Cloudflare co-founder Michelle Zatlyn gives a bracingly honest account of the challenges high growth companies face as they begin to scale. Years two through five, she observes, can be particularly difficult, as companies try to attract great talent with relatively little to offer, and build their operations from scratch.

Transcript

- Well, if you talked to me in 2015, 00:00:03,370 what I would have said is I don't understand why anyone does it cause it's so hard.. There are so many highs and lows, and now as I zoomed out, and kind of have even more perspective, maybe the way that I'd best characterize it today, or maybe is useful to this group is, I think if you, there are lots of ways to start companies and there are lots of different types of companies.. Interesting, my husband's an entrepreneur and he has a kind of cashflow positive, hasn't raised any money, profitable company, small team.. But we were always swinging for the fence.. So I guess this is kind of a swing for a fence point of view.. And I think if you're going to start a company that swings for the fence and by that, I mean, if you're swinging for the fence.. When I was starting, a billion dollars was cool.. Now that's not cool anymore.. (laughing).. I think like the bar has been raised to $10 billion market cap..

And you know, like the, kind of what was good enough keeps going up because the opportunities get bigger and it's easier, at least some things are easier.. But anyway, my point back to what I was saying, if you're swinging for the fence, which we were, we have been from day one.. We kind of knew how far along we were gonna be a big company or not exist as a company.. For us, like a small or medium sized company just never really made sense for a bunch of reasons we can go through another time.. But the, my point of view on this is if you're swinging for the fence, the first two to five years is really hard.. Like it's just an, and why, it's, doesn't, it's not the money.. It's how do you get the talent? How do I convince all the engineers that are listening to this call to come work for a, a hundred person company? It, to be the founder makes a lot of sense, to even be the first 20 employees makes a lot of sense, you get out sized equity grants, but like in-between, there's so much risk.. And there's so many things that don't work out.. It's so hard to convince people.. And most people wait..

It's like, well, come back to me once you've gotten to a $100 million revenue run rate, which, which is usually after five years, some companies do it faster.. We're in a B2B space, so that like, that's, kind of made sense.. And so it's hard to get people who really have done it before to come work for you.. So you're, you're, you're in the space where you need great talents to come work for you, but the proposition doesn't make a lot of sense to most professionals.. They're like, I'm just going to wait till you're a little bit further along where it's, de-risk more and I'm going to get paid the same.. And, and, and it's hard.. There's so many things that go wrong.. Actually, Tom Eisenmann, a professor from Harvard business school, he, he was our advisor.. He just wrote a book about why startups fail.. And he actually quantified all the reasons why companies actually lose steam and most like, out sized equity grants, but like in-between, there's so much risk.. And there's so many things that don't work out.. It's so hard to convince people.. And most people wait..

A lot of companies still fail at that stage.. They just never reach their full potential.. We know lots of those examples.. And so it's just so hard, you're clearly on to something, but is it sustainable? How do you make sure competitors don't respond? How do you get the right people? Is it differentiated? Will it last, there's lots of different pieces.. So it's very, very hard.. And so those first two to five years are just lonely, there's lots of highs and lows, you're working way, you have way more work to do than you can possibly do.. For not just you as the founder, but the whole team, because the definition of the company that startup is, there's nothing there to begin with.. You've got to do everything.. And, and so it's really hard.. So I remember going to dinner in 2015, small group dinner, and I remember not even wanting to hear all the good things..

And I was like, I don't know why anyone does this.. And they got mad at me, and they said, I can't believe you're saying that.. They kind of said, you have a responsibility to carry this torch.. And I am just like, it is so hard.. I really think I can go
get a job as an executive at a successful company and my life would be a lot better. Now I’m on the other side of that and I can see all the amazing things and I would not trade it for anything...