

Counterintuitive Parts of Startups

(An excerpt of **How To Start A Startup - CS183B - Lecture 3: Counterintuitive Parts of Startups, How to Have Ideas**)

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<https://genius.com/Paul-graham-lecture-3-counterintuitive-parts-of-startups-and-how-to-have-ideas-annotated>

<https://www.youtube.com/watch?v=ii1jclG-eIQ&t>

*These are my personal notes. It's **not** a full transcript of the essay/article. It's **not** an official summary. If you like these notes I strongly encourage you to read the original source in the link(s) above.*

Startups are very counterintuitive and I'm not sure exactly why. It could be simply because knowledge about them has not permeated our culture yet, but whatever the reason, this is an area where you cannot trust your intuition all the time.

Startups are so weird that if you follow your instincts they will lead you astray. If you remember nothing more than that, when you're about to make a mistake, you can pause before making it.

1. Picking people

One of the big mistakes that founders make is to not trust their intuition about people enough. There is this specific sub-case in business, especially if you come from an engineering background, as I believe you all do.

You think business is supposed to be this slightly distasteful thing. So when you meet people who seem smart, but somehow distasteful, you think, "Okay this must be normal for business," but it's not. Just pick people the way you would pick people if you were picking friends.

This is one of those rare cases where it works to be self indulgent. Work with people you would generally like and respect and that you have known long enough to be sure about because there are a lot of people who are really good at seeming likable for a while. Just wait till your interests are opposed and then you'll see.

2. Expertise in startups

What you need to succeed in a startup is not expertise in startups. That makes this class different from most other classes you take. You take a French class, at the end of it you've learned how to speak French. You do the work, you may not sound exactly like a French person, but pretty close, right? This class can teach you about startups, but that is not what you need to know.

What you need to know to succeed in a startup is not expertise in startups, what you need is expertise in your own users.

In fact, I worry it's not merely unnecessary for people to learn in detail about the mechanics of starting a startup, but possibly somewhat dangerous because another characteristic mistake of young founders starting startups is to go through the motions of starting a startup.

They come up with some plausible sounding idea, they raise funding to get a nice valuation, then the next step is they rent a nice office in SoMa and hire a bunch of their friends, until they gradually realize how completely fucked they are because while imitating all the outward forms of starting a startup, they have neglected the one thing that is actually essential, which is to make something people want.

3. Gaming the system

Starting a startup is where gaming the system stops working. Gaming the system may continue to work, if you go to work for a big company, depending on how broken the company is, you may be able to succeed by sucking up to the right person. Giving the impression of productivity by sending emails late at night.

There is no boss to trick, how can you trick people, when there is nobody to trick? There are only users and all users care about is whether your software does what they want, right? You have to have what people want and you only prosper to the extent that you do. The dangerous thing is, especially for you guys, the dangerous thing is that faking does work to some extent with investors.

4. It never gets any easier

Startups are all consuming. If you start a startup, it will take over your life to a degree that you cannot imagine and if it succeeds it will take over your life for a long time; for several years, at the very least, maybe a decade, maybe the rest of your working life. So there is a real opportunity cost here.

Y Combinator has now funded several companies that could be called big successes and in every single case the founder says the same thing, "It never gets any easier." The nature of the problems change, so you're maybe worrying about more glamorous problems like construction delays in your new London offices rather than the broken air conditioner in your studio apartment, but the total volume of worry never decreases. If anything, it increases.

5. The startup will change you

A startup will change you a lot if it works out. So what you're trying to estimate is not just what you are, but what you could become.

It's easy to tell how smart people are in ten minutes. Hit a few tennis balls over the net, and do they hit them back at you or into the net? The hard part and the most important part was predicting how tough and ambitious they would become.

I learned from experience to keep a completely open mind about which start ups in each batch would turn out to be the stars.

The founders sometimes thought they knew. Some arrived feeling confident that they would ace Y Combinator just as they had aced every one of the few easy artificial tests they had faced in life so far. Others arrived wondering what mistake had caused them to be admitted and hoping that no one discovered it.

There is little to no correlation between these attitudes and how things turn out.

6. How to come up with startup ideas

The way to get start up ideas is not to try to think of startup ideas. I have written a whole essay on this [How to Get Startup Ideas] and I am not going to repeat the whole thing here.

But the short version is that if you make a conscious effort to try to think of startup ideas, you will think of ideas that are not only bad but bad and plausible sounding. Meaning you and everybody else will be fooled by them. You'll waste a lot of time before realizing they're no good.

The way to come up with good startup ideas is to take a step back. Instead of trying to make a conscious effort to think of startup ideas, turn your brain into the type that has startup ideas unconsciously. In fact, so unconsciously that you don't even realize at first that they're startup ideas.

This is not only possible: Yahoo, Google, Facebook, Apple all got started this way. None of these companies were supposed to be companies at first, they were all just side projects. The very best ideas almost always have to start as side projects because they're always such outliers that your conscious mind would reject them as ideas for companies.

The following counterintuitive parts of startups are not in this essay, but I decided to put all together here in this file:

7. Weird ideas

The best ideas often look horrible at the beginning. Hosting strangers in your house, giving a ride for people you don't know, exposing family photos publicly, building an online marketplace to sell coins and stamps.

Do you want to build a great company? Be open to non-obvious ideas.

8. Easy to explain

Some people think that a great company needs to work on a very complicated idea.

In fact, the best ideas are almost always very easy to explain and very easy to understand.

You should be able to state the problem clearly in one sentence, articulating your vision in a few words. If you have to deliver an essay to explain your idea, it's a sign that it's too complicated.

9. Do things that don't scale

This is the title of an essay written by Paul Graham in 2013. A must read.

Startups take off because the founders make them take off.

A good metaphor would be the cranks that car engines had before they got electric starters. Once the engine was going, it would keep going, but there was a separate and laborious process to get it going.

At the beginning founders have to do things that don't scale in order to acquire the first users, delight them, do things manually, etc.

10. Launch fast

Do not wait too much to launch your product. Don't batch everything into one big public release. Break things into very small pieces, and iterate and adapt as you go.

If you're not embarrassed by your first product release, you've released it too late.

11. Small markets

Don't go after giant markets on day one. Define a category in a small market, dominate it, and, after, gradually expand.

Amazon began as an online bookstore. eBay started selling coins and stamps. PayPal started with Power Sellers on eBay. Uber started in a few zip codes in San Francisco. AirBnB started in a few neighborhoods in New York. Facebook started with ten thousand people at Harvard.

Start in a narrow market, and you will be the dominant player in a small ecosystem.

12. Hiring

At the beginning of your startup, try not to hire.

The cost of a bad early hiring is very high. It can kill the company.

A mediocre team does not build a great company, and the best people know that they should join a rocketship.

Hiring too early will affect your team's productivity due to communication overhead (percentage of time you spend communicating with your team instead of getting productive work done).

13. Diversity

Everybody rowing in the same direction is a necessary condition for success. When you're a tiny startup the whole world is against you, so you must have a close relationship with your co-founders and early employees.

Do not partner with people who have diverse views about the product, the mission and the values of your new company.

14. Lack of money

In the early days of startups, not having money is good - in the sense that it forces your imagination to come up with ideas that you can test without cash.

Also, lack of money helps you to create a culture of spending little, keeping a low burn rate.