



Stanford eCorner

A Few Misconceptions

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Venture capitalist Geoff Yang examines some misconceptions he frequently sees and hears around starting companies and working with venture capital. These misconceptions relate to customer feedback, hiring experience over talent, and power plays by investors that target original founders.



Transcript

So I will talk a little bit for a minute about common misconceptions. The first is that the customers are always right. That's kind of true, but not always. My experience is that customers don't have any vision. They only have about a 6 to 12 month horizon and lots of times when you're talking to them about something that's never been done, they can't really conceptualize what it is until they see it. There are very few people - one of the reasons entrepreneurs are so great and they're so cool and they're so much fun to hang out with is because they're able to see much farther out and they see order where other people see chaos. Most other people and that means almost every customers they only see 6 months or 12 months ahead. They don't see kind of the bigger vision. And so lots of time people make the mistake of kind of listening to customers. It doesn't mean you shouldn't solicit the input of customers; you should.

But you should also recognize that customers aren't always right. Second is hire experience over talent. I see people that will say 'well, we should hire this person because that person's done that job before' and I would much rather hire an upcoming A than a proven B, right. And lots of times people will go for proven Bs because they've had the check box on the resume. And obviously you'd rather have a proven A, everybody would rather have a proven A. But if it were up to me I always bet on young talent, I always hire unproven As in favor of proven Bs. I hear this a lot, VCs will sell the company from under me. That's just really - I've never had that happen. In almost every occasion where we have ended up selling the company I find myself constantly in the position of encouraging the team to kind of go for it and let's see what we can make it, make at it. And I would say that the - when they're first time entrepreneurs and they get a meaningful amount of money and the ability to kind of take something off the table, they almost always take it.

And they'll always say to me, and the conversation will go something like 'hey listen don't get that many swings in the major league, you're at bat, you're in the majors, let's take a shot and see how big we can make it, and if it doesn't work out then we can always go back' and they'll say 'well I understand, but you've a portfolio of companies and you've done it before, this is my only bat, this is my first bat, and this is - landscape changing and life changing for me, and I think I owe to myself, my family and all the employees to do that.' And I usually say 'listen, I support you 100%, I'm just telling you what my position is because at the end of the day if you Mr., Ms Entrepreneur want to sell the company, I'm not going to stand in your way' I'm going to force them to work when they don't want to do it? I mean, that doesn't really make any sense. But that's a common fallacy. The fourth is, I hear this a lot from Y Combinator classes, VCs want to kick out the founders the first chance they get. That doesn't really makes sense either. I mean, when I'm investing in a company where there are three people, why would I want to give them the money to build the company and then proceed to want to kick them out. I mean it doesn't make any logical sense. My objective is for them to succeed and if they succeed then I really succeed. Now if they're not going to succeed or they need help in order to succeed, then by all means I'm going to go to them, I'm going to try to convince them that we should hire more people on to the team to help them succeed. But it's - I hear this a little bit more than I'm comfortable with that 'oh, I hear VCs

want to just kick out the founders and I want to put in all these protective provisions to prevent the founders from getting kicked out.' I have no interest in seeing any of them leave unless they're not helping the cause and causing the company to succeed. And then lastly, good CEOs do what the board wants.

I think I mentioned this earlier. Good CEOs do what they think - they lead the company and they make their own independent decisions. And I think when a board makes decisions, it's time for a new CEO.