

Home
Essays
H&P
Books
YC
Arc
Bel
Lisp
Spam
Responses
FAQs
RAQs
Quotes
RSS
Bio
Twitter

PAUL GRAHAM

WHY IT'S SAFE FOR FOUNDERS TO BE NICE

August 2015

I recently got an email from a founder that helped me understand something important: why it's safe for startup founders to be nice people.

I grew up with a cartoon idea of a very successful businessman (in the cartoon it was always a man): a rapacious, cigar-smoking, table-thumping guy in his fifties who wins by exercising power, and isn't too fussy about how. As I've written before, one of the things that has surprised me most about startups is how few of the most successful founders are like that. Maybe successful people in other industries are; I don't know; but not startup founders. [1]

I knew this empirically, but I never saw the math of why till I got this founder's email. In it he said he worried that he was fundamentally soft-hearted and tended to give away too much for free. He thought perhaps he needed "a little dose of sociopathy."

I told him not to worry about it, because so long as he built something good enough to spread by word of mouth, he'd have a superlinear growth curve. If he was bad at extracting money from people, at worst this curve would be some constant multiple less than 1 of what it might have been. But a constant multiple of any curve is exactly the same shape. The numbers on the Y axis are smaller, but the curve is just as steep, and when anything grows at the rate of a successful startup, the Y axis will take care of itself.

Some examples will make this clear. Suppose your company is making \$1000 a month now, and you've made something so great that it's growing at 5% a week. Two years from now, you'll be making about \$160k a month.

Now suppose you're so un-rapacious that you only extract half as much from your users as you could. That means two years later you'll be making \$80k a month instead of \$160k. How far behind are you? How long will it take to catch up with where you'd have been if you were extracting every penny? A mere 15 weeks. After two years, the un-rapacious founder is only 3.5 months behind the rapacious one. [2]

If you're going to optimize a number, the one to choose is your growth rate. Suppose as before that you only extract half as much from users as you could, but that you're able to grow 6% a week instead of 5%. Now how are you doing compared to the rapacious founder after two years? You're already ahead—\$214k a month versus \$160k—and pulling away fast. In another year

you'll be making \$4.4 million a month to the rapacious founder's \$2 million.

Obviously one case where it would help to be rapacious is when growth depends on that. What makes startups different is that usually it doesn't. Startups usually win by making something so great that people recommend it to their friends. And being rapacious not only doesn't help you do that, but probably hurts.

[3]

The reason startup founders can safely be nice is that making great things is compounded, and rapacity isn't.

So if you're a founder, here's a deal you can make with yourself that will both make you happy and make your company successful. Tell yourself you can be as nice as you want, so long as you work hard on your growth rate to compensate. Most successful startups make that tradeoff unconsciously. Maybe if you do it consciously you'll do it even better.

Notes

[1] Many think successful startup founders are driven by money. In fact the secret weapon of the most successful founders is that they aren't. If they were, they'd have taken one of the acquisition offers that every fast-growing startup gets on the way up. What drives the most successful founders is the same thing that drives most people who make things: the company is their project.

[2] In fact since $2 \approx 1.05^{15}$, the un-rapacious founder is always 15 weeks behind the rapacious one.

[3] The other reason it might help to be good at squeezing money out of customers is that startups usually lose money at first, and making more per customer makes it easier to get to profitability before your initial funding runs out. But while it is very common for startups to die from running through their initial funding and then being unable to raise more, the underlying cause is usually slow growth or excessive spending rather than insufficient effort to extract money from existing customers.

Thanks to Sam Altman, Harj Taggar, Jessica Livingston, and Geoff Ralston for reading drafts of this, and to Randall Bennett for being such a nice guy.