Lecture 10: Company Culture and Building a Team, Part I

Alfred Lin

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I'll set the stage with some slides and a few comments but the main stage is going to be with Brian when he comes up and talks about how he built the AirBnB culture. So, you are here, you have been following the presentations, so you know how to get started. You have built a team, you know how to build your product, it’s off the ground, it's growing. People love it, you figured out how to do that. You figured out to create a special one of a kind company with monopoly powers, that’s big. And the market you are chasing after is slightly bigger than the paper airplane business, so you are good, right? So now what?

So we are here to submit that actually culture is the thing that is actually going to be very, very important to scale the business as well as your team. And hopefully, after this talk you will be able to know: What is culture? Why does it matter? How do you create your core values? And think about elements that fit together for core values and culture that create a high performance team. Get some best practices for the culture.

What is culture? Anybody want to take a guess at how one should define this? {Simple values in a team?} Yeah, that’s good. Did you look that up because you had a computer and an internet connection? These are some definitions that you will find in Webster’s dictionary but we are Stanford. This is kind of a trick question. It’s a CS class, the questions are never straight forward.

The real question is, what is the company culture going to be. Culture, we can generally talk about society, about groups, about places, or things. Here we're talking about company culture. So how does one define company culture? We can take the previous definition and modify it a little bit. This is a hint of how we may want to define company culture. Every day blank and blank of each member of the team in pursuit of our company blank. Some people have filled these in with different things. The first blank, A, could be assumptions, beliefs, values, now my favorite is core values. The second blank for the B blank, people said behavior, my favorite is action. How do you act? In pursuit of goals, that’s kind of weak, in pursuit of big and hairy audacious goals is a little stronger, but a better definition is in the pursuit of mission.

So now that we have that definition, what do we do with that and why does it matter? This is a quote from Gandhi “Your beliefs become your thoughts. Your thoughts become your words. Your words become your actions. Your actions become the habits. Your habits become your values. And your values become your destiny.” If you don't have a good culture in the company you can’t pursue your destiny.

Why it matters is that it becomes the first principles you sort of go back to when you make decisions. It becomes a way to align people on values that matter to the company. It provides a certain level of stability to fall back on. And it provides level of trust, people sort of trust each other with, but it also gives us a list with which you should be able to figure out what to do and what not to do. And what the more important thing about that is what not to do. Then finally the other thing that is important is it allows you to retain the right employees. There are people in this world that are not going to be a fit for your company, but if you have good strong culture, and the strong core values, you'll know who you want to retain and who you truly do not want to retain. And if you take the first letter of those it happens to help you move faster.

Another reason, you're thinking that's like all mushy stuff, this is actually more scientific stuff. So here are indices from 1994 to 2013, stock market indices of companies in the S&P500, and the Russell 3000, and the Fortune 100 Best Companies to Work For. All these companies out there and they picked out companies that they believed were the best companies to work for. The stock market returns of those companies happen to be 11.8%, which is almost twice that of the other two indices. And so there is real power in companies that treat their employees well, where there's a lot of trust, there is a lot of strong culture.

So how do you create a set of values and define the culture etc? Get asked that a lot. You have to start with the leader of the company and the founder, and ask yourself what are the values that are the most important to you? Of those things, that are most important in the business? Who are the types of people you like working with? And what are their values? And through that you distill together what a set of values are. Think about all the people that you've never liked working with. What values do they have? Think of the opposite of that. Maybe those should be considered values for your company. Finally remember the values have to support your mission and if they don't support your mission, you’re missing something. Then the last final checks are they have to be creditable, they have to be uniquely tied to match your mission. So at Zappos, in terms of uniquely applied to the mission, we were focused on creating a culture that was going to provide great customer service. So the first core value we had, was to deliver wow through service. We are very specific that we wanted to deliver great customer service and it was going to be a wow experience. And then below that we wanted to serve.

I had a paragraph talking about what we mean by that, we wanted to support them, doing the wow through service, and support people such as our employees, our customers, our brand partners, and investors. On terms of the opposite thing, we generally didn’t like working with arrogant people, so one of our core values at Zappos was to be humble. So those are two examples where we create core values in a way that became credible and uniquely tied to our mission.

So you go through this process, you come up with a few core values, these might be some of them, whether it's honesty, integrity, service, teamwork. It might be a list, you might start with three, might end up with a list of ten, you might have a list of thirty. It’s a good start. When Zappos went through this process we asked all the employees at the time what core values they can identify with and they came up with thirty-seven. We whittled that down to about ten. And it took a year to do this, that's a long time and you might want to ask why. Well if you just come up with the word honesty, give me a break, everybody wants the culture to be honest, nobody is going to say I want to be lied to every day.

Service, what do you mean by service? There’s got to be a lot more depth in this than that. And everybody talks about teamwork, but there's a difference in level of teamwork that you see in an intramural sports team vs a baseball team. How do you dive deeper into teamwork? What are the things that don't work for a team? A lot of it has to do with communication, a lot has to do with things that people of study, and you may one go deeper into that. At Zappos we thought about, well there are a lot of smart people in this room. When they're fighting with each other and trying to figure out who's right and who's not, it’s probably not the best use of time. We wanted everyone to build off each other and help each other make any idea better. The result is that the company gets a better idea, not that any individual person is right. So we wanted to make and still, this idea that it's company first, then your department, then your the team, then yourself. And how do you do that?

We are going to go a level deeper in that. There's another great element of high performing teams that I really like. Which is this pyramid that was created by Patrick Lencioni, and he wrote this book, “The Five Dysfunctions of a Team.” And the reason this is interesting is he talks about the breakdowns of the team. A lot of teams break down because they have no trust and even if you had trust, why do you need trust? If you have trust, you can actually have debates and conflict and get to the right answer. If you don't have conflicts and debate, it's the blind leading the blind. How do you actually know you got to the right answer before you commit to something? So people are not actually wanting to commit, they're afraid of committing.

Let’s say you get to the next level when you are actually able to commit. What goes wrong then? It's usually because people are not held accountable to things that they committed to. And if people are not held accountable to the things that they committed to, then they can’t get results. If you think about the company as a black box and results, whether it's financial, whether you produce a great product, or anything like that as the output, one of the major inputs is the culture of the company. Some other best practices, we are actually going to talk though in the Q and A because I think they are going to blend into the conversation, is that you want to incorporate your mission into your values, we talked about that.

Performance, you need to think a bit harder, deeper, longer about your values than you might initially think you need to. One of the things I think a lot of companies don't actually do is, they interview for technical fit or skill fit, a competency in that realm, but they don’t actually interview for the culture fit, whether someone will actually believe in and follow the mission. I think that is a big, big no no. I think you can have the smartest engineer in the world but if they don't believe the mission they are not going to pour their heart and soul into it. And that's one of the things where if you actually start thinking about culture, from the interview process, to performance reviews, to making sure that’s a daily habit, you get a lot further with making a great culture.

One final point made here, culture, just like customer service or fitness, is like motherhood and apple pie. Everybody wants to provide great customer service, every company wants to have great culture. What they fail to do is make it a daily habit. You just can't be fit, if you don't do it as a daily habit. Eventually you get out of shape, then you get fat, and then you say, Oh I have to go on a crash diet to get back into shape. That doesn't quite work, and the same is true with something like culture. So I think we checked all of these off, so we can go into Q and A with Brian.

Brian Chesky: Hello everybody. It’s quiet in here, I'll be honest, now I feel a little less on edge. Nothing worse than a room full of people really, really quiet staring at you, but now I feel better.

Alfred Lin: Well I did it for five or ten minutes, you can do it a little longer. So Brian, could you talk about the process by which you came to understand that culture was important to AirBnB and building a company?

Brian Chesky: Yeah, so I think one of the things we realized is, to just give you, I won’t tell the full story of how Airbnb came to be. Some of you may know it. So here’s the very short version the story, Airbnb wasn't meant to be the company we were trying to start. I quit my job, I was living in LA. One day I drove to San Francisco, became roommates with my friend from college, from the Rhode Island School of Design, Joe Gebbia, and I had one thousand dollars in the bank and the rent was one thousand one hundred and fifty dollars. So that weekend this international design convention was coming to San Francisco, all the hotels were sold out, so we decided to turn the house into a bed and breakfast for the conference. I didn’t have a bed, Joe had three air beds, we pulled them out of the closet and called it The Air Bed and Breakfast. That's how the company started.

I recall the story ten thousand times by the way, some version of that story, and I didn't think I'd ever tell that a second time. I remember growing up, I also went to college, my parents were social workers and never thought about me going to art school. They had worried that maybe I would not get a job after college, which I’m sure most parents worry about. Make sure you promise me you get a job with health insurance, I end up starting Airbnb. I remember her telling me, I guess you never got the job with health insurance.

The reason I say this though is, Airbnb was never meant to be the big idea. It was meant to be the thing to pay the rent so we could think of the big idea. Along the way, by solving our problem it became the big idea. So alongside that, we won’t touch on how we built a product, that's probably another conversation that's being talked about, you have to build a team and a great company. And in the early days, we had three co-founders, Joe, Nate, and myself. I think of one of the reasons we're successful was that I was really lucky. I don't think it was really lucky to pick up the idea Airbnb and I don’t think we were lucky to be successful once we had a team. I think we could have come up with a lot of other ideas and been just as successful. I think I was lucky in that I found two great people that I wanted to start up a business with, people I admired. That almost intimidated me by how smart they were. I think that's what the first thing is, to build a team that is so talented that they kind of, slightly make you uncomfortable to be with them, because you know you are going to have to raise your game to be with them.

And then when we were working together in the early days, this is 2008, the first thing is we were like a family. You think about founders like parents and the company like a child. That child will manifest in many ways, behaviors that parents have in the relationship. If the parents are functional but not working together then the child is, frankly, going to be pretty fucked up. You don’t want that. You want your culture to be awesome. And so Joe, Nate, and I were a total family the beginning, we usually worked eighteen hours a day, seven days a week. I remember when we were at Y Combinator, we worked together, we ate food together, or even went to the gym together. We may as well have gotten jumpsuit, we didn’t go that far. It was like we were a mission, a special force.

We had this amazing shared way of doing things with amazing accountability, and that was the DNA of a company. And then we were thinking, at some point you build the product to phase two, which is building the company that builds the product. So a lot of the talk is about how to build a product, how to get product market fit. Once people do that, now you have to build a company. It doesn't matter how great your original product idea is, if you cannot build a great company then your product will not endure. As we thought about this, we realized we wanted to build a company for the long term.

We wanted a company that would endure. To do that, we started noticing companies have something in common. Companies around for a really long time had a clear mission. A clear sense of values, and they had a shared way of doing something that was unique to them and was really special. And so Joe, Nate, and I, when we were three people, decided to look around at companies. I noticed Apple, Steve Jobs’ core value was that he believed people with passion could change the world. He said our products change but our value never has. We learned about Amazon, we learned about Nike, we learned about companies in the early days. You can even use this to talk about nations. Even a nation has core values and a declaration so that the nation may endure longer. We started to realize that we needed to have intention, culture needs to be designed. And that is how we got connected. Because we were funded by Sequoia, Alfred just joined them with Zappos, and I was told Zappos had an amazing culture. We went to Las Vegas and met up with Tony and we learned about it.

Alfred Lin: So what did you learn?

Brian Chesky: Well, you guys are crazy. The thing we learned, and we were three people, was if culture is a way of doing things, there really are two arts. One is behaviors and those can change maybe fifty years from now. There will be rituals and behaviors that change, be different. But there have to be some things that never change. Some principles, some ideas that endure, that make you, you. And I think of core values, integrity, honesty, those aren’t core values. Those are values that everyone should have. But there have to be like three, five, six things that are unique to you. And you can probably think about this in your life. What is different about you, that every single other person, if you could only tell them three or four things, you would want them to know about you. And we realized that when Zappos was one hundred employees, they wrote down these ten core values. The thing I learned from Tony is I wish I didn’t wait until I was one hundred employees to write down a core value. I was talking to Sam, he thinks we are the only company to write our core values down before we hired anyone.

Alfred Lin: How long did it take you to hire your first employee?

Brian Chesky: So the first employee was our first engineer, I think we looked for him for four or five months. I probably looked through thousands of people and interviewed hundreds of people.

Alfred Lin: By then, when you hired him, when did you write it? Was it on day one or two or was it three?

Brian Chesky: I think we started working on it around the time of Y Combinator, which would've been January 2009. It was probably a process that evolved over the course of six to seven months. We finished Y Combinator in April 2009, hired our first engineer in July something like that. Probably six months. Some people ask why did you spend so much time on hiring your first engineer. I think bringing in your first engineer is like bringing in a DNA chip to the company. This person, if we're successful, there were going to be a thousand people just like him or her in that company, it still wasn't a matter of getting somebody to build the next three features we need the ship for users. There was something much more long-term and much more enduring which was, do I want to work with one hundred thousand more people like this? Now, you want diversity to play, you want diversity of background, age. You don't want diversity of values, you want very homogenous beliefs. That’s the one thing that shouldn’t be diverse.

Alfred Lin: So what were these values?

Brian Chesky: Six core values, I’ll talk about maybe three of them. So the first core value we talk about is champion in mission. And what it really means is that we want to hire people that are here for a mission. We don’t want people here because they think we have a great valuation, they like our office design, they need a job, or they think it’s hot. We want people to be here for the one thing that will never change, and that’s our mission. And just to tell you a quick story about our mission, Airbnb, a lot of people describe it as a way to book a room or book a house and travel around the world. And that’s what we do, but that is not why we do it. To answer the question on what our mission is, is to tell you a story I think it describes it.

In 2012, I met a host named Sebastian, we do these new jobs around the world where we do meet ups. Sebastian is probably late fifties in north London. Sebastian looks at me and says, "Brian there is this word you never use on your website." And I say, "What's that word?" And he says, "That word is friendship. I would love to read a story about friendship." I said, "Okay read me a story about friendship." He says, "Six months ago the brunt of riots broke out in front of my home and I was very scared. The next day my mom called me to make sure I was ok, I said yeah mom I’m ok. And she goes, what about the house?" He says, "The house is OK as well." He said, "Here's the interesting thing, from the time the riots broke out to the time my mom called me was a twenty four hour window of time. In the periods between that time, seven of my previous Airbnb guests called me just to make sure I was okay." He said, "Think about that, seven of my own guests called me before my own mother did."

I think that says more about his mother than his guests. But in this summer on a typical night or a peak night, we wouldhave four hundred twenty five thousand people staying in homes and living together and they were coming from a hundred and ninety different countries in the world which is every country except North Korea, Iran, Syria, Cuba. So just hearing that story, at our core that is what we are about. That’s much more than just booking a room or traveling. That what we are about is we want to help bring the world together. We want to do that by giving a sense of belonging anywhere you go. Our mission is to belong anywhere. So five years from now, twenty years from now, maybe we're still selling rooms and homes to meet in or not, but I can guarantee you we're always going be about a sense of belonging and bringing people together. And that's the more enduring idea.

So when we hire people, the first thing to make sure it is that, if that is your mission, you need to champion your mission. You champion the mission by living the mission. Do you believe in it? Do you have stories about it? Do you use the product? Do you believe in the product? I used to ask crazy questions, one of the crazy questions Sam reminds me of, I use to interview people. So I interviewed the first three hundred employees at Airbnb which people think I’m really neurotic and they may also be true. I used to ask them a question, if you had a year left to live would you take this job? I amended it, people who say yes probably don't like their families. So I changed it to ten years. I feel like you should use whatever time you have left to live. Whatever you want to do in those last ten years you should just do. I really want you to think about that, that was enough time for you to do something you really cared about and the answer doesn't have to be this company. I say fine if what you’re meant to do is travel or start a company just do that, don't come here. Go do that.

So there is this old parable about two men laying bricks. Somebody comes up to the first man and says what are you doing? I’m building a wall. He asks the other guy, he says I’m building a Cathedral. There's a job and there is a calling. We want to hire people not only looking for jobs, but a calling. And that's the first value, champion the mission.

I don’t want to take all the time, I will talk about just one more. The second value relates to being frugal and I will tell you a story. By the way, all the founding stories of your company end up becoming the things that you keep talking about to thousands of people, kind of like a child, that these things keep coming back later in life. So Airbnb, I think Marc Andreessen said in the last talk that it was the worst idea that ever worked. I remember people thinking we were crazy, I remember telling people about the idea, I actually told Paul Graham, I said we have this idea it’s called Airbnb. He asked, people are actually doing this? I said, yeah. Question was, what's wrong with them? So I knew the interview wasn't going well and in the interview Paul Graham I think wasn't going to accept us. And we told the story of how we funded the company and here's how it goes. We're introduced, Michael Seibel, who is a partner of Y Combinator, introduced me and Joe to like fifteen investors in the Valley, including some of the ones that have been here and all of them said no to the company. They could have bought ten percent of the company for one hundred and fifty thousand dollars. They all said no, they thought it was crazy. No one would ever stay in someone's home.

So we ended up funding the company with credit cards and you know those binders kids in school put baseball cards in? We had to put them in those, we had to put them somewhere. That’s how many credit cards we had and we were completely in debt. And in the fall of 2008, we provided housing for the Democratic and Republican National Convention. We had this crazy idea because we weren't selling a lot of homes. In the year after we launched, we had a hundred people a day visiting our website and two bookings, which is generally bad. It’s like releasing a song and a year later three people are listing to it a day. It’s probably not going to be a very popular song. But I believed in it. Joe and Nate believed in it.

So we are completely in debt, right, and we get this idea. We are an air bed and breakfast providing housing for the Democratic Republican National Convention. What if we made a breakfast cereal for like the Democratic National Convention? And we came up with this Obama themed cereal. And we called it Obama-O’s, the breakfast of change. Then we came up with a Republican themed cereal for John McCain. We found out he was a Captain in the navy. So we came up with… Captain-McCain’s, a maverick in every bite. We had zero dollars and without any money, we tried calling General Mills they told us to stop calling them or they would get a restraining order so that didn't work. We found a local, though an alumni of RISD, who made a thousand boxes deal for us. We ended up sending them to press and eventually within a week it got on national television, national news. We made forty thousand dollars selling breakfast cereal.

In 2008 we made five thousand dollars from our website and we made forty thousand dollars selling breakfast cereal. I remember my mom asking so are a you cereal company now. And that wasn't that bad part, the bad part was the honest answer which was technically, yes. But the reason I tell that is our second core value is to be a cereal entrepreneur. I'm sorry for the cheesy pun. But be a cereal entrepreneur. We really mean, is that we believe constraints bring out the creativity. When you raise eight hundred million dollars suddenly all that scrappiness, it's easy to lose that scrappiness. It’s easier for people to tell you I just need this fifty thousand dollar contract. I need this, I need that. When people are desperate and not being a little bit frugal, not being creative, or tell me they can't do something, I'll just take a box of cereal and even the suggestion of Obama-O’s is you need to be scrappy and frugal. So again a lot of the founding DNA of your company becomes these values, these principles. Everyone knows that if you don't give a crap you shouldn't be here. And it doesn't mean you have to give a crap it just means you have to to be here. You also have to be creative to be an entrepreneur and super scrappy. And these are some of the values we learned.

Alfred Lin: So you guys should start to think about questions when we open up to questions from the audience but I have a few more questions to ask. So this all sounds nice, stories are great. The people here are a pretty skeptical group. It’s a CS department class, probably left brain focused. This feels like a softie, right brain focus. How does having a strong culture help you make important, tough decisions?

Brian Chesky: Well I think that having it so, here's the thing about culture. There are three things they never tell you about culture. First thing is they never tell you anything about culture. No one talks about culture and no one ever tells the need to have strong culture. So there's tons of articles about building a great product, there's tons of articles on growth and adaption, and a few things about culture. It’s a mystical thing that's soft and fuzzy. That's the first problem. The second problem is it is hard to measure. Things that are hard to measure often get discounted. These are two very hard things. The third thing, the biggest problem, it doesn't pay off in the short term. If you wanted to start up a company and sell it in one year, the one thing I would tell you to do is fuck up the culture. Just hire people quickly. Culture makes you hire really slowly, makes you deliberate about your decisions that in the near term can slow progress. Putting an investment into the company short term.

First thing is the need to be very clear about what's unique to you that you stand for. Once you do that, you need to hire people that believe in that. You need to make sure you hire and fire based on these values. One thing we do is constantly repeat over and over again when we interview, we want to make sure they are world class and fit the culture. The first thing I used to ask people at the end of the interview, I would say if you can hire, this is a functional question, if you could hire anybody in the world, would you hire the person sitting across from you? If our vision is the best in the world, why aren’t we hiring the best in the world? Every single person is meant to hire a person better than the previous people. You are constantly raising the bar. Then we have separate people called core values interviewers who aren’t in the function. So it you are an engineer, the core values interviewers are never engineers because we don't want them to be biased and say well I know how good they are. And they interview just for values, to make sure that people care about the same thing. And we said no to a lot of really great people because we just didn't feel right about them being with us long term. So that's one of the things.

Some other examples of when we have had to make hard decisions: in mid-2011, we were mostly United States and we had this internet clone funded by these guys called the Samwer brothers, anyone ever hear of them? They basically clone internet companies. They recently went public. They take American websites and clone them and then quickly try to sell them back to you. It’s kind of like putting a gun to your head. So they had done this to Groupon, Groupon was the fastest growing site in the world ever. They stopped doing Groupon and started cloning us, and this is back when we had forty employees, we had raised seven million dollars. They cloned us and in thirty days they hired four hundred people. And they wanted to sell the company and if they couldn’t, they were going to destroy us around the world.

The problem with Airbnb is if we are not everywhere around the world, a travel site not being in Europe is like your phone not having email, it doesn't actually work. So we were kind of in trouble. We had this conversation, it was a pragmatic decision of should we acquire them and then there was the values decision. The pragmatic one probably said buy them because you can't risk losing international, so just guarantee you are going to get international. We ended up not buying them. The reason we ended up not buying them was I just didn't like the culture. I didn’t want to bring in those four hundred people. I felt like we were missionaries and they were mercenaries. I didn't feel like they were doing it for the beliefs, I thought they were doing it to make a lot of money very quickly.

I believed in a war, missionaries would outlast and endure mercenaries. I also felt like the best revenge against an internet clone was just to make them run the company long term. You had the baby, now you've got to raise it. So that's what we ended up doing and that was a very controversial decision. A lot of people were telling me you should buy this company, we didn't and I think it worked out

Alfred Lin: What percentage of revenue comes from Europe?

Brian Chesky: More than fifty percent

Alfred Lin: I think it worked out. Okay, anybody have any questions? I can keep going . No one? One statement we had at Zappos is culture and brand were two sides of the same coin. Airbnb has a great culture and a great brand. Do you care to talk about branding, it’s kind of a weak thing, it's a value we don't tend to focus on.

Brian Chesky: I actually just said that to Sam. I think Silicon Valley is not historically really strong or we don't talk about culture and brand very much. They are two sides of the same coin. So culture, like the principles and the beliefs you have inside a company that you want people to be aligned with long term, whatever happens inside the company eventually comes out, you can’t hold it in. And brand is really the promise outside the company that everyone identifies with. So I think having a clear mission and making sure that you know that mission and the mission comes through the company, is probably the best thing you can do for both culture and values.

And then the second thing you know is that your brand, the way people think about you and your company, is often decided by your brand evangelists who are your employees. If you have a weak culture, we often think that companies that hire employees, people that are deeply passionate, create companies that customers are really passion about. Those are companies with strong brands. And so Zappos had a really strong brand. A lot of companies, Google, that cared deeply about culture, they actually have a question, is this person Google? Which is meant to be like the catch all for the digital culture. It was a very strong culture, Google has a unique, there's no such thing as a good or bad culture, it’s either a strong or weak culture. And a good culture for someone else may not be a good culture for you.

So I think brand is incredibly important as well. Brand is really the connection of you with your customers and so if you have an incredibly strong culture, the brand will come through. The final thing to say about brand is a lot of people that talk about their brand talk about what they sell. So if you’re Apple, one way of doing the same, we sell computers and the new screens are larger and faster and they talk about bits and bytes.

I remember Steve Jobs had this really important talk where he says the way to win, this is 1997, isn't to talk about bits and bytes. The way to win is talk about what we value, what our core values are, we believe passionate people can change the world. And that was how they introduced a different campaign. So Apple, before they had this huge renaissance, became the most valuable company in the world. They did the Think Different campaign, which is basically saying this is what we believe in. That if you buy an Apple computer, you're also saying I believe in this too. And there has to be a deeper core belief, and if that doesn’t happen, you’re a utility. And utilities get sold at commodity prices.

Alfred Lin: The question is how do you know how to communicate this company culture or core value to the outside world?

Brian Chesky: So the question is, how do you communicate what Airbnb does in the earlier days. Well we learned a lot because in the early days we communicated like a utility. We actually said Airbnb is a cheap, affordable alternative to hotels. Our tag line was forget hotels, save money with Airbnb. And over time we felt like that was, this was way back in the day, we felt like that was way too limiting, that it undercut the idea. We changed our tag line to travel like a human. Which we haven’t kept, but it was basically meant to say that we believe in a certain kind of world and we really feel like travel is mass produced. You feel isolated, you feel like a stranger, and we want to bring the world back to the place where it feels like a village again, where the service is coming from other people, where you have this feeling you belong, and you are treated like a human.

No matter how successful you are in life, often traveling will remind you that you are not that successful. Go through TSA, stay in a typical hotel, sometimes you'll have some problems. We really wanted to make people feel special. This is some of the stuff we did in the early days, we did a lot of storytelling. I mean I've probably told the story of Airbnb ten thousand times and this is a something that is kind of related to culture. Someone asked me the other day, what’s the job of the CEO? There are lots of things a CEO does, but what you mostly do is articulate the vision. To articulate a vision you have to develop a strategy and hire people that fit the culture. If you do those three things you basically have a company and that company will hopefully be successful.

If you have the right vision, a good strategy, and the people to get there. And so what you end up doing is articulating the vision over and over. Whether it’s recruiting, talking to investors, getting funding, doing PR interviews, speaking in a class room. You are always reinforcing the values. You’re doing it in an email to a customer. You just do it a thousand times, it changes and gets better and better every time. So it kind of evolved.

Very good question. How do we make sure the hosts are reinforcing the culture of Airbnb? So the answer to that is we do a pretty good job, but not yet an amazing job at that. When we first founded Airbnb, I took the Craig Newmark school of thought, Craig is the founder of Craigslist: anyone should be able to use Airbnb. If you want to rent your place, you should be able to. It turns out, many people believe in our values because we talked about them and believed them. But there were people who rented on Airbnb, not because they believed in the values but instead because they realized they could make a lot of money renting their home. And not everyone was a great culture fit. These people actually did cause us a lot of problems, so this was a lesson for me. I didn't think, it didn’t occur to me in the early days that the hosts had to completely fit our values. We met them, we attract people like us. We realized hosts are like partners and they need to believe in the same culture we do. So now we have this program called the Super Host program where they have to demonstrate values to reach this kind of badge which gets the priority customer support and distribution. We are having this important host convention where we bring all the hosts in and will be talking about reinforcing our values. So the answer is, we were really late, but we now do it by reinforcing it every step of the way.

Q: Brian, Airbnb has made some great contributions to the open source community. Do you have any thoughts on how that contributes to your culture and company values?

Brian Chesky: Yeah, I think just in general, it may be related to two things about Airbnb. We tend to be a pretty open culture just in general, we believe in a shared world where people are giving back, contributing to making communities and industries stronger. It’s my philosophy to talk about everything internally, except for things that relate to customer or client privacy, if it doesn’t relate to those two things, then we will talk about it.

As far as open source culture and engineering, we wanted to make sure that we had a really strong identification of the team and so we really felt like a lot of source code shouldn't be you know, we felt like every company needs some kind of moat that protects you from your competition. We thought some technology would be, but we also felt like we wanted to give back from a technology standpoint. We preferred our moat to be that we provide the very best experience in the world when you use Airbnb, that has the biggest network effects. We thought that kind of took precedent over some of the technology that we use, so we decided to try to share some of that out to people. I think it does relate to the values, I never recommended, I never one day recommended we do any of that. We hired engineers that we thought shared our values in culture and they felt that was the right thing to do.

Q: You talk about conventions, what did you do when you had no money and you only got paid for those who used your site. What did you do to scale that up? How did you get users to the site.

Brian Chesky: So this is not about culture, but I will answer it anyway. The best advice I ever got was probably from Paul Graham. Paul Graham said, I remember he had this line, it's better to have a hundred people that love you than to have a million people that just sort of like you. It's literally better to have a hundred people love you. And the reason why, if you have one million customers, one million users and they just kind of don't care about you but they use your app and think you're okay, to get them to care is a really hard thing, I don’t know how to get a million people to all of a sudden care. But I do know if you get a hundred people who love you, those people, if they feel incredibly passionate, they will go out and eacb tell a hundred people. All movements that lead to companies or ideas start with just a hundred people.

So the reason this is so critical, is he gave us another lesson which is that if all you need do is get a hundred people to love you, is do things that don’t scale. So it's hard if you've got a million people, you can't you meet them all. You can meet a hundred people, you can spend time with them. So that's exactly what we did. Joe, Nate, and I would go door to door in New York City, or in Denver where the Democratic National Convention was, literally staying and living with our users. It's a joke that when you buy an iPhone, Steve Jobs does not come sleep on your couch. But I will. That was really critical, living with our users. All we had to do was get in with them and share a passion with our users. You work backwards from a hundred people, even one person. But with our new technology, imagine what would be an amazing experience for just this one person. Walk through the journey from that one person, make it perfect for that one person. Once you make it perfect for one person, it's actually really easy to make a service easy for one person, it’s not that hard. Where everyone gets in trouble is they try to solve both at the same time. So the first thing we did was went door to door, that is one thing, that set up memories.

I will give one more example before I stop talking about this. Right now with Airbnb you can click a button and put in your home and a professional photographer comes to your home and photographs it for free. We have five thousand photographers around the world and we have photographed hundreds of thousands of homes. So it is the probably one of the largest on-demand photography groups around. I believe this started with Joe and I, we were staying with this one host, in New York City and her house is amazing but her photos were terrible. So we asked, why you don’t put up better photos? This is before the life of the great cameras, 2008. She couldn’t figure out how to get photos from her phone onto her computer. She wasn’t a very technically savvy woman. And I just said, we will just take photos for you. Actually, I said, what if you could press a button and somebody would show up at your door to take professional photographs? She said that would be magic.

So the next day, I knock on her door going, I’m here. I photographed her home. I sent a few emails to people saying we give this new magical photography service and if you want, you can press the button for a professional photographer to show up at your home. So they would hit this button and it would send me this alert. We rented a camera in Brooklyn. And in January 2009, walking through the snow, we photographed people’s homes. We did this by hand without any technology. We managed that with spreadsheets. I wasn’t going to bother Nate to design something for photography. Then we started hiring contract photographers. Eventfully we got an intern to manage all the contract photographers. Then we made a full time position to manage the other interns of the contract employees. And at some point, this is before we built anything, at some point there were too many people to manage. There were like hundreds of photographers. Then we built all the tools to do all the photography. But we did it only after we knew what the perfect service was.

Q: One more question, the question is, in this particular situation with Airbnb, a lot of people think it is not necessarily a technology company, but more of a marketing company.

Brian Chesky: Good question. I will answer the question with a story.

Alfred Lin: Let me preface that question with a series of questions. Do you today have propriety technology?

Brian Chesky: Yes.

Alfred Lin: Do you have a moat?

Brian Chesky: Yes

Alfred Lin: Do you have network effects?

Brian Chesky: Yes.

Alfred Lin: Do you have pricing power?

Brian Chesky: Yes

Alfred Lin: Do you have a good brand?

Brian Chesky: I think so .

Alfred Lin: Are you a monopoly?

Brian Chesky: I am not going to answer that one

Alfred Lin: Getting back to the question, just forgetting about all of that, companies that have network effects and sort of get off the ground, the fly wheel is going, people just think you are lucky.

Brian Chesky: Let me just answer that one. It’s a totally fair question and people have said it so I want to answer it. The guy who owns Sequoia Capital, his name is Doug Leone. One day, I think it was a year, year and half ago, he says, Your job sucks. And I was all, What the hell does that mean? He says, You have the worst job of any CEO in my portfolio. I said, Tell me why.

And this is what he said. "First of all you are a technology company," and I would say that at our heart we are a technology company. "So you have all the challenges of all the other portfolio companies. But beyond that, you are in a hundred and ninety different countries. So you have to figure out how to be international. You have to hire in every country in the world." We are literally in every country except North Korea, Iran, Syria, and Cuba. We are a payments company. We handle billions of dollars of transactions a year, we had to get a business license in the state of California. We have serious fraud and risk. It needs to be locked down like Fort Knox. He said, "That’s usually where companies end. But you have to worry about all the other crap. Trust and safety."

We have four hundred and twenty five thousand people staying in other people's individual beds, in their sheets. Think about a woman from Texas staying in the Middle East, or vice versa. Think about the cultural conflicts that could happen and misunderstandings. You have four hundred and twenty-five thousand people a night. It’s like being the Mayor of Oakland. So imagine you are the Mayor of Oakland and all the things that happened in Oakland tonight. You have trust and safety.

Now we have regulatory problems. We are in thirty thousand different cities. Every city has different rules, different laws, and many were written in a different century. They were written before you had all the technology. Then you have issues like search and discovery. Google has this thing about being really good at search. Google can give me all these results, but it’s clear that there is only one or two right answers for everybody. We have forty thousand homes in Paris. There is no best home in Paris for anyone in this room. So we have to be really, really great at matching people and technology. Another example, Facebook is a digital product. Their product is their website. Our product is these experiences that you have in the real world. We are not just an online product, but also an offline product. So basically the long and the short of it is we have to be world class at technology, world class at design, we have to be world class at branding. We have to convince government we are good for their neighborhood. Because we have to convince people that we are not crazy, this is a real thing, we have to make sure trust and safety is world class. We handle all these payments and handle risk. And I didn’t even mention culture. This was not about culture. I really do not see it as a marketing company.

Alfred Lin: Thank you.

Brian Chesky: Thank you guys.