

[Welcome](#)

to [CS183B](#)

. I am [Sam Altman](#)

, I'm the President of Y Combinator. Nine years ago, I was a Stanford student, and then I dropped out to [start a company](#)

and then I've been an investor for the last few. [So YC, we've been teaching people how to start startups for nine years.](#)

Most of it's pretty specific to the startups but [thirty percent of it is pretty generally applicable](#)

. And so we think we can teach that thirty percent in this class. And even though that's only thirty percent of the way there, hopefully it will still be really helpful.

[We've taught a lot of this class at YC and it's all been off the record.](#)

And this is the first time a lot of what we teach is going to be on the record. We've invited some of our guest speakers to come and give the same talks they give at YC. [We've now funded 725 companies](#)

and so we're pretty sure a lot of this advice we give is pretty good. [We can't fund every startup yet, but we can hopefully make this advice very generally available.](#)

[I'm only teaching three.](#)

[Counting YC itself, every guest speaker has been involved in the creation of a billion plus dollar company](#)

. So the advice shouldn't be that theoretical, it's all been people who have done it.

All of the advice in this class is geared towards people starting a business where the goal is [hyper growth](#)

and eventually building a very large company. Much of it doesn't apply in other cases and I want to warn people up front, that [if you try to do these things in a lot of big companies or non-startups, it won't work.](#)

It should still be interesting, I really think that [startups are the way of the future](#)

and it's worth trying to understand them, but startups are very different than normal companies. So over the course of today and Thursday, I'm going to try to give an overview of the four areas [you need](#)

d to excel at in order to maximize your success as a startup. And then throughout the course, the guest speakers are going to drill into all of these in more detail.

## Ideas, Products, Teams and Execution Part I

So the four areas: You need a [great idea](#)

, a great product, a great team, and [great execution](#)

. These overlap somewhat, but I'm going to have to talk about them somewhat individually to make it make sense.

You may still fail. The outcome is something like idea x product x execution x team x luck, where luck is a random number between zero and ten thousand. Literally that much. But if you do really well in the four areas you can control, you have a good chance at at least some amount of success.

One of the exciting things about startups is that they are a surprisingly even playing field

. Young and inexperienced, you can do this. Old and experienced, you can do this, too. And one of the things that I particularly like about startups is that some of the things that are bad in other work situations, like being poor and unknown, are actually huge assets when it comes to starting a startup.

Before we jump in on the how, I want to talk about why you should start a startup. I'm somewhat hesitant to be doing this class at all because you should never start a startup just for the sake of doing so.

There are much easier ways to become rich and everyone who starts a startup always says, always, that they couldn't have imagined how hard and painful it was going to be

. You should only start a startup if you feel compelled by a particular problem and that you think starting a company is the best way to solve it

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The specific passion should come first, and the startup second. In fact, all of the classes we have at YC follow this. So for the second half of today's lecture, [Dustin Moskovitz](#)

is going to take over and talk about why to start a startup. We were so surprised at the amount of attention this class got, that we wanted to make sure we spent a lot of time on the why.

The first of the four areas: a great idea. It's become popular in recent years to say that the idea doesn't matter. In fact, it's uncool to spend a lot of time thinking about the idea for a

startup. You're just supposed to start, throw stuff at the wall, see what sticks, and not even spend any time thinking about if it will be valuable if it works.

And pivots are supposed to be great, the more pivots the better.

So this isn't totally wrong, things do evolve in ways you can't totally predict. And there's a limit to how much you can figure out without actually getting a product in the hands of the users

. And great execution is at least ten times as important and a hundred times harder than a great idea.

But the pendulum has swung way out of whack. A bad idea is still bad and the pivot-happy world we're in today feels suboptimal. Great execution towards a terrible idea will get you nowhere.

There are exceptions, of course, but most great companies start with a great idea, not a pivot.

If you look at successful pivots, they almost always are a pivot into something the founders themselves wanted

, not a random made up idea. Airbnb happened because Brian Chesky couldn't pay his rent, but he had some extra space. In general though if you look at

the track record of pivots, they don't become big companies. I myself used to believe ideas didn't matter that much, but I'm very sure that's wrong now.

The definition of the idea, as we talk about it, is very broad. It includes the size and the growth of the market, the growth strategy for the company, the defensibility strategy, and so on. When you're evaluating an idea, you need to think through all these things, not just the product. If it works out, you're going to be working on this for ten years so it's worth some real up front time to think through the up front value and the defensibility of the business

. Even though plans themselves are worthless, the exercise of planning is really valuable

and totally missing in most startups today.

Long-term thinking is so rare anywhere, but especially in startups. There is a huge advantage if you do it

. Remember that the idea will expand and become more ambitious as you go. You certainly don't need to have everything figured out in your path to world domination, but you really want a nice kernel to start with. You want something that can develop in interesting ways.

As you're thinking through ideas, another thing we see that founders get wrong all the time is that someday you need to build a business that is difficult to replicate

. This is an important part of a good idea.

[I want to make this point again because it is so important: the idea should come first and the startup should come second. Wait to start a startup until you come up with an idea you feel compelled to explore. This is also the way to choose between ideas. If you have several ideas, work on the one that you think about most often when you're not trying to think about work. What we hear again and again from founders is that they wish they had waited until they came up with an idea they really loved](#)

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Another way of looking at this is that the best companies are almost always mission oriented. It's difficult to get the amount of focus that large companies need unless the [company feels like it has an important mission](#)

. [And it's usually really hard to get that without a great founding idea.](#)

A related advantage of mission oriented ideas is that you yourself will be dedicated to them. It takes years and years, usually a decade, to build a great startup. If you don't love and believe in what you're building, you're likely to give up at some point along the way. There's no way I know of to get through the pain of a startup without the belief that the mission really matters. A lot of founders, especially students, believe that their startups will only take two to three years and then after that they'll work on what they're really passionate about. That almost never works. [Good startups usually take ten years.](#)

A third advantage of mission oriented companies is that people outside the company are more willing to help you. [You'll get more support on a hard, important project, than a derivative one](#)

. When it comes to starting a startup, it's easier to found a hard startup than an easy startup. This is one of those counter-intuitive things that takes people a long time to understand. It's difficult to overstate how important being mission driven is, so I want to state it one last time: [derivative companies, companies that copy an existing idea with very few new insights, don't excite people and they don't compel the teams to work hard enough to be successful.](#)

Paul Graham is going to talk about how to get startup ideas next week. It's something that a lot of founders struggle with, but it's something I believe you can get better at with practice and it's definitely worth trying to get better at.

The hardest part about coming up with great ideas, is that [the best ideas often look terrible at the beginning](#)

. [The thirteenth search engine, and without all the features of a web portal?](#)

Most people thought that was pointless. Search was done, and anyways, it didn't matter that much. Portals were where the value was at. [The tenth social network, and limited only to college students with no money? Also terrible. MySpace has won and who wants college students as customers?](#)

[Or a way to stay on strangers' couches](#)

. That just sounds terrible all around.

These all sounded really bad but they turned out to be good. [If they sounded really good, there would be too many people working on them.](#)

As Peter Thiel is going to discuss in the fifth class, you want an idea that turns into a monopoly. But you can't get a monopoly right away. You have to find a small market in which you can get a monopoly and then quickly expand. This is why some great startup ideas look really bad at the beginning. It's good if you can say something like, ["Today, only this small subset of users are going to use my product, but I'm going to get all of them, and in the future, almost everyone is going to use my product."](#)

Here is the theme that is going to come up a lot: you need conviction in your own beliefs and a willingness to ignore others' naysaying. The hard part is that this is a very fine line. There's right on one side of it, and crazy on the other. But keep in mind that if you do come up with a great idea, most people are going to think it's bad. You should be happy about that, it means they won't compete with you.

This also another reason why it's not really dangerous to tell people your idea. The truly good ideas don't sound like they're worth stealing. You want an idea where you can say, "I know it sounds like a bad idea, but here's specifically why it's actually a great one." You want to sound crazy, [but you want to actually be right. And you want an idea that not many other people are working on. And it's okay if it doesn't sound big at first](#)

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A common mistake among founders, especially first time founders, is that they think the first version of their product - the first version of their idea - needs to sound really big. But it doesn't. It needs to take over a small specific market and expand from there. [That's how most great companies get started. Unpopular but right is what you're going for. You want something that sounds like a bad idea, but is a good idea.](#)

You also really want to take the time to think about how the market is going to evolve. [You need a market that's going to be big in 10 years.](#)

Most investors are obsessed with the market size today, and [they don't think at all about how the market is going to evolve](#)

In fact, I think this is one of the biggest systemic mistakes that investors make. [They think about the growth of the start-up itself, they don't think about the growth of the market.](#)

I care much more about the growth rate of the market than its current size, and I also care if there's any reason it's going to top out. You should think about this. I prefer to invest in a company that's going after a small, but rapidly growing market, than a big, but slow-growing market.

One of the big advantages of these sorts of markets - these smaller, rapidly growing markets - is that customers are usually pretty desperate for a solution, and they'll put up with an imperfect, but rapidly improving product. A big advantage of being a student - one of the two biggest advantages - is that you probably have better intuition about which markets are likely to start growing rapidly than older people do. Another thing that students usually don't understand, or it takes awhile, [is that] you can not create a market that does not want to exist. You can basically change everything in a start-up but the market, so you should actually do some thinking to be sure - or be as sure as you can be - that the market you're going after is going to grow and be there.

There are a lot of different ways to talk about the right kind of market. For example, surfing some one else's wave, stepping into an up elevator, or being part of a movement, but all of this is just a way of saying that you want a market that's going to grow really quickly. It may seem small today, it may be small today, but you know - and other people don't - that it's going to grow really fast.

So think about where this is happening in the world. You need this sort of tailwind to make a startup successful.

The exciting thing is there are probably more of these [tailwinds](#)

now than ever before. As Marc Andreessen says, software is eating the world. Its just everywhere, there are so many great ideas out there. You just have to pick one, and find one that you really care about.

[Another version of this, that gets down to the same idea, is Sequoia's famous question: Why now? Why is this the perfect time for this particular idea, and to start this particular company. Why couldn't it be done two years ago, and why will two years in the future be too late?](#)

For the most successful startups we've been involved with, they've all had a great idea and a great answer to this question. And if you don't you should be at least somewhat suspicious about it.

[In general, its best if you're building something that you yourself need. You'll understand it much better than if you have to understand it by talking to a customer to build the very first version. If you don't need it yourself, and you're building something someone else needs, realize that you're at a big disadvantage, and get very very close to your customers. Try to work in their office, if you can, and if not, talk to them](#)

multiple times a day.

Another somewhat counterintuitive thing about good startup ideas is that they're almost always very easy to explain and very easy to understand. If it takes more than a sentence to explain what you're doing, that's almost always a sign that it's too complicated. It should be a clearly articulated vision with a small number of words. And the best ideas are usually very different from existing companies, [either] in one important way, like Google being a search engine that worked just really well, and none of the other stuff of the portals, or totally new, like SpaceX. [Any company that's a clone of something else, that already exists, with some small or made up differentiator—like X, beautiful design, or Y for people that like red wine instead—that usually fails.](#)

So as I mentioned, one of the great things about being a student is that you've got a very good perspective on new technology. And learning to have good ideas takes a while, so start working on that right now. That's one thing we hear from people all the time, that they wish they had done more of as a student.

The other is meeting potential cofounders. You have no idea how good of an environment you're in right now, for meeting people you can start a company with down the road. And the one thing that we always tell college students is that more important than any particular startup is getting to know potential cofounders.

[So I want to finish this section of my talk with a quote from 50 Cent.](#)

This is from when he was asked about Vitamin Water. I won't read it, it's up there, but it's about the importance of thinking about what customers want, and thinking about the demands of the market. Most people don't do this—most students especially don't do this. If you can just do this one thing, if you can just learn to think about the market first, you'll have a big leg up on most people starting startups. And this is probably the thing we see wrong with Y Combinator apps most frequently, is that people have not thought about the market first, and what people want first.

So for the next section, I'm going to talk about building a great product. And here, again, I'm going to use a very broad definition of product. It includes customer support, the copy you write explaining the product, anything involved in your customer's interaction in what you built for them.

To build a really great company, you first have to turn a great idea into a great product. This is really hard, but it's crucially important, and fortunately it's pretty fun. Although great products are always new to the world, and it's hard to give you advice about what to build, there are enough commonalities that we can give you a lot of advice about *how* to build it.

One of the most important tasks for a founder is to make sure that the company builds a great product. Until you build a great product, nothing else matters. When really successful startup founders tell the story of their early days it's almost always sitting in front of the computer working on their product, or talking to their customers. That's pretty much all the

time. They do very little else, and you should be very skeptical if your time allocation is much different. Most other problems that founders are trying to solve, raising money, getting more press, hiring, business development, et cetera, these are significantly easier when you have a great product. It's really important to take care of that first. Step one is to build something that users love. At YC, we tell founders to work on their product, talk to users, exercise, eat and sleep, and very little else. All the other stuff I just mentioned—PR, conferences, recruiting advisers, doing partnerships—you should ignore all of that, and just build a product and get it as good as possible by talking to your users.

Your job is to build something that users love. Very few companies that go on to be super successful get there without first doing this. A lot of good-on-paper startups fail because they merely make something that people like. Making something that people want, but only a medium amount, is a great way to fail, and not understand why you're failing. So these are the two [jobs](#)

[Something that we say at YC a lot is that it's better to build something that a small number of users love, then a large number of users like.](#)

Of course, [it would be best to build something that a small number of users love](#)

, but opportunities to do that for v1 are rare, and they're usually not available to startups. So in practice you end up choosing [the gray or the orange](#)

. You make something that a lot of users like a little bit, or something that a small number of users love a lot. This is a very important piece of advice. [Build something that a small number of users love.](#)

It is much easier to expand from something that small number of people love, to something that a lot of people love, then from something that a lot of people like to a lot of people love. If you get right, you can get a lot of other things wrong. If you don't get this right, you can get everything else right, and you'll probably still fail. So when you start on the startup, this is the only thing you need to care about until it's working.

[Audience member]: Can you go over that slide again?

So you have a choice in a startup. The best thing of all worlds is to build a product that a lot of people really love. In practice, you can't usually do that, because if there's an opportunity like that, Google or Facebook will do it. [So there's like a limit to the area under the curve, of what you can build. So you can build something that a large number of users like a little bit, or a small number of users love a lot.](#)

So like the total amount of love is the same, it's just a question of how it's distributed.

[audience laughter] And there's like this law of conservation of how much happiness you can put in the world, with the first product of a startup.

And so startups always struggle, with which of those two they should go. And they seem equal, right? Because the area under the curve is the same. But we've seen this time and again, that they're not. And that it's so much easier to expand, once you've got something



that some people love, you can expand that into something that a lot of other people love. But if you start with ambivalence, or weak enthusiasm, and try to expand that, you'll never get up to a lot of people loving it. So the advice is: find a small group of users, and make them love what you're doing

[One way that you know when this is working, is that you'll get growth by word of mouth. If you get something people love, people will tell their friends about it. This works for consumer product and enterprise products as well. When people really love something, they'll tell their friends about it, and you'll see organic growth.](#)

[If you find yourself talking about how it's okay that you're not growing—because there's a big partnership that's going to come save you or something like that—its almost always a sign of real trouble.](#)

Sales and marketing are really important, and we're going to have two classes on them later. A great product is the secret to long term growth hacking. You should get that right before anything else. It doesn't get easier to put off making a great product. If you try to build a growth machine before you have a product that some people really love, you're almost certainly going to waste your time. Breakout companies almost always have a product that's so good, it grows by word of mouth. Over the long run, great product win. Don't worry about your competitors raising a lot of money, or what they might do in the future. They probably aren't very good anyway. [Very few startups die from competition. Most die because they themselves fail to make something users love, they spend their time on other things.](#)

So worry about this above all else.

[Another piece of advice to make something that users love: start with something simple. Its much much easier to make a great product if you have something simple.](#)

Even if your eventual plans are super complex, and hopefully they are, you can almost always start with a smaller subset of the problem then you think is the smallest, and its hard to build a great product, so you want to [start with as little surface area as possible.](#)

Think about the really successful companies, and what they started with, think about products you really love. They're generally incredibly simple to use, and especially to get started using. The first version of Facebook was almost comically simple. The first version of Google was just a webpage with a textbox and two buttons; but it returned the best results, and that's why users loved it. The iPhone is far simpler to use then any smartphone that ever came before it, and it was the first one users really loved.

Another reason that simple's good is because it forces you to do one thing extremely well and you have to do that to make something that people love.

The word fanatical comes up again and again when you listen to successful founders talk about how they think about their product. Founders talk about being fanatical in how they care about the quality of the small details. Fanatical in getting the copy that they use to

explain the product just right. and fanatical in the way that they think about customer support. In fact, one thing that correlates with success among the YC companies is the founders that hook up [Pagerduty to their ticketing system, so that even if the user emails in the middle of the night when the founder's asleep, they still get a response within an hour.](#)

Companies actually do this in the early days. Their founders feel physical pain when the product sucks and they want to wake up and fix it. They don't ship crap, and if they do, they fix it very very quickly. And it definitely takes some level of fanaticism to build great products.

You need some users to help with the feedback cycle, but the way you should get those users is manually—you should go recruit them by hand. Don't do things like buy Google ads in the early days, to get initial users. You don't need very many, you just need ones that will give you feedback everyday, and eventually love your product. So instead of trying to get them on Google Adwords, just the few people, in the world, that would be good users. Recruit them by hand.

[Ben Silbermann, when everyone thought Pinterest was a joke, recruited the initial Pinterest users by chatting up strangers in coffee shops. He really did, he just walked around Palo Alto and said "Will you please use my product?" He also used to run around the Apple store in Palo Alto, and he would like set all the browsers to the Pinterest homepage real quick, before they caught him and kicked him out. \(laughter\) and so that when people walked in they were like "Oh, what's this?". This is an important example of doing things that don't scale.](#)

If you haven't read [Paul Graham's essay on that topic](#)

, you definitely should.

So get users manually and remember that the goal is to get a small group of them to love you. Understand that group extremely well, get extremely close to them. Listen to them and you'll almost always find out that they're very willing to give you feedback. Even if you're building the product for yourself, listen to outside users, and they'll tell you how to make a product they'll pay for. Do whatever you need to make them love you, and make them know what you're doing. Because they'll also be the advocates that help you get your next users.

You want to build an engine in the company that transforms feedback from users into product decisions. Then get it back in from of the users and repeat. Ask them what the like and don't like, and watch them use it. Ask them what they'd pay for. Ask them if they'd be really bummed if your company went away. Ask them what would make them recommend the product to their friends, and ask them if they'd recommended it to any yet.

You should make this feedback loop as tight as possible. If your product gets 10 percent better every week, that compounds really quickly. One of the advantages of software startups is just how short you can make the feedback loop. It can be measured in hours, and the best companies usually have the tightest feedback loop. You should try to keep this going for all of your company's life, but its really important in the early days.

The good news is that all this is doable. Its hard, it takes a lot of effort, but there's no magic.

The plan is at least is straightforward, and you will eventually get to a great product.

Great founders don't put anyone between themselves and their users. The founders of these companies do things like sales and customer support themselves in the early days. Its critical to get this loop embedded in the culture. [In fact, a specific problem we always see with Stanford startups, for some reason, is that the students try to hire sales and customer support people right away, and you've got to do this yourself, its the only way.](#)

You really need to use metrics to keep yourself honest on this. It really is true that the company will build whatever the CEO decides to measure. If you're building an Internet service, ignore things like total registrations—don't talk about them, don't let anyone in the company talk about them—and look at growth and [active users, activity levels, cohort retention, revenue](#)

, net promoter scores, these things that matter. And then be [brutally honest](#)

if they're not going in the right direction. Startups live on growth, its the indicator of a great product.

So this about wraps up the overview on building a great product. I want to emphasize again, that if you don't get this right, nothing else we talk about in the class will matter. You can basically ignore everything else in the class until this is working well. On the positive side, this is one of the most fun parts of building a startup.

So I'm going to pause here, we'll pick back up with the rest of this on Thursday, and now Dustin is going to talk about *why* you should start a startup. Thank you for coming, Dustin.

## Why To Start A Startup

But yeah, Sam asked me to talk about why you should start a startup. There's a bunch of common reasons that people have, that I hear all the time for why you might start a startup. Its important to know what reason is yours, because some of them only make sense in certain contexts, some of them will actually, like, lead you astray. You may have been mislead by the way that Hollywood or the press likes to romanticize entrepreneurship, so I want to try to illuminate some of those potential fallacies, so you guys can make the decision in a clear way. And then I'll talk about the reason I like best for actually starting a startup, its very related to a lot of what Sam just talked about. But surprisingly, I don't think its the most common reason. Usually people have one of these other reasons, or, you know, they just want to start a company for the sake of starting a company.

So the 4 common reasons, just to enumerate them, are it's glamorous, you'll get to be the boss, you'll have flexibility, especially over your schedule, and you'll have the chance to have bigger impact and make more money then you might by joining a later stage company.

So you guys are probably pretty familiar this concept, [when I wrote the Medium post](#)

, which a lot of you guys read a year ago, I felt like the story in the press was a little more unbalanced, entrepreneurship got romanticized quite a bit. The movie *The Social Network* came out, it had a lot of like bad aspects of what it like to be an entrepreneur, but mainly it painted this picture of like, there's a lot of partying and you just kind of move from like one brilliant insight to another brilliant insight, and really made it seem like this really cool thing to do.

And I think the reality is just not quite so glamorous, there's an ugly side to being an entrepreneur, and more importantly, what you're actually spending your time on is just a lot of hard work. Sam mentioned this, but your basically just sitting at your desk, heads down, focused, answering customer support emails, doing sales, figuring out hard engineering problems. So its really important that you go in with eyes wide open. And then its also quite stressful. This has been a popular topic in the press lately: [The Economist actually ran a story just last week called "Entrepreneurs anonymous](#)

", and shows a founder like hiding under his desk, talking about founder depression. So this is a very real thing. Let's be real, if you start a company its going to be extremely hard.

Why is it so stressful? So a couple reasons. One is you've got a lot of responsibility. People in any career have a fear of failure, its kind of just like a dominant part of the part of the psychology. But when you're an entrepreneur, you have fear of failure on behalf of yourself and all of the people who decided to follow you. So that's really stressful. In some cases people are depending on you for their livelihood, even when that's not true, they've decided to devote the best years of their life to following you. So you're responsible for the opportunity cost of their time. You're always on call, if something comes up—maybe not always at 3 in the morning, but for some startups that's true—but if something important comes up, you're going to deal with it. That's kinda the end of the story, doesn't matter if you're on vacation, doesn't matter if its the weekend, you've got to always be on the ball and be in a place mentally where you're prepared to deal with those things. A sort of special example of this kind of stress is fundraising.

So a scene from *The Social Network*. This is us partying and working at the same time—somebody's spraying champagne everywhere—*The Social Network* spends a lot of time painting these scenes. Mark's not in the scene, the other thing they spend all their time on is painting him out to be a huge jerk.

This is an actual scene from Palo Alto, he spent a lot of time at this desk, head down and focused. Mark was still kinda a jerk sometimes, but in this more like fun lovable way, and not in a sociopathic, scorned lover way. So this is just him signaling his intention to just be focused and keep working, not be social.

So then there's the scene demonstrating the insight moment, it's kind of like out of *A Beautiful Mind*, they literally stole that scene. So they like to paint that scene and jump to these moments from other moments, with partying in between. But really we were just at that table the whole time. So if you compare this photo, Mark is in the exact same position but he's wearing different clothes, so this is definitely a different day. That's what it's actually like in person. I just covered this bullet; this is the Economist article I was talking about a second ago.

So another form of stress is unwanted media attention. So part of it being glamorous is you get some positive media attention sometimes, it's nice to be on the cover of Time and to be the Person of the Year. It's maybe a little less nice to be on the cover of People with one of your wedding photos. It depends on who you are, I really hate it, but when Valleywag analyzes your lecture and tears you apart, you don't want that, you definitely don't want that. Nobody wants that.

One thing I almost never hear people talk about is you're much more committed. So if you're at a startup and it's very stressful and things are not going well, you're unhappy, you can just leave. For a founder, you can leave, but it's very uncool and pretty much a black eye for the rest of your career. And so you really are committed for ten years if it's going well and probably more like five years if it's not going well. So three years to figure out it's not going well and then if you find a nice landing for your company, another two years at the acquiring company. If you leave before that, again it's not only going to harm yourself financially but it's going to harm all your employees. So if you're lucky and you have a bad startup idea, you fail quickly, but most of the time it's not like that.

I should say, I've had a lot of this stress in my own life, especially in the early years of Facebook, I got really unhealthy, I wasn't exercising, I had a lot of anxiety actually threw out my back, like almost every six months, when I was twenty-one or twenty-two, which is pretty crazy. So if you do start a company, be aware that you're going to deal with this. You're going to have to actually manage this, it's one of your core responsibilities. [Ben Horowitz likes to say the number one role of a CEO is managing your own psychology, it's absolutely true, make sure you do it.](#)

Another reason, especially if you're had another job at another company, you start to develop this narrative, like the people running this company are idiots, they're making all these decisions and spending all their time in these stupid ways, I'm gonna start a company and I'm going to do it better. I'm going to set all the rules.

Sounds good, makes a lot of sense. If you've read my media post, you'll know what's coming, I'll give you guys a second to read this quote:

People have this vision of being the CEO of a company they started and being on top of the pyramid. Some people are motivated by that, but that's not at all what it's like.

What it's really like: everyone else is your boss – all of your employees, customers, partners, users, media are your boss. I've never had more bosses and needed to account for more people today.

The life of most CEOs is reporting to everyone else, at least that's what it feels like to me and most CEOs I know. If you want to exercise power and authority over people, join the military or go into politics. Don't be an entrepreneur.

-Phil Libin

This really resonates with me. One thing to point out is that the reality of these decision is nuanced. The people you thought were idiots probably weren't idiots, they just had a really difficult decision in front of them and people pulling them in multiple directions. So the most common thing I have to spend my time on and my energy on as a CEO is dealing with the problems that other people are bringing to me, the other priorities that people create, and it's usually in the form of a conflict. People want to go in different directions or customers want different things. And I might have my own opinions on that, but the game I'm playing is who do I disappoint the least and just trying to navigate all these difficult situations.

And even on a day to day basis, I might come in on Monday and have all these grand plans for how I'm going to improve the company. But if an important employee is threatening to quit, that's my number one priority. That's what I'm spending my time on.

A subset of You're the Boss is you have flexibility, you have control over your own schedule. This is a really attractive idea. So here's the reality:

If you're going to be an entrepreneur, you will actually get some flex time to be honest. You'll be able to work any 24 hours a day you want!

[-Phil Libin](#)

This truly resonates with me as well. Some of the reasons for this again, you're always on call. So maybe you don't intend to work all parts of the day, but you don't control which ones.

You're a role model of the company, and this is super important. So if you're an employee at a company, you might have some good weeks and you might have some bad weeks, some weeks when you're low energy and you might want to take a couple days off. That's really bad if you're an entrepreneur. Your team will really signal off of what you're bringing to the table. So if you take your foot off the gas, so will they.

You're always working anyways. If you're really passionate about an idea, it's going to pull you towards it. If you're working with great investors, you're working with great partners, they're going to be working really hard, they're going to want you to be working really hard.

Some companies like to tell the story about you can have your cake and eat it too, you can have like 4 days work weeks maybe, if you're Tim Ferris maybe you can have a 12 hours work week. It's a really attractive idea and it does work in a particular instance which is if you wanna actually have a small business to go after [in each](#)

market then you are a small business entrepreneur, that makes little sense but as soon as you get past like 2 or 3 people you really need to step it up and be full-time committed.

## **You'll make more money and have more impact**

This is the big one, the one I hear the most especially like candidates applying to [Asana](#)



, they tell me "You know I'd really like to work for much smaller companies or start my own because then I have a much bigger slice of the pie or have much more impact on how that company does and I'll have more equity so I'll make more money as well". So let's examine when this might be true.

I'll explain these tables. They're a little complex but let's focus on the left first. These are just explaining Dropbox and Facebook, these are their current valuations and this is how much money you might make as employee number 100 coming into these companies especially if you're like an experienced, relatively experienced engineer, you have like 5 years of industry experience, you're pretty likely to have an offer that's around 10 base points. If you joined Dropbox couple years ago the upside you've already locked in is about \$10M and there's plenty more growth from there. If you joined Facebook a couple years into its existence you've already made around \$200M, this is a huge number and even if you joined Facebook as employee number 1000, so you joined like 2009, you still make \$20M, that's a giant number and that's how you should be benchmarking when you're thinking about what you might make as an entrepreneur.

Moving over to the table on the right, these are two theoretical companies you might start.

#### ["Uber for Pet Sitting"](#)

, pretty good idea if you're really well suited to this you might have a really good shot at building a \$100M company and your share of that company is likely to be around 10%; that certainly fluctuates a lot, some founders have more than this, some founders have a lot less, but after multiple rounds of dilution, multiple rounds of option pool creation you're pretty likely to end up about here. If you have more than this I'd recommend [Sam's post on equity split between founders and employees](#)

, you should be probably giving out more.

So basically if you're extremely confident in building a \$100M, which is a big ask, it should go without saying that you should have a lot more confidence on Facebook in 2009 or Dropbox in 2014 that you might for a startup that doesn't even exist yet, then this is worth doing. If you have a \$100M idea and you're pretty confident you can execute it I'd consider that.

If you think you're the right entrepreneur to build "Uber for Space Travel", that's a really huge idea, \$2B idea, you're actually gonna have a pretty good return for that, you should definitely do that, this is also the value only after 4 years and this idea probably has legs, definitely go after that, if you're thinking of building that you probably shouldn't even be in this class right now, just go build that company.

#### [So why is this financial reward and impact?](#)

[I really think that financial reward is very strongly correlated with the impact we have on the world](#)

, if you don't believe that let's talk through some specific examples and not think about the equity at all.

So why might joining a late stage company actually might have a lot of impact, you get this force multiplier: they have an existing mass of user base, if it's Facebook it's a billion users, if it's Google it's a billion users, they have existing infrastructures you get to build on, that's also increasingly true for a new startup like AWS and all these awesome independent service providers, but you usually get some micro-proprietary technology and they maintain it for you, it's a pretty great place to start. And you get to work with a team, it'll help you leverage your ideas into something great.

So couple specific examples, Bret Taylor came into Google as around employee number 1500 and he invented Google Maps, that's a product you guys probably use everyday, I used it to get here and it's used by hundreds of millions of people around the world. He didn't need to start a company to do that, he happened to get a big financial reward, but the point is yet again massive impact.

My cofounder Justin Rosenstein joined Google a little later after Brett, he was a PM there and just as a side project he ended up prototyping a chat which used to be a stand-alone app, integrated in Gmail like you see in the upper right there and before he did that like you couldn't even think you could chat over Ajax or chat in the browser at all and he just kinda demonstrated it and showed it to his team and made it happen. This is probably a product most of you use almost everyday.

Perhaps even more impressively, shortly after that Justin left and became employee around 250 at Facebook and he led a hackaton project along with people like Andrew Bosworth and Leah Pearlman to create the Like button, this is one of the most popular elements anywhere on the web, totally changed how people use it and then again didn't need to start a company to do it and almost certainly would have failed if he had tried because he really needed the distribution of Facebook to make it work.

So important to keep in mind the context for what kind of company you're trying to start and like where you will actually be able to make it happen.

## **So what's the best reason?**

Sam already talked about this a little bit, but basically you can't not do it. You're super passionate about this idea, you're the right person to do it, you've gotta make it happen. So how does this break down?

This is a wordplay, you can't not do it in two ways. One is you're so passionate about it that you have to do it and you're going to do it anyways. This is really important because you'll need that passion to get through all of those hard parts of being an entrepreneur that we talked about earlier. You'll also need it to effectively recruit, candidates can smell when you don't have passion and there are enough entrepreneurs out there that do have passion so they may as well work for one of those! So this is table stakes for being an entrepreneur. Your subconscious can also tell when you don't have passion and that can be a huge problem.

The other way to interpret this is the world needs you to do it. This is validation that the idea



is important, that it's going to make the world better, so the world needs it. If it's not something the world needs, go do something the world needs. Your time is really valuable, there are plenty of good ideas out there, maybe it's not your own, maybe it's at an existing company, but you may as well work on something that's going to be good.

The second way to interpret this is that the world needs *you* to do it. You're actually well suited for this problem in some way. If this isn't true, it may be a sign that your time is better spent somewhere else. But best case scenario if this isn't true, you outcompete the team for which it is true and it's a suboptimal outcome for the world and that doesn't feel very good.

So drawing this back to my own experience at Asana, Justin and I were reluctant entrepreneurs before we founded Asana, we were working at Facebook and we were working on a great problem. We would basically work all day long on our normal projects and then at night we would keep working on this internal task manager that was used internally at the company and it was just because we were so passionate about the idea, it was so clearly valuable that we couldn't do anything else.

And at some point we had to have the hard conversation of okay what does it mean if we don't actually start this company. We could see the impact it was having at Facebook, we were convinced it was valuable to the world. We were also convinced no one else was going to build it, the problem had been around a long time and we just kept seeing incremental solutions to it and so we believed if we didn't come out with the solution we thought was best, there would be a lot of value left on the table. We couldn't stop working on it and literally the idea was beating itself out of our chests and forcing itself out into the world. And I think that's really the feeling you should be looking for when you start a company, that's how you know you have the right idea.

I'll go ahead and stop there. [I'll put some recommended books up here.](#)

Thank you.