels, they can lead to leaping-emergent effects in your company so let them run and give them as much equity as you can. Barrels can take an idea through to fruition while having their team around them excited and motivated throughout. It is very culturally specific – a barrel in one company may not be a barrel in another. You need to constantly expand the scope of responsibility for each employee until it breaks. It will break for everyone at some point but this way you keep getting the most out of your people and challenging them. Another key to look for is what desks people go to – even if, especially if, they're in different areas. These people get stuff done and are helpful to a lot of people – these tend to be your barrels.
4. Managers should have varying management styles, depending on the personality/style of the employee. Having various people say that one manager is a micro-manager and others say they give a lot of leeway is a feature and not a bug.
5. High level of conviction and high consequences of decision should probably be made by you but delegate as many low conviction/low consequence decisions as possible.

6. On hiring vs. training – need to compare growth rate of company to personal growth rates. If people can learn and take on more responsibility faster than company is growing, simply promote and give them more to do. But, if company is going parabolic, need to hire
7. Insist on focus – Peter Thiel would insist that people could only do one thing. Everyone rebelled because it's so unnatural but by giving people one main focus and insisting that is all they can talk to you about, you get people working on the right, important problems.
8. Metrics and transparency – the founder should create a dashboard which is easy to read, intuitive, and which reflects the truly important factors which will lead to success. Should also measure what percentage of employees use this dashboard every single day. Needs to be as intuitive for employees as product is for users. Transparency is something everyone shoots for but something few people actually achieve and prioritize. As you scale, can show board deck presentation to entire company after the meeting, can take notes for every meeting and make them available, glass walls for conference rooms
    a. Goal is to predict output to enable you to adjust
    b. What you care about is output, not activity
    c. Pairing indicators: measure effect and counter effect because otherwise people tend to over optimize for what you're measuring and won't innovate
        i. Release criteria vs. ship date
        ii. Number of hires vs. quality hires
        iii. Loss rate vs. false positive rate
9. You want to look for anomalies and not necessarily what's expected. This is a good indicator of true consumer preference/behavior and by understanding why this anomaly is happening, you can build better tools to best suit the consumer needs
10. By getting all the details right, the outcome will take care of itself (Bill Walsh, *The Score Takes Care of Itself).* Details that on the surface look like they don't matter, tend to matter a lot and ripple through the company and culture – food, laptops, what things will actually make them more successful, what will eliminate distractions. Getting this culture and expectation set at the beginning is crucial because it will affect how everyone acts and behaves moving forward. Culture is a framework for making decisions so getting this right early is crucial
11. Have to lead by example
12. Every startup should always have its own office. Every startup at the beginning has to be its own cult and in a shared space this is almost impossible to cultivate

13. By promoting those who are best at their discipline you get great people in key roles and they can often learn how to manage people. This also motivates everyone in the department because they tend to know that the best person at the job is leading them. When you become a manager, time allocation is difficult so do a time audit to see where you are spending your time. Your priorities should match the percentage of time you spent on them (they almost never do). Get a mentor to help you with this new role. Should have a one-on-one meeting early on with people every week or every other week. Agenda should be crafted by employee and not the manager

Lecture 15: How to Manage, Ben Horowitz

1. The one management concept most screwed up: when making a critical decision, you must understand how it will be interpreted from each person's point of view and its impact on the union of the individual views (i.e., culture). Have to be able to see decisions through the eyes of the company as a whole – add up all individual views and incorporate your own view. If you don't do this, can have some dangerous unintended consequences that might be very hard or impossible to fix later. Have to understand what decisions will mean to everyone and the ripple effects of that decision
2. Having a process that you've thought deeply about for demotions, raises, etc. helps you understand and know how to act when under pressure because the heavy lifting has already been done. You've thought about the various viewpoints, know the right inputs, and can protect the culture
3. History's greatest practitioner of this is Toussaint L'Overture. He was born a slave in Haiti, one of the most brutal places in the world for a slave. His vision was to end slavery, take control of Haiti and make it a first class country. When he was able to start an uprising and take prisoners, he thought through how to act through all perspectives – his soldiers, the enemy, and the culture he wanted to create and foster. He did not allow his soldiers to pillage and rape although the enemy had been so brutal to them. Once he had conquered an enemy, he would take the very best and incorporate them into his army. The conquered soldiers were so shocked that this "savage army" weren't going to kill them that it rewired their thinking and made them more loyal to Toussaint than they ever were to Napoleon or their home country. You have to show these people a higher road, a more elevated culture or way of doing things so that they understand and follow you. This brought in expertise and the seeds of the higher culture which he aspired to. He even had the perspective and patience to think about things from the slave and slave-owners perspectives. He ended slavery, let the slave owners keep their land, required plantation owners to pay salaries to their workers, and lowered the taxes of the plantation owners so that they could keep the sugar business thriving. Sugar was Haiti's main export and in order to establish the culture he wanted, he had to keep this business thriving. L'Overture led the only successful slave revolt in human history, let plantation owners keep their land, defeated Napoleon, created a booming economy and a world-class culture, and, at the time, Haiti had more export income than America. His ability to see through the eyes of everyone, especially those he hated and had brutalized him, was remarkable.

4. It's not your perspective or the perspective of the person that you are talking to at the moment that matters. You must consider the people who are not in the room. They are the company. They are the culture
5. A very important characteristic as a manager is the ability to pause. Managers want to seem smart and like they have all the answers but taking time to truly think through the implications of a question or decision is invaluable. Don't let it become a "kimchi problem" – the further you bury it, the hotter it gets

Lecture 16: How to Run a User Interview, Emmett Shear

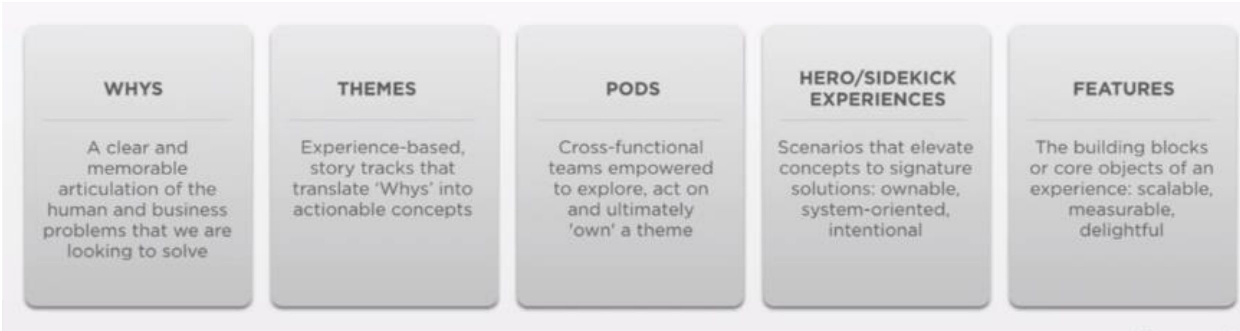
1. Who you talk to is as important as the questions you ask – relevancy is, as always, paramount. There is no recipe for finding your target user. It comes down to you to figure out who you are truly building your product/service for
2. You want to start with the widest possible user space as possible – get to know every possible constituency and how they think about/would use your product/service. Critical to look beyond the questions and see how big of a struggle/frustration the user is truly dealing with. If can't come up with something 10x easier, better, faster, cheaper, more convenient, might be best to look for a different problem. Can try building a beta version to see if people actually take to it or, if even a simple version will take too long, take more time to think about it
3. The "pay for it" validation is one of the best and clearest indicators there are – if people are willing to pay for your product/service, even if only $10, there's a great chance you're onto something
4. You also have to understand the level of frustration of certain problems. Even if many users complain about the problem, if it fundamentally changes some part of your offering, it might not be worth it because the users are using it anyway. What people complain about who don't use the service is totally different from what true, committed users complain about. Those who don't use the service and complain are often the more important people to listen to because they're so annoyed/frustrated that they're not even willing to use your service
5. An often neglected area to focus on is potential users and their complaints. They don't use you or even any of your competitors. People didn't use Justin.TV/Twitch at first because their computer wasn't fast enough. This expands the overall pie for you
6. One of the biggest mistakes startups make is showing people their products. You want to find out what is already in people's heads and avoid putting things there. Another mistake is asking users about a potential feature that you might add and if they'd use it. Another big mistake is talking to who's available rather than who they need to talk to. Sometimes these people are hard to find but the upside is that most people are flattered when you ask them what they think
7. Recording interviews is recommended because it allows you to be present and you can then show the interview to the rest of the company. Therefore, video and in-person interviews are by far superior to email interviews. The "huh, that's interesting. Can you tell me more?" is one of the best questions to ask and often leads to surprising and productive findings

8. Often better not to compensate people for interviews because if they don't care enough about your product/service to help for free, they're either not the right sample or you need to think about your offering
9. Convincing people to switch is orders of magnitude easier than trying to instill new behaviors on people that they never exhibited before

Lecture 17: How to Design Hardware Products, Hosain Rahman (Jawbone)

1. How Jawbone thinks about the world informs how they develop their products
2. Jawbone Mission: beauty and engineering in service of a better life (with technology)
3. With internet of things, there's a shift from putting appliances/things first to thinking about the user first. These appliances/wearables need to be great at every level of the stack: hardware, software and services, data, integration, ease of use…
4. Hardware is very hard and different than software. Cycles are longer, slower, much more important because you can't simply fix a bug and send out the fix
5. Everything is a system. Seeing and understanding how decisions / trade-offs will affect all interacting areas. Can't think of the hardware, software, platform, data, etc. discretely but as a whole and how they interact together
6. Process: wide exploration (vision, brand, strategy), early validation, concept, planning, development, initial launch, continued innovation


7. The Framework: Creating rich, continuous and signature experiences




8. The Why's
    a. What is the user problem we solve that, once we solve, users can't live without? Build a level of connection that the user would go home to get it if they forgot it
9. The What's
    a. The principles / approach to solving the why's
10. The How's
    a. Proposed solutions to the problems presented as experience scenarios
    b. Hero experiences = signature interactions
    c. Sidekick Experiences = complimentary innovations
11. The Jambox was thought to be the Trojan horse to get other Jawbone products into the home
12. Create experiences, not just hardware (the system rather than just the object)
13. Don't ask users questions about what they want but ask them about how they live, how they behave, get to know them as people. What questions can you ask that will help you gain confidence in your thesis rather than trying to get validation
14. Constraints are great because they help build resolve, help simplify, push you to find the right answer that will solve the user problem in the simplest way you can

Lecture 18: Legal and Accounting Basics for Startups, Kirsty Nathoo, Carolynn Levy

1. About the mechanics of startups. Getting the basics right from the beginning can save you a ton of time and stress.
2. Set yourself up as a Delaware corporation, a separate entity
3. Keep it simple – Delaware is the standard and is so common that investors are comfortable with it and it is very easy to set up your company in Delaware. Using these standard documents will make life for yourself and your investors much easier
4. Be organized – future due diligence requirements will be much simplified if keep documents organized
5. Equity allocation
    a. Execution > Idea (ideas =0). Too many teams give far too much equity to the person with the original idea. Execution is everything
    b. Original founders' equity should be pretty equal – founders should be on equal footing, on the same page, with the same expectations
    c. Look forwards, not backwards – if all founders are all-in from now on, what happened before the startup was founded should matter less, all about the future
6. Purchasing
    a. Need to "pay" for the original equity – in cash, IP, or through other means. Stock doesn't buy itself
7. Vesting
    a. Earning the right to permanent ownership of the shares over time. If you leave before being fully vested, the company can reacquire those shares
    b. This is done because founders have been known to leave and this incentivizes them to stay and it creates "skin in the game."
8. Investor requests
    a. Board seat – often it is best to try to say no, you want to reserve these precious seats for people who will truly add value (this sometimes includes the investor but not always)
    b. Advisors – all investors should be defacto advisors. Any investor who asks for this role and some extra comp is looking for a free lunch
    c. Pro rata rights – right to keep percentage ownership of the company in the future by buying more shares (avoiding dilution). Not necessarily a bad thing but have to know the implications (founder's ownership tends to decrease)

   d. Updates – those asking for daily or weekly updates should be told that this will take up too much time – important to set expectations early
9. Company expenses
   a. Keeping track of these are important – business-related expenses can be used to reduce the company tax bill
   b. In the early days, business expenses can be a blurry line when you are working 24/7 out of your apartment but a good rule of thumb is asking self if you'd be embarrassed to explain any of your expenses to investors
10. Founder employment
   a. Founders are employees of the company and have to be paid. Unpaid labor is illegal.
   b. Setting up a payroll service is something worth spending money on (i.e., ZenPayroll)
   c. Keep wages at a minimum
   d. Unpaid wages are unfortunately sometimes used by fired employees/founders for leverage (usually faster vesting)
11. Hiring
   a. Employee or contractor? Big differences in the eyes of the IRS
   b. Must have worker's compensation insurance
   c. Need proof that the employee has the right to work in the US
12. Firing
   a. One of the hallmarks of a great founder is how they handle this aspect
   b. Fire quickly – don't let a bad employee linger
   c. Communicate effectively – clear statements, don't need to explain or apologize
   d. Fire people face to face, ideally with a third party present
   e. Pay all wages and accrued wages immediately
   f. Cut off physical and digital access
   g. Repurchase unvested stock
13. Legitimacy

Lecture 19: Sales and Marketing and How to Talk to Investors, Tyler Bosmeny

1. Sales and Marketing
   a. The mystique – incredibly charming, perfect lines…
   b. The reality – as a founder, you are the salespeople – founder passion and industry knowledge trump sales experience. Build or sell, nothing else matters
   c. The funnel – prospecting, conversations, closing, revenue
      i. Prospecting
         1. Who will take your call
         2. Find the innovators (2.5% of population)
         3. Reach out to >100 companies – it's a numbers game
         4. Top 3 methods: network, conferences (have to go to where the users are), cold emails
      ii. Conversations
         1. When you get people on the phone, shut up! It is natural to want to word vomit about your product and how it'll change the user's life but let them speak and hear what they are truly asking for/needing. It is shocking how little the top 1% of sales people talk – they ask questions to help them understand the need/problem even better (why did you take this call?)
         2. Goal is to get to yes or no as quickly as possible. Where you die is when you have 1,000 maybe's
      iii. Closing
         1. Don't quibble over minor points in the final contract, close!
         2. Sometimes potential users will say, "We'd use your product if you just had X feature." Map this as a pass in your mind. Ambitious people would want to just build this feature and get the sale but often the customer will have another demand after that…Sign a conditional agreement or wait to hear this same demand from several other customers
      iv. Revenue
         1. Don't fall into the free trial trap – you need commitment, validation, and revenue. Instead, say, "we don't free trials here but

we do annual contracts and if you're not happy after the first 30/60 days, you can opt out."

2. How to Talk to Investors
    a. 30 second pitch
        i. What does your company do?
            1. Assume others know nothing! Explain so that grandma can get it
        ii. How big is the market?
        iii. How much traction do you have?
            1. Launched in X, growing at X%, sales/revenue/users is growing at X%
        iv. Have to be armed with this constantly
    b. 2 minute pitch
        i. For people who you are more interested in – investors, potential employees
        ii. Clear 30 second pitch
        iii. Unique insight – tell others something they don't know (the aha moment!). Cannot be complicated, counterintuitive and correct
        iv. How you make money
        v. The team – highlight anything very impressive, how many founders (between 2-4, how long have you known each other, breakdown of technical staff, how you met)
        vi. The big ask ($) – have to know details (convertible note, cap, minimum investment needed)
        vii. The more you talk, the greater the opportunity to say something others won't like. Talk less
    c. When to fundraise
        i. Always better to raise money with more traction
        ii. Need to flip scenario – usually asking for money puts you in a weak position, so how do you flip this? If investors are asking to give you money, if you're putting the word out and have a plan for how to scale and grow without fundraising, probably the right time to fundraise. Never want to be in the situation where you can't do anything unless you take on money

   iii. Always be able to show that you have a fully committed team that's working fast

d. How to setup investor meetings
   i. Warm intros from past entrepreneurs/investors
   ii. Think in parallel – schedule all fundraising meetings at the same week (i.e., we're building like crazy these next two weeks but are you open in 3?)
   iii. One person should be committed to fundraising full time

e. Hallmarks of a good pitch
   i. Capture interest, tell an interesting story, engage with the listener
   ii. Demonstrate insights and command of the market – passionate, not dismissive
   iii. Collaborative meeting more than an interrogation
   iv. Actually ask for money

f. After the meeting
   i. Follow up – anything but a check is a "no"
   ii. Work on creating deal heat (supply/demand)
   iii. Do diligence on the investors
   iv. Know when to stop – people often get addicted to fundraising

Lecture 20: Later-Stage Advice, Sam Altman

1. This lecture applies to startups who are 12-24 months old – after product-market fit is found. This is a total waste of time until you get there
2. Management
   a. Establish a structure once around 25 employees
   b. Every employee should have a manager, every manager should know their reports
   c. Know how to change the structure, add new people – just make it clear!
   d. What tends to work for 0-20 employees, is disastrous at 30 employees, and on, and on
   e. Avoid the temptation to have "coolness" via lack of structure, but, keep it lightweight (no complex matrices). Don't try to innovate here
   f. Shift form building a great product to building a great company
   g. Codify how you do things and why you do things (cultural values). What the founders writes down and shares can become law and scale as you grow
   h. Failure cases
      i. Being afraid to hire senior people. At first, hire for more aptitude than experience but this shifts as you scale. Hire senior, experienced people when the time is right
      ii. Hero mode – extreme leading by example
      iii. Bad delegation – not giving enough responsibility. "You're smart, that's why I hired you, this is what I think, but I trust you to do what you think is best and let me know what you decide."
      iv. Not developing a personal tracking and productivity system
3. HR
   a. Can actually speed you up if done right
   b. Have a clear structure – a path for how people can move up through their careers
   c. Performance feedback – simple and frequent
   d. Compensation bands tied to performance – keeps things fair and save you time/headache negotiating
   e. Equity – be generous
      i. Your investors will give you bad advice – distribute 3-5% per year
   f. Stock and vesting

        i. Keep up with refresher grants
        ii. Structures – 6 years, pyramid vesting, continuous forward vesting
        iii. Get an option management system early
    g. A lot of changes need to happen at around 50 employees – sexual harassment, diversity training
    h. Monitor for burnout
    i. Hiring process
        i. Full-time recruiters necessary at around 30-50 employees
        ii. Internal announcements – make an announcement before a hire, surprising how often somebody internally knows something material about the potential new hire (up to 300-400 employees)
    j. New employee ramp-up – how do they get onboarded, how are they going to learn, do they get partnered with somebody…
    k. Think about diversity early! Once the culture is set through early hires, impossible to change. Get a diversity of viewpoints (but not of values) early on
    l. Growth of your early employees – talk to them early and often
4. Company Productivity
    a. Productivity goes down with the square of the number of employees if you don't make an effort
    b. One word: alignment (values, goals, mission)
    c. Clear roadmap and goals – all employees can say the same top 3 goals. Reiterate until it's painful to talk about it – consistent, persistent message
    d. Figure out values early
    e. Be run by product, not process – ship every day. Make sure system rewards great product and not following the process
    f. Have transparency and rhythm in communication
        i. Weekly management meetings
        ii. All-hands meetings (at least once per month)
        iii. Quarterly and annual planning
        iv. Off-sites (not done nearly enough – get people out of the office and the everyday)

  g. The goal: build a company that creates enduring value over a long period of time. Repeatable innovation and a culture of operational excellence is the hardest thing to do in business
  h. Sam keeps one sheet of paper with 3-12 month goals on it that he looks at every day and a separate sheet of paper with short-term, daily goals. Separately, keeps a sheet of paper for each person he works with – what he wants to talk to them about, what they're working on, what they talked about last time
5. Legal, Finance, Accounting, Tax
  a. Have clean books, a respectable accounting firm, regular audits
  b. Collect your legal documents – easy to fix now if you're missing something
  c. FF stock in the B round – special class of stock founders can sell in a later round without messing up the common-stock valuation
  d. IP, Trademarks, Patents
    i. Have one year to file a patent (easily) so month 11 is a good time to file for provisional and international patents. Same thing with trademarks, US and international
    ii. Domains, misspellings, and all TLDs
  e. Financial planning and analysis – worth hiring and building out a very fine-detailed model to better understand the business
  f. Consider hiring a full-time fundraiser – almost nobody does this but often well worth it
  g. Tax structuring – there are many ways early on to structure efficiently but that become harder to do as you grow
6. Your Psychology
  a. As company grows, highs get higher and lows get lower. Be aware that these oscillations are going to happen (and intensify)
  b. Ignore the haters – go from underdog to someone a lot of people start hating on
  c. Think about how long of a journey this is going to be. Very few people think long-term so those that do are in rarified air and have a great advantage
  d. Monitor burnout – take vacation. A symptom of burnout is losing focus. This is one of the most common failures for companies once they leave YC
  e. Ignore acquisition interest until you're actually set on selling

f. Startups fail when founders quit. Often this comes from mismanaging your own psychology
g. Fail gracefully if you do – don't want a blow up, debt, be upfront and honest with all stakeholders

7. Marketing and PR
   a. Start thinking about this once your product is working – don't ignore it
   b. Don't outsource the key messaging – founders have to figure this out themselves
   c. Repeat the key messages again and again
   d. Get to know key journalists. Don't hire a PR firm – no journalist ever wants to talk to a PR firm
8. Deal making
   a. Build a great product – nothing else will matter if you don't get this right
   b. Develop a personal connection with anyone you're trying to do a deal with. Nobody wants to feel like they're simply part of a transaction
   c. Have a competitive dynamic – have a legitimate backup plan if option A fails
   d. Be persistent (beyond what you think is reasonable)
   e. Ask for what you want – hard for most people

Teacher's Reference Guides

My "teacher's reference guides" are deep dives into a subject, theme, person, or idea which are then distilled into (hopefully) clear, concise, and helpful resources. My goal is to effectively share what I think are the most actionable, impactful, and noteworthy takeaways of the topic at hand.

There isn't much rhyme or reason to how I choose these teacher's reference guides.  Sometimes I want to dive deep on a specific concept such as complexity and spend months reading about that and sometimes I simply stumble across a person or topic randomly which captures my attention – trying to balance serendipity and chaos with routine and order.

You can find a full sampling of my teacher's reference guides (blas.com/teachers-reference-guides/) on my blog, blas.com.

If any of this is of interest, you can subscribe to the monthly newsletter (http://blas.com/newsletter/) and you can always reach out to me directly at rabbithole@blas.us

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