



Stanford eCorner

Seeing Startups on a Continuum

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Stripe's John Collison talks about how the focus and culture at a startup may need to evolve as it grows. He also discusses the concept of "path dependence," where a venture's direction isn't guided by working toward a grand vision, but by achieving intermediate goals and letting that journey determine trajectory.



Transcript

There will be things in the early days of a start-up that makes sense in the early days that don't scale later on and so it's not just a question of - it's more of a continuum, there aren't just things that you should not change and things like you should be willing to change on a regular basis. It's - there will be things that you should not change for the first two years and then gradually need to be unwound as you grow. And so in the early days of a company, it's probably really critical that they focus on the U.S market, trying to win all markets is a distraction, but clearly over the long-term focusing solely on the U.S market is wasteful and they should go international or Facebook for the longest time they had the mantra of move fast and break things. And this really made sense for them, they were trying to have a really fast product cadence. But at a certain size you get so big and so interconnected that moving fast and breaking things probably isn't your model and so they - I mean they recently explicitly acknowledged, that they were moving past this. Start-ups end up having a really powerful path dependence where it's not just a question of arriving at the final answer and if you had found that final answer earlier, you could have gotten there much quicker, it's a question of building a set of assumptions, following those and continually revisiting them. You're not just trying to arrive at the final form for your product; you're trying to get all the intermediate forms in the chemical reaction that gets you there. A good example of this is Microsoft. They started out in the hobbyist markets building basic compilers; they couldn't have stayed there, and could never become the company they are today as a result of building compilers. They had to move up stream and they are now basically an enterprise company.

But at the same time, they couldn't have started as an enterprise company, because no one would have bought from them - these like two random college kids. And so again there's this path dependence to Microsoft's growth where they had to become each one of their stages to allow them to jump to the next level. Maybe another example of this is going back to Uber. If they had just started out with the Uber X model today, doing ride sharing, they probably would have been shut down pretty quickly. It required them to - to succeed, they needed to start with the limo business, get to such a scale that it was a well-known and well liked service and then they could start doing ride sharing in some cities and prove that it was a popular model.