Stanford eCorner

Comparison between an Entrepreneur &a General Manager

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Hoffman draws comparisons between a general manager and an entrepreneur by giving his own example of becoming a general manager before starting his company. He also talks about the difference between an entrepreneur who takes wild risks and a professional general manager who is paid to mitigate risks.

Transcript

One of the benefits you have of a capital boom, a little bit now and certainly back in the late '90s, is--oh, sorry, I will read the questions. How did I get on the path being a general manager? Well, actually there's two stages to this that are valuable. So one of the things I realized about how internal company politics work, big companies, is that people who want to stay in those companies and so forth tended to just gravitate towards successful projects and run away from unsuccessful projects. Because part of their career success is, "Oh, I was part of the Macintosh. And that was really successful, look." You don't want to be part of the Newton. Newton was a graveyard. So you kind of go, "Oh, I'm going to stop working on the Newton. I'm going to see if I can get transferred to the Macintosh division." So if you're in a big company and all you care about, like all I cared about, was getting experience with P&Lmanagement, managing groups, hiring people, layoffs, organizing software development, from my perspective, I just look for a project that I thought that was interesting that was failing so I wouldn't have competition for getting a job. And that's why I went to Fujitsu. Because it was a virtual world thing back in 1996 and virtual worlds were kind of a crazy idea.

We'll see what "Second Life" does. The most interesting thing currently, but maybe it will, maybe it won't. Who knows? Looks promising. The second piece is then when I stepped out of Fujitsu into starting Socialnet, when you have a good idea, people are willing to take some risks on you. For example, I had never--and this is one of the classic dilemmas is, you have to know the V0 to V1 game. How do you do that? Well, you can either find something good and join it early or you can persuade someone to let you do it for the first time. During a boom time, it's much easier to persuade someone to let you do that for the first time. Because they are eager enough to finance interesting investments, they'll take that risk. So that's the second way of doing it. So one's in kind of in an entrepreneurial environment and one's at a--but I don't know if there's others.

There may be others, too. Get an MBA and go to McKenzie. The question is, what are the skills required for being an entrepreneur versus a professional general manager? It's a really good question because it's part of what I think is the difference between a start-up and kind of a going concern company. People frequently say start up in big company, but there's cases where big companies become start-ups. So the answer is why did Steve Jobs have to take back over Apple and totally transform it? Because Apple was already a dead company. It was already dying and it needed a radical innovation. So he came in and did what a start-up person does, an entrepreneur does, even though it was a company with thousands of employees. What a startup and entrepreneur skill set is taking wild but focused risks. You put it all on number 8 and you roll the dice. And you see if you work it out.

And making those bets well, because the way you get to discontinue its value is you take that focus risk and if it pays off, you get something very valuable if you're intelligent in how you do it. Being a general manager of an asset and going concern, you actually pay to not risk the asset. You want growth, but people will fire you and sue you if you blow up this thing that already throws off money year by year because it's going concern. So here is when you're fundamentally dead and you're trying to get to something interesting and making your asset. Once you're making an asset, it's manage it to--this is actually where, for example, MBAs turn into being useful. Because the question is, be very thoughtful and analytic in your decision-making to make sure that you minimize risks and you maximize growth within a decision matrix as opposed to taking one big discontinuous risk. This is actually one of the reasons why a lot of the structural training in MBA is just wrong for entrepreneurship, because the structural training is a lot of analysis, a lot of thinking, a lot of putting the pieces together. One of the things I learned about entrepreneurship, and this is at PayPal, was when I'm confronted with any decision, I make the decision right away and then I think about whether or not I'm going to make it. So you say, "Well, are going to take Path A or Path B?" I go, "Hmm, A." Now, OK, am I still comfortable with that? Or do I unmake the decision, get a couple of pieces of specific information, and then remake the decision? Like, make the decision now. Go, go, go.

You don't do that when you're being a professional manager in asset. At least you shouldn't.