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Why not to do a startup

12-15 minutes

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In this series of posts I will walk through some of my accumulated knowledge and experience in building high-tech startups.

My specific experience is from three companies I have co-founded: Netscape, sold to America Online in 1998 for \$4.2 billion; Opsware (formerly Loudcloud), a public software company with an approximately \$1 billion market cap; and now Ning, a new, private consumer Internet company.

But more generally, I've been fortunate enough to be involved in and exposed to a broad range of other startups -- maybe 40 or 50 in enough detail to know what I'm talking about -- since arriving in Silicon Valley in 1994: as a board member, as an angel investor, as an advisor, as a friend of various founders, and as a participant in various venture capital funds.

This series will focus on lessons learned from this entire cross-section of Silicon Valley startups -- so don't think that anything I am talking about is referring to one of my own companies: most likely when I talk about a scenario I have seen or something I have experienced, it is from some other startup that I am not naming but was involved with some other way than as a founder.

Finally, much of my perspective is based on Silicon Valley and the environment that we have here -- the culture, the people, the venture capital base, and so on. Some of it will travel well to other regions and countries, some probably will not. Caveat emptor.

With all that out of the way, let's start at the beginning: **why not to do a startup**.

Startups, even in the wake of the crash of 2000, have become imbued with a real mystique -- you read a lot about how great it is to do a startup, how much fun it is, what with the getting to invent the future, all the free meals, foosball tables, and all the rest.

Now, **it is true that there are a lot of great things about doing a startup**. They include, in my experience:

Most fundamentally, *the opportunity to be in control of your own destiny* -- you get to succeed or fail on your own, and you don't have some bozo telling you what to do. For a certain kind of personality, this alone is reason enough to do a startup.

The opportunity to create something new -- the proverbial blank sheet of paper. You have the ability -- actually, the obligation -- to imagine a product that does not yet exist and bring it into existence, without any of the constraints normally faced by larger companies.

The opportunity to have an impact on the world -- to give people a new way to communicate, a new way to share information, a new way to work together, or anything else you can think of that would make the world a better place. Think it should be easier for low-income people to borrow money? Start [Prosper](#). Think television should be opened up to an infinite number of channels? Start [Joost](#). Think that computers should be based on Unix and open standards and not proprietary technology? Start [Sun](#).

The ability to *create your ideal culture and work with a dream team of people* you get to assemble yourself. Want your culture to be based on people who have fun every day and enjoy working together? Or, are hyper-competitive both in work and play? Or, are super-focused on creating innovative new rocket science technologies? Or, are global in perspective from day one? You get to choose, and to build your culture and team to suit.

And finally, *money* -- startups done right can of course be highly lucrative. This is not just an issue of personal greed -- when things go right, your team and employees will themselves do very well and will be able to support their families, send their kids to college, and realize their dreams, and that's really

cool. And if you're really lucky, you as the entrepreneur can ultimately make [profound philanthropic gifts](#) that change society for the better.

However, **there are many more reasons to *not* do a startup.**

First, and most importantly, realize that a startup puts you on an *emotional rollercoaster* unlike anything you have ever experienced.

You will flip rapidly from a day in which you are euphorically convinced you are going to own the world, to a day in which doom seems only weeks away and you feel completely ruined, and back again.

Over and over and over.

And I'm talking about what happens to *stable* entrepreneurs.

There is *so* much uncertainty and *so* much risk around practically everything you are doing. Will the product ship on time? Will it be fast enough? Will it have too many bugs? Will it be easy to use? Will anyone use it? Will your competitor beat you to market? Will you get any press coverage? Will anyone invest in the company? Will that key new engineer join? Will your key user interface designer quit and go to Google? And on and on and on...

Some days things will go really well and some things will go really poorly. And the level of stress that you're under generally will magnify those transient data points into incredible highs and unbelievable lows at whiplash speed and huge magnitude.

Sound like fun?

Second, in a startup, *absolutely nothing happens unless you make it happen.*

This one throws both founders and employees new to startups.

In an established company -- no matter how poorly run or demoralized -- things happen. They just happen. People come in to work. Code gets written. User interfaces get designed. Servers get provisioned. Markets get analyzed. Pricing gets studied and determined. Sales calls get made. The wastebaskets get emptied. And so on.

A startup has none of the established systems, rhythms, infrastructure that any established company has.

In a startup it is very easy for the code to not get written, for the user interfaces to not get designed... for people to not come into work... and for the wastebaskets to not get emptied.

You as the founder have to put all of these systems and routines and habits in place and get everyone actually rowing -- forget even about rowing in the right direction: just rowing at all is hard enough at the start.

And until you do, absolutely nothing happens.

Unless, of course, you do it yourself.

Have fun emptying those wastebaskets.

Third, *you get told no -- a lot.*

Unless you've spent time in sales, you are probably not familiar with being told no a lot.

It's not so much fun.

Go watch [Death of a Salesman](#) and then [Glengarry Glen Ross](#).

That's roughly what it's like.

You're going to get told no by potential employees, potential investors, potential customers, potential partners, reporters, analysts...

Over and over and over.

And when you do get a "yes", half the time you'll get a call two days later and it'll turn out the answer has morphed into "no".

Better start working on your fake smile.

Fourth, *hiring is a huge pain in the ass*.

You will be amazed how many windowshoppers you'll deal with.

A lot of people think they want to be part of a startup, but when the time comes to leave their cushy job at HP or Apple, they flinch -- and stay.

Going through the recruiting process and being seduced by a startup is heady stuff for your typical engineer or midlevel manager at a big company -- you get to participate vicariously in the thrill of a startup without actually having to join or do any of the hard work.

As a founder of a startup trying to hire your team, you'll run into this again and again.

When Jim Clark decided to start a new company in 1994, I was one of about a dozen people at various Silicon Valley companies he was talking to about joining him in what became Netscape.

I was the only one who went all the way to saying "yes" (largely because I was 22 and had no reason not to do it).

The rest flinched and didn't do it.

And this was Jim Clark, a legend in the industry who was coming off of the most successful company in Silicon Valley in 1994 -- Silicon Graphics Inc.

How easy do you think it's going to be for you?

Then, once you do get through the windowshoppers and actually hire some people, your success rate on hiring is probably not going to be higher than 50%, and that's if you're good at it.

By that I mean that half or more of the people you hire aren't going to work out. They're going to be too lazy, too slow, easily rattled, political, bipolar, or psychotic.

And then you have to either live with them, or fire them.

Which ones of those sounds like fun?

Fifth, God help you, *at some point you're going to have to hire executives*.

You think hiring employees is hard and risky -- wait until you start hiring for VP Engineering, VP Marketing, VP Sales, VP HR, General Counsel, and CFO.

Sixth, *the hours*.

There's been a lot of talk in Silicon Valley lately about work/life balance -- about how you should be able to do a startup and simultaneously live a full and fulfilling outside life.

Now, personally, I have a lot of sympathy for that point of view.

And I try hard in my companies (well, at least my last two companies) to do whatever I can to help make sure that people aren't ground down to little tiny spots on the floor by the workload and the hours.

But, it's really difficult.

The fact is that startups are incredibly intense experiences and take a lot out of people in the best of circumstances.

And just because you want people to have work/life balance, it's not so easy when you're close to running out of cash, your product hasn't shipped yet, your VC is mad at you, and your Kleiner Perkins-backed competitor in Menlo Park -- you know, the one whose employees' average age seems to be about 19 -- is kicking your butt.

Which is what it's going to be like most of the time.

And even if you can help your employees have proper work/life balance, as a founder you certainly won't.

(In case you were wondering, by the way, the hours do compound the stress.)

Seventh, it's really easy for the culture of a startup to go sideways.

This combines the first and second items above.

This is the emotional rollercoaster wreaking havoc on not just you but your whole company.

It takes time for the culture of any company to become "set" -- for the team of people who have come together for the first time to decide collectively what they're all about, what they value -- and how they look at challenge and adversity.

In the best case, you get an amazing dynamic of people really pulling together, supporting one another, and working their collective tails off in pursuit of a dream.

In the worst case, you end up with widespread, self-reinforcing bitterness, disillusionment, cynicism, bad morale, contempt for management, and depression.

And you as the founder have much less influence over this than you'll think you do.

Guess which way it usually goes.

Eighth, there are lots of *X factors* that can come along and whup you right upside the head, and there's absolutely nothing you can do about them.

Stock market crashes.

Terrorist attacks.

Natural disasters.

A better funded startup with a more experienced team that's been hard at work longer than you have, in stealth mode, that unexpectedly releases a product that swiftly comes to dominate your market, completely closing off your opportunity, and you had no idea they were even working on it.

At best, any given X factor might slam shut the fundraising window, cause customers to delay or cancel purchases -- or, at worst, shut down your whole company.

Russian mobsters laundering millions of dollars of dirty money through your service, resulting in the credit card companies closing you down.

[You think I'm joking about that one?](#)

OK, now here's the best part:

I haven't even talked about figuring out what product to build, building it, taking it to market, and standing out from the crowd.

All the risks in the core activities of what your company actually does are yet to come, and to be discussed in future posts in this series.

Closing metaphor:

