



Stanford eCorner

Founder Myths

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October 17, 2012

Video URL: <http://ecorner.stanford.edu/videos/3010/Founder-Myths>

Venture capitalist Geoff Yang dismantles some prevailing myths around startup founders, including starting a venture before developing an idea and skipping out on doing the "homework" of market and competitive analysis.



Transcript

So, as I talk a little bit about founders, there are a bunch of kind of myths that I just wanted to talk a little bit about. The first is, founders first, idea second. And the notion is I'm going to decide to start a company and once I start a company, I will find an idea and then the idea will just come to me and that's how I'm going to start the company. And my point of view is that, entrepreneurs really aren't created, they're compelled. And the best entrepreneurs are the ones that have - they come up with this idea and they think this idea is going to change the world and I - if I don't do it, I don't know who else is going to do it and I think the world will be a better place by starting it. So, I don't believe that it's founder first, idea second, I really think it's idea first and the idea compels the founder. And that you have to have a passion for it. You can't just decide well I'm going to start a company because it's in my - I'm planning my career, now is the right time for me to start a company or I see a lot of other people starting companies, so I should go start a company. You have to be passionate about it and it's got to drive you and like compel you to start a company. The second common myth is, well, it's either now or never.

Now is the time and everybody else is doing it, I should do it. And whether or not I'm ready, you're never really ready, I should go do it. I really believe that the best entrepreneurs and I will tell you some more stories about some of the entrepreneurs as we go along or happy to do so, they build the foundation, right. And they learn and make mistakes on someone else's nickel. They figure out, for instance, you learn how to manage an engineering product, you learn how to spec projects, you learn how to manage people, you learn how to do cost benefit analyses, you learn how to scope markets and what's a big market and what's a little market, you learn to hire and fire people, right. And the ability to do that on someone else's nickel, in some ways make mistake on someone else's nickel is really an incredible luxury. And it's also an opportunity to expand your network. The best way to start a company I think is to bring people that you know are really incredible people that you can rely on and you can trust and you may not want to take a lot of risk on those people, so to the extent that you know them and you've worked with them or you know other people who know them is really important. So, it isn't always now or never. The third common myth is that homework is for losers.

I - the point of view would be, well, you never know everything, I'm just going to go with my gut and I kind of feel as if I'm ready and I'm just going to go do this even though I haven't really done any homework. And I really disagree with that. Certainly, you can't know everything, when you're starting a new company especially one where you're doing something that no one ever has been able to do before. People will say, well, how do I do market analysis on a market that doesn't really exist? Well, in my opinion when you're going and starting and you're putting your energy in starting a company, you're really making a pretty significant investment just as if when I - when we invest in a company, we're making a very significant investment. And you owe it to yourself to do your homework. You owe it to yourself to go find out what is the competition doing, how big is this market, what are the reasons why it might fail or why it might succeed and really kind of put together the whole landscape of what you're counting on for this to be a successful venture. And if you don't do that, you're kind of cutting yourself

short and I mentioned this because it's kind of amazing to me when I meet entrepreneurs and they really haven't done any homework on how big the market size is or you ask them about, well, what is this person - what is this company doing or what is that person doing, have you heard of this or you heard of that and they say no, haven't really done anything that work. It really is not the right way to go about doing this because you're making an investment and you're making an investment in the most valuable thing you have which is your time, your energy and your reputation and you owe it to yourself to do some homework. That isn't to say that you need to know everything and all your information needs to be perfect. You just need to kind of know what you're betting on in order to do that.