URL: https://ecorner.stanford.edu/clips/four-foes-of-scrappiness/

Deb Liu, CEO of Ancestry, shares her "Four Horsemen of Anti-Scrappiness," or practices that keep people within a company from iterating, learning, and growing: impeding progress through processes, allowing too many vetoes, hanging onto institutional memories of battles lost, and not knowing how to fail. She gives examples from her time at PayPal, eBay, and Facebook.

## Transcript

   - I'm gonna talk about something I call 00:00:05,190 the Four Horsemen of Antis-Scrappiness.. Before I tell you what it is, I'm gonna tell you about what it is not and the things you need to watch out for, okay? So, the first one is process.. And I know, I hear you, you guys are entrepreneurs.. Process is a four-letter word, but there is such a thing as good process.. After all, you need to have expense reports, you need to have employee handbooks, you need to have contracts.. There are things where process is important to the functioning of what you do.. And so, process doesn't have to be a bad thing, but you need to think about what is actually facilitating progress and impeding progress.. And I'll give you an example.. So, I joined, out of Stanford, I actually didn't know what I wanted to do.. The economy was terrible..

   It was after the dotcom bust.. And I went to this table for this startup called PayPal.. And now it's obviously not a startup, but it was a few hundred people at the time.. And I joined the company.. And the biggest thing was we were trying to figure out how do we build? And I remember writing my first spec.. It was probably five pages in total, this feature we wanted to build.. And then, we were bought by eBay.. And I worked on the eBay-PayPal integration for some time.. And then they said we really need to mature our processes.. And so, we need a spec template that everyone can use..

   So, I was one of the PMs that participated in building the spec template.. The template itself before you have filled in a single word was 35 pages long.. And there were two dozen teams that you, and by the way, the company was still not that big at the time.. And so, you had to fill in.. You had to actually check with all these teams, have them read your template and approve it.. And so, the joke was there was actually two dozen teams you had to check with.. There were a bunch of people you had to get approvals from.. You know, we're going legal, process, customer service.. And you just went around the company.. And we called it the gauntlet..

   And so PMs would run this gauntlet.. They would try to build a feature.. And then, if team number 13 had a problem and you had to do a change request, you had to get re-approvals from the first 12 teams.. So, think about what it was like to build a product going from a handful of pages in a spec that you handed to the engineers so you could build fast, to an organization that actually everything slowed down.. It became harder and harder to get things done.. It became more and more frustrating.. And that's when process is playing against innovation because now you can no longer test anything.. You had to

get approvals through all these people.. So you had to have the right product, you had to know exactly when you build, and you had to know it at least a year ahead of time 'cause it took that long to run the gauntlet, get it coded, and get it out to the market.. And that's what bad process is..

I would say that beyond that though is the veto.. You know, there are organizations where there are, everybody gets a chance to say no and nobody gets a chance to say yes.. And this can happen with small companies and big companies.. I've seen really consensus-driven cultures.. We are actually, everybody has to say yes.. And if somebody go on vacation, heaven forbid you forgot somebody in a meeting, you have to go back.. And there was this project that I was working on.. I was kinda peripherally on it.. I didn't understand why there were so many people involved when it seemed pretty straightforward.. And one of the executives said, "Well, we didn't actually disagree and commit..

We all agreed never to commit." So think about that, right? Everybody in the organization working on this was pocket vetoing this project to slow it down 'cause nobody agreed, and no one could say yes.. And that's something which is very dangerous.. You know, having a clear process, which I said in the first, actually to a yes.. What does it mean to get approval? Who do you have to get the yes from? A lot of organizations don't have a clear way of thinking about that.. And so, it's really important that you think about who gets to say no, who gets to say yes and who has to get out of the way.. The third is institutional memory.. Just like we have memories of the last battle we fought, the times we failed, institutions also have memories.. And that's a very powerful thing, but also a very dangerous thing.. Because when I first got to Facebook, well, at my interview in 2009, I said we should build a marketplace.. And I told this is Sheryl Sandberg..

And she wrote in my book.. Actually, I didn't know she thought this.. She's like, she came to this interview and pitched me her product and I wasn't hiring her for that and I didn't know if I should hire her.. Anyways, it's in the opening of my book.. She wrote for the Ford.. And actually, we had a good conversation about it.. But the point is, I believe that a marketplace could survive and thrive in environments of a social network and no one else did.. And it was interesting because they said, "Well, we had done Beacon," which was passively sharing what you buy on Facebook.. That did not work out.. They had done a deal with a small company called Oodle to do a marketplace and it hadn't worked..

So they were like, nobody wants to buy anything on Facebook.. Actually I was told that many, many years.. So, for five years I just was told this.. And that institutional memory reminded that there was no commerce could be done here.. And yet, that was the wrong answer.. The answer was maybe it was the wrong product or the wrong time, or the wrong place or the wrong team.. But I think sometimes institutional memories actually give you the wrong answer.. And finally, it's about companies and teams that don't know how to fail.. Because we are here in Silicon Valley, what makes Silicon Valley incredible and amazing and a great place to be is that we have no fear or failure here.. Think about all the VC funds, right? What percentage of the VC's investments had to take off for them to be successful? But think about also how many failures there are..

What's great about Silicon Valley, what's great about what we do in entrepreneurship is there is not a penalty for failure.. You can raise again, you can try again, you can go to companies.. You can, you know, that's the opportunity.. And yet, we take those lessons that we do as an industry and then we go, "Well, the team failed at this.. Maybe they're just the wrong people." Or "We're not hitting the numbers.. Maybe this is not what we should be doing." But if we don't teach ourselves to fail well, we actually are teaching the lesson of risk aversion, which is slowing things down.. How do we get everything right? How do we get, you know, we have to get everything perfect.. And allowing perfect to be the end of doing good is actually anti-scrappiness at work...