

URL: <https://ecorner.stanford.edu/clips/the-virtue-of-doing-nothing/>

Kathleen Eisenhardt, Stanford W. Ascherman M.D. Professor in Stanford Engineering, advises founders to be willing to do nothing or pause their progress at times. She shares two case studies: one of a fintech venture that spent time passively observing who was using their product, and another of an online fashion company that paused to refine other aspects of their business model.



Transcript

- Sometimes you just wanna do nothing.. 00:00:05,310 I think we get an idea in entrepreneurship that's go, go, go, you gotta keep rolling.. In contrast, what this study has showed, this turned out to be, it turned out to be the better models were marketplaces, but they put the marketplace out there and they didn't actually know who was going to use the market.. And it was a market that was connecting investors and people who wanted to follow investors.. Let's say Robbie's an investor and I wanna follow him.. And I realized, "Oh, I like Robbie's performance.. I'm gonna follow Robbie." They had the website out there in the marketplace and then they just watched it for a while and tried to figure out who was gonna use it because they didn't really know who was gonna use it.. And it turned out that actually who used it was not amateur investors, but in fact investors who were professional investors from small towns like Bend, Oregon, who didn't really have the distribution and this was really great for them.. And then they went on and did some more things and they ended up with robo-investing.. But the idea was they simply didn't do anything for a while..

They just watched to see what would happen.. Another idea is this idea, I was talking about unit economics before, this study that we did in the online fashion.. We looked at retail, we looked at three business models, retail, rental, and used clothing marketplaces.. And what we saw was that it was actually a good idea to stop your growth, the hold back your growth, to pause your growth so you could learn because it was too hard to learn while you were growing.. So as you're perfecting your unit economics and your product market fit, you needed to actually gate your website, close your customers, not advertise, and so on so you could actually learn enough.. So the point is, again, you don't necessarily always wanna go as fast as you can, but you wanna understand that the timing can vary.. So much like in sports, if you're playing basketball, you don't always play up tempo.. Sometimes you cut the tempo back.. It depends on who your opponent is.. It depends on what's going on..

So like in sports, you manage the timing...