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Robert I. Sutton is an organizational psychologist and professor emeritus of Management Science and Engineering in the Stanford School of Engineering. Hayagreeva "Huggy" Rao is the Atholl McBean Professor of Organizational Behavior at the Stanford Graduate School of Business and a fellow of the Center for Advanced Study in Behavioral Science, the Sociological Research Association, and the Academy of Management. In this conversation with Stanford lecturers Ravi Belani and Emily Ma, Sutton and Rao discuss their new book, "The Friction Project: How Smart Leaders Make the Right Things Easier and the Wrong Things Harder," and offer advice and insights from their years of research and observation.



Transcript

(upbeat music) - Welcome everybody 00:00:17,310 to the Entrepreneurial Thought Leaders Seminar. We have a very special ETL this week. And I suspect that the next 50 minutes are gonna fly by, but I also hope there will be certain moments when you slow down and really take in some of the salient wisdom that will be shared. That modulation of time, slowing things down and speeding things up by adding or reducing friction is at the heart of what we're gonna be talking about today. And we are commemorating not just two amazing speakers, but also the launch of a book that captures these takeaways, which is called "The Friction Project." And you can get that book on the QR code that you see to my left. And then, also, if you're listening to this via the podcast, if you go to bobsutton.net, you'll also find ample information for that. This topic on friction is so wide in its scope. And, also, the two speakers that we have, the adoration for them is so deep that we are trying something new this week at ETL that we've never done before. We're gonna have two fireside chat leaders with Bob and Huggy. So Emily Ma and myself are gonna be the fireside chat leaders and today we have two very beloved guests, Bob Sutton and Huggy Rao.

Bob is I think, the most popular guest we have ever had on ETL. I think this is Bob's seventh time. - Is it seven, six? 00:01:42,502 I can't remember. - Sixth or seventh time on ETL. 00:01:46,440 And I think by far he is the most frequented speaker that we have invited back to ETL. And I hope you'll all see why in a second. How many people have heard of Bob, or taken one of Bob's classes? - All right. 00:01:57,444 - So Bob is an organizational psychologist 00:02:00,660 and professor of Management, Science and Engineering in the Engineering School here at Stanford. He's given keynote speeches to more than 200 groups in 20 countries and served on numerous scholarly editorial boards. Bob's work has been featured in the "New York Times," "Businessweek," "The Atlantic," more publications than I can mention here, including the "Washington Post." He's a frequent guest on various television and radio programs, and has written eight books including "Scaling Up Excellence," "The No Asshole Rule," "Good Boss, Bad Boss," two edited volumes, and, also, the upcoming "Friction Project," which along with "Scaling Up Excellence," he has co-authored with Huggy Rao.

- Huggy Rao. 00:02:38,100 - And Huggy is the Atholl McBean professor 00:02:39,630 of Organizational Behavior at the Stanford Graduate School of Business, and a fellow of the Center for Advanced Study and Behavioral Science, the Sociological Research Association, and the Academy of Management. He's written for "Harvard Business Review," "Businessweek," and the "Wall Street Journal," and is the author of "Market Rebels." And the co-author with Bob of both "Scaling Up Excellence"

and now to be launched on January 30th, "The Friction Project." So please welcome Huggy and Bob to ETL. - Hi everybody, hi. 00:03:08,075 - Thank you. 00:03:11,253 (audience applauding and cheering) - Thank you. 00:03:23,550 which is this book amongst other books. And we love to start off ETL, oftentimes, with understanding the origin stories. So I'd love to kick it off with you sharing your origin story of this venture of "The Friction Project." - You know, I love the fact, Ravi, 00:03:40,980 you described the book as a venture. I would modify it just a little bit.

It was more of an adventure for me, I mean, truly. It was something we sort of got into without frankly a lot of forethought in that sense because we'd written a book called "Scaling Up Excellence." How do you spread goodness in an organization? How do you take a venture from the startup scale and scale it up so that it becomes big and better as opposed to being dumb? And as we were presenting the material from the "Scaling Up Excellence" book, we discovered that the top echelons of leadership in a company, or the senior echelons, they really loved the message, but as we went lower down, people loved the message, but their love for the message came with a perennial lament. And the lament was, it's really hard to do anything, or get anything done in my company. I'm gonna give two bookends just to give you a sense of what we encountered. I remember Bob and I asking an executive, a seemingly innocent question, where do you work? And the guy looks at us with a glint in his eye and he says, "I work in a frustration factory." I just like, man, oh man, how does this guy go to work in the first place? And then there's another young woman whom I can never forget and she was kind of describing how she poured herself at work doing busy work and largely inconsequential work. And she said, "I go home and all I've left are scraps of myself for my family." That was like a blow to the solar plexus I'd say. And that's how we said, "Hey, we really need to understand friction land in organizations." - So I would add to that. 00:05:39,720 I think there's also some personal elements, this I'll get to in a second, but our book, our 2014 book was on "Scaling Up Excellence." And then we hang out with folks like Chris Yeh of "Blitzscaling" fame. And venture capitalists like Ravi here. Their dream is scale baby, scale.

Let's make a unicorn. And there are various organizations since, like, I've been in the Stanford Engineering School for 40 years. I've seen a lot of startups come and go. I won't mention Google, but let's take Facebook, which actually I worked with them, but when they had between 200 and 400 people. I wasn't of much help to them, but I had a lot of fun. And now they're like kind of a big dumb company in a lot of ways. And so what happens in the process, since we're interested in scaling, is that as organizations get large and complex, it's very hard for them to create places where it's still easy to get things done. And yes, we're not like, this is really important 'cause there's some people who say, kill the bureaucracy, the bureaucracy must die. That's not us. Our perspective is a great book called "Hack Your Bureaucracy." I think that's all our perspective, that as organizations get larger, more complex and older, they do need more process.

They do need more specialization. They need hierarchy, but some are better than others. So that's sort of the personal part is that leading at scale is something that a lot of organizations, in my case. You did more stuff with Salesforce and I did more stuff with Microsoft. Those are example of organizations where leading at scale is important, leading something big. And then let's get personal, since we're at Stanford University, since I have been here 40 years, things are so much harder to get done here than when I got here. It's just absolutely unbelievable. And one of the things that makes it harder, and I think many of you have probably seen the numbers. At Stanford we have, it depends how you calculate about the same number of administrators as we do of students. It depends how you count.

And, of course, administrators have to justify their existence. So what they do is they create things for us, the students and faculty to do and for one another to do to justify their existence. And to just give you, like, kind of a little number. When I first got to the School of Engineering, which now has about 20% more tenure-track faculty than it did in 1983. There was only one person in the whole school named Ken Down who was a finance person or a money person. Now to survive the bureaucracy, everybody needs multiple money finance people just to fight back, just to get stuff done. And so they create work for one another and for us. I think, I'm not saying that there's too many of them, I'm saying it's a symptom. So that's both personal, and by the way, our book, the first paragraph starts with a 1,266 word email with a 7,500 word attachment inviting all 2,000 faculty to spend a day brainstorming about the new Doerr School, which I don't think was a good use of our time. So we start out.

- It was held on a Saturday, wasn't it? 00:08:46,250 - On a Saturday, yes. 00:08:47,083 - On a Saturday. 00:08:48,840 - And being the shy person I am, 00:08:52,357 I sent it to Persis Drell, our then provost and said, "Really, is this a good use of our time?" So I did complain. - But he couldn't resist editing that 1,200 word email. 00:09:00,713 - Yeah, I did. 00:09:02,760 - And he quickly reduced it to 400 words. 00:09:04,380 And how long, Bob, a couple of minutes? - Couple of minutes, yeah. 00:09:08,700 ChatGPT could do it in probably 10 seconds. So, anyway, so that's the bad news. We can talk about good news, too.

It's not all pessimism. It's actually a pretty optimistic book, but we started out grumpy, I think that's where I'd say. - Do you wanna talk about how co-authors have a good fight? 00:09:24,907 - Yeah, I kinda wanna do this because, like, 00:09:27,600 I feel like you two have a very unique partnership. Like writing a book as a solo author is already quite difficult, right? You've done this before, Bob. Bob Yeah, yeah. 00:09:36,420 - So you two must have experienced friction 00:09:37,253 just with the two of you. Bob Of course. 00:09:39,090 - So let's start with that. 00:09:41,610 - Well, my main two co-authors, 00:09:43,915 two books each are Jeff Pfeffer and Huggy Rao. Jeff, all we did was scream at each other, honestly.

And I still think that there's entire chapters of our books, like, he doesn't have any children, and he writes a chapter about

work, family stuff. He doesn't know what the hell he's talking about, and I couldn't get him to take it out, but, Huggy, it's kind of the opposite. I always would try to get you to argue with me and I'd get mad at you 'cause you wouldn't argue with me enough. - Well, actually, the thing with Bob and I is, 00:10:13,056 Bob usually is very improvisational, you know, likes to do many, many things. And I discovered the secret to collaborating with Bob is I had to get to that corner quicker than he did. So I'm the one who's improvisational, disorganized, generating ideas and Bob's the adult. And he keeps constantly telling me, why the fuck am I the adult in this relationship? I said, "You're very good at it." But the other thing you should also know is while we argue about ideas, Bob is truly, is, of course, a more gifted writer than I am, because when Bob writes in each sentence you can, like, easily visualize a picture. You wouldn't believe it. There are times when we've spent three hours talking about the three words we're going to use. Can you imagine that? Three hours.

- That's a perfectly rational thing to me. 00:11:08,220 - I know. 00:11:09,210 Should it be a verb? Should it be an adverb? And, you know, all of these things. And I think what all of that does is it really makes you think constantly about the reader. 'cause the biggest danger in writing a book is you can forget the reader. - So one thing I would add about this process, 00:11:28,644 which I think is important. How many of you have heard of the book "Radical Candor" by Kim Scott? Emily Yes. 00:11:34,271 - Probably a lot. 00:11:35,970 It's a great book, ex Googler. And so, anyway, we had the same editor that she had for "Radical Candor." His name is Tim Bartlett.

In fact, Kim and I are doing a little interview thing with him at the end of the week if you wanna see us in conversation. And the thing I loved about Tim Bartlett, and I don't think Huggy can believe it, but I think that Tim Bartlett was even more compulsive about language than I did. So the number of times that Tim and I would do, like, 11 emails over four words, like, this sort of happened every few days. And I don't know whether it helped, but for me that's my idea of fun. It's kinda sad, but that's my idea of fun. - I'm glad you guys are talking about this 00:12:11,190 'cause you guys do have this power of distilled articulation and the words that you have just stick. And so it's good to know that that doesn't come easy. I think that's one of the takeaways is that even with great tech products, the simplicity belies the work that's involved that actually come with that. - There were a lot of people, Ravi, for example, 00:12:29,880 they actually advised us and I got excited about the title. We originally wanted to call this book The Shit Fixers, 'cause, you know, a very crucial thing in any organization.

I loved the name. And we discovered, we even had a podcast called "The Shit Fixers." - For a couple of weeks. 00:12:46,950 - Yeah, and then we called our friends 00:12:48,991 and said, "Hey, do you wanna participate in a podcast called "Shit Fixers?" They said, "It's a great name, but there's a small problem." And we'd say, "What's the problem?" My CEO won't let me participate in a podcast called "Shit Fixers." And we'd say, "Why?" Well, we're fixing shit, but we don't want the world to know we're full of shit. - Well, that was that guy. 00:13:11,820 David Kelley, d.school IDEO fame. So he was our first guest on it. And David, I've known David for a long time. And I'm walking and he'd say, "I hate that name, I hate that name." And we'd have, like, a break in the recording. He'd say, "I hate that name." And then at the end he said, "I hate that name." So I really got the message that some people hated the name. And, David, he's generally got pretty good taste and is not easily offended.

So, yes, we did abandon The Shit Fixers. - It's ironic. 00:13:37,319 The "No Asshole Rule" took off, but Shit Fixers died, yes. - So here was the argument. 00:13:40,978 So the "No Asshole Rule" is by far my bestselling book. The "No Asshole Rule" is actually about the no asshole rule about workplace assholes. "Shit Fixers" means almost nothing, which I think, Tim, our editor made a good argument. So what does it mean if like, isn't everybody in every organization isn't their job to fix shit, and not to create it accidentally? So he thought it meant absolutely nothing, which I thought was a good argument. - Well, let's move forward. 00:14:04,320 I wanna about how this friction is not just relevant to big companies 'cause I think our audience is, also, we have a bunch of aspiring founders that might say, all these problems we're talking about friction are big organizations and that's not relevant to my life.

What does friction look like through the lens of an aspiring founder? - Ooh, ooh. 00:14:21,240 So, well, there's two parts of it. 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 as organizations grow amazingly quickly, things get hard to do. And so a startup, which probably none of you ever knew about, called Pulse News, which was one of the first ones coming outta the d.school. And, actually, I remember that. They sold it for a lot of money. - Oh, it was one of the first apps on the app store. 00:15:00,394 - One of the very first apps. 00:15:02,520 Yeah, one of the very first apps.

In fact, there was the story that it got knocked off and Kara Swisher was involved in getting it back on. So these two guys, Ankit, and actually they start this company and we interviewed them, I remember in their office, downtown Palo Alto. And I remember Ankit said, "When we moved from three people to 12 people when 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 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 the sort of focus because they had friction problems. - I think your question, Ravi, 00:15:58,480 really made me think about how founders don't actually apply a friction lens when they're actually making decisions. Lemme give you two sort of quick examples. At the Graduate School of Business, I teach a class called From Startup to Scaleup, 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 when we were having these discussions, I said, "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 complementary skills. Somebody who's kind of more 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 respective friction is when they split founder equity. Most people, when they split equity, they actually split it equally. 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 kinda 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 kinda make sure you take a friction lens. And our recommendation would be don't allocate the founder equity all amongst the founders at T Zero. 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. - That's I think a really salient point 00:19:16,980 that goes against conventional wisdom. - Yes.

00:19:18,646 - So I just wanna make sure that 00:19:21,060 I really capture the right takeaway. Does the research bear that out? That teams that have discretionary founder equity outperform those that just treat everyone equally? - They have lesser post-decision regret. 00:19:34,230 They have less need to buy out people. - And how large should, 00:19:37,410 is there any sense of, like, out of the equity, how much you should allocate for? - So this is where I think part of what you wanna do is, 00:19:44,970 you don't wanna go all in at T zero. You wanna keep a little bit of a reserve. The other thing is, since you're talking about the research, Ravi. First, if you actually have equal equity splits, it means you're actually very averse to having a conversation about contribution and who is going to do more. You're engaging in avoidance behavior. And what the data show is, when you have equal equity splits, you actually have lower pre-money valuations. I should point out the venture capitalists with whom I teach the course, they disagree vehemently with me.

They say, "What's all this bullshit? When people actually agree to equal equity splits, they're a good team." And I said, like, but that's a superstition you have. You call that 20 years of experience. I call that superstition. - Fascinating. 00:20:32,423 Go for it. - We've been talking about bad friction, 00:20:38,730 but I wanna talk about good friction. And the comparison I'm loving to make these days is, of course, we all know the dropout, Elizabeth Holmes, who was briefly on campus here. And you also probably all know that she tried to push through that machine, that blood testing machine, which didn't work. I think it's called Edison. It did not get FDA approval.

If you read the "Bad Blood," John Carreyrou's book about it, there's sort of a moment where she tried to get it on US Army helicopters to blood test, and she had Mad Dog Mattis, a four-star general pushing on her behalf. And some sort of lowly bureaucrat pushed back against her. And one of the reasons was she didn't have FDA approval. And I like comparing Elizabeth Holmes to two more recent graduates. Greta Meyer and Amanda Calabrese, if I'm pronouncing her name right. They started a company called Sequel. They went through, by the way, just about every entrepreneurship class that we have at Stanford. Sequel is reinventing the modern tampon. Both of them graduated. They got \$5 million worth of venture capital and just got FDA approval in August.

So to me, there's bad friction and there's good friction. I don't use a tampon and you probably guessed that, but if I was sticking one of those things in my body, I would want FDA approval. So that's a case where I think that friction was a good thing. And I think it's also cool they both graduated, by the way. - I have a follow-up question 00:22:09,120 that doesn't have anything to do with tampons, but going back to Mad Dog Mattis. I have met Mad Dog Mattis. And I'm actually curious for the individual that you wrote about, actually, no spoilers, go read the book, who did push back. - Yes. 00:22:22,936 - Successfully. 00:22:25,950 How does one have the backbone to do that? What kind of encouragement do you have for an individual like that? - So this guy was sort of a lowly defense department.

00:22:31,620 He's like a lieutenant colonel. And when he retired they gave him all sorts of awards for fighting back to Mad Dog Mattis. And if we wanna talk about fighting back, this is the problem of psychological safety. So either you need to be in a place that's safe. You need to have an exit option. I always say this to my students. I've got an asshole boss. I wanna quit immediately. And I say, how big is your mortgage? Who do you have to support? And so forth. So a lot of it depends on the option.

And then there's some people who are simply so brave that they're kind of suicidal and bless you, but I don't want to be the child who depends on your rent, for example. - Hang on. 00:23:09,360 One thing that you started with that's quite interesting is incentives, right? So the fact that this person, when he retired was awarded all these things. - By his colleagues. 00:23:17,280 - Okay, by his colleagues, 00:23:18,870 but the incentives have to be right for this kind of friction fixing. - Well, to Mattis's credit, 00:23:24,060 Mattis sort of made the guy fly down to him and talk with him. And Mattis sort of argued with him for an hour and raised his hands and said, "You're right." So Mattis didn't just bulldoze him. This guy had the backbone to argue with Mattis and Mattis said, "You're right." So in that case, everybody kinda did the right thing. - I wanna double click on, 00:23:42,240 some of the things you're bringing up are going against either the superstitions, or the religious foundations of Silicon Valley. So I wanna ask just one more follow-up and then I'll turn over to Emily on further questions, too, but on this idea, generally the feeling is that growth and speed are unlimited goods, and venture capitalists and others, the whole notion, the definition of a startup versus a small company is speed.

It's growing at a certain exponential curve, so. What I wanna understand is what are the research takeaways on speed versus long-term success? 'Cause it sounds like you don't wanna go so fast to become a Theranos where you're breaking things, but you also don't wanna go so slow that you don't take off. Is there an optimal growth? - The analogy we use and at six o'clock tonight, 00:24:27,480 we have a "Wall Street Journal" article coming out about when to go slow, literally, six o'clock it's dropping. So the analogy we use there and we like to use is the people who win Formula One or NASCAR races do not keep pedal to the metal the entire time, otherwise they would crash, die, and run out of fuel, and all that sort of stuff. They break, they do pit stops, and sometimes they get in crashes and have to stop. So I think it's sort of the same with a startup. And there are times and just to be a little bit academic, Huggy is more of an academic than I am now. The research, Danny Kahneman won the Nobel Prize in economics. When you're in a cognitive minefield and things are all screwed up, and you don't know what's going on, the best thing to do is to stop and figure out what's going on. In the example that we used, and he was a guest in your class, you should talk about it, was Noam Bardin at Waze when he got \$30 million in venture capital.

People would download Waze and nobody would keep it. What he did was he did a six week moratorium on product development, and a much longer moratorium on hiring, on the theory that he needed to fix things. So, Huggy, maybe you wanna add a little bit to this? - Yeah, and that's actually a great example. 00:25:42,060 So, Noam, you know, Waze got acquired as many of you recall by Google. What was interesting was at that time, Noam and his other co-founders, when they got 30 million, they were under immense pressure from the founders to hire more people. - The venture capitalists, I thought. 00:25:58,077 - Yeah, they were pushing, you know. 00:25:59,970 You got all this money you gotta hire, you gotta get to the market, yada, yada yada. And interestingly what Noam did was, Noam and his co-founders had a meeting and then they called all their engineers in Israel and they announced a moratorium on hiring. And some of the engineers said, "You've got all this money.

Why aren't you hiring people?" And Noam said, "Look, when we hire people, we like to hire smart people. Smart people usually overflow with ideas and when they join Waze we're in this, like, very narrow space where we're trying to get our product to work right. All these new talented people are going to come and give lots of ideas. If I hire 400 people, I've got to say no 400 times, and I really don't think we need to do that." The other interesting thing that he said was, "We're hiring smart people." Smart people, also, in Noam's reasoning tend to be overconfident. They think they can do the job, like, on day one, but we know it takes two weeks for them to even get up to speed. And so he asked all of his employees, if it takes two weeks or three weeks, and that's actually a median estimate, if you will, for them to get ready. He looked at me and he said, "Who am I going to spend most of my time on? All the non-performing new people, or the high performers who currently exist?" He said, "I don't wanna allocate my time dealing with a bunch of non-performers for like two, three weeks. Let's actually stagger the hiring and not get people in, like, big chunks." - So I wanna bring this into the current AI 00:27:42,197 since we know that the money is just dumping. - Yes. 00:27:45,300 - It's just amazing.

00:27:47,700 So I have a friend, I will not name her. She has been CHRO of so many Silicon Valley companies it's crazy. And she actually is taking a break from her last one because her CEO, of course, wanted her to hire and hire and hire and hire at the start of the pandemic, which she did, which is a lot of work. And then they decided a few months ago they had 30% too many employees, profitable company. So she had to lay them all off, the 30%. And so now she's on the bench, but she's interviewing for AI jobs and she said, "They've got all this money and they want me to hire and hire and hire and hire and hire even though they don't even need the people and they don't even know what to do with them." So I think that's an argument against just- Ravi Unfettered, yes. 00:28:27,630 - Hiring people as a substitute for thinking, 00:28:28,500 I would call that. - Yeah, I understand that, yes. 00:28:34,380 - Can I just extend one remark very quickly on speed. 00:28:35,820 What our research shows is speed is one side of the coin, Ravi.

The other side of the coin is time poverty. Yeah, because when you have time poverty, the moment you perceive time is limited, it's really interesting the kinds of outcomes that ensue. We asked one of the graduate students, PhD students at GSB, hey, take a look at all the Bay Area startups. Scrape all their public filings, mission statement, visions, anything they've communicated to the public. Use a large language model and actually calculate the linguistic emphasis on speed. So she came up with a number and she said, "Okay, what do I do with this?" I said, "Now you got this number, estimate a regression equation where your left hand side dependent variable is, what's your time to become a unicorn, receive a \$1 billion valuation." So she does the analysis rigorously and says, "Well, the more you emphasize speed, the quicker you become a

unicorn." She says, "Speed works." I said, "Wait a minute, wait a minute." I said, "Why don't you actually do another analysis?" And she said, "What is that?" I said, "Show me the relationship between the time taken to receive a unicorn valuation and the probability of lawsuits two years down the line." What do you think happened? The faster you become a unicorn, the more likely you are to run into legal trouble because people green light bad behavior. I gotta do this quick. I gotta get it done tomorrow. And you cut corners. And in an experiment where you give a \$10 payment for them to participate in an experiment, it's amazing to the group where you give them time pressure, it's incredible how much they lie about themselves.

So, speed actually triggers self-enhancement effects. You wanna look good to the rest of the world and that's why you do bad shit. - And was there an optimal category of people 00:30:36,605 that had true long-term success in terms of the sentiment around speed? - So it's kinda, I mean, mathematically? 00:30:42,930 - What's the option? 00:30:45,840 - Yeah, mathematically we could tell you what the thing is, 00:30:49,770 but the problem is, it's not how much the time is, but what it feels like the people within the company, that's the problem. - Okay, that's the key thing. 00:30:55,763 - Yeah. 00:30:57,600 - Emily, we have, like, a couple minutes 00:30:59,400 before I wanna turn it over to the students for questions. I know you're looking at things from the lens of? - Very big companies. 00:31:29,970 public companies with lots of different pieces, and they're trying to go through this cultural shift 'cause they have this, like, DNA of move fast and break things. So, like, for the two of you, have you seen companies that have, like, successfully transitioned and, like, modified their DNA to succeed? - Well, first of all there are large complex organizations 00:31:52,980 that are less bad. They all have their problems.

Amazon, Walmart. Boy, Satya has done a great job at Microsoft. And I don't know what the magic cures are, but there's two things when we think about it. Some of it is to have just the discipline of subtraction, of making things as simple as possible. Amazon and Walmart culture, they're all over the place about simplicity, and it's in their founding DNA so that's part of it, but there's another thing that happens in large complex organizations is people break into little silos and little pieces. They tend to view one another as enemies and they tend to be bad at handoffs. So what good leaders do of large complex organizations is that they figure out ways to make the handoffs work and to make people feel less of enemies. And there are many design solutions here. If I compare Apple to Microsoft, Microsoft, they do encourage all sorts of collaborations and handoffs and getting a lot of people involved in the decision. That's part of Satya's motto, but the idea is play nice now that when you're collaborative and share information, you're good.

At Apple, it's secrecy. Apple is like the most secretive place just about on earth. It's much more leakproof than the CIA just as an example. There's no comparison. And a great comparison about the difference in collaboration. I'll talk about our colleague, Kim Scott, who worked at Google and then she went to Apple and she said, "It was amazing when I was at Google" where she said, "Nobody ever said to you at Google stay in your lane." Like you could weigh into anything. - It was all over the page. 00:33:33,143 - She said, "I was getting 00:33:35,010 hundreds and hundreds of emails a day." And she said, "I got to Apple, I was getting four or five 'cause I could only talk to people in my group." And so people say that secrecy is really bad and everybody should collaborate and share information. And there is an argument that secrecy is maybe one of the key things at Google 'cause it enables, I mean, at Apple 'cause it enables focus, but the key thing with both, if we do Microsoft and we do Apple is there's systems where they're logically consistent and everybody understands the rules. They know what game they're playing.

They're different games. - Right. 00:34:08,970 Quickly in response to your question, and this is something all of you as potential founders need to be aware of. The large companies that Emily alluded to, the large companies, and we were just talking moments ago, at least to me, they remind me of the Ottoman Empire. You're not really an employee. You're a courtier in the Ottoman Empire. You gotta find out who the sultan is, and you gotta kiss the sultan's ass. The pretending, you get the idea, but the big problem even for startups as well as large companies is because Bob and I in this "Wall Street Journal" article talks about it because we have an addition bias as human beings, we like to add stuff. And the big problem with large companies is they don't mow the lawn. They think subtraction is something you do once.

Ah, we got rid of a bunch of things and we're done. Subtraction is like mowing the lawn. How often do we mow the lawn? I'd assume pretty regularly. How can you create an organization if nobody mows the lawn, and everybody wants to plant new saplings? I mean, the weeds are gonna kill 'em so you really need to mow the lawn. Unfortunately, mowing the lawn is an orphan problem. - Like maintenance and maintenance, yes. 00:35:29,523 - So lemme, I'm gonna ask one more question, 00:35:31,440 then we're gonna open it up to the students, which is just dovetailing that. For the students that don't start companies, but wanna go work for an organization, what takeaways and career advice do you have in terms of what does the research show from a friction perspective on how to choose organizations to work for which will set you up for the best success? - Yeah, that's a great question. 00:35:50,644 So one of the things, maybe you guys should really think about this is. For us, if you want to really be an effective leader, Bob and I argue that effective leaders are those who see themselves as trustees of other people's time.

And the moment you think of other people's time as a valuable precious resource, you're not gonna piss it away. So one of the things I'd recommend you do, and Bob and I have talked about it is, if you're going to work in a company, suss out your boss. Is this person a time-waster who is going to make you spin your wheels? Or is this person somebody who respects your time and make sure you're not doing do overs constantly? 'Cause it's the do over that kind of frustrates you. And we never think of that as a diagnostic test. - I just thought of this, 00:36:48,330 but another diagnostic test is whether or not your

employer treats customers. And whether they actually are trustees of customer's time. And a good example, since Netflix has bounced back yet again, and this is in the book. One of my advisees, actually, the only advisee I've ever had who probably had 150 subordinates, this guy named Eric Colson. He was at Netflix doing algorithms and stuff. And he described how back 2012-ish, or so, that he and other people, including Patty McCord, who was then basically head of HR, they were embarrassed because it was so difficult to end a Netflix subscription.

It was earlier than that, it was 2009 or 2010. So they were embarrassed. And then they started complaining to Reed Hastings about this and Reed said, "So let's just make it so it's one button." And I was describing this earlier today. In the course of writing the book a couple of times I tried to see how easy it was to cancel my Netflix subscription. I almost did it accidentally. It's just one button, it's really easy. And Eric said, "So we did it initially because we didn't wanna be embarrassed by like my mom wants to end her Netflix subscription, it's impossible." But he said, "What they figured out was they got much better data from people 'cause when they quit, that was a sign that it was easy. So they knew that things had to change. And also people knew after they quit, it was easier to restart their subscription, and then jump off again." As opposed to my "Financial Times" subscription. Like the "Financial Times" we have, like, friends, they're doing articles about us.

I think that I spent an hour and a half trying to end my "Financial Times" subscription at one point. It was just absolutely crazy. So I'm afraid to resubscribe 'cause I don't think I can end it, but the reason that I like that Eric Colson, and Patty McCord who was head of HR, point in the book is, it both made them more proud, and it gave them better data, better user feedback data too. - Yeah, jet-skiing quickly behind what Bob said. 00:38:48,660 Another test you should use when you're looking at jobs and careers is ask yourself, is my future boss a hippopotamus? - I love that. 00:38:58,890 - Who opens his or her mouth 00:39:01,530 and constantly talks all the time, and makes more statements than asks questions. If your boss is a hippo, I would not recommend you work for a hippopotamus. Instead, you should actually work for bosses who are elephants. When you think of an elephant, what do you think of? Big ears, big trunk, they're great listeners and they ask helpful questions that turn on the lights in a house. Hippopotamuses want to be lighthouses.

You don't need to work for a hippo. Think of working for an elephant. - That's a great metaphor. 00:39:35,497 Okay, with that, we're gonna open it up for students. Any questions are welcomed and invited. We've got a couple minutes, and the CAs will go around with mics. - The famous CAs with the mics. 00:39:45,730 - Yes. 00:39:47,823 Student Hi, can you hear me? 00:39:49,148 - Yep, we can hear you, go for it. 00:39:50,476 Student Yeah, thank you for the talk.

00:39:52,105 It was super insightful. I thought it really interesting when you compare the cultures at Google and Apple. My instinct is that the more collaboration, the more you learn, the better. What do you think is the reason as to why having a smaller team makes people more efficient? - Well, so there's this thing called, at least at Google, 00:40:13,943 I mean, at Apple, there's this thing that's called collaboration overload. And there's a guy named Rob Cross wrote a whole book on it. And there's all this evidence that one of the things that just drags us all down is when we spend all this time in meetings, answering emails, slack messages, Zoom meetings and so forth. and if you're just focusing on the little part, or little thing that your team is doing, it's more efficient and less interruption, but the challenge at Apple is how you glue it together. And the way that Apple does it, and this is another thing that is not popular, it's, like, oh, decentralization. Apple does it with centralization. And, in fact, there's somebody we won't name, but I remember this was about 10 years ago, there was a guy, well, I better not say who he was, but he was in the top eight at Apple.

He said, "So the next iPhone," he said, "I think the only person," he said, "only two people know all the parts of it. Jony Ive and Tim Cook." And he said, "I don't think anybody else knows all the parts." I don't know if that's good, but working so far. - Next question. 00:41:21,090 And if you guys have a question, just raise your hands and even while the question's being asked, then we can put you on deck. - I love the back and the front. 00:41:28,502 Student Yeah, so I heard, like, 00:41:32,777 move fast and break things kind of like Facebook said. In the early stages, like, one of the main advantages I know as a startup it's you're more nimble than let's say, like, a bigger corporation, but at the same time most early stage startups kinda need funding. And I've heard from a lot of sources that, and I've also heard from, like, a lot of sources that, this happens more with angels than VCs, but when you take on funding early on, you're kinda beholden to certain expectations and then you lose some of that nimbleness. You have to answer to investors. They have certain expectations, milestones they want you to hit, things like that.

So, like, sort of what's your opinion on that? Like be nimble for as long as you can be and don't take that investment, or just take the investment earlier on? - That's a good question. 00:42:27,030 My quick response would be just I assume you're talking about the angel stage. Yeah, I wouldn't take any money from anybody who just offers it just like that. You really want to recruit an angel and you wanna think carefully about what kinds of angels you don't want money from, and what kind of angels you want money from. So I would not like to take money from a first-time angel. They're gonna micromanage you and put all of this pressure that you just sort of alluded to, or for that matter, a first-time VC they'd be all over you in no time. So that's one. The second thing is there is evidence that if you're a startup and if you have a lot of money, you actually tend to make a lot of mistakes. You hire too many senior people. You give away equity easily.

And it actually meshes well with the research and creativity. You guys should actually look at some of this research it's very amusing. In one experiment they found that if you put people in a dark room as opposed to a bright room, people in the

dark room actually came up with more creative ideas as opposed to a brightly lit room. Just to give you an example. So you just kinda wanna make sure putting and creating constraints and obstacles is the key to leadership. And you wanna think about what obstacles do I need to get rid of so we can do things quickly? What obstacles do I need to sort of put in? And so you wanna be very mindful about recruiting angels, VCs, and the like. I don't know, you guys do this. - Well, so my reaction was the advice you gave on 00:44:05,790 choosing a boss applies to a VC who's gonna be on your board. - Yeah. 00:44:10,651 - You want elephants not hippopotamuses.

00:44:11,484 - Exactly. 00:44:12,943 - And so I don't think it's a binary decision. 00:44:16,110 I think if you actually get a good elephant, they're hugely valuable, even though for key strategic things to actually facilitate your next round and acquisition, things like that, but you don't want a hippo, and the people will, oh, sorry. - Just real quickly. 00:44:31,200 Where most of this information comes from is something that's supposed to be a bad word, but is gossip. I think gossip can be very useful. So use your gossip networks. That's all I was gonna say. - Yeah, no, and I agree. 00:44:40,290 So the other thing I was gonna say was, and the way to determine if it's a hippo or an elephant, well, you can make a diagnostic decision with the VC, but talk to other founders.

- Yeah. 00:44:50,850 - So the key thing is to talk to other founders 00:44:52,470 that that investor has worked with. They will tell you the truth. It doesn't matter what the VC whatever they say about themselves. Bob Thank you. 00:45:00,252 - Okay. 00:45:03,282 We definitely have a question down here unless the CAs have another. And, gang, just raise your hand if you have a question. We'll put you on deck so you'll get in. - Remember your questions are gifts to us.

00:45:14,430 They're not interruptions. Student Hello. 00:45:18,960 In software engineering friction is called bloated software. So as the software evolves, it becomes bloated and that's friction. And it's called technical depth. - Right, right. 00:45:27,720 Student And as you said, 00:45:29,340 the organization get complicated. We hire more admin people, we bloat the organization, and we have an organizational debt maybe. - Yes. 00:45:37,230 Student And in software engineering, 00:45:41,520 we spend a lot of time taking care of the software to avoid technical debt to refactoring.

So we have software refactoring, we do that all the time, right? So do we do that in organization? I don't think so, but. - We have one minute. 00:45:56,670 - So I will just use one word, which is Uber. 00:46:00,240 So we did a case study on Uber with Thuan Pham, the CTO, where the organizational debt and the technical debt were mutually reinforcing because everybody could do whatever they wanted. As he described it was 400 speedboats going in 400 different directions. So as a result, since decentralization was allowed as a result of that organizational debt, the technical debt built up and then had to be reduced. So they are intertwined and sometimes mutually reinforcing. - And great question. 00:46:29,850 The problem with organization debt it's invisible. It only shows up when you're late for customers, your product gets delayed, a whole bunch of consequences happen.

That's when you need to get rid of organization debt. - So Thuan said, 00:46:42,720 he thought the best indicator of technical debt and organizational debt was sleep deprivation. So he said, "When you're having to stay all night to keep the site up, you know you've got technical and organizational debt." That was his assessment. - What a great line. 00:46:56,670 - And on that, I have to draw this week's ETL to a close. 00:46:58,798 So please join me in giving love. - Thank you. 00:47:00,464 - Thank you very much. 00:47:01,297 - Thanks to Bob and Huggy. 00:47:02,220 - Thank you.

00:47:11,190 You can find this event and other ETL series on our Stanford eCorner YouTube channel. And you'll find even more videos, podcasts, and articles about entrepreneurship and innovation at Stanford eCorner. That's ecorner.stanford.edu. Thank you everybody. - Thank you and thank you to your host. 00:47:24,166 Thank you. Thank you to your audience. (soft upbeat music)..