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Leveraging His Law Background, Spotting Undiscovered Talent, Learning Through Osmosis, Favorite Books, and More - Keith Rabois on What Got You There with Sean DeLaney - Podcast Notes

About The Author MMiller

14-17 minutes

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January 12, 2020

Check out the What Got You There with Sean DeLaney [Podcast Page](#)

Key Takeaways

- Keith credits his success to the basics: **Early-morning exercise, proper sleep, and reading for ~1 hour a day**
- If you're going to succeed as a startup, **you need to be able to find and hire undiscovered talent**
- **"If you're going to attract people with extremely high potential, the first thing you have to do is let them thrive. You have to give them the degrees of freedom to do both what they can do very well, and to some extent, allow them to make mistakes."** – Keith Rabois
 - "If you try to constrain really talented people, you're only going to create a mirror of yourself with your same strengths and weaknesses. You HAVE to let people do stuff that you disagree with. You can't tell how good they are if they're just replicating what you'd have them do."
- **If you're tenacious (relentlessly resourceful), smart, and a magnet for talent, your odds of achieving success are greatly magnified**
- **"To be successful in an efficient market, you need to figure out what your comparative advantage is and magnify it"** – Keith Rabois

Keith's Book Recommendations

- [Why We Sleep](#) by Dr. Matthew Walker
 - "It will literally transform your life. Once you read the book, you'll change all of your behaviors to focus and obsess on sleep." – Keith Rabois
- Keith says one of the most important books Keith read in high school was [The Winner Within](#) by Pat Riley
- [The Upside of Stress](#) by Kelly McGonigal
 - "Almost everybody's taught that stress is bad for them... It's completely false. You want more stress in your life. With the right mental attitude, you'll live longer, be happier, and be more successful." – Keith Rabois
- [High Output Management](#) by Andy Grove
- [Return to the Little Kingdom](#) by Mike Moritz, a book about the creation of Apple
- [The Score Takes Care of Itself](#), especially if you're a founder
 - The book's main point: Avoid focusing on the outputs (like winning a football game), and instead, master the inputs. If all of your inputs are perfect, the output (the score) takes care of itself.

Intro

- Host – Sean DeLaney (@SeanDeLaney23)
- Keith Rabois (@rabois) is a General Partner at Founders Fund and co-founder of Opendoor
 - Previously, Keith held executive roles at Paypal, LinkedIn, Slide, and Square

How does Keith starts his weekday mornings?

- **With exercise!**
 - He rolls out of bed and rushes off to workout (it's usually a 7 AM high-intensity interval training session at Barry's Bootcamp)

The Importance of Sleep

- "I've been obsessive about 8 hours of sleep and the importance of sleep all my life" – Keith Rabois
- Keith HIGHLY recommends reading *Why We Sleep* by Dr. Matthew Walker
 - "It will literally transform your life. Once you read the book, you'll change all of your behaviors to focus and obsess on sleep." – Keith Rabois
- **Good sleep is a pillar of good health**
 - And after all, it's difficult to do anything successfully if you're not healthy
 - "I think we'll discover in the next 20-30 years when we have more longitudinal data that most maladies are a function of poor sleep" – Keith Rabois

Keith's Reading Habit

- "There's nothing more valuable than reading high-quality materials. You can tap into the best thinking of all time and become an expert in many dimensions, and forge connections from different fields." – Keith Rabois
- Keith's friends like to joke that his life revolves around books and Barry's Bootcamp
- Keith tries to read ~1 hour a day, but often finds himself making up for lost time on the weekends
 - He still prefers physical books as it's easier to take hand-written notes in the margins

Keith's Law Background

- Sean has noticed that several top-performers, like Keith, started off as lawyers and then pivoted
- After finishing college, Keith went on to law school
 - "Then, after 3.5 years of practice and a year and a half of clerking, I realized that there might be better things to do with my life. I basically wasted all my 20s practicing and studying law. Almost anyone who's under 30 listening to this is almost surely off to a better start than I was." – Keith Rabois
 - "The problem with law school is it's a 3-year commitment, and the opportunity cost, plus the financial cost of 3 years, is quite high. So, it's hard to recommend going to law school to anyone who's ambitious but doesn't quite know what yet to do." – Keith Rabois
- That said, law school provides several benefits:
 - **It helps structure your thinking and improves the clarity of your thoughts**
 - **The regulatory aspect of a law education easily translates to other fields**
 - "Being exposed to law, even if for only a year of law school, allows you to ask your council a lot of interesting and arresting follow up questions that lead to epiphanies" – Keith Rabois
 - This matters a lot if you run a startup
 - Because of this: "I prefer to invest in areas that have a dose of legal or regulatory risk because I believe I have a comparative advantage versus other investors in assessing and calibrating that risk... Most investors, almost all other investors, have to actually outsource that analysis to a lawyer, and once you start outsourcing things, you revert to the middle of the bell curve... You're deferring to other people who have a somewhat different risk profile, aren't incentivized the same, and really aren't motivated to probe at the edges."
 - A few of the high-risk areas Keith loves to invest in: Financial services and healthcare

Why Keith Left Law

- Lawyers primarily compete with each other based on the number of hours they can bill
 - During his last month as a lawyer in January of 2000, Keith billed 365 hours!
 - “Given the prioritization of sleep in my life, and the ability of sleep to affect my performance, I realized that competing at the high end of law on the basis of the number of hours I could bill was not something I wanted to do” – *Keith Rabois*
- **Around this time, a few of Keith’s Stanford friends were pioneering the first generation of the internet, many of whom were looking for talented people (like Keith) to recruit**
 - **So, Keith quit his job as a lawyer, packed his bags, and headed off to Silicon Valley to work at PayPal**
- Going from law to the world of business was quite the mindset shift
 - Lawyers are trained to identify problems and risks (everything that can go wrong), which isn’t useful for building a business: “The real art in building a business is figuring out how to solve the problems, not identify them” – *Keith Rabois*

How Keith Gauges His Success

- As a venture capitalist, because Keith’s investment returns tend to lag behind by ~ a decade, he uses these two metrics:
 - **The number of undiscovered talented people he’s able to mentor that turn out to be incredibly important to the world**
 - **The number of companies he’s able to help or influence, in one way or another, that end up going on to transform an industry (or the world)**

Keith’s Superpower

- **Being able to spot 19-28-year-old people with talent, who have yet to be discovered or experience success, and project their future potential** (and then go on to mentor or invest in them)

Learning Through Osmosis

- Keith has had quite the string of bosses throughout his career – [Peter Thiel](#), [Max Levchin](#), [Reid Hoffman](#), [Jack Dorsey](#), and [Vinod Khosla](#), to name a few
- “I’m always watching and taking notes of things I find interesting, and trying to figure out which pieces of the puzzle I can use for my own custom brew” – *Keith Rabois*
 - Keith adds: **“I don’t think you want to replicate someone else’s strategy or unique insights. You have to figure out which pieces of their success formula apply to your comparative advantages, and which ones you can leverage., and which ones you maybe even do better than them. That’s where the art is. I’m borrowing lessons I’ve learned from a bunch of different people, from a bunch of different experiences, from a bunch of different companies, and packaging them together in my own Keith custom brew.”**
- Another way to learn from others: Debate
 - **“Debating with someone who’s very good at what they do, who’s very insightful and sharp, is always a useful exercise”** – *Keith Rabois*

Don’t Just Be the Best, Be Unique

- Keith says one of the most essential books he read in high school was [The Winner Within](#) by Pat Riley
 - A particular quote from the book Keith keeps with him: **“You don’t want to be the best at what you do, you want to be the only one who does what you do”**

Find Your Comparative Advantage

- **“To be successful in an efficient market [like venture capital], you need to figure out what your comparative advantage is and magnify it”** – *Keith Rabois*
- A few of Keith’s comparative advantages:
 - “What I’ve been able to do very well is pair with very opinionated, strong-willed, visionary founders and be their compliment” – *Keith Rabois*
 - “The last 4 or 5 years in my executive career, I was able to blend what might be called ‘design thinking’ with empirical analysis in an interesting way” – *Keith Rabois*

- Keith expands: “Being able to work with first-rate designers as a quantitative empirical thinker with a business and marketing mindset is pretty rare”

Keith Rabois: The Idea Filter

- “I’m a better filter of other people’s ideas than I am a generator of my own” – *Keith Rabois*
 - “A lot of what I do is listen to ideas, and riff on them, or critique them, and help other people refine them by my critiques or by my riffs, compared to generating them”

How to Design an Optimal Company Culture

- First: **“If you’re going to attract people with extremely high potential, the first thing you have to do is let them thrive. You have to give them the degrees of freedom to do both what they can do very well, and to some extent, allow them to make mistakes.”** – *Keith Rabois*
 - “If you try to constrain really talented people, you’re only going to create a mirror of yourself with your same strengths and weaknesses. You HAVE to let people do stuff that you disagree with. You can’t tell how good they are if they’re just replicating what you’d have them do.”
- Second: **Give people enough rope so they can prove what they’re awesome at**
- Third: **Provide a process through which people can learn**
 - This can be through osmosis or top-down instruction
 - “You want people to increase their proficiency and improve their craft. You want to create a culture where that’s possible and encouraged.” – *Keith Rabois*

A Lesson from Peter Thiel

- On a jog around the Stanford campus during Keith’s first week at PayPal, Peter Thiel instilled in Keith **the importance of finding undiscovered talent**:
 - “He basically had this point and observation that you couldn’t scale a startup by competing for the same talent that all the large incumbents wanted. At the time, that would have been Yahoo, Microsoft, AOL, or eBay. You had to be able to find people that they didn’t know how to process because otherwise, they’d be able to outbid you in terms of compensation, etc.” – *Keith Rabois*

3 Important Traits That Increase Your Odds for Success

- **Be relentlessly resourceful** (AKA be tenacious)
 - For more background, give this Paul Graham [essay](#) a read
- “I still believe in the benefits of **intelligence and IQ**. I think you need to be able to see things others don’t see... Being able to see solutions and ideas others don’t is partially a function of IQ.” – *Keith Rabois*
- **Be a magnet for talent** (be able to sell a compelling vision to others)
 - Why is this important? – You can’t change the world with a startup by yourself

Keith’s Primary Job

- “A lot of my role, in many ways, is very similar to a psychologist of giving people feedback by asking them questions. At the end of the questioning, they get to the right conclusions.” – *Keith Rabois*
- “Developing a spidey sense for who might be an extraordinary founder... at the end of the day, that’s what it comes down to. Then I ask, ‘How can I magnify the strengths and weaknesses of what they’re working on, so they can see in stark contrast, and make sure their decisions are conscious?’” – *Keith Rabois*

Book Recommendations

- ***The Upside of Stress*** by Kelly McGonigal
 - Keith comments on the book: “Almost everybody’s taught that stress is bad for them... It’s completely false. You want more stress in your life. With the right mental attitude, you’ll live longer, be happier, and be more successful.”
- ***High Output Management*** by Andy Grove
- ***Return to the Little Kingdom*** by Mike Moritz, a book about the creation of Apple

- As mentioned above, [Why We Sleep](#) by Dr. Matthew Walker

Is there a topic Keith wishes there were better books on?

- Something related to the leadership principles displayed at Amazon
 - There's [The Everything Store](#), but much more is left to be disclosed
 - "I think people could borrow a lot more from Amazon and apply it. Amazon really runs their company very differently than the proverbial Silicon Valley companies, particularly Facebook and Google. The lessons from Amazon are arguably more scalable and more interesting, and I wish there was more written about it." – Keith Rabois

Who would Keith interview if he had the chance, dead or alive?

- [Margaret Thatcher](#)
 - "She was always the most inspiring person for me growing up... I got to meet her once, and it felt like meeting God. There was just this aura around her, unlike any other person I've ever met." – *Keith Rabois*

When was the last time Keith was genuinely shocked by a performance?

- First, some preface: **Keith highly recommends reading [The Score Takes Care of Itself](#)**, especially if you're a founder
 - The book's main point: Avoid focusing on the outputs (like winning a football game), and instead, master the inputs. If all of your inputs are perfect/optimized, the output (the score) takes care of itself.
- "I've just been obsessed this season watching the footwork of this receiver for the Dallas Cowboys on the sidelines – [Amari Cooper](#). It's just unbelievably off the charts what he can consistently do." – Keith Rabois

Additional Notes

- Before switching careers, Keith was honored as one of the top-4 lawyers in the U.S.
- Keith tells everyone that comes to work for him (paraphrased): "Your number one job is to prevent me from making a mistake, and I don't care what you have to do to make that happen"