



Stanford eCorner

Most Entrepreneurs are Not Rock Stars

David Friedberg, *The Climate Corporation*

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Almost all Silicon Valley entrepreneurs are not rock stars, according to CEO David Friedberg. He offers metrics comparing the possible rewards and chances for success between working for an existing company and starting your own venture. He also explains the advantages and caveats of trying to make impact from inside larger organizations.



Transcript

To the sort of what I call the rock star motif of what entrepreneurship is, especially in Silicon Valley, and it's good. I mean there is a culture of taking leaps and doing big exciting things here and you're an important person if you do that. But just being an entrepreneur does not make one a rock star. The odds of the guy - or being the guy on the left are according to a study and I put the URL up there, 0.0006%, that's the odds of - I'm starting up a company and having the company be worth more than a billion dollars. However, all of the press coverage and all of the attention at Silicon Valley goes to the guy on the left. The person on the right is the status quo, your typical entrepreneur, your typical Silicon Valley startup team looks like the person on the right. There is a reason I look like I'm 50, and I'm only 31 years old, okay? The probability of being the person on the right is greater than 99%. And so, I would say, don't do a startup and don't try and solve a problem via a startup, if your goal is to have the status of the rock star entrepreneur because it is a false premise. The financial reward or the opportunity cost of doing a startup is very high. This is from that same study that I just used.

There are a lot of engineers here, I'm assuming 100% of you will have the ability to interview for a job at Google when you graduate, and if you were to get a job at Google when you graduate, the anecdotal evidence suggests that your first year salary would be about \$105,000 this year. If you were to start a company and raise money from a venture capitalist and you were then able to sell that company or take that company public, your median time to doing that will be 49 months. And assuming three founders, your median expected payoff to the founders will be about \$300,000 each, which works out to an annualized salary equivalent of \$73,000. And the probability that you actually make no money is 67%. Okay? So, the reason for being entrepreneurial and the reason for forming a startup to solve a problem should not be for the financial rewards because the financial rewards, if that's your motivation would indicate that you are better off going to Google, going to a hedge fund, going to some other career that has stable income potential. If you were to get a job at an existing company, you would have the ability to make an impact. There would be lots of people there. There would be lots of resources there. There would be a platform upon which you could build something that could affect a lot of people. If you were to get a job at Google, they have 100 million users, if you launch the products to their 100 million users, you would have 100 million users.

If you were to try and launch that product on your own, you would have zero users and there would be a big, big, big challenge trying to get to 100 million users. So, my point here is that it's not necessarily a bad thing to go work at a big company. You can still have the potential like growing companies and succeeding companies and successful companies to make a big impact on the world, to make a big impact and have a large number of customers use something that you build or do something that's a result of your effort. However, you need to be forewarned that at a big company, there can be a problem with misalignment. So, the big company has to make money by doing X or Y or Z and you want them to do A or B or C because you think that would be a good idea. And so the big company's decision will be to continue doing X or Y or Z and say, sorry, you can't do A or B or C. That's misalignment. And so your personal ambitions, your personal interest or your personal

product idea or solution idea for a problem is not an alignment with the big company. Scale can constrain a big company's ability to do things. So, big companies might have several people involved in the decision-making process and that can make it that much more difficult for you to get a decision made that what you're trying to do is worthy of resources and worthy of showing to the 100 million users and so on and so forth.

And finally resources can't be recruited within a big company. You don't own your destiny. Resources are granted to you. You were told, here is how many people can work on your team and here is how much money you're going to have and here is how long you are allowed to apply your time for which we're paying you to do X or Y or Z. And so, there are challenges to doing things in a big company and they all need to be sort of taken into consideration. And I wanted to highlight some of these points because I don't want to say, be entrepreneurial, I want to make sure that everyone in this room walks away from this discussion today and is completely reflective about what it is you want out of life.