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Friction for Aspiring Founders

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Bob Sutton and Huggy Rao, Stanford professors and authors of “The Friction Project,” tell stories that illustrate the importance of understanding friction for a startup. Sutton discusses how an early app company improved their coordination. Rao encourages founders to apply a friction lens when they’re making decisions, giving examples about early hires and founder equity.

Transcript

- I want to talk about, you know, how this friction 00:00:04,230 is not just relevant to big companies 'cause I think our audience is also, we have a bunch of aspiring founders that might say, you know, "All these problems we're talking about, friction are big organizations.. That's not relevant to my life." What does friction look like through the lens of an aspiring founder? - Ooh.. 00:00:19,410 So, well, there's two parts.. One is that you can sell a lot of stuff by making the right things wrong or the right things easier and the wrong things harder.. That's the whole point of a lot of different apps and stuff is to make our life easier, so we know that.. But there's also this notion that is organizations grow amazingly quickly things get hard to do.. And so one, a startup, which probably none of you ever knew about called Pulse News, which was one of the first ones coming out of the d.school, Ankit and Akshay, remember that? And what, they sold it for a lot of money.. - Oh, it was one of the first apps on the app store.. 00:00:58,650 - One of the very first apps.. 00:00:59,483 - With Steve Jobs, yeah..

00:01:00,720 - Yeah, one of the very first apps.. 00:01:02,640 In fact, there's also the story that got knocked off and Kara Swisher was involved in getting it back on.. So these two guys, Ankit and Akshay, they start this company and we interviewed them.. I remember in their office at downtown Palo Alto.. And I remember Ankit said, "When we moved from three people to 12 people and we're all in one room, we were having all sorts of coordination problems and we were dropping balls and having confusion." So they broke just this 12 people into four different groups.. And then they added a little bit of rhythm.. They had a standup meeting in the afternoon where people said, "Here's what I accomplished today, here's what I need help with." Classic engineering sort of won.. But in that case, they had to have, if you think about it, they had to have some process and they had to have some division, of a sort of focus because they had friction problems.. - You know, I think your question, 00:01:56,830 Ravi, really made me think about how founders don't actually apply a friction lens when they're actually making decisions.. Let me give you two sort of quick examples..

At the Graduate School of Business, I teach a class called from Startup to Scale Up and, you know, with John Lilly, a great student of computer science and another guy called Sujay Jaswa.. And the other day in our class, we had Evan Williams, the founder of Twitter.. And so I asked him a simple question, you know, when we were having these discussions, I said, "You know, when you started this company, who was your first hire?" And he looks at all of us and says, "Well, I'm a product guy and I thought maybe I should hire somebody who has complimentary skills.. You know, somebody who's kind of more, you know, go-to-market oriented or whatever." But interestingly, he said he called Ben Horowitz, whom all of you I'm sure know, and he asked Ben, "What do I do?" And Ben said, "I think you should really hire another product person." And Evan says, "Why should I hire another product person as opposed to a go-to-market person?" And Ben looks at him and says, "If you hire another product person who's similar to you, you're going to talk to that person much more frequently." And in a startup, when you're iterating your product and your product is not right, the first thing you gotta do is you gotta have a lot of conversations.. So don't hire people with whom you're not going to have a conversation.. And Evan hadn't thought of that.. That's a simple example of, if you will, using a friction lens.. Another way in which founders completely miss the boat on occasion with respect to friction is when they split founder equity.. You know, most people, when they split equity, they actually split it equally.. You know, the four of us are doing a startup, 25% to each of us..

But that doesn't mean we're going to contribute equally over the course of the startup's life.. Some people will contribute more, others will kind of contribute less.. And it turns out that if you actually, A, agree to equal startups, VCs may think you're a good team, but strong founders, if you ask them a year later, "Hey, what do you think about the founder equity?" They say, "Man, that was really unfair.. I worked most of the time and these guys are collecting things for no reason." So even a thing like founder equity, you want to actually kind of make sure you take a friction lens.. And our recommendation would be, don't allocate the founder equity all amongst the founders at t = 0.. Allocate some, keep some in reserve so that you give it to different people.. If Bob raises more money than any of us, he ought to get, like, more of the equity.. Ravi gets more customers, or she helps with product, they should get more equity than me.. And so you have that kind of flexibility and you have room for what's called dynamic contracting...