

FOUNDERS AT WORK

STORIES OF STARTUPS' EARLY DAYS



Jessica Livingston

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Founders at Work: Stories of Startups' Early Days

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For Da and PG

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Foreword

Sprinters apparently reach their highest speed right out of the blocks, and spend the rest of the race slowing down. The winners slow down the least. It's that way with most startups too. The earliest phase is usually the most productive. That's when they have the really big ideas. Imagine what Apple was like when 100 percent of its employees were either Steve Jobs or Steve Wozniak.

The striking thing about this phase is that it's completely different from most people's idea of what business is like. If you looked in people's heads (or stock photo collections) for images representing "business," you'd get images of people dressed up in suits, groups sitting around conference tables looking serious, PowerPoint presentations, and people producing thick reports for one another to read. Early-stage startups are the exact opposite of this. And yet they're probably the most productive part of the whole economy.

Why the disconnect? I think there's a general principle at work here: the less energy people expend on performance, the more they expend on appearances to compensate. More often than not, the energy they expend on seeming impressive makes their actual performance worse. A few years ago, I read an article in which a car magazine modified the sports model of some production car to get the fastest possible standing quarter mile. You know how they did it? They cut off all the crap the manufacturer had bolted onto the car to make it *look* fast.

Business is broken the same way that car was. The effort that goes into looking productive is not merely wasted, but actually makes organizations less productive. Suits, for example, do not help people to think better. I bet most executives at big companies do their best thinking when they wake up on Sunday morning and go downstairs in their bathrobe to make a cup of coffee. That's when you have ideas. Just imagine what a company would be like if people could think that well at work. People do in startups, at least some of the time. (Half the time they're in a panic because their servers are on fire, but the other half they're thinking as deeply as most people only get to sitting alone on a Sunday morning.)

Ditto for most of the other differences between startups and what passes for productivity in big companies. And yet conventional ideas of “professionalism” have such an iron grip on our minds that even startup founders are affected by them. In our startup, when outsiders came to visit, we tried hard to seem “professional.” We’d clean up our offices, wear better clothes, and try to arrange a lot of people to be there during conventional office hours. In fact, programming didn’t get done by well-dressed people at clean desks during office hours. It got done by badly dressed people (I was notorious for programming wearing just a towel) in offices strewn with junk at 2:00 in the morning. But no visitor would understand that. Not even investors, who are supposed to be able to recognize real productivity when they see it. Even we were affected by the conventional wisdom. We thought of ourselves as impostors, succeeding despite being totally unprofessional. It was as if we’d created a Formula 1 car but felt sheepish because it didn’t look like a car was supposed to look.

In the car world, there are at least some people who know that a high-performance car looks like a Formula 1 racecar, not a sedan with giant rims and a fake spoiler bolted to the trunk. Why not in business? Probably because startups are so small. The really dramatic growth happens when a startup only has three or four people, so only three or four people see that, whereas tens of thousands see business as it’s practiced by Boeing or Philip Morris.

This book can help fix that problem, by showing everyone what, till now, only a handful people got to see: what happens in the first year of a startup. This is what real productivity looks like. This is the Formula 1 racecar. It looks weird, but it goes fast.

Of course, big companies won’t be able to do everything these startups do. In big companies, there’s always going to be more politics and less scope for individual decisions. But seeing what startups are really like will at least show other organizations what to aim for. The time may soon be coming when instead of startups trying to seem more corporate, corporations will try to seem more like startups. That would be a good thing.

Paul Graham
Cofounder, Viaweb

Preface

It's been more than a year since *Founders at Work* was first published. What have I learned since?

The biggest surprise has been the sheer number of people interested in startups. I know about the ones who apply to Y Combinator, read Hacker News, or attend Startup School, but I could never be sure how many people were interested in startups beyond that core of would-be founders. A lot, it turns out. I get emails and see blog posts about *Founders at Work* on an almost daily basis. Some people finally took the plunge and started a startup, some learned that it was all right to change their idea, some were able to face a new day even though their company seemed doomed. And some just had a better understanding of the people they knew who worked at startups.

I wrote in the Introduction that my biggest hope for the book was that it would inspire people to start their own startups, by showing how uncertain successful founders were themselves at first. And that seems to be happening. My favorite email came from a programmer who quit his job at a big company to become the first employee at a startup. The founders had been working for a while to convince him to join the company. "I quit my job the day after I finished reading *Founders at Work*," he said in an email. "Without your book, I may not have had the courage to."

As a first-time author, I was also surprised at how fast word about the book spread on the Internet. I was very fortunate to have several famous bloggers write about the book, and each time we saw an immediate spike in sales. This is the proverbial "level playing field," and this same phenomenon is what makes a lot of web startups possible.

Since the book was published, Y Combinator has funded a lot more startups. We've now funded more than 100. Has this changed my opinion about what makes a startup succeed? In a few details, perhaps yes. But in general, it's only confirmed the things I've learned from doing these interviews. I don't think I'd change anything about the themes I originally wrote about in the Introduction: determination is the most important quality in a founder,

open-mindedness and willingness to change your idea are key, and all startups face rejection at first.

It seems we're in the midst of a new wave of startups. I don't think this is another Bubble, but a change in the way people think about their careers. And it's exciting to me that some of the stories in *Founders at Work* have now become part of the collective knowledge of startups. I sometimes hear people telling stories or see blog entries about famous startup founders that I recognize came from this book. That's the most encouraging thing for an author—to feel that the book can be useful, at least in a small way, even to people who haven't read it.

About the Author

Jessica Livingston is a founding partner at Y Combinator, a seed-stage venture firm based in Cambridge, MA, and Mountain View, CA. Previously she was vice president of marketing at investment bank Adams Harkness. In addition to her work with startups at Y Combinator, Livingston organizes Startup School (www.startupschool.org). She has a BA in English from Bucknell.

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Thanks to the people I interviewed for sharing their stories and their time. One thing I noticed in the interviews that I didn't mention in the Introduction is how much I *liked* the founders. They were genuine and smart, and it was an honor to talk with them. I know the candid nature of their stories and advice will inspire would-be founders for years to come.

Thanks to Gary Cornell for being willing to do a different kind of book, and to the Apress team for working on a different kind of book.

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Thanks to the founders of all the startups we've funded at Y Combinator. They are inspirations and I know they will have valuable stories of their own to share.

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To my grandparents, Baba and Bob, who I admire and whose advice from their own experiences as authors helped me a lot. Extra special thanks to Dad and Michele, who supported me even when I had crazy ideas like quitting my job to start a company and work on a book. Over the years, my father never seemed to doubt that I could do something I'd be really proud of, and I'm very appreciative.

Most of all, thanks to Paul Graham. He inspired this book and was a source of encouragement and advice throughout the entire process. I'm grateful to have benefited from his extraordinary understanding of technology, startups, and writing. But mostly, I'm glad to know him.

Introduction

Some kind of magic happens in startups, especially at the very beginning, but the only people there to see it are the founders. The best way to understand what happens is to ask them, so that's what I did.

In this book, you'll hear the founders' stories in their own words. Here, I want to share some of the patterns I noticed. When you're interviewing a series of famous startup founders, you can't help trying to see if there is some special quality they all have in common that made them succeed.

What surprised me most was how unsure the founders seemed to be that they were actually onto something big. Some of these companies got started almost by accident. The world thinks of startup founders as having some kind of superhuman confidence, but a lot of them were uncertain at first about starting a company. What they weren't uncertain about was making something good—or trying to fix something broken.

They all were determined to build things that worked. In fact, I'd say determination is the single most important quality in a startup founder. If the founders I spoke with were superhuman in any way, it was in their perseverance. That came up over and over in the interviews.

Perseverance is important because, in a startup, nothing goes according to plan. Founders live day to day with a sense of uncertainty, isolation, and sometimes lack of progress. Plus, startups, by their nature, are doing new things—and when you do new things, people often reject you.

That was the second most surprising thing I learned from these interviews: how often the founders were rejected early on. By investors, journalists, established companies—they got the Heisman from everyone. People like the idea of innovation in the abstract, but when you present them with any specific innovation, they tend to reject it because it doesn't fit with what they already know.

Innovations seem inevitable in retrospect, but at the time it's an uphill battle. It's curious to think that the technology we take for granted now, like web-based email, was once dismissed as unpromising. As Howard Aiken said, "Don't worry about people stealing your ideas. If your ideas are any good, you'll have to ram them down people's throats."

In addition to having perseverance, founders need to be adaptable. Not only because it takes a certain level of mental flexibility to understand what users want, but because the plan will probably change. People think startups grow out of some brilliant initial idea like a plant from a seed. But almost all the founders I interviewed changed their ideas as they developed them. PayPal started out writing encryption software, Excite started as a database search company, and Flickr grew out of an online game.

Starting a startup is a process of trial and error. What guided the founders through this process was their empathy for the users. They never lost sight of making things that people would want.

Successful startup founders typically get rich from the process, but the ones I interviewed weren't in it just for the money. They had a lot of pride in craftsmanship. And they wanted to change the world. That's why most have gone on to new projects that are just as ambitious. Sure, they're pleased to have more financial freedom, but the way they choose to use it is to keep building more things.

Startups are different from established companies—almost astonishingly so when they are first getting started. It would be good if people paid more attention to this important but often misunderstood niche of the business world, because it's here that you see the essence of productivity. In its plain form, productivity looks so weird that it seems to a lot of people to be “unbusinesslike.” But if early-stage startups are unbusinesslike, then the corporate world might be more productive if it were less businesslike.

My goal with these interviews was to establish a fund of experience that everyone can learn from. You'll notice certain classes of problems that constantly bit people. All the founders had things they wished they'd known when they were getting started. Now these are captured for future founders.

I'm especially hoping this book inspires people who want to start startups. The fame that comes with success makes startup founders seem like they're a breed apart. Perhaps if people can see how these companies actually started, it will be less daunting for them to envision starting something of their own. I hope a lot of the people who read these stories will think, “Hey, these guys were once just like me. Maybe I could do it too.”