



Stanford eCorner

Live Life in Permanent Beta [Entire Talk]

Reid Hoffman, *LinkedIn*

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Serial entrepreneur and investor Reid Hoffman encourages individuals to become the entrepreneurs of their own lives. Hoffman shares the importance of taking intelligent risks, building thoughtful networks and continually adapting your skills to navigate a fulfilling career path.



Transcript

Without further ado, Reid. Thank you. Before I start, I thought I would make three remarks. One of them is, this is a little intimidating because one of my professors and advisors who taught me a lot when I was here sitting in the audience and giving a talk in front of him is kind of okay this is a first. That's Terry who is sitting over there, in case people don't know, Terry Winograd. The second is I decided to experiment with this format a little bit. And I've actually done something which I don't normally do, which is I actually wrote out a talk which I will try to give relatively faithfully, which means I will be glancing down some, but the goal was to actually say some crisp things and then convert into discussion and questions. And what I'd say is so think a little bit about the questions that you are maybe having, try to make them general, right. So for example this isn't the right forum for what you think about my start-up idea, right. And I'm going to have to run immediately after this, but if you do have a question like that just put the title of the class in the subject line and send me an email at rhoffman@greylock.

That's fine. Unfortunately, I do have something immediately afterwards. And then the third thing is I'm going to blend a little bit of kind of thinking about entrepreneurship. A touch with my life, not too much. A touch with the book and kind of thinking about why this matters to all of us. And so with that I will open. So this might seem a little odd or even a bit slow, but it took me a long time to realize that entrepreneur was a good word for what I have ended up doing. Because when I graduated from here, I basically was kind of like I want to figure out how to improve society and originally I was going to think about okay, well maybe in academic, I'll be a professor and I'll use that as a podium in order to write to folks. And I had no idea what entrepreneurs did other than they somehow were involved with starting businesses. I mean, one of the benefits of being here at Stanford is that you have a fair amount of exposure to it around you, but I was kind of like well I know that happens, but I don't know what that is.

It was only years later, in fact, after I had worked on several different entrepreneurial companies and years into having founded LinkedIn that I began to realize that entrepreneurship is a good word for what I was doing. And I have become a general advocate for entrepreneurship. I became an advocate for in terms of government thinking that this is the key thing that they can actually do some positive things on and not do negative things, for companies, thinking about in terms of how do they're both formed and also how they're innovated and also innovated and also basically kind of the one of the things that's odd is kind of the non-profit world, which is how does entrepreneurship not just work there, but also as a cause for entrepreneurship. And I think that's all really important work and I'm happy to talk about that in the Q&A section. But the thing that I most want to focus on is when I come to realize entrepreneurship applies to all of us and how we lead our lives. And I think that everyone needs to be the entrepreneur of their own lives. And that's of course part of the thing that I've been doing in the book, I won't go through the book in depth, but I will touch on it briefly because I figured you guys can read it, if you're interested or comment on it. But I do think that entrepreneurship is important for everyone because of several different levels. One of them is the question of kind of how do you - kind of what's the playbook? How do you drive your own life in this? But

also how do we adapt as a society to the overall world. So let's start with kind of what the implicit model has been like, so entrepreneurship of your own life that's a nice phrase, but what does that really mean? Well, historically there is this thing kind of called the career ladder, career escalator.

And what that is, is a progression, so you kind of starting your life and you get good grades in high school, as a matter of fact presuming that many of you are students here you all did that. You compete in that kind of academic decathlon plus other things you get into a good university, well I will presume, since we are here, this is a good university, obviously I think so too. But then when you get through this, you now have a set of doors option available to you, you kind of figure out which of those doors work, maybe you jiggle around a little bit and then you start this kind of career path, right. And as a career path, what's happening is you kind of say all right, I initially start as kind of a as a young apprentice, I'm learning skills, I'm kind of proving myself, I'm being involved in these things and then I moved to kind of being a journey person in my chosen career and maybe no longer it is just the one company and I'm jumped around a couple of companies but I'm still on this kind of coherent path. And then I become either a master and expert or I move into management and all in all thereby I have a successful life. And there is just one problem with the story. Is it not longer really true and the reason it's no longer true is because the world is changing, the world has changed. People write about this, Tom Freedman, most notably, the world is flat, but also now that used to be us and part of this is because with the increase of globalization two forces are driving changes that affect the country, affect industries affect essentially all of our lives. And those two forces are people and technology, and they're interrelated. So in terms of globalization you end up having the fact that now competition can be from anywhere because products can be shipped anywhere, work can be done anywhere, this is a very broad brush.

But you have that force and then you have how technology disrupts industries. And if you - there is certain industries that are massively in disruption. I mean, if you look at music, you look at news, you look at retail, you look at manufacturing, there is a ton of industries that are massively in disruption. But to some degree, this pattern of changing what products and services are offered, what the cost basis of industries are because of people and technology that game is an accelerating game, that essentially everyone is involved in and you cant just simply kind of wish that it moves slower because other people, right, are part of what's moving that game ahead and that kind of competition is what sets the pace. Now what that changes is it changes this kind of old static notion of what happened is well, this is the industry and this is the company and this is the role and then there is this ladder in the role where you progress your way up and a company is all static while you're doing that, that model doesn't work anymore. And so you have to look at this and say, what are the kinds of things that I can potentially do about that? And part of the thing I think is key is to say all right, what - given that change in adaptation, it's no longer kind of a fixed master apprentice journey person kind of model. It's a question of adaptations, a question of how do you invest in yourself? And I think this hits us by the way at all levels. So for example one of the responses that I've had from the book in the last week because, by the way it shipped on Tuesday, one of the odd things about shipping books which some people in the room know about, I'm learning is that you finish the product in October and now you're beginning to figure out what people respond to it now, whereas in the consumer internet industry which I prefer, you launch it and you're getting feedback within an hour and then you iterate. And one of the things is, it affects all levels. So part of the feedback that I was getting was well that's great for college kids, right.

It was one set of feedback. And it is of course extraordinarily important for folks leaving universities and going out because you're like okay, what - how does this game work? Like I've been told this is an implicit game as I run through the system as it exists. I get good grades and then door is open and that's the path and how does that path continue once I graduate? And the answer is it doesn't really. And so what you have to do is you actually have to be taking - charting a path where there isn't - it's a going over an ocean as opposed to oh, here is the road and I can chose road one or road two or road three, and you're kind of navigating that way, but it's not just college students. This is actually I think one of the really key things because the notion of how a career progresses is now substantially different than it used to be from the notion of okay, well I put in my time as a system product manager and I'll become a product manager, and now I am a senior product manager, so it went on. I think that what happens is that now like the industries are changing what you think might be the right thing to do, what vocation you might be in, it's not that there aren't coherent skills that you learn, but the notion of how do essentially navigate this career both for downside and for upside has changed, so mid-level professionals. It changes for them as well. Similarly for executives, I've gotten responses from executives are that more responsible, so really that's great for the young folks, right. But what does this mean for me? And the answer is well, if this is the way the whole industry is changing in terms of how organizations need to adapt and how the people that you're recruiting and bringing into the organization and managing a coherent organization. If this is the reality that they're all facing you need to adapt to be part of that reality.

Otherwise, you also essentially don't adapt the right way. And so I think it's at all levels that this is really key. And so my thesis is that this entrepreneurial mindset is now critical for everyone and so let me focus on one of the things that I think is particularly key about thinking about it as an entrepreneur. And I do a number of - each chapter in the book is one of these threads, its how to have competitive differentiation and how to do flexible planning and how to maintain a network building, network of relationships and these sorts of things. But the key one I think that has startling for most people is to take risk. Because one of the things that happens is and by the way one of the joys you have been an author is you read the reviews.

One was, Hoffman told us a story of you will succeed no matter what in terms of risk and I'm like, no, you didn't read the book, right. Its - risk is real and sometimes you fail with risk. And taking risk is essential because if you not taking risks in order to make it competitive different - make yourself competitively different to potentially have breakout success and to be learning and adapting to the changing game around you, then by playing it totally safe, you essentially marginalize yourself over time which is one of the things you can see happening with large businesses that don't take risks, right, as a function of that. And so the question is risks are not just kind of like oh, jump into the unknown, do anything, right.

There is different kinds of risks and part of what is to do, is to figure out what risks are intelligent risks? Which risks have manageable downside, which risks have potential for upside, which ones you can get a sense of early and its not fatal, these sorts of things are part of taking intelligent risks. And the whole point of taking risk is, so for example classic good like 1950s investment dictum is buy low so high. Well, how do you buy low sell high whether it's in your career or stock market etcetera. Well, the way you do that is you have a contrarian viewpoint that happens to you right because if everyone thought oh, that's what you should buy, well then of course it's impossible to buy low, right, because everyone also doing it. So part of taking that risk is figuring out essentially, how do you see something that other people don't see and then test it in terms of what you're doing. And there is all of kinds of ways to try to figure out how to minimize the kind of the what is scary about risk. You can for example figure out well, if there is some way I can test doing this, there is things about like talk to other smart people, get a sense of feel of what it is to essentially kind of go, okay, what's - one of the frameworks we have which is called ABZ planning, well the Z plan is all right when I know this is doing bad how do I reset to doing another plan and this kind of risk taking of deliberately going what kind of risks can I take that establishes something that's different, potentially breakout, is one of the things that entrepreneurs do all the time. They do all the time in their company is because they essentially - if they don't have something substantial competitive differentiation, the market is occupied. So you have to take the risk in going somewhere. And while most people tend to think that entrepreneurs essentially kind of take blind risks actually threr wouldn't be such a thing as a successful serial entrepreneur unless you knew how to manage risk the right way.

It's not just kind of like oh, I know the playbook because anytime you're doing entrepreneurial effort it's never a guaranteed thing or almost never I mean, those ones are really great, but rare. And so what you have to do is you have to say, okay, how do I do this in a good way? And so, a couple of personal anecdotes from my own life. I took several, I took a number of risks throughout my life and it was actually only in writing this book and kind of thinking about it, that I realized, so I started with this book on the whole view of, well let's take the parallel of what an entrepreneur is doing and then refactor to individuals. And so that was the argument - and then as I was beginning to read I said, oh yeah, actually that's what I did, right. That's good, that's confirmation. And for me for example one of the things that I did pretty early on is as I mentioned at the very first outset I thought I was going to go try to be an academic and I was like, alright I'll study at Stanford, go to Oxford, come back, get a PhD somewhere, become a professor. And what I realized about four months into my time at Oxford was that academia was not the thing I wanted to do. It was - I basically was having a discussion with my advisor at the time who was kind of - who didn't quite say it in these words, but it was like if you write something that more than 50 people can understand, you're insufficiently professional, right. And I was like oh, that's a problem, right. Not what I want to do - I'm sure he would object to my characterization of his statement, right, but it was largely correct.

And so what I did is I said alright what I want to do, I want to still kind of figure out how to contribute to society and so I made the decision to move back to Stanford and - or actually San Francisco and say look I'm going to figure out this whole, the building software thing, and maybe it's a software entrepreneurship and maybe it's working with companies, but as opposed to writing books and essays, maybe it's constructing software. And I had no idea if I'd be any good at that. I mean, I done an internship at the Center for the Study of Language and Information, which is, I mean, kind of round the corner from here. And I had interned at Xerox PARC and I'd written code, but none of that's the same thing as writing a product. And so that was kind of a big jump into the unknown and I wasn't kind of completely unthought. I talked to people, I kind of went, alright, if I go there, I will connect with these friends, they will put me in touch with what's going, but I moved back here kind of without any fixed job. I actually took myself out of the McKinsey recruiting process because I was like no, no, I want to build software and that, McKinsey is not the path for doing that. Yeah, the knowing chuckle. So then the second thing that I did is and I was quite lucky because I'd known a bunch of people from Stanford who had gone to various points in the Valley and I got a job at Apple Computer in eWorld and I started in the user experience design group. And one of the things about competitive differences is you really have to think, how am I almost world class.

It doesn't have to be absolute class, but how am I really different in this? And in user experience design I was okay, right. But I wasn't like some - I know people who are world class and I wasn't like them and so I'm working here in this job, on this kind of thing, as I still had this implicit career path in my head, on this kind of path I'm essentially not - this isn't going to work out, right. I'm going to have kind of okay thing, maybe I'll be able to build some software, but what can I be truly good at and I said well, I think I could be good at this product management thing. And so I went and kind of looked at what it takes to be a product manager and every job description I read literally of like 200, said product manager job, necessary requirements 5 to 7 years of product management experience, like - okay, how do we solve this? And so I scratched my head about it and I thought all right, I went over to the director of product management eWorld, a guy named James Isaacs, someone I'm still friends with

and I said look I have this idea, if I write for you some product plans of some things that I think we should be doing and you think they're good, could we at least have like a group huddle about them? Could we at least kind of get the product management group together, we will talk about, critique it, we'll get a sense of understanding it. Well, this is a risk because one: James can say who is this young whipper-snapper who's in my office who's wasting my time, right. And why aren't you doing your job, right, as a function of that. Number two is, well I was pretty anxious about the first couple of things I constructed because if it's not very good, it's like great, well now we know you shouldn't be doing that, right. And no you can't have a meeting with folks and it also kind of leads to the okay, what are you doing in the organization, are you doing your own job, these sorts of thing. So I did that and actually because I'd done that, that directly led to my being able to be a product manager at Fujitsu as my next job because when they were kind of saying well, we normally say 5 to 7 years of product management experience, they were to call James and some other people and they said well, actually he did a pretty good job on this stuff and we think he can do the job. So we think you should take a risk on him as a function of that.

Those were examples of risks that work out. Now classically of course people say well here are the risks that work out, let me also detail risks that don't work out, right, as an instance. So one of them was my very first company, SocialNet, and my earlier 2007 talk that I gave in this series I gave a whole set of lessons about kind of entrepreneurship and that I derive from all the failure points of that company. Of all the things that I did wrong, it was like I learned this and this and one of the things that's funny about these kind of learnings is that what not to do you learn very fast because it's like a 2 by 4 hitting you. To figure out then, okay not that, but what's that thing I should be doing, that takes some usually some integrated learnings. And basically kind of - and I won't repeat that talk, but the headline was that essentially there was a difference between starting a company and revving a product that currently exists. And there is all kinds of differences, there is a difference of how do you establish initial customers, there is a difference of how do you do your product definition, it's one of the things that I had said then and said at a number of places that in the Internet if you're not embarrassed by your first product release, you released too late because the natural thing in products, people say, oh it's going to be perfect, so everyone loves me, everyone knows that I've done this great thing which is what I did in my first company. And I was half right and half wrong. And being half wrong late, right, doesn't help you. So what you do is you go all right, what's the minimum viable product and how do I launch that? And all of these lessons came from my very first company where I was literally every week going - I wish I knew that at the beginning of the week.

And part of the reason why Peter Thiel, who was also same class as me here at Stanford and we met each other here, said oh, well I'm founding this company by the way, originally called Fieldlink later known as PayPal, would you join the board is because I had been literally I saw him every couple of weeks and here are all the things that I wish I knew a couple of weeks ago, figuring this out and he was like well, how about you help us short circuit that as we are going? And so - but overall the risk didn't play out because SocialNet basically didn't really amount anything. It was years of hard labor together with millions of dollars in investment and it kind of sold for return on capital, which is not - that's not as bad as not selling at all, right. But that's my - in value terms that's not actually a big step-up because what we try to do is we try to get something as a breakout opportunity and SocialNet clearly didn't have that. Now the second risk that didn't work is a little trickier and a little harder to understand, but it's important from a view point of thinking about how do you invest in yourself and how do you take risk intelligently? Which is, I figured out by month four at Oxford that I didn't want to be an academic. Now there is a lot of good reasons that I finished my degree. I signed up for it, I - you complete what you start, these sorts of things. But one of the things I only realized years later is that if I had said okay, this is what I want to do and I'm going to take the lumps of saying, this isn't it, that's it, I'm moving back now, I'm starting to do that. I'd have been here at a time where the internet was being formulated from moving from the academic confines into the rest of the world as opposed to kind of catching up when AOL and Prodigy and eWorld were kind of big things, but the internet was starting. And what it points out is frequently one of the very big risks is the risk that you don't know that you're taking, right. It is in fact one of the ones that can be serious and so instead of me saying well, I will finish the degree and then I will in two years I'll go figure out what it is, well, that means that you're not in that game and you may lose key breakout opportunities for playing that game.

And so that was actually one of the risks that I most substantially took. Now again, no complaints. But it's illustrative in terms of thinking about how you think through, what does this pattern of activity mean for your own career? So I think one of the things - I'm going to make about another couple of minutes of comments and then we will shift into Q&A But one of the things that I think is key in terms of how do people look at this is this being the entrepreneur of your own life is not go start a company. It can be, absolutely, but for example there is a whole stack of things that going to start a company, that you have to decide that's what you want to do. It's also not like oh, disloyalty to an employer, right. Like I'm always going to be job looking and I don't know if I'm here. Part of what you need to do is you need - you have this contract as this connection with your current scope of work, which I roughly think comes into kind of a tour of duty which is like look, I accomplish this here, this helps my employer, this helps me, and then there was kind of another iteration cycle that could very well lead to my staying here for even decades, if it works out that way. However, it doesn't always do that for the reasons of the world change that I was talking about at the very beginning of the talk. And part of that is for several reasons.

One, is companies change. Second thing is, look if you - you've got a whole stack of people, everyone wants to try a new

thing like people for example want to be the Head of Sales. Well, there is only one Head of Sales, right. And so they say well I want to try that, and that's the next great step for me, so maybe doing that somewhere else is - ends up being the right thing. But what I think happens in the start-up view world is that the relationship between how employers recruit and manage and have a kind of an employee contract with people changes and that changes on both sides, but it's not a change for disloyalty, it's a change for okay, accomplish some serious real things and then we do another kind of tour of duty cycle. And so - now from the employer side, like what I see still even a lot of Silicon Valley companies is this kind of like well, hope like, all of our good people are going to be here forever and they're going to - they will have grandchildren while they are working here and all rest of the stuff. And it's like simply not true, right. I mean look at this and it's because that the right match between the right opportunities for great employees, and the employer, some of them will really work there for long time. And some of them won't, and as opposed to this kind of being an ostrich and putting the head in the sand, it's much better to be adaptive and say okay, that's the universe in which you play, how do we make this so it's maximum benefit to both the employee and me, right, as - or the employer as a function of making this work. And I think this will lead to a lot of changes in the evolutionary organization.

Now, the kind of last comment that I will make about this is that I actually I think a whole bunch of folks thinking about this clear headedly with a, look I have a deal for - like I'm trying to accomplish something of note here at this company, for the company while I'm doing it, is that will help organizations be much better. That will help them essentially adapt to the world better because part of the reason that organizations tend to not be adaptive is that they end up being insular and none of the folks who are in them are really thinking well this is the world we live in and we need to really figure out this adaptation. And if more of these skills are present across the organization, across the network of the company, then I think that the organization itself will be a lot more adaptive and I think that one of the things that's particularly key about this kind of adaptation is I think that the - it's almost like a progress of the theory of capitalism, right. Because part of how capitalism works is distributed resource allocation, decision making and generation across a network, across a market creates a massive amount of value because as opposed to having a centralized system we can actually do all of this kind of, we can have competition, we can have all of this kind of moving and adjusting to the information what's going on the market in fast cycle time and I think having more individuals capable of doing that within the working groups of the companies is something I think can generate a maximum amount of value. So I don't think it's just a question of, it's the world is this, take it, love it or not, but it is the way it is. But I also think it presents great new opportunities in terms of how we operate. And just as globalization is scary from a competitive standpoint, it also creates a lot of opportunities. Because the same thing about, well competition can come from anywhere, the way that you can scope anything from your career to offering a product and service also has a similar structure to it. And so with that I think I will move to questions. And try to keep them general.

So, I was actually planning to declare Symbolic Systems next week. Speak up a little. I will repeat the question too. So you made quite a few predictions and Ben has too in his blog and in your book that you've written together about nature of the future of the work space. Now are there any predictions that either you or other people - well probably not you, but other people have made about the nature of the future of the work space like Tim Ferris or any of those other folks which you do not believe are going to come to fruition. So the question is, are there other visions, prognostications on the future of work and the workplace that I disbelieve? This is always an interesting question to be asked in front of a camera because - I guess, the - I think there was a number of thoughts that it's kind of all we have to do is work a little harder, go back to our entrepreneur routes, get our educational system a little better, that sort of thing. I see a number of solutions along those lines, which I think are insufficient. I've also seen a number of - I've elected not to call out people by name on camera. Just to be transparent about it. But I've also seen a lot of things that say, look it just - it's all about good management, just being better competitive in companies and that - that's like the career ladder and everything else can stay.

And I think it is about better management, but I think it's about better management working with a network of people within the companies. So it's not just that as a function. And part of the thing is I think we are working it out because what it comes down to, let's talk a little bit about like to have a competitive edge, competitive differentiation, one of the phrases that I use when I talk to entrepreneurs is if it's not kind of 10x different, it's not different at all. And the reason is because frequently people will say well, I'm a little better at this. Well, a little better doesn't really count as the competitive edge, right. So what that means is when you think about the future of the workplace and whatnot, people for example part of like what we were trying to do and solve American industry is we say well, how do we have really strong industries here? And with globalization in some areas of the world were competing and by the way its classically we discuss this with China. And China is now experiencing this with Southeast Asia, which is like okay, all these other labor forces who are very dedicated, who think and act like immigrants are committed are coming and saying look we have much cheaper labor, we can offer a as good a product or service maybe better with cheaper labor, that's our competitive edge, which is okay. Well, that's not our competitive edge, what do we do and what you have to do is you to have something that's really coherent about that. I think one of the things the U.S. is particularly good at is entrepreneurship and immigration.

And that's one of the things that we should be focused - on in terms of what we are doing. And I've seen a lot of Silicon Valley people say that and I agree with them. I haven't seen that percolate as much to the national discourse as I'd like. So you

describe the future of work as moving from one lifelong relationship with the company to more being the entrepreneur of your life, building a network around you and then moving your career. And then you created a company SocialNet in the field of relationships. So my question is do you see the same evolution in how people form personal relationships? And my wife will be watching this. Well, I guess what I - I think that if it were - if we were on the relationship side, I think where it comes down to is, it comes down more to individuals and the network of relationships between individuals. So I don't think it changes very much between like for example dating and other kinds of things that still are very two people, very interpersonal. It might say that a lot of the whole notion of kind of how much does civic or religious institutions validate your relationships. That trend may trend more to the individual and then maybe more individuality there, maybe, right.

I mean that's a highly speculative answer of the question. By the way congratulations to this, but I've never heard it before. So I'm thinking about it. So anyway, other questions in the back there? Yeah, so my question is on monetization. So the first thing obviously is the consumer internet is built on the idea that you get millions users and then start to monetize on that front. And then the next wave is mobile first, but you can look at the sort of space you have on mobile phone. So if you're going to do mobile first and you're going to go with the consumer internet strategies and get millions of users how do you actually monetize. Do you go back to the browser and then you monetize there or do you look for a B2B thing or...? So the question is classic consumer internet dictum, some of which I probably said in 2007, is to focus on growth and engagement first and think about monetization, but don't sweat it too much in the beginning. The challenge when you think about this from a mobile standpoint is that it's unclear what that - unlike consumer internet which you're going to have advertising and some other things it's unclear with that future monetization potentially looks like. And I have two answers for this question.

One is, if anyone has a really good answer my email is rhoffman@ greylock, right. And I'm really interested in this question myself. The second answer is that in the compacted space the generic "we just put ads on" is much less likely to work on mobile. So what that means is the other kinds of models, when I think about mobile the other kinds of models is like well is the ad somehow more deeply part of the product and no just oh, here's a space and there is some pattern for that or is it premium services that work? Or is it things like Zynga and virtual goods. So there are models that can still work on the mobile side, but the generic we'll just trust that we can slap up advertisement, as you point out, won't work. But that's - anyway those are the two answers to that question. Let's see seated. Do you think that before people have gone out and started that company, in the meantime are they cultivating a consulting brand, while they build that experience since they can't expect to get a long-term full-time engagement with the company? So the question is if you think about starting a company should you be doing consulting as a way of evolving your career, getting skills, building a brand, since you're not necessarily doing a long-term relationship with the company? Well, I think the short thing is I think that almost every realistic company understands implicitly, if not explicitly the tour of duty notion. So I don't think that the vast majority of modern good companies to work at have this notion if you go and really do some great things for couple of years there, that they then kind of beat on their chest and say what, you're leaving to start a company now? How could you possibly do that? Given of course here us being here, we all do that to some degree, that's what happens. And one of the reasons I'd actually tend to encourage people to go work on teams, rather than as a consultant is because the relationships that you form are really important.

The ability to actually see how the team works and if you yourself are going to start a company and say how does this group dynamic work in terms of everyone? So generally speaking, I don't think that consulting is a particularly good path for doing the actually entrepreneur starting company as a path and really what you just have to do is settle between being a good employee where you have a tour of duty, e.g. you're there for a while you do some stuff, but with a look you achieve some things then people are happy with you. I think if you go back - that would be an interesting question - if you go back to most of my employers I think they were happy that I worked there, right. And not, oh yeah, good thing we got rid of that guy Hoffman. And so and I think that's - that would be more of the direction. And actually I realize I've answered - is there anyone on this side, since I've been - all right great. Thank you. How would you - so there are few very common downside risks that a lot of entrepreneurs seem to forget - family, friends, finances. What are some of the other ones, especially in the strategic side that you see people overlooking? Downsides for being an entrepreneur? Downside risks? Downside risk? So the question is downside risk for an entrepreneur, there are some obvious ones, financing not working out et cetera. I would say - let's see, there is a couple.

So, one of them is part of how the trends of these companies really become great and massive is if there is a limited number of companies that kind of get to breakout velocity. And this a little bit plays to the competitive differentiation point, which is to think seriously about like your gamble of can this get to something particularly big and breakout and get network intelligence and so forth because very often actually you could have a much more successful career path of going and joining really hot companies and working with things that have that trend going, than in fact actually just go starting your own. And like one I think we talked about him in the book, Matt Cohler, was someone that I recruited out of McKinsey to join LinkedIn, he is now partner of Benchmark, he is a great guy and he made an awesome career, saying look I'm going to be a really essential person to founders in terms of what I'm doing. And so, what you really do have to do is you've to trade off, is this really going to be either like I just have to be an entrepreneur, I have to work on this idea, I can't work for someone else or does this really have a shot of being big because one of the things that I tell folks is if it's not a really big idea, it's usually not worth doing

because it's the same amount of blood, sweat and tears, right, with a much lower impact and a much higher likelihood of ending up in real tears as opposed to just frustration at the end of the week. So that would be the kind of the thing to think about. And then on the very left. So it's very interesting thinking about some of your comments and remembering a book that I read long time ago, by a journalist by name of James Fallows, and he wrote a response to America's obsession with competition from Japan in the '80s and it was called More Like Us. And he asked the question he said, we're looking in Japan and what Japan is doing well and we're thinking, we are down in the dumps, we've got to copy the Japanese and do what the Japanese do well. And he just said, let's do what we do well, and ask that question, what do you think on a - from a perspective of American entrepreneurship specifically today, what are the things that we could do to do what we're doing better? To deal with a lot of competitive forces around the world and also on an individual company basis, what do you think most companies you see in your investment career could do a lot better? Well, the second question is a whole question itself. So the first question is basically - was a report from Fallows, who I think also coined the term career escalator if I recall, but I'm not absolutely positive for that.

Who basically said what we need to do in order to be globally competitive is the - is more play to our strengths, not try to copy people on their strengths, which may or may not be a weaknesses e.g. in the '80s rage is about the kind of perfect manufacturing and other kinds of things, the manufacturing that the Japanese were doing. And I said a little bit of - a partial answer to this question when I was talking earlier, which is we're really, really good at attracting high-quality talent entrepreneurs from wherever in the world, we're better at immigration than anyone else. I think also one of the things that's a good upside of not having an overly formalized educational system that has extremely long exams like the baccalaureat in France ranking everyone from one to X and so forth allowing some room for risk-taking creativity et cetera. I think that's another thing that's particularly useful. I actually think we've an awesome university system. And - but I think also the part of the thing that as an entrepreneurial country, the phrase we use in the book is being in permanent beta, e.g. you're never finished work. And I think that one of the things that we can also do is we do the - we don't treat ourselves as finished work, we have to kind of go back to the grindstone and reinvent. And that reinvention process is I think really key.

So those will be the kinds of things that I'd say apply to strengths. Now, in terms of companies in the Valley, I think the primary time where they start going wrong is when they start becoming their own kind of little solar systems and they don't - they are no longer integrated into the pace of activity what's happening in the Valley. And that's not always an executive mistake although frequently, and the key question on technology, because we focus on technology here, is essentially you always have to be investing in the next curve. And so the moment that you don't say, I've a really good idea that I'm playing for, it's like, you know, well, I've got an idea for optimizing this webpage, that's not a big idea. And so, you should be thinking to yourself, do we have a big idea in terms of what we're doing and the big idea has to be a legitimate one. I mean like one of the things that was - woke me up to competitive differentiation is I asked someone at eWorld, I said, well, we're licensing technology from AOL and we're putting on this graphic front end, what's our competitive advantage and they said, oh it's the Apple brand. No, I mean Apple brand is great. That's not a competitive edge, and I think you actually have to have something that's a great product. And Job's obviously proved I think quite well, that there is no business or industry that's truly so far gone that a great product couldn't fix it, but great products are really hard, right? And so as a diction. And so I think that part of what's happened is the companies that you see around the Valley that are large companies that have historically been very well, but are now flagging aren't investing well enough into the future.

And I think that's one of the key things that they need to do. You mentioned a couple of times about wanting to make a contribution to the world, so I was wondering about how you balance that with the need to make a living and make money? And I was also thinking about it not just from the personal side but also from a company side especially say in the realms of education and products for kids where you need some sort of altruism and some aspect of really caring in order to make a great product, so how do you prevent, say, the introduction of investment money from making you too focused on the money aspect? So, the question to repeat in brief is the - is how do you balance both the economic necessities of a life that you need to make money, the economic necessities in an organization when you get investment and that dictates a certain pace to the company together with changing the world? And there is hours of answer to this question, but I'll be brief. The highline is to try to create the right kind of alignments. And so, for example, if you're founding a company, you're trying to found the company where the mission of the company is something that actually also changes the world in a good way because businesses will very naturally go to what's the way that I maximize revenue and maximize my business potential. And if you can create that in a way that's a very good alignment with things that make the world a much better place, then you're good. So, that's kind of one fundamental. So, for example, if your business, I'll be hyperbolic, if your business is selling cocaine, it's very difficult to do that, right? And so, the second part of it is - as an example, when you think about it in individual life, one of the moral principles that I think everyone should follow and this is actually the very first commencement speech I gave to a friend of mine's college over University of California - Santa Cruz, was to do something that's not for yourself every year, and you could choose how much that is. If you're a struggling single parent, trying to make things meet, maybe it's a McDonald's gift certificate for a homeless person you know, that's the thing, but to hold yourself up to a standard where you say there is something that I'm doing that's really just not for me. And for the first few years, I did that by serving on non-profit boards as a way of kind of doing that myself. I eventually decided that generic non-profit boards didn't work, I wasn't able to be effective, I wasn't doing enough

and I had this kind of episode where I resigned off all of them and I was trying to figure what to do.

And for example, I was on the Mozilla board, which is a non-profit board, but it really wasn't not for me, I mean 20% of the Internet traffic, it's really interesting, if it was a fully commercial business, I'd still be on the board, it wasn't just because it had a mission to change the world, which is important, keeping the Web open and free and people should look at the Mozilla mission. But what I then realized - a friend of mine pointed out Kiva to me and I realized that my consumer internet abilities, all of the things I've been developing from a commercial side would also be extremely helpful to this thing, which is microfinance, enabling essentially everyone to kind of - a person to create their own taxi designs, and these kinds of things and that I could help them with that. And so, looking for synergies, like, say well this is what I'm doing, what are the things that I could do that take some time because I need to provide for my family, provide for my life, but I could still also give to the world. I think those are the brief two answers, but it's a great question for longer. In the back and the center? Hi, Reid, my name is Dan. Simple question for you, this is my sixth day in the Valley... Welcome. Thank you. And I just moved out here from a different country, where I hope to found a startup, and I'm a business guy, I'm looking for an engineer co-founder, so if you were in my shoes, other than going to the meet-ups what would you do? Well, that's almost on the edge of a generally accessible question. A good entrepreneur will hustle to ask it.

The short answer is go to the folks that you meet and ask them who the smartest folks they know are and then go meet those folks, and just don't ask for engineering folks and don't just ask for people that you could have as co-founders because kind of simply going - co-founders is a lot like a marriage relationship and they're going to have to be built; you probably have that experience if you built a company before. So, you're going to have go build those relationships, and that maybe too brief of an answer, but only some people in the audience may be interested in that answer, so it's quick. If you had to create a start-up tomorrow, what industry and what would it be? So, the question is if I had to create a start-up tomorrow what industry and what would it be? Well, I decided pretty early on that I was a consumer internet guy and that's what I was going to do, and if the consumer internet became no longer the right thing for me to be doing or for the Valley to be doing then I would retire. So, it would be something in the consumer internet. And there is still a lot of room for interesting marketplaces and social networks. So, for example, the Valley likes to go kind of say, oh, here is the new feature and also likes to say, oh, that trend's done. And so for example, oh yeah, social, that's so last couple of years. So, last quarter I invested in a company called Edmodo, which is social networking for K-12, teachers and students. And that's an instance of something that I think they've very good traction, something that would be big, it's a wide swathe of life. Now the thing to think about is always if it's a marketplace or a network or a platform, how does the millions or hundreds or millions of people use it and one of the things that's more challenging about starting businesses now than it was in 2002, 2003, 2004 is, you know, I've given talks at startup schools with roughly this amount of people in the room and if you presume that there is two founders per consumer internet company, we've 200 companies in the room.

And five to seven will get to breakout per year, as a function of it. So you've to look at what that is, but people are still doing it. I mean there is Instagram, year and a half old, doing great for kind of mobile sharing and experience and so forth. So you've to look at what's the idea that I have that has a potential breakout here and right now all of my time and energy on that goes to how do I further elaborate LinkedIn. So I don't have a specific answer to that. In the back? In a tour of duty universe, what are the things that you as a self-entrepreneur should be focused on growing and building up throughout your entire life, is it industry knowledge, is it network, is it skills? In the tour of duty universe, what are the fundamentals for investing every year after each other? And it's a great question. It's definitely your network because ultimately part of what makes you better is the people that you talk to, the people that you work with, the people that share perspective on what's going on in industries, some skills kind of come and go, like you might - like for example, I haven't written a product plan in years, I wrote a lot early, but not now, but that was important to do at that stage of career, by the way even that helps me, talking and working with product managers because I know what confidence looks like, having done that. I also think that part of the whole point of kind of advancing the thesis that we should all be entrepreneurs of our own lives is to keep us adaptive, and that being in what we described as in permanent beta is never thinking the game's over and always thinking about what's the next play in terms of what I have to learn. All of those skill sets that goes into that learning and that ongoing adaptation is I think absolutely critical. And one of the mistakes that people make is they say, well, I've learned the game, I know what it is now and that's why you see a lot of people who say, okay, you were really good at what you were doing even five years ago.

And now it's no longer as relevant in terms of how you play. And so for example, I worry about this with me and so one of the things I love about working with a group of entrepreneurs, is part of what I'm constantly doing is paying a lot of attention to what do I need to be learning now, not just, oh yeah, yeah, I understood virality and I understood all this stuff, and from 2002 until 2005-2006 I knew how to play that game, I'm constantly relearning that game. So all of the things that go into - that's part of reason that I - the network was the key thing, the things that go into constantly learning and adapting are the things that until you're done you always need to be playing. In the back there? In terms of your vision of the future, where do you see the recruiting industry going. Recruiters, also for the candidates for the jobs and if you're an entrepreneur of me, then there are too many entrepreneurs... Where is the recruiting industry going? Well, the short answer to that is I think that like all markets being made a lot more efficient, I think there will be recruiters, I think they will be made a lot more efficient by tools like LinkedIn and

others. And that I think that part of the thing that people are sorting out is like the biggest challenge for recruiting in the Valley is not competing with Google, Facebook, LinkedIn et cetera. It's all the startups and the things that people are doing and that's both something that helps us get things going, but also makes things difficult as you go. But I think we work that out. I mean some folks have kind of said, look I wish that more folks would aggregate to the truly breakout opportunities and I think that's a good thing to pay attention to, as per my earlier comment.

But part of how we have a very adaptive system is people go try startups, and they try and fold and restart all the time as a function of this. So I don't - that's a partial answer anyway. There was a - let's say, at the very, very back. Hi, I'm also kind of new here. I wanted to ask in the universe where there are a lot of entrepreneurs and it's almost like a revolving door, what a startup that's one or two years old faces is very different to a 30-year old company, so how do you - you need people to give you a tour of duty that's a little bit longer, so you can, especially with a core team of people, how would you adjust that for specifically targeting the early stage startups? So, the question is tour of duties early stage when you are really just getting things formulated and going and there is a lot of knowledge in a few heads, how does the tour of duty mean different between that and larger companies and you did answer your own question as you were asking it, which I'll just confirm is true, which is basically in a really early stage companies a tour of duty is I'm going to make a real go of this unless the company, I mean investment thesis turns down, I'm not planning on leaving, I'm doing this, as a function of it, because if a very early person leaves, I'd say one of five people leaves, that can make it almost like a restart in terms of difficulty. So the folks you want to have as part of that initial team, you want to have those folks be, as long as this is working out, to be committed for years because that initial core group then actually forms the core of the culture, the kind of heart and soul of the company that's going forward and it's very painful when you lose those people, even when you're much larger and so you want to have folks that have an intent to go long. That's one of the things - it's an important bidirectional relationship and that's important in terms of equity compensation, that's important in terms of all these sorts of things. Yeah. Actually following up on that question, I had a question about company culture and I was wondering if you could think a little bit about your experiences with that, maybe tell a story about when things don't go as well. Is it one of those things that you have to be really intentional about it, or does it happen whether you like it or not? Yes.

So, company culture, what you have to do is think about what are the things that we're all going to hold ourselves accountable for, and so for example one of the things that we did pretty early in LinkedIn is we decided that while we had a very strong belief in our mission, we would have a very kind of open and rational discussion about whether or not what we were doing was right or not. So we'll allow our core tenets to be challenged, so people could say, for example, well, we don't have much engagement as those social sites, we have this theory that social with pictures and games engages a lot more and professional engages less, but are we just deluding ourselves, like, how do we figure out if this theory is right or not. And there is strong upsides to that culture in terms of the fact that we actually have a relatively kind of broad rational perspective of what's going on, there is also downsides because there wasn't as much true believers. And so there wasn't much as - no, no, this is absolutely going to work, there is a lot of - every year we'd have the conversation, is this working well enough and that does mean that you have additional kind of morale. Most times when people think of culture, they try to think of things that everyone wants. Everyone wants high energy, everyone wants problem-solving, everyone wants high integrity. Those are good things. But the real nuances when it comes to culture are the things where there is actually a strength and a weakness there combined together. That's where the identity is. And so when you think about it, you say, okay, are we - for example, a broadly inclusive culture, well of course then you've some difficulties when people start disagreeing, are we an autocratic culture where one person makes the decisions and that's where we go, and what is the blend of that.

Those kinds of things will have strength and weaknesses together, and that's where the real interesting cultural discussions occur. In the middle? Do you think we're in a bubble and why is there a bubble? The answer is do we think - do I think I'm in a bubble and the short answer is I'm long on the ability for technology to change the world and whatever the market valuation happens to be is whatever the market valuation happens to be. You mentioned that we have a fantastic university system and that was the main driver for me to immigrate from India, but it seems like the business model of the universities has not kept up with the times and seems like entrepreneurship is disrupting education, I just want to hear your thoughts on that? Of course the - when we're 15 seconds over time the treatise question arises. Well, I think education also needs to be - I think there is a lot of great strengths we have in this university and in a number of elite and great universities in the U.S. but I do think that the whole notion of educational model and what kinds of things will present how we do education in a really good way is actually very much open for disruption. Now, how that happens exactly with these deep institutions that have a lot of inertia around them and everything else I think is very open. And it's one of the reasons why people have been celebrating things like the Kahn Academy because even though the technology is pretty simple, it's pretty interesting what you can do with something that's that simple with a guy who really knows how to give smart good lectures with YouTube videos and then build around that. And I think we'll see more and more of that when it comes to education, generally. Please join me in thanking Reid for this session.