

HOW  
TO  
START



A  
STARTUP

personalopz

# How to Start a Startup

Advice from the How to Start a Startup  
class at Stanford

PersonalOpz

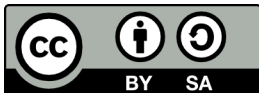
This book is for sale at [http://leanpub.com/how\\_to\\_start\\_a\\_startup](http://leanpub.com/how_to_start_a_startup)

This version was published on 2015-09-29



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*Thanks to Sam Altman, Stanford University, and all of the speakers who generously gave their time. These lectures have provided me both inspiration to make the jump from job to startup as well as advice that will be invaluable as I work through the process. I owe you all a great debt of gratitude.*

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# Preface

Taking the plunge and starting a company is a scary thing in the best of times. Hopefully the passion and excitement outweigh the fears and you can focus on building the business that you have dreamed about.

What the *How to Start a Startup* class that Sam Altman created at Stanford in 2014 did was provide a framework to use as you go through the process. It covers everything from idea to incorporation to marketing to hiring.

While some of the advice is specific to technology startups (and given by some of the most successful people in Silicon Valley) much of it is equally applicable for a lot of businesses. Particularly anything about building a product (or service), building a team, talking to customers, and execution are things that should be in the front of your mind from day one.

These are just my notes and might not provide the full context of the discussion. If possible I urge you to watch all of the talks however I know time is always short for the entrepreneur. Spending a lunch watching the talk(s) about the stage your business is in will help you face the challenges currently staring you in the face.

If you are reading this then you probably are starting a business or intend to. I applaud you!

Good luck.

Will

# Lecture 1: Welcome, and Ideas, Products, Teams and Execution Part I

Link: [How to Start a Startup](#)<sup>1</sup>

Sam Altman ([@sama](#))<sup>2</sup>

30% (of startup knowledge) is pretty generally applicable.

You need a great idea, a great product, a great team, and great execution.

If you do really well in the areas you can control you have a good chance of having some amount of success.

You should only start a startup if you feel compelled by a particular problem and you feel a startup is the best way to solve it.

Specific passion should come first and the startup should come second.

Great execution towards a terrible idea will get you nowhere.

Great companies start with a great idea not a pivot.

Some day you need to build a business that is hard to replicate.

The best companies are almost always mission oriented.

The company should feel like an important mission.

With mission oriented companies people outside the company are more willing to help you.

You need conviction in your own beliefs.

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<sup>1</sup><http://startupclass.samaltman.com/courses/lec01/>

<sup>2</sup><https://www.twitter.com/sama/>

The truly good ideas don't sound like they are worth stealing.

You need a market that is going to be big in ten years.

You can't create a market that doesn't want to exist.

Good startup ideas are almost always easy to explain and understand.

Get to know a lot of potential co-founders.

One of the most important tasks for a founder is to make sure you build a great product. Until you've built a great product nothing else matters.

Build something users love.

It is better to build something a small number of users love than something a large number of users like.

If you don't have some early, organic growth then your product is probably not good enough yet.

Over the long run great products win. Don't worry about your competitors raising a lot of money and what they may do in the future.

Very few startups die from competition.

Start with something simple.

It is hard to build a really great product so you want to start with as little surface area as possible.

Get users manually.

The company will build whatever the CEO decides to measure.

Growth is the indicator of a great product.

**Dustin Moskovitz (@moskov<sup>3</sup>)**

Be focused and keep working.

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<sup>3</sup><https://www.twitter.com/moskov/>

Number one role of being a CEO is managing your own psychology.

You spend most of your time as a CEO on the problems that other people bring to you.

An entrepreneur you're always on call. You're a role model. You're always working anyway.

After you have two people you need to step it up and be full-time committed.

It is important to keep in mind the context of the type of company you're trying to start and the best place to start it.

The best reason to do a startup is if you can't not do it.

Your subconscious can tell if you don't have passion.

If it is not something the world needs don't do it. Do something the world needs.

# Lecture 2: Ideas, Products, Teams and Execution Part II

Link: [How to Start a Startup](#)<sup>4</sup>

Sam Altman ([@sama](#))<sup>5</sup>

As a student trust your instincts to identify if a market is going to be big.

One of the hard parts about running a startup is that it is real life.

Just keep going.

Cofounder dating is crazy.

The track record for founders who don't already know each other is really bad.

It is better to have no cofounder than a bad co-founder.

You need somebody who behaves like James Bond rather than somebody who is an expert in a given domain.

Take advantage of school.

You want a tough and a calm co-founder.

It sucks to have a lot of employees. Be proud of how few employees you have.

At the beginning you should only hire when you have a desperate need to.

The cost of getting an early hire wrong is very high.

Hires really matter. These people go on to define your company.

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<sup>4</sup><http://startupclass.samaltman.com/courses/lec02/>

<sup>5</sup><https://www.twitter.com/sama/>

When you are in hiring mode it should be your number one job to get the best people.

The best people know you should join a rocketship.

If you're going to join a startup make sure it is a rocketship.

The amount of time you should spend hiring is either zero or twenty-five percent.

If you compromise and hire somebody mediocre you will always regret it.

Every person in a startup sets the tone.

The best source for hiring is people you already know or other people in the company already know.

Personal referrals are the trick to hiring.

Experience matters for some roles and not others.

For most of the early hires experience doesn't matter much and you should go for aptitude.

Most first-time founders are terrible interviewers but good at evaluating somebody after they have worked together.

Call references.

Good communication skills tend to correlate with hires that work out.

For early employees you tend to want somebody with a real risk-taking attitude.

Look for somebody who is maniacally determined.

You need unstoppable people.

You should aim to give ten percent of the company to the first ten employees.

Your employees are the ones that build the company over years and years.

Be as generous as you possibly can to employees.

One thing that founders forget is that after hiring employees you have to retain them.

As a founder you have to give your team all of the credit for the good things that happen and you have to take responsibility for the bad stuff.

Fire fast when it is not working out.

The co-founder equity split discussion does not get easier with time.

If you're not willing to give a co-founder an equal share of the equity that should make you think hard about whether you want them as a co-founder.

Every founder, including yourself, has to have vesting.

With vesting you're pre-having the conversation if one of you leave.

Co-founders should work in the same location.

Execution, for most founders, is not the most fun part of starting a company but it is the most critical.

The way to have a company that executes well is to execute well yourself.

Whatever the founders do becomes the culture.

Focus is critical.

Most startups are not nearly focused enough.

One thing about starting a startup is that you get no credit for trying. You only get credit if you make something the market wants.

If you work really hard on the wrong things no one will care.

You can't be focused without really great communication.

Growth and momentum are something you can never lose focus on.

You should always know how you're doing on your metrics.

The secret to startup success is extreme focus and extreme dedication.

Startups are not the best choice for work-life balance.

You generally need to be willing to outwork your competitors.

Set a quality bar that runs through the whole company.

Be decisive.

You can do huge things in incremental pieces.

Momentum and growth are the lifeblood of startups.

Always keep momentum.

Always keep growing.

Set an operating rhythm.

Don't let the company get down because of competitors in the press.

# Lecture 3: Before the Startup

Link: [How to Start a Startup](#)<sup>6</sup>

Paul Graham ([@paulg](#)<sup>7</sup>)

Startups are very counterintuitive.

You can't trust your intuition all of the time.

You don't need people to give you advice that doesn't surprise you.

Work with people you genuinely like and respect and that you have know long enough to be sure.

There are a lot of people that seem likable for a while.

What you need to succeed in a startup is not expertise in startups. What you need to succeed in a startup is expertise in your own users.

The one thing that is essential is making something people want.

In college classes most of the work you do is as artificial as running labs.

The best way to convince investors is to start a startup that is actually doing well and then tell investors so.

The way to make your startup grow is to make something that the users really love.

All users care about is whether your software does what they want.

You have to have something people want and you only prosper to the extent that you do.

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<sup>6</sup><http://startupclass.samaltman.com/courses/lec03>

<sup>7</sup><https://www.twitter.com/paulg/>

It is not in your interest to fool investors.

The difficulty of being a successful startup founder is concealed from almost everyone who has done it.

Do not start a startup in college.

The bigger problem you're trying to solve is how to have a good life.

Usually the way for startups to take off is for founders to make them take off.

Starting a startup is really hard.

Starting a startup will change you a lot if it works out.

If you're terrified of starting a startup you probably shouldn't do it.

If you want a startup in college the only two things you need initially are an idea and co-founders.

The way to find startup ideas is to not try to find startup ideas.

The way to come up with good startup ideas is to take a step back.

The very best ideas almost have to start as side projects because they are such outliers that your conscious mind would reject them as ideas for companies.

Learn a lot about things that matter. Work on problems that interest you...with people you like and respect.

If you want to do a startup what you should do in college is learn powerful things.

Business school is to teach people management and management is only a problem with a startup if you are sufficiently successful.

The best way to learn how to start a startup is to just try it.

Ideally you're successful before you hire two or three people.

The first hires in a startup are almost like founders. They can't be people you "manage". They have to be your peers.

As a general rule you want people who are self-motivated early on.

There is a difference between prices being high and a bubble.

Valuations being high does not mean a bubble.

Having kids causes you to focus because you have no other choice.

You will know when it is a good time to turn a side-project into a startup.

You will know it will become a startup when it takes over an alarming percentage of your life.

Do things that don't scale.

When starting a startup many things will be going wrong. You can't expect everybody to be perfect.

The advantage of hiring people you like far outweighs the disadvantage of having a small monoculture.

# Lecture 4: Building Product, Talking to Users, and Growing

Link: [How to Start a Startup](http://startupclass.samaltman.com/courses/lec04)<sup>8</sup>

Adora Cheung ([@nolimits](https://www.twitter.com/nolimits))<sup>9</sup>

Take advice as good guidance but every business is different.

When you start a startup you should have a lot of time to immerse yourself in the problem developing solutions to the problem you're trying to solve.

If you really want to disrupt an industry you should not be a player in it.

Get in the shoes of your customers from all angles of what you're trying to build.

You should be obsessed with knowing what all of the other people in the space are doing.

Become an expert in the industry. There should be no doubt you are an expert so that people trust you and your product.

Cordon off some a certain portion of the customer base and optimize for them.

Storyboard out the ideal user experience.

Make sure there is a way for people to contact you.

If retention goes up over time that means you're doing a good job. If it goes down that means you're doing a good job.

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<sup>8</sup><http://startupclass.samaltman.com/courses/lec04>

<sup>9</sup><https://www.twitter.com/nolimits>

You get more feedback if you make someone pay for (your product).

There is no point in building features for when you have a million users.

You don't need to try to automate everything.

Imitation is cheaper than innovation in terms of time, money, and capital.

To get people to tell others about you you have to deliver a good experience.

$clv > cac$

There are different acquisition costs for different types of ads.

A lot of times something becomes a bad business when you start spending beyond your means.

Have a growth plan when you start out, What is an optimistic but realistic method to grow this business?

# Lecture 5: Business Strategy and Monopoly Theory

Link: [How to Start a Startup](#)<sup>10</sup>

Peter Thiel ([@peterthiel](#))<sup>11</sup>

If you're starting a company you always want to aim for a monopoly. You always want to avoid competition.

A business creates X dollars of value and captures Y% of X. X and Y are independent variables.

There are exactly two kinds of businesses in the world. There are businesses that are perfectly competitive and there are businesses that are monopolies.

The people that have monopolies pretend not to.

A monopolist describes their business as the union of two separate markets and a non-monopolist describes their business as the intersection.

The something of somewhere is usually the nothing of nowhere. E.g. the Stanford of North Dakota.

You want to go after small markets if you're a startup.

How you get to a large share of a market is to start with a really small market and you take over that market.

Every moment happens only once.

Technology is designed to give a massive delta over the next best thing.

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<sup>10</sup><http://startupclass.samaltman.com/courses/lec05>

<sup>11</sup><https://www.twitter.com/peterthiel/>

The thing about network effects is that they're very hard to get started.

Software businesses excel at economies of scale.

You want to be the last mover—the last company into a category. Microsoft was the last operating system company. Google is the last search engine.

Most of the value of a company exists in the future.

One of the things overvalued in Silicon Valley is growth rates. Durability is undervalued.

The question of whether or not a business is going to be around a decade from now is what dominated the value equation.

You want something that is an order of magnitude better than what is available today.

Begin by studying the end game.

Even if you have a small market if the adoption rate is too slow you'll give other people the opportunity to move in.

What is the actual market rather than what is the narrative of the market?

You don't have enough time to mitigate risk.

# Thanks for Reading

Thank you for reading *How to Start a Startup: Advice from the How to Start a Startup class at Stanford*. If you enjoyed it you can visit the [PersonalOpz blog](http://www.personalopz.com/blog/)<sup>12</sup> to read other tips I've accumulated on business and life. There you can also sign up for the mailing list where you'll be sent future books for free.

Please don't hesitate to email me ([will@personalopz.com](mailto:will@personalopz.com)) with any questions or comments.

Thanks again,

Will

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<sup>12</sup><http://www.personalopz.com/blog/>