Lecture 2: Ideas, Products, Teams and Execution Part II

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Before I jump into today's lecture, I wanted to answer a few questions people had emailed me about the last lecture that we didn't have time for. So, if you have a question about what we covered last time, I am welcome to answer it now, starting with you.

Q: How do I identify if a market has a fast growth rate now and also for the next ten years?

A: The good news about this is this is one of the big advantages students have. You should just trust your instincts on this. Older people have to basically guess about the technologies young people are using. But you can just watch what you're doing and what your friends are doing and you will almost certainly have better instincts than anybody older than you. And so the answer to this is just trust your instincts, think about what you're doing more, think about what you're using, what you're seeing people your age using, that will almost certainly be the future.

Okay, one more question on the last lecture before we start.

Q: How do you deal with burnout while still being productive and remaining productive.

A: The answer to this is just that it sucks and you keep going. Unlike a student where you can throw up your hands and say you know I'm really burnt out and I'm just going to get bad grades this quarter, one of the hard parts about running a startup is that it's real life and you just have to get through it. The canonical advice is to go on a vacation and that never works for founders. It's sort of all consuming in this way that is very difficult to understand.

So what you do is you just keep going. You rely on people, it's really important, founder depression is a serious thing and you need to have a support network. But the way through burn out is just to address the challenges, to address the things that are going wrong and you'll eventually feel better.

Last lecture, we covered the idea and the product and I want to emphasize that if you don't get those right, none of the rest of this is going to save you. Today, we're going to talk about how to hire and how to execute. Hopefully you don't execute the people you hire. Sometimes.

First, I want to talk about cofounders. Cofounder relationships are among the most important in the entire company. Everyone says you have to watch out for tension brewing among cofounders and you have to address is immediately. That's all true and certainly in YC's case, the number one cause of early death for startups is cofounder blowups. But for some reason, a lot of people treat choosing their cofounder with even less importance than hiring. Don't do this! This is one of the most important decisions you make in the life of your startup and you need to treat it as such.

And for some reason, students are really bad at this. They just pick someone. They're like, I want to start a business and you want to start a business, let's start a startup together. There are these cofounder dating things where you're like, Hey I'm looking for a cofounder, we don't really know each other, let's start a company. And this is like, crazy. You would never hire someone like this and yet people are willing to choose their business partners this way. It's really really bad. And choosing a random random cofounder, or choosing someone you don't have a long history with, choosing someone you're not friends with, so when things are really going wrong, you have this sort of past history to bind you together, usually ends up in disaster.

We had one YC batch in which nine out of about seventy-five companies added on a new cofounder between when we interviewed the companies and when they started, and all nine of those teams fell apart within the next year. The track record for companies where the cofounders don't know each other is really bad.

A good way to meet a cofounder is to meet in college. If you're not in college and you don't know a cofounder, the next best thing I think is to go work at an interesting company. If you work at Facebook or Google or something like that, it's almost as cofounder rich as Stanford. It's better to have no cofounder than to have a bad cofounder, but it's still bad to be a solo founder. I was just looking at the stats here before we started. For the top, and I may have missed one because I was counting quickly, but I think, for the top twenty most valuable YC companies, almost all of them have at least two founders. And we probably funded a rate of like one out of ten solo teams.

So, best of all, cofounder you know, not as good as that, but still okay, solo founder. Random founder you meet, and yet students do this for some reason, really really bad.

So as you're thinking about cofounders and people that could be good, there's a question of what you're looking for right? At YC we have this public phrase, and it's relentlessly resourceful, and everyone's heard of it. And you definitely need relentlessly resourceful cofounders, but there's a more colorful example that we share at the YC kickoff. Paul Graham started using this and I've kept it going.

So, you're looking for cofounders that need to be unflappable, tough, they know what to do in every situation. They act quickly, they're decisive, they're creative, they're ready for anything, and it turns out that there's a model for this in pop culture. And it sounds very dumb, but it's at least very memorable and we've told every class of YC this for a long time and I think it helps them.

And that model is James Bond. And again, this sounds crazy, but it will at least stick in your memory and you need someone that behaves like James Bond more than you need someone that is an expert in some particular domain.

As I mentioned earlier, you really want to know your cofounders for awhile, ideally years. This is especially true for early hires as well, but incidentally, more people get this right for early hires than they do for cofounders. So, take advantage of school. In addition to relentlessly resourceful, you want a tough and a calm cofounder. There are obvious things like smart, but everyone knows you want a smart cofounder, they don't prioritize things like tough and calm enough, especially if you feel like you yourself aren't, you need a cofounder who is. If you aren't technical, and even if most of the people in this room feel like they are, you want a technical cofounder. There's this weird thing going on in startups right now where it's become popular to say, You know what, we don't need a technical cofounders, we're gonna hire people, we're just gonna be great managers.

That doesn't work too well in our experience. Software people should really be starting software companies. Media people should be starting media companies. In the YC experience, two or three cofounders seems to be about perfect. One, obviously not great, five, really bad. Four works sometimes, but two or three I think is the target.

The second part of how to hire: try not to. One of the weird things you'll notice as you start a company, is that everyone will ask you how many employees you have. And this is the metric people use to judge how real your startup is and how cool you are. And if you say you have a high number of employees, they're really impressed. And if you say you have a low number of employees, then you sound like this little joke. But actually it sucks to have a lot of employees, and you should be proud of how few employees you have. Lots of employees ends up with things like a high burn rate, meaning you're losing a lot of money every month, complexity, slow decision making, the list goes on and it's nothing good.

So you want to be proud of how much you can get done with a small numbers of employees. Many of the best YC companies have had a phenomenally small number of employees for their first year, sometimes none besides the founders. They really try to stay small as long as they possibly can. At the beginning, you should only hire when you desperately need to. Later, you should learn to hire fast and scale up the company, but in the early days the goal should be not to hire. And one of the reasons this is so bad, is that the cost of getting an early hire wrong is really high. In fact, a lot of the companies that I've been very involved with, that have had a very bad early hire in the first three or so employees never recover, it just kills the company.

Airbnb spent five months interviewing their first employee. And in their first year, they only hired two. Before they hired a single person, they wrote down a list of the culture values that they wanted any Airbnb employee to have. One of those what that you had to bleed Airbnb, and if you didn't agree to that they just wouldn't hire you. As an example of how intense Brian Chesky is, he's the Airbnb CEO, he used to ask people if they would take the job if they got a medical diagnosis that they have one year left to life. Later he decided that that was a little bit too crazy and I think he relaxed it to ten years, but last I heard, he still asks that question.

These hires really matter, these people are what go on to define your company, and so you need people that believe in it almost as much as you do. And it sounds like a crazy thing to ask, but he's gotten this culture of extremely dedicated people that come together when the company faces a crisis. And when the company faced a big crisis early on, everyone lived in the office, and they shipped product every day until the crisis was over. One of the remarkable observations about Airbnb is that if you talk to any of the first forty or so employees, they all feel like they were a part of the founding of the company.

But by having an extremely high bar, by hiring slowly ensures that everyone believes in the mission, you can get that. So let's say, you listened to the warning about not hiring unless you absolutely have too. When you're in this hiring mode, it should be your number one priority to get the best people. Just like when you're in product mode that should be your number one priority. And when you're in fundraising mode, fundraising is your number one priority.

On thing that founders always underestimate is how hard it is to recruit. You think you have this great idea and everyone's going to join. But that's not how it works. To get the very best people, they have a lot of great options and so it can easily take a year to recruit someone. It's this long process and so you have to convince them that your mission is the most important of anything that they're looking at. This is another case of why it's really important to get the product right before looking at anything else. The best people know that they should join a rocketship.

By the way, that's my number one piece of advice if you're going to join a startup, is pick a rocketship. Pick a company that's already working and that not everyone yet realizes that, but you know because you're paying attention, that it's going to be huge. And again, you can usually identify these. But good people know this, and so good people will wait, to see that you're on this trajectory before they join.

One question that people asked online this morning was how much time you should be spending on hiring. The answer is zero or twenty-five percent. You're either not hiring at all or it's probably your single biggest block of time. In practice, all these books on management say you should spend fifty percent of your time hiring, but the people that give that advice, it's rare for them to even spend ten percent themselves. Twenty-five percent is still a huge amount of time, but that's really how much you should be doing once you're in hiring mode.

If you compromise and hire someone mediocre you will always regret it. We like to warn founders of this but no one really feels it until they make the mistake the first time, but it can poison the culture. Mediocre people at huge companies will cause some problems, but it won't kill the company. A single mediocre hire within the first five will often in fact kill a startup.

A friend of mine has a sign up in the conference room that he uses for interviews and he positions the sign that the candidate is looking at it during the interview and it says that mediocre engineers do not build great companies. Yeah that's true, it’s really true. You can get away with it in a big company because people just sort of fall through the cracks but every person at a startup sets the tone. So if you compromise in the first five, ten hires it might kill the company. And you can think about that for everyone you hire: will I bet the future of this company on this single hire? And that's a tough bar. At some point in the company, when you're bigger, you will compromise on a hire. There will be some pressing deadline or something like that you will still regret. But this is the difference between theory and practice we're going to have later speakers talk about what to do when this happens. But in the early days you just can't screw it up.

Sources of candidates. This is another thing that students get wrong a lot. The best source for hiring by far is people that you already know and people that other employees in the company already know. Most great companies in text have been built by personal referrals for the first hundred employees and often many more. Most founders feel awkward but calling anyone good that they've ever met and asking their employees to do the same. But she'll notice if you go to work at Facebook or Google one of the things they do in your first few weeks is an HR person sits you down and beat out of you every smart person you’ve ever met to be able to recruit them.

These personal referrals really are the trick to hiring. Another tip is to look outside the valley. It is brutally competitive to hire engineers here but you probably know people elsewhere in the world that would like to work with you.

Another question that founders ask us a lot about his experience and how much that matters. The short version here is that experience matters for some roles and not for others. When you're hiring someone that is going to run a large part of your organization experience probably matters a lot. For most of the early hires that you make at a startup, experience probably doesn't matter that much and you should go for aptitude and belief in what you’re doing. Most of the best hires that I've made in my entire life have never done that thing before. So it's really worth thinking, is this a role where I care about experience or not. And you'll often find to don’t, especially in the early days.

There are three things I look for in a hire. Are they smart? Do they get things done? Do I want to spend a lot of time around them? And if I get an answer, if I can say yes to all three of these, I never regret it, it's almost always worked out. You can learn a lot about all three of these things in an interview but the very best way is working together, so ideally someone you've worked together with in the past and in that case you probably don't even need an interview. If you haven't, then I think it's way better to work with someone on a project for a day or two before hiring them. You'll both learn a lot they will too and most first-time founders are very bad interviewers but very good at evaluating someone after they've worked together.

So one of the pieces of advice that we give at YC is try to work on a project together instead of an interview. If you are going to interview, which you probably will, you should ask specifically about projects that someone worked on in the past. You'll learn a lot more than you will with brainteasers. For some reason, young technical cofounders love to ask brainteasers rather than just ask what someone has done. Really dig in to projects people have worked on. And call references. That is another thing that first time founders like to skip. You want to call some people that these people have worked with in the past. And when you do, you don't just want to ask, How was so-and-so, you really want to dig in. Is this person in the top five percent of people you've ever worked with? What specifically did they do? Would you hire them again? Why aren't you trying to hire them again? You really have to press on these reference calls.

Another thing that I have noticed from talking to YC companies is that good communication skills tend to correlate with hires that work out. I used to not pay attention to this. We’re going to talk more about why communication is so important in an early startup. If someone is difficult to talk to, if someone cannot communicate clearly, it's a real problem in terms of their likelihood to work out. Also. for early employees you want someone that has somewhat of a risk-taking attitude. You generally get this, otherwise they wouldn't be interested in a startup, but now that startups are sort of more in fashion, you want people that actually sort of like a little bit of risk. If someone is choosing between joining McKinsey or your startup it's very unlikely they're going to work out at the startup.

You also want people who are maniacally determined and that is slightly different than having a risk tolerant attitude. So you really should be looking for both. By the way, people are welcome to interrupt me with questions as stuff comes up.

There is a famous test from Paul Graham called the animal test. The idea here is that you should be able to describe any employee as an animal at what they do. I don't think that translates out of English very well but you need unstoppable people. You want people that are just going to get it done. Founders who usually end up being very happy with their early hires usually end up describing these people as the very best in the world at what they do.

Mark Zuckerberg once said that he tries to hire people that A. he'd be comfortable hanging with socially and B. he’d be comfortable reporting to if the roles were reversed. This strikes me as a very good framework. You don't have to be friends with everybody, but you should at least enjoy working with them. And if you don't have that, you should at least deeply respect them. But again, if you don't want to spend a lot of time around people you should trust your instincts about that.

While I'm on this topic of hiring, I want to talk about employee equity. Founders screw this up all the time. I think as a rough estimate, you should aim to give about ten percent of the company to the first ten employees.

They have to earn it over four years anyway, and if they're successful, they're going to contribute way more than that. They're going to increase the value of the company way more than that, and if they don't then they won't be around anyway.

For whatever reason founders are usually very stingy with equity to employees and very generous with equity for investors. I think this is totally backwards. I think this is one of the things founders screw up the most often. Employees will only add more value over time. Investors will usually write the check and then, despite a lot of promises, don't usually do that much. Sometimes they do, but your employees are really the ones that build the company over years and years.

So I believe in fighting with investors to reduce the amount of equity they get and then being as generous as you possibly can with employees. The YC companies that have done this well, the YC companies that have been super generous with their equity to early employees, in general, are the most successful ones that we've funded.

One thing that founders forget is that after they hire employees, they have to retain them. I'm not going to go into full detail here because we're going to have a lecture on this later, but I do want to talk about it a little bit because founders get this wrong so often. You have to make sure your employees are happy and feel valued. This is one of the reasons that equity grants are so important. People in the excitement of joining a startup don't think about it much, but as they come in day after day, year after year, if they feel they have been treated unfairly that will really start to grate on them and resentment will build.

But more than that, learning just a little bit of management skills, which first-time CEOs are usually terrible at, goes a long way. One of the speakers at YC this summer, who is now extremely successful, struggled early on and had his team turn over a few times. Someone asked him what his biggest struggle was and he said, turns out you shouldn't tell your employees they're fucking up every day unless you want them all to leave because they will.

But as a founder, this is a very natural instinct. You think you can do everything the best and it’s easy to tell people when they’re not doing it well. So learning just a little bit here will prevent this massive team churn. It also doesn't come naturally to most founders to really praise their team. It took me a little while to learn this too. You have to let your team take credit for all the good stuff that happens, and you take responsibility for the bad stuff.

You have to not micromanage. You have to continually give people small areas of responsibility. These are not the things that founders think about. I think the best thing you can do as a first-time founder is to be aware that you will be a very bad manager and try to overcompensate for that. Dan Pink talks about these three things that motivate people to do great work: autonomy, mastery, and purpose. I never thought about that when I was running my company but I've thought about since and I think that’s actually right. I think it's worth trying to think about that. It also took me a while to learn to do things like one on one and to give clear feedback.

All of these things are things first time CEO don't normally do, and maybe I can save you from not doing that.

The last part on the team section is about firing people when it's not working. No matter what I say here is not going to prevent anyone from doing it wrong and the reason that I say that is that firing people is one of the worst parts of running a company. Actually in my own experience, I'd say it is the very worst part. Every first time founder waits too long, everyone hopes that an employee will turn around. But the right answer is to fire fast when it's not working. It's better for the company, it's also better for the employee. But it's so painful and so awful, that everyone gets it wrong the first few times.

In addition to firing people who are doing bad at their job, you also wanna fire people who are a) creating office politics, and b) who are persistently negative. The rest of the company is always aware of employees doing things like this, and it's just this huge drag - it's completely toxic to the company. Again, this is an example of something that might work OK in a big company, although I'm still skeptical, but will kill a startup. So that you need to watch out for people that are ifs.

So, the question is, how do you balance firing people fast and making early employees feel secure? The answer is that when an employee's not working, it's not like they screw up once or twice. Anyone will screw up once or twice, or more times than that, and you know you should be like very loving, not take it out on them, like, be a team, work together.

If someone is getting every decision wrong, that's when you need to act, and at that point it'll be painfully aware to everyone. It's not a case of a few screw-ups, it's a case where every time someone does something, you would have done the opposite yourself. You don't get to make their decisions but you do get to choose the decision-makers. And, if someone's doing everything wrong, just like a consistent thing over like a period of many weeks or a month, you'll be aware of it.

This is one of those cases where in theory, it sounds complicated to be sure what you're talking about, and in practice there's almost never any doubt. It's the difference between someone making one or two mistakes and just constantly screwing everything up, or causing problems, or making everyone unhappy, is painfully obvious the first time you see it.

When should co-founders decide on the equity split?

For some reason, I've never really been sure why this is, a lot of founders, a lot of co-founders like to leave this off for a very long time. You know, they'll even sign the incorporation documents in some crazy way so that they can wait to have this discussion.

This is not a discussion that gets easier with time, you wanna set this ideally very soon after you start working together. And it should be near-equal. If you're not willing to give someone - your co-founder - you know, like an equal share of the equity, I think that should make you think hard about whether or not you want them as a co-founder. But in any case, you should try to have the ink dry on this before the company gets too far along. Like, certainly in the first number of weeks.

So the question is - I said that inexperience is OK - how do you know if someone's gonna scale past, not scale up to a role, as things go on and later become crippling. People that are really smart and that can learn new things can almost always find a role in the company as time goes on. You may have to move them into something else, something other than where they started. You know, it may be that you hire someone to lead the engineering team that over time can't scale as you get up to 50 people, and you give them a different role. Really good people that can almost find some great place in the company, I have not seen that be a problem too often.

So the question is what happens when your relationship with your cofounder falls apart. We're gonna have a session on mechanics later on in the course, but here is the most important thing that founders screw up. Which is, every cofounder, you yourself of course, has to have vesting. Basically what you're doing with cofounder vesting is you're pre-negotiating what happens if one of you leaves. And so the normal stance on this in Silicon Valley is that it takes four years, let's say you split the equity fifty-fifty, is that it takes four years to earn all of that. And the clock doesn't start until one year in. So if you leave after one year, you keep twenty-five percent of the equity, and if you leave after two years, fifty, and on and on like that.

If you don't do that and if you have a huge fallout and one founder leaves early on with half the company, you have this deadweight on your equity table, and it's very hard to get investors to fund you or to do anything else. So number one piece of advice to prevent that is to have vesting on the equity. We pretty much won't fund a company now where the founders don't have vested equity because it's just that bad. The other thing that comes up in the relationship between the cofounders, which happens to some degree in every company, is talk about it early, don't let it sit there and fester.

If you have to choose between hiring a sub-optimal employee and losing your customers to a competitor, what do you do? If it's going to be one of the first five employees at a company I would lose those customers. The damage that it does to the company- it's better to lose some customers than to kill the company. Later on, I might have a slightly different opinion, but it's really hard to say in the general case.

I am going to get to that later. The question is: what about cofounders that aren't working in the same location? The answer is, don't do it. I am skeptical of remote teams in general but in the early days of a startup, when communication and speed outweigh everything else, for some reason video conferencing calls just don't work that well. The data on this is look at say the 30 successful software companies of all time and try to point to a single example where the cofounders were in different locations. It's really really tough.

Alright, so now we're going to talk about execution. Execution for most founders is not the most fun part of running the company, but it is the most critical. Many cofounders think they're just signing up to this beautiful idea and then they're going to go be on magazine covers and go to parties. But really what it’s about more than anything else, what being a cofounder really means, is signing up for this years long grind on execution and you can’t outsource this.

The way to have a company that executes well is you have to execute well yourself. Every thing at a startup gets modeled after the founders. Whatever the founders do becomes the culture. So if you want a culture where people work hard, pay attention to detail, manage the customers, are frugal, you have to do it yourself. There is no other way. You cannot hire a COO to do that while you go off to conferences. The company just needs to see you as this maniacal execution machine. As I said in the first lecture, there’s at least a hundred times more people with great ideas than people who are willing to put in the effort to execute them well. Ideas by themselves are not worth anything, only executing well is what adds and creates value.

A big part of execution is just putting in the effort, but there is a lot you can learn about how to be good at it. And so we’re going to have three classes that just talk about this.

The CEO, people ask me all the time about the jobs of the CEO. There are probably more than five, here are five that come up a lot in the early days. The first four everyone thinks of as CEO jobs: set the vision, raise money, evangelize the mission to people you’re trying to recruit, executives, partners, press, everybody, hire and manage the team. But the fifth one is setting the execution bar and this is not the one that most founders get excited about or envision themselves doing but I think it is actually one of the critical CEO roles and no one but the CEO can do this.

Execution gets divided into two key questions. One, can you figure out what to do and two, can you get it done. So I want to talk about two parts of getting it done, assuming that you’ve already figured out what to do. And those are focus and intensity. So focus is critical. One of my favorite questions to ask founders about what they’re spending their time and their money on. This reveals almost everything about what founders think is important.

One of the hardest parts about being a founder is that there are a hundred important things competing for your attention every day. And you have to identify the right two or three, work on those, and then ignore, delegate, or defer the rest. And a lot of these things that founders think are important, interviewing a lot at different law firms, going to conferences, recruiting advisers, whatever, they just don’t matter. What really does matter varies with time, but it’s an important piece of advice. You need to figure out what the one or two most important things are, and then just do those.

And you can only have two or three things every day, because everything else will just come at you. There will be fires every day and if you don't get good at setting what those two or three things are, you'll never be good at getting stuff done. This is really hard for founders. Founders get excited about starting new things.

Unfortunately the trick to great execution is to say no a lot. You’re saying no ninety-seven times out of a hundred, and most founders find they have to make a very conscious effort to do this. Most startups are nowhere near focused enough. They work really hard-maybe-but they don’t work really hard at the right things, so they'll still fail. One of the great and terrible things about starting a start up is that you get no credit for trying. You only get points when you make something the market wants. So if you work really hard on the wrong things, no one will care.

So then there's this question of how do you figure out what to focus on each day. Each day it's really important to have goals. Most good founders I know have a set of small overarching goals for the company that everybody in the company knows. You know it could be something like ship a product by this date, get this certain growth rate, get this engagement rate, hire for these key roles, those are some of them but everyone in the company can tell you each week what are our key goals. And then everybody executes based off of that.

The founders really set the focus. Whatever the founders care about, whatever the founders focus on, that's going to set the goals for the whole company. The best founders repeat these goals over and over, far more often than they think they should need to. They put them up on the walls they talk about them in one on ones and at all-hands meetings each week. And it keeps the company focus. One of the keys to focus, and why I said cofounders that aren't friends really struggle, is that you can't be focused without good communication. Even if you have only four or five people at a company, a small communication breakdown is enough for people to be working on slightly different things. And then you lose focus and the company just scrambles.

I'm going to talk about this a little bit later, but growth and momentum are something you can never lose focus on. Growth and momentum are what a startup lives on and you always have to focus on maintaining these. You should always know how you're doing against your metrics, you should have a weekly review meeting every week, and you should be extremely suspicious if you’re ever talking about, we’re not focused on growth right now, we’re not growing that well right now but we're doing this other thing, we don't have a timeline for when we are going to ship this because we're focused on this other thing, we’re doing a re-brand, whatever, almost always a disaster.

So you want to have the right metrics and you want to be focused on growing those metrics and having momentum. Don't let the company get distracted or excited about other things. A common mistake is that companies get excited by their own PR. It's really easy to get PR with no results and it actually feels like you're really cool. But in a year you'll have nothing, and at that point you won't be cool anymore, and you'll just be talking about these articles from a year ago that, Oh you know these Stanford students start a new start up, it's going to be the next big thing and now you have nothing and that sucks.

As I mentioned already, be in the same space. I think this is pretty much a nonstarter. Remote confounding teams is just really really hard. It slows down the cycle time more than anybody ever thinks it's going to.

The other piece besides focus for execution is intensity. Startups only work at a fairly intense level. A friend of mine says the secret to start up success is extreme focus and extreme dedication. You can have a startup and one other thing, you can have a family, but you probably can't have many other things. Startups are not the best choice for work life balance and that's sort of just the sad reality. There's a lot of great things about a startup, but this is not one of them. Startups are all-consuming in a way that is generally difficult to explain. You basically need to be willing to outwork your competitors.

The good news here is that a small amount of extra work on the right thing makes a huge difference. One example that I like to give is thinking about the viral coefficient for a consumer web product. How many new users each existing user brings in. If it's .99 the company will eventually flatline and die. And if it's 1.01 you'll be in this happy place of exponential growth forever.

So this is one concrete example of where a tiny extra bit of work is the difference between success and failure. When we talk to successful founders they tell stories like this all the time. Just outworking their competitors by a little bit was what made them successful.

So you have to be really intense. This only comes from the CEO, this only comes from the founders. One of the biggest advantages that start ups have is execution speed and you have to have this relentless operating rhythm. Facebook has this famous poster that says move fast and break things. But at the same time they manage to be obsessed with quality. And this is why it's hard. It's easy to move fast or be obsessed with quality, but the trick is to do both at a startup. You need to have a culture where the company has really high standards for everything everyone does, but you still move quickly.

Apple, Google, and Facebook have each done this extremely well. It's not about the product, it's about everything they do. They move fast and they break things, they're frugal in the right places, but they care about quality everywhere. You don't buy people shitty computers if you don't want them to write shitty code. You have to set a quality bar that runs through the entire company. Related to this is that you have to be decisive. Indecisiveness is a startup killer. Mediocre founders spend a lot of time talking about grand plans, but they never make a decision. They're talking about you know I could do this thing, or I could do that other thing, and they're going back and forth and they never act. And what you actually need is this bias towards action.

The best founders work on things that seem small but they move really quickly. But they get things done really quickly. Every time you talk to the best founders they've gotten new things done. In fact, this is the one thing that we learned best predicts a success of founders in YC. If every time we talk to a team they've gotten new things done, that's the best predictor we have that a company will be successful. Part of this is that you can do huge things in incremental pieces. If you keep knocking down small chunks one at a time, in a year you look back and you've done this amazing thing. On the other hand, if you disappear for a year and you expect to come back with something amazing all at once, it usually never happens.

So you have to pick these right size projects. Even if you're building this crazy synthetic biology company and you say well I have to go away for a year, there's no way to do this incrementally, you can still usually break it into smaller projects.

So speed is this huge premium. The best founders usually respond to e-mail the most quickly, make decisions most quickly, they're generally quick in all of these ways. And they had this do what ever it takes attitude.

They also show up a lot.

They come to meetings, they come in, they meet us in person. One piece of advice that I have that’s always worked for me: they get on planes in marginal situations. I’ll tell a quick story here.

When I was running my own company, we found out we were about to lose a deal. It was sort of this critical deal from the first big customer in the space. And it was going to go to this company that had been around for year before we were. And they had this like all locked up. And we called and said “we have this better product you have to meet with us” and they said “well we’re signing this deal tomorrow. sorry.” We drove to the airport, we got on a plane, we were at their office at 6am the next morning. We just sat there, they told us to go away, we just kept sitting there. Finally once of the junior guys decided to meet with us, after that, finally one of the senior guys decided to meet with us. They ended up ripping up the contract with the other company, and we closed the deal with them about a week later. And I’m sure, that had we not gotten on a plane, had we not shown up in person, that would not have worked out.

And so, you just sort of show and and do these things, when people say get on plane in marginal situations, they actually mean it, but they don’t mean it literally. But I actually think it’s good, literal advice.

So I mentioned this momentum and growth earlier. Once more: the momentum and growth are the lifeblood of startups. This is probably in the top three secrets of executing well. You want a company to be winning all the time. If you ever take your foot off the gas pedal, things will spiral out of control, snowball downwards. A winning team feels good and keeps winning. A team that hasn’t won in a while gets demotivated and keeps losing. So always keep momentum, it’s this prime directive for managing a startup. If I can only tell founders one thing about how to run a company, it would be this.

For most software startups, this translates to keep growing. For hardware startups it translates to: don’t let your ship dates slip. This is what we tell people during YC, and they usually listen and everything is good. What happens at the end of YC is that they get distracted on other things, and then growth slows down. And somehow, after that happens, people start getting unhappy and quitting and everything falls apart. It’s hard to figure out a growth engine because most companies grow in new ways, but there’s this thing: if you build a good product it will grow. So getting this product right at the beginning is the best way not to lose momentum later.

If you do lose momentum, most founders try to get it back in the wrong way. They give these long speeches about vision for the company and try to rally the troops with speeches. But employees in a company where momentum has sagged, don’t want to hear that. You have to save the vision speeches for when the company is winning. When you’re not winning, you just have to get momentum back in small wins. A board member of mine used to say that sales fix everything in a startup. And that is really true. So you figure out where you can get these small wins and you get that done. And then you’ll be amazed at how all the other problems in a startup disappear.

Another thing that you’ll notice if you have momentum sag, is that everyone starts disagreeing about what to do. Fights come out when a company loses momentum. And so a framework for that that I think works is that when there’s disagreement among the team about what to do, then you ask your users and you do whatever your users tell you. And you have to remind people: “hey, stuff’s not working right now we don’t actually hate each other, we just need to get back on track and everything will work.” If you just call it out, if you just acknowledge that, you’ll find that things get way better.

To use a Facebook example again, when Facebook’s growth slowed in 2008, mark instituted a “growth group.” They worked on very small things to make Facebook grow faster. All of these by themselves seemed really small, but they got the curve of Facebook back up. It quickly became the most prestigious group there. Mark has said that it’s been one of Facebook’s best innovations. According to friends of mine that worked at Facebook at the time, it really turned around the dynamic of the company. And it went from this thing where everyone was feeling bad, and momentum was gone, back to a place that was winning.

So a good way to keep momentum is to establish an operating rhythm at the company early. Where you ship product and launch new features on a regular basis. Where you’re reviewing metrics every week with the entire company. This is actually one of the best things your board can do for you. Boards add value to business strategy only rarely. But very frequently you can use them as a forcing function to get the company to care about metrics and milestones.

One thing that often disrupts momentum and really shouldn’t is competitors. Competitors making noise in the press I think probably crushes a company’s momentum more often than any other external factor.

So here’s a good rule of thumb: don’t worry about a competitor at all, until they’re actually beating you with a real, shipped product. Press releases are easier to write than code, and that is still easier than making a great product. So remind your company of this, and this is sort of a founder’s role, is not to let the company get down because of the competitors in the press.

This great quote from Henry Ford that I love: “The competitor to be feared is one who never bothers about you at all, but goes on making his own business better all the time.”

These are almost never the companies that put out a lot of press releases. And they bum people out.