

The Post-YC Slump

At the end of a YC batch, the general consensus among the partners is that about 25% of the companies are on a trajectory that could lead to a multi-billion dollar company. Of course, only a handful of them do. Most go on to be decent or bad.

These companies have a beautifully exponential growth curve during YC, and then a few months after YC is over, it essentially flatlines. Because it would be so much better for us if this did not happen, we wonder a lot about why.

The main problem is that companies stop doing what they were doing during YC—instead of relentlessly focusing on building a great product and growing, they focus on everything else. They also work less hard and less effectively—the peer pressure during YC is a powerful force.

The startups justify this to themselves in all sorts of ways—"We're doing some longer-term strategic work. You wouldn't understand." "We're cleaning up our technical debt." "We're building out the organization." "We're focusing on PR for this month. I'm going to speak at 6 conferences and writing two thought leadership pieces." "We are different; growth isn't our most important thing." We've heard all of these from startups that have gone on to disappoint.

In general, startups get distracted by fake work. Fake work is both easier and more fun than real work for many founders. Two particularly bad cases are raising money and getting personal press; we've seen many promising founders fall in love with one or (usually) both of these, which nearly always ends badly. But the list of fake work is long.

I tell founders to consider how directly a task relates to growing. Obviously, building and selling are the best. Things like hiring are also very high on the list—you will need to hire to sustain your growth rate at some point. Interviewing lots of lawyers has got to be near the bottom.

During YC, we are ruthless about reminding startups that fake work does not count and will still get you a failed startup no matter how intensely you do it. We are also ruthless about asking for your progress, and being honest with you if things aren't working. After YC, we have less contact with startups—you can go dark on us if you want. This, by itself, is almost always a sign that a startup is doing badly.

Momentum is everything in a startup. If you have momentum, you can survive most other problems. If you do not have momentum, nothing except getting momentum will solve your problems. Founders internalize this during YC; many seem to forget in the few years after YC. Burnout seems to almost always affect founders whose startups are not doing well, and then becomes a downward spiral. In fact, one of my top few startup commandments is "never let the company lose momentum".

There are a few other common problems. One is a feeling of "we made it" that comes after a big financing round and a reduction in intensity. A related problem is that after you've raised a lot of money or become somewhat well-known, it's harder to admit that things aren't working and you need to change direction. Also, very small startups can grow by sheer force of will, even with a bad product. This stops working after a few months as the numbers get larger, and if you haven't built something people love, you will not be able to continue growing.

So how can startups avoid this slump? Work on real work. Stay focused on building a product your users love and hitting your growth targets. Try to

have a board and peers who will make you hold yourself accountable—don't lose the urgency that you developed during YC. Keep sending updates on your traction to your investors and anyone else who will read them (in fact, we're building some new software at YC to automate this for our startups in the hope that it prevent some of them from going off the rails). Make the mistake of focusing too much on what matters most, not too little, and relentlessly protect your time from everything else. Don't ever let yourself feel like you've won before you have. I still don't think the Airbnb founders feel like they've won. You have to keep up a high level of intensity for many, many years.

Many YC startups learns these lessons after a year or two in the wilderness, but for some it's too late and for all it's a waste of time.

The best startups we fund keep on doing exactly what they did during YC. This sounds so simple and so obvious, but in practice so few founders do it.

The good news is it's doable with deliberate effort. If every founder (YC and otherwise) did it, the number of successful startups would probably double.