Projects and Companies

In the early days of my startup, I used to get slightly offended when people would refer to it as a "project". "How's your project going?" seemed like the asker didn't take us seriously, even though everything felt serious to us. I remember assuming this would stop after we announced a $5 million Series A; it didn't. I kept feeling like we'd know we made it when people started referring to us a company.

I now have the opposite belief. It's far better to be thought of—and to think of yourself—as a project than a company for as long as possible.

Companies sound serious. When you start thinking of yourself as a company, you start acting like one. You worry more about pretend work involving things like lawyers, conferences, and finance stuff, and less about building product, because that's what people who run companies are supposed to do. This is, of course, the kiss of death for promising ideas.

Projects have very low expectations, which is great. Projects also usually mean less people and less money, so you get the good parts of both flexibility and focus. Companies have high expectations—and the more money out of the gate and the more press, the worse off they are (think Color and Clinkle, for example).

Worst of all, you won't work on slightly crazy ideas—this is a company, not a hobby, and you need to do something that sounds like a good, respectable idea. There is a limit to what most people are willing to work on for something called a company that does not exist if it's just a project. The risk of seeming stupid when something is just a project is almost zero, and no one cares if you fail. So you're much more likely to work on something good, instead of derivative but plausible-sounding crap.

When you're working on a project, you can experiment with ideas for a long time. When you have a company, the clock is ticking and people expect results. This gets to the danger with projects—a lot of people use them as an excuse to not work very hard. If you don't have the self-discipline to work hard without external pressure, projects can be a license to slack off.

The best companies start out with ideas that don't sound very good. They start out as projects, and in fact sometimes they sound so inconsequential the founders wouldn't let themselves work on them if they had to defend them as a company. Google and Yahoo started as grad students' projects. Facebook was a project Zuckerberg built while he was a sophomore in college. Twitter was a side project that started with a single engineer inside a company doing something totally different. Airbnb was a side project to make some money to afford rent. They all became companies later.

All of these were ideas that seemed bad but turned out to be good, and this is the magic formula for major success. But in the rush to claim a company, they could have been lost. The pressure from external (and internal) expectations is constant and subtle, and it often kills the magic ideas. Great companies often start as projects.