

# How to Start a Startup: Ideas

(An excerpt of **How To Start A Startup - CS183B - Lecture 1: Ideas, Products, Teams and Execution Part I**)

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<https://genius.com/Sam-altman-lecture-1-how-to-start-a-startup-annotated>

<https://www.youtube.com/watch?v=CBYhVcO4WgI>

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*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.*

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I'm going to try to give an overview of the four areas you need to excel at in order to maximize your success as a startup. So the four areas: you need a great idea, a great product, a great team, and great execution.

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.

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.

## **Annotation from Dave McClure**

Good advice for how to come up with a startup idea: solve a problem or a strong desire for either yourself or someone you know (& preferably for a lot of other people too).

When people ask me "what do you think of my idea?" I always turn it right back around and say "why are you asking me? What do your users or customers think? Are they using it and/or paying for it?"

Usually people who ask me what I think of their idea either aren't very knowledgeable about their customer & the problem, or haven't done much customer development to see if customers use or pay for the product.

Great entrepreneurs don't ask me what I think of their product or idea – they show me the evidence of why their customers love it based on their usage & revenue.

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 upfront 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.

A startup should be **mission oriented** because

- # it's difficult to get the amount of focus that large companies need unless the company feels like it has an important mission;
- # 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;
- # people outside the company are more willing to help you. You'll get more support on a hard, important project, than a derivative one.

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.

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.

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.

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.