

Hard truths about building in the AI era | Keith Rabois (Khosla Ventures)

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SUMMARY

Keith Rabois discusses the evolving role of product management, emphasizing that it now resembles a CEO's responsibilities more than ever. He highlights the importance of attracting top talent, the necessity of speed in execution, and the need for companies to adapt quickly in a rapidly changing landscape, especially with the rise of AI.

- The role of product managers is shifting towards a CEO-like function, focusing on what to build and why.*
- There's significant anxiety in the job market, with AI poised to reshape many careers.*
- Successful companies prioritize hiring from within and developing talent rather than seeking senior hires from competitors.*
- Speed of execution is a critical differentiator for successful startups, with a high tempo of problem-solving and shipping solutions.*
- Criticism should be public to foster team awareness and collaboration, rather than being confined to private discussions.*
- Psychological safety is less emphasized in high-performance environments, where the focus is on winning.*
- Founders should trust their instincts over customer feedback, especially in consumer markets, as customers often don't know what they want.*
- The best talent often emerges from undiscovered sources rather than established networks, requiring a keen eye from founders and investors.*

idea of a PM makes no sense in the future. The skill is more like being a CEO now, which is what are we building and why? >> There's a lot of anxiety in the job market. >> AI is going to radically reorient lots of people's careers, maybe including mine. What I've noticed in some of the best organizations is the number one consumer of tokens is the CMO. They don't need to rely upon deputies and deputies and deputies to get actual work product.

>> I want to hit on some contrarian takes that you have your advice. don't actually want to be talking to customers. >> I hate talking to customers. I refuse to allow colleagues of mine to talk to customers. >> You have this idea of criticizing in public versus in private. >> High performance machines don't have psychological safety. They're about winning. >> You're uniquely great at helping companies build worldclass teams. >> If a founder shows the ability early in his or her career to assess talent ruthlessly and accurately, he or she can go very far with no other abilities whatsoever. It feels like it's never been harder to attract the best talent, >> really talented people. When things are going well, they're not happy. The morale actually does go down when people are skating. The single role for the CEO is offsetting that complacency. The better you're doing, the more the

CEO should push.

Today, my guest is Keith Ra Boy. Keith's resume both as an operator and investor is absurd. He was an early investor in Stripe, Paluntee, Airbnb, YouTube, Door Dash, Ramp, and dozens of other companies. He's part of the famous PayPal mafia where he was executive vice president of business development and policy. He's also been chief operating officer at Square, VP of corporate development at LinkedIn. He's also co-founded two companies, and he's currently managing director at K1a Ventures. It's safe to say that Keith is in the 99.9th percentile at identifying talent, building teams, and operating world-class companies. Before we get into it, don't forget to check out lennisproass.com for an incredible set of deals available exclusively to Lenny's newsletter subscribers. With that, I bring you Keith Ra Boy.

Keith, thank you so much for being here and welcome to the podcast. >> It's a pleasure to be with you. Okay. So, when we were starting this recording, you told me you're doing this from an iPad, which I've never had. And you shared a crazy fact that you haven't used a computer in like years. Talk talk about what's going on there. >> Yeah. So, uh when I when I started working at Square, Jack Dorsey was running the company off an iPad. And so, I immediately converted in September 2010. And haven't looked back, I haven't touched a computer since September 2010.

Everything I do in my life is either done from my phone, my watch, or my iPad. What's so interesting about this as you were talking is just there's this trend of engineers starting to code from their phone. Like I had Boris Churn on and Simon Willis, these two engineers that are like 10x engineers and they're just like coding from their phone talking to AI. And I feel like you you've been preparing for this for a long time.

>> Yeah. Try to be ahead of the curve. Jack's very good at being ahead of the curve. If you just watch what Jack's doing and follow, you pretty good shape in technology. >> And just understand the benefit. Is it just avoid distractions? Yeah, partially distractions, partially just the flexibility, like taking an iPad with you anywhere is just super easy. You know, I some of some laptops have improved since then, but like the screen flexibility, angles, but like just the weight like I carry my iPad with me everywhere. So, there's no reason there there's nothing you can't perform unless maybe if you're doing heavy duty engineering, which obviously has not been my forte in life, although I may have to start. Um, there's no reason to use a more powerful, heavier weight, less flexible machine.

>> Wow. iPad maxing. Keith Raoy. >> See if you got my Apple. As long as it's an Apple product, it works. So appropriate. This episode is brought to you by our season's presenting sponsor, Work OS. What do OpenAI, Anthropic, Cursor, Versel, Replet, Sierra, Clay, and hundreds of other winning companies all have in common? They are all powered by work OS. If you're building a product for the enterprise, you've felt the pain of integrating single signon, skim, arback, audit logs, and other features required by large companies. Work OS turns those deal blockers into drop-in APIs with a modern developer platform built specifically for B2B SAS.

Literally, every startup that I'm an investor in that starts to expand up market ends up working with work OS. And that's because they are the best. Whether you are a seedstage startup trying to land your first enterprise

customer or a unicorn expanding globally, work OS is the fastest path to becoming enterprise ready and unblocking growth. It's essentially Stripe for enterprise features. Visit workos.com to get started or just hit up their Slack where they have actual engineers waiting to answer your questions. Workos allows you to build faster with delightful APIs, comprehensive docs, and a smooth developer experience. Go to workos.com to make your app enterprise ready today. As I was preparing for this chat, there's just like so many directions we could have gone with this. You are so smart at so many things. I want to focus on something that I think you're uniquely great at, which is helping companies build worldclass teams. And I want to start in particular with attracting the best talent. And what's really interesting these days from what I can tell is there's just like a lot of people that are struggling to find a job. it's taking a lot longer to find a job. It's just there's all these layoffs. On the other hand, it feels like it's never been harder to attract the best talent. There are so many amazing companies doing amazing things.

So much money flying around these hundred million dollar offers and things. And so from the companies that you are closest to that you see are best at attracting the best talent, what have they figured out? What are they doing differently? What are some creative things they do? >> Well, let's start with first principles. The most important lesson I learned when I was working at Square from my board was Venode Kosa was on my board and he said the team you build is the company you build. And that adage is the most important thing when you're creating a startup. People get distracted with the market with customers with a product with technology ultimately it's a team.

If you have the right people everything else will be easy. And if you have the wrong people everything else is going to be difficult. So I actually learned this be Venode distilled it but I actually learned this back in my PayPal days. So you know in the early 2000s why was PayPal so successful? Why were there such a gener you know subsequent generations of successful interesting companies uh for you know 25 years now? It's because Peter Teal and Max Lechin marshaled an incredible density of talent. So it allowed PayPal to succeed where possibly we wouldn't have and these people went on with interesting ideas, ambition and talent to build epic companies, you know, in all kinds of verticals. So from day one, I've always been day one of my technical career uh technology career, I've always been focused on how the importance of critical density talent. How do you identify, retain, and promote people without talent? Back in the PayPal days when I first started my career in technology, I actually truthfully was not very good at this. Um, fortunately, Peter and Max were. So, Max basically hired all the technical talent in the organization. Peter pretty much hired everybody else. Uh, they used their network primarily. So, it was very difficult to get a job at PayPal unless you had a first degree or second degree connection uh to the engineering team or to Peter through Stanford, which is a different type of recruiting model. It works really well if you have a strong network. I wouldn't recommend it for everybody, but if you have a network that has, you know, unique talent, there's no substitute.

Interviews are not a great substitute regardless of how strong you are at interview. But when I started my career, I was mediocre at, let's say, hiring people. Probably 50/50. You know, some good people, some mediocre people. That doesn't allow you to scale a team with an unfair advantage. But what I learned to do is steal people from other people's organizations within PayPal. very successfully. So I got feedback from David Saxs who was the COO at the time that I wasn't going to get promoted again until I until I could demonstrate uh leverage like leadership leverage which he had an equation for of 1 plus 1 has to equal three or more. So for every

incremental person you hire you have to show that you produce disproportionate returns nonlinear returns. And because I wasn't hiring that well I wasn't really succeeding at that leverage. So when I went around took the feedback into account, I said, "hm, okay, I really want to get promoted. What do I do?" So I found people within the organization that I felt had talent that were were not being leveraged to the highest potential and ambition and I recruited them to my team and that was very successful.

And then I did get promoted actually fairly quickly because these people actually were up to speed. They were able to run really fast and we produced a lot of really important results for the company. The lesson though that I took away was well that's great because what it showed to me is I actually could identify talent. I just couldn't identify strangers with talent. So people that were in the building that I have lunch with or dinner with or go for a run around the PayPal campus with I was accurate at diagnosing their abilities. I just couldn't do it you know in a 20 minute 30 minute 45 minute interview. So the first hand is just double down on people I know. that doesn't scale perfectly but learn to be excellent at and if I had context assessing people's abilities, superpowers and you know weaknesses then over the next x years tried to identify uh ability uh a different technique for identifying assessing random people because ultimately if you're going to build an organization ultimately if you're going to be a VC you can't just invest in people you already know so that took some years and required some training anyway way. I think you can teach some of this to a founder, but one advantage a founder has that's going to thrive is if a founder shows the ability early in his or her career to assess talent ruthlessly and accurately, he or she can go very far with no other abilities whatsoever. Hiring is like a muscle. You need to exercise it. You need to try learn what worked, what didn't, what what could you have known, what what did you miss, why? and you know riff on that and try to get better at it. There are tactics you can learn.

I think the tactics work pretty well within the middle of a bell curve distribution of moving yourself 10 20 degrees within that bell curve. I don't think the tactics can really teach you how to identify call it like top 10 basis points top 50 basis points of talent. There you have to deviate from the norm. And I think that's actually true of most lessons in life. If you're going to be extraordinary at any skill, you can't follow a playbook. Otherwise, by definition, lots of other people would be, you know, the top 10 basis points. But, but you can get a lot better by learning techniques. So, for example, let's share a couple. One thing I think you can learn to do is is be excellent at references. It doesn't work for hiring people right out of college or something because the reference context is going to be a little off. But I think without getting better at interviewing and assessing, if you just learn to extract the right information from ruthless referencing. So for example, ruthless referencing to me means uh Tony at Door Dash does 20 references on every single senior hire.

20. >> Wow. >> I bet you he's pretty good. I bet he's been pretty accurate, too. Uh so I think you can learn that. That's like a a skill that's teachable that being absolutely, you know, incredibly dedicated to your craft, you can just get better at. Back in the day, there's an investor at Greylock, who's on my board at LinkedIn, David Z, very successful investor, notable for both LinkedIn and Facebook investments. He used to teach at Greylock, you couldn't stop referenceing a founder until you hit a negative reference. So you would know you had exhausted the reference when you finally hit a negative reference. And so I think there are tactics there in you know muscle building. How do you get the right information from the right people? How do you frame the questions etc that will lead you in the right direction. Now you have to be careful like let's say I'll give you an example where this can go wrong. Um, I'm been a longtime investor from the seed round of a company called Fair,

founded by uh two of my colleagues at Square. Uh, Max R and Jeff Cversion uh worked for me um at Square and then the two other co-founders also worked at Square.

When people were reference checking Max often most VCs asked the wrong question, which was Ma was Max a good employee? The answer to that is very mixed and so some venture capitalists including some very good ones were nervous about investing fair. If they frame the question slightly differently which is is max capable of being a world-class entrepreneur the answer was yes. So you again it's like a tactic you have to understand like what exactly am I trying to extract? same person, wrong question, wrong result. And many people passed unfair and they regret it. And these are actually quite talented investors, they just didn't frame the question correctly when they were calling someone like Jack Dorsey up for the reference.

>> Any other questions you find really helpful in extracting the right information? >> When when I interview candidates for senior people in leadership positions, I always ask them, you know, look at whatever company they're at and say, "If you were CEO, what would you have done differently?" and you get a feel for their strategic mindset of you know can they drive value creation because almost by definition they've come from a company that's had some traction success so can they end it so for in your case I would have asked you you know if you were CEO of Airbnb what would you have done differently and you learn a lot from that question uh on reference to specifically I think the a general arc that's pretty good is asking the person what would lead to this person being most successful And if something were not to work out, what would be the primary root cause that you can identify of something going wrong? I think generally probing on those two arcs leads to a lot of insight.

>> And that first question is for the candidate or or is that in the >> for the candidate? That's for the candidate specifically. Got it. >> U because it's not like I don't want them to criticize Airbnb. I don't that I don't think that's that productive. But you can tell how much of the current business model have they absorbed how much they understand tradeoffs and then they can they create an unfair advantage you know can they they have insights into afterburners and then I have a follow-up question which is usually gold which is let's say I ask you this question about Airbnb and you give me this great answer I'm like well why didn't you why weren't you able to persuade Brian to do it.

>> So you made this interesting point that there's like tactics that can help you get better at finding and identifying talent. A lot of this is just the feedback loop of doing it a bunch. Sounds like I find the feedback loop is so like it's hard to actually like like most people interview hire and then don't really learn much from how it ends up going. Like there's this gut thing that happens but they're not like really thinking about it. Do you have any advice for just how to make the most out of the lesson of seeing how something went?

>> So I've read some research on the topic and if you ask yourself 30 days after any hire, would you make the same decision? that 30-day loop is pretty pretty useful and it it basically it's as accurate as measuring it a year or two years out. So, you got a pretty tight feedback loop and you can ask the entire hiring team. Uh so, I think that is like just a technique that every company should use. >> I want to talk about this framework that you have uh barrels and ammunition because this is really mind expanding and helping people understand who to even hire.

So look, most companies raise money, they have some traction, they raise, you know, do a seed round, they get launch, they get some traction, then they raise a lot of money, whether it's a series A or series B, and then they hire a lot of people infallibly or at least historically. And then the CEO almost without exception gets frustrated because they've hired a lot of people, the burn rate has increased a lot, and they don't feel like that's more getting accomplished per unit of time, per day, per week, per month, per quarter. and they get frustrated and so then they sit around at a dinner with other CEOs or people like me or one-on-one conversation with me and are incredibly unhappy and disappointed that I'm spending all this money on all those people but we're getting less done or the same done and why why after years of sitting through these conversations at dinner with other CEOs or COOs, I realized that the fundamental driver of this is that the number of people that can independently drive an initiative from beginning from inception to success is very limited with any within any company and if you hire more people without expanding the number of what I call barrels that can drive from inception to success all you're doing is stacking people behind the same initiatives and so you're wasting time energy and increasing your collaboration tax your coordination tax and so that's what causes the drag coefficient so for example at PayPal Well, we had about 254 people in Mountain View when we were acquired.

Of those people, depending about how strict you really want to be, it is considered one of the best talent-rich networks of all time in technology, there's between 12 to 17 barrels in the organization. That's like an infinite number. I once asked Jack Alman on a podcast at Glattus, who's pretty damn big company, how many barrels of the company? The answer was two. That's a more common answer for a very good company. So you have between two and let's say 15 barrels at a company that defines the unique number of things you can do in parallel versus sequentially.

And just hiring more people is not going to change that and if anything it's just going to cause a collaboration or coordination tax and you're going to have a drag coefficient you're going to do less. So the key is to me is if you want to do more or need to do more your market requires you to do more your business model requires you to do more VCs require you to do more you need to have more barrels. Now the question is how and when and you know all this there's a lot of details there but fundamentally the ratio of barrels to ammunition is what dictates the number of important initiatives that can be pursued simultaneously >> and you're not saying you don't want ammunition like it's valuable to make an impact you need ammunition in addition to >> you definitely need ammunition and it depends on what kind of project there are types of projects where an individual barrel may be able to succeed with very limited or no you know ammunition Sometimes it may be a designer, an engineering team, a PM, a data analysis, blah blah blah to depends on what the project is, what the problem you're trying to solve is, what's the proper amount of ammunition. But once you think about the ratios of ammunition to the problem, you can be much more constructive and deliberate and intentional about the team construction.

>> Most people hearing this uh assume they are barrels. What helps you understand if someone is truly a barrel? Can they take an idea and make it happen? Basically, we're going up that there's a hill over there. That's the hill. Get us over that hill. And one way or the other, they will motivate people if they need to. They will accumulate resources if they need to. They will measure what they need to. And they're going to get your company across that hill. That's a barrel. Anything less than that is not a barrel. And so this is skills like internal pol org stuff

resource like strate like what yeah it's kind of the collection of all the things together >> collection of all those things basically there's an outcome >> co wants co founder wants an outcome and come hell or high water this person is going to deliver that outcome then the outcome can be you know fairly narrow and not that difficult in the beginning and then you expand the scope you know the complexity the difficulty that you basically entrust to your barrels and and sometimes they have no line of sight of how to solve it when you start. Sometimes you have a preliminary idea. So it ranges, but ultimately it's that skill of I'm going to take this off your plate. You can fire and forget and this is going to happen. And it's not going to happen. I am going to come back to you proactively with the issues I'm confronting, what I've already tried, the diagnosis of the root causes, and ask for your help with sufficient time for you to intervene and try to brainstorm with me to get us to the right answer.

>> Agency is the word that comes to mind when you talk about this role. >> Yeah, I think agency is accurate. The problem I have with terms like agency is it's like a little bit like strategy because in one ear a lot of people went and out the other and they don't really process the meeting. >> Yeah. Who are some examples of barrels that make this real to people can understand what you're talking about? >> You know, I talked to my YC lecturer in 2014 about how to how to operate. They can be as simple as the now somewhat famous in technology smoothly test, which is, you know, we used to have engineers work pretty hard at square and pretty late. And I always wanted them to have like food so they wouldn't be famished, they wouldn't be distracted.

And I didn't really want them to eat like junk food because I I actually think junk food is bad for you, bad for your brain, etc. So settled on delivering and really wanted to provide like a 9:00 p.m. like cold smoothies. And we had a at that time a pretty substantial team at Square office team, EAS, you know, this was not a lean mean organization. And so I tried through the office team EAS and nothing. We never got uh uh healthy, delicious, and cold smoothies delivered at 9:00 p.m. Just kept that one. It's getting frustrating because if the smoothies aren't cold, then no one's going to eat them. If they don't arrive at 9:00 and no one can really bake on, you know, the refresh rate, the refreshments, everything went wrong. And then I had this intern named Taylor Francis. Uh and I was explaining just my frustration.

it was like his second day or and he's like I'll solve it and I was like okay kid you know good luck with that like I was like sure keep try anyway day goes by 9:00 arrives and lo and behold smoothies show up at 9:00 p.m. delivered on the standing desk table where the engineers would congregate. I sample them. They're cold. They taste great. And I'm like, "Oh my god, I found a barrel." And I later gave him almost everything to do.

>> I want to go back to actually the first question we did. You shared some amazing advice for how to uh identify great talent. But I'm still curious when you find that barrel, for example, when like everyone's throwing money at them, there's all these amazing teams to join. What are some things that companies do to attract and convince them to join their team? >> This the standard stuff is still true. Uh mission selling the vision and mission is indispensable. Most people who have proven talent anyway, at least in the current world, are going to attract offers from multiple, you know, opportunities. And so you've got to convince them that your opportunity is very special. I think one way to do that that's a little bit more nuanced is convince them that their particular skill overlaps with the critical blockers to the current company. Meaning they're betting on themselves. So for example, if they are superb at let's say marketing, if the biggest blocker of the company in the

company's current success is not technology, not the product, but we believe it's marketing, it's really easy to go to a world-class marketing person and say, not only is this great company building something really cool and interesting that you'll be proud of, but your particular ability is very unique and differentiated and you can solve this. This is actually how I wound up at Square back in 2010. Um I was actually I just been acquired into Google and um was planning on being a VC actually next after I was kind of like vesting whenever Google is going to compensate us. And then um the investors in Square called me up and they said, "Hey, we've been looking for almost a year now for someone who knows something about financial services yet is still entrepreneurial." and they're they were they were like, "Hey, there's only three of these." At the time, 200 was like, "There's only really two or three of you um in the world, you know, so would you be interested?" And I said, "Well, maybe." But that was the argument to me that made me leave Google early, like after two weeks and infuriate everybody and bypass, you know, venture for another three years, which had been my plan was because they made the argument that, hey, I was one of three people in the world that could actually do this job. So there's like a I don't know if it's ego, but it's also just like impact.

>> Yep. Well, exactly. Impact. Like you have you have talents. You want to use them and you want to feel that you're challenged every day and that what you're doing really really matters. So that I think that can be extremely helpful. You know, my more important arc in this is I think you have to build a company on undiscovered talent. Like I don't think you really want to compete for the people that everybody else wants, right? And you know, I learned this at PayPal. Peter taught me this literally the first day and first week of my job at PayPal that the way to build a company we were jogging around the Stanford campus is we've got to find these undiscovered talent that's the only way to scale organization against these large incomes with infinite money etc. And you know, I've been on that crusade for 25 years. For those who are interested, you can link to it. I gave a speech at RAMP, you know, how to hire, but talks in detail. I also recommend Eric, CEO of RAMP speech, which is fairly similar. Both videos are online.

>> I that's such interesting advice and makes so much sense. You're not going to be able to afford the people that have done the thing at top companies and also they're just probably not the people to join early. >> Well, they're also not maybe the people you want. So, there's ever selection, but you know, it's like a salary cap. Most sports these days have salary caps. And when you're a startup, not only do you have a salary cap, you probably have onetenth the salary cap of the people you're competing with. So, you've got to figure out how to leverage, you know, less assets to more success.

>> What's just one tip when you're looking at when you're looking for undiscovered talent that's a sign of, okay, this person is really special? I know you have a lot to talk about here, but just like what's one tip? I think it's basically isolating why other people aren't going to process them correctly. Like most recruiting at large organizations becomes sort of a homogeneous function. And so if you understand why this person is going to get thrown into this black box kind of thing and not get processed accurately, it's pretty easy. So I always think about, you know, let's say this person was interviewing at Meta or Google or Block these days or Coinbase. what are they going to miss and then why and then that leads to oh perfect. So sometimes it's just lack of information. Like one of the reasons why, you know, sometimes it's controversial to say this, but one of the reasons why the net impact of my hire undiscovered talent is you wind up skewing younger. It's not because you need young people. It's that younger people have by definition less data.

It's like a, you know, we use credit scoring, FICA scores. It's the same thing for employment. By the time you're over 30 some odd things, there's so many data points about you that this blackbox machine is usually going to process you like many other people. If there's no data points, it's very hard for a blackbox machine that does homogeneous evaluation to evaluate you. So there is alpha so to speak by definition for people have like no data points.

>> It's interesting how this is the same skill as being an investor, picking startups to invest in. >> Yeah, absolutely. Okay, I want to talk about something else. I asked a few people that know you well that work with you at various companies what to talk to you about. And one person said that when I asked him what to talk about, he said my immediate reaction is that he is a bar raiser. No matter what kind of numbers we put up, he pushes us to do more. In fact, often it seems like the better we do, the harder he pushes. Uh does that resonate?

>> Yeah, I think that's true. I mean, I think look, ultimately, um, I'll I'll channel someone else's feedback, but it's it's the same vein. So, uh, a friend of mine who's a CEO once asked Mike Moore. It's like, what's the most common denominator of the best CEOs ever? And he said, it's the relentless application of force. Quote, I think that's the job of the CEO. People eventually get comfortable, complacent. The more success you have, the more complacent the organization tends to get. And the single role for the CEO is offsetting that complacency. So for the point, the more success you have, the better you're doing, the more complacency naturally kicks in. And unless you've erected a network effect, you do not want to get complacent. And even then debate whether you should, but like fundamentally most businesses are not network effect businesses. They are not going to run on, you know, on their own for a long time. So, I think that's one insight is the better you're doing, the more the CEO should push. Secondly, um it's a little bit like sports when you're growing up. People when they're winning take advantage of feedback better than when they're losing usually like so for example, you know, now what I do is mostly mostly VC, mostly a board member, mostly like a consigary to founder. And when a company's struggling, maybe what's less intuitive, and you may have picked up on this in your research and, you know, interviews of people who know me, when a company's struggling, I'm actually usually a very non-critical and more like a coach and supporter because the company, the founder knows they're struggling. Being critical doesn't really help them solve their problems. That's when being supportive can actually somewhat counterintuitively be more important.

But when the company's thriving, it's really important to be critical and isolating things that will eventually be problems while everybody in the company is really happy and borderline complacent. So you you kind of want to be the opposite as a default. And that's like a s a really good sports coach. When you're winning is when to polish everything and really master the details. when you're losing, you definitely also have to be exciting people and embracing the future and selling the future.

>> So is the advice say someone's listening a founder or product leader the advice here is just keep pushing harder, set the bar higher as things even if you're doing great. >> Yeah, if you're doing great. Well, also you have to remember like I I I remember giving a speech once in square is like you get to a certain threshold creates inflection momentum gets you a certain, you know, valuation and all the all these like attributes, but it's kind of like winning a Super Bowl. You get the last year was great. Last four quarters were wonderful. It's like winning

the Super Bowl. You got to come back next year and start your record zero zero again. And you got to remember that actually venture is like that. You know, I'm only as good as my last investment.

I've had like 13 years or whatever of pretty damn good investments. But like truth, I have to wake up every day and find some undiscovered founder that's going to change the world. And if I don't do that, it doesn't matter what I've done the last 13 years. And a company's kind of like that. The company can skate on autopilot for a while. Venture, you really can't ever skate. >> I definitely saw this with Brian Chesy. just felt like things were going great and we just shipped amazing products and growth is up and he's just just always like pedal to the metal no matter what just like come on when are we going to take a little break and it's interesting because when we did have little breaks here and there morale actually went down because people are like what am I working on I don't know that's not that exciting >> Brian and I are usually in sync a lot um there's a really good interview where I interviewed him also at the same conference of how to hire uh when he talks mostly about founder mode but I generally subscribed to virtually all of Brian's views. He even taught me some of these things himself. Uh but the the the more important point I think you identified which is very subtle is really talented people are like superb athletes and when things are going well and people are really kind of coasting, they're not happy. They have an internal claw tempo. They just want to create things and create value and drive drive and like you know like the morale actually does go down for the best people in the world when people are skating.

>> Okay. So actually along those lines there's a lot of anxiety in the market in the job market about the future of careers or am I going to have a job? Am I going to like where are things going? And it just feels like people are working very very hard. They're just putting a lot of hours especially the most AI pelt people. It just feels like they're working harder than ever. I don't know if you saw this thing Tyler Cohen put out of just like work harder.

Now is the time to work harder because AI is eating away at your value. You know, I pro you probably talked to a lot of people looking for career advice of just like this feels scary and uh I feel like I'm working too hard. What should I do? I don't know. Do you have any just like advice for folks? >> Well, I do think AI AI is going to radically reorient, you know, lots of people's careers, maybe including mine.

So, I think that's actually true. And I think the way to thrive in a rapidly emerging technology world is to be intellectually curious. So for example, you know, I'm a business person historically. You know, I did actually code when I was really young, but like basically professionally just a business person. What I've noticed in some of the best organizations is the number one consumer of tokens is the CMO. >> CMO. These people are intellectually curious >> and so they're like, "Wow, there's all these cool things I can do now with my hands. Either I had to rely on other teams or never got access the way I wanted and blah blah blah and they just do it." This is actually true at Open Door. It's true at another great company that I'm on the board of that's incredible. And I so I think you can be intellectually curious and future proof yourself um more than just yes you can work harder and a big subscriber to like no days off and working all the time and all that stuff but fundamentally the intellectual curiosity is able to learn new things and that is how you embrace the future. So, and you said CMO is who's using both these two companies interesting.

>> Both massive, you know, awesome companies with lots of engineers and I think that's that's very encouraging. Um, you know, for for the executive particularly like this this is definitely like the best executive in the company. >> And what are they building? Is it like landing pages and test paid tests? >> Well, sometimes it's like more like what we would have thought of analytics. M >> sometimes it's actually campaigns like actual campaigns. It's just like they don't need to rely upon deputies and deputies and deputies to get actual work product. Um and so they're just like shipping things and like or shipping, you know, drafts of things or giving the CEO insights into things themselves.

>> I want to get your take on the future of specifically the product triad. Uh you work with a lot of product people, engineers, designers. Uh, everyone's always wondering what the hell is going to happen with my career. Thoughts on just the future of those three specific roles? >> Well, I saw this podcast or listened to this podcast that Peter Fen did and he convinced me that the idea of a PM makes no sense. Basically, in the future, if you think about decomposing the logic is what does a PM usually do? They take these inputs from customers. They create this sequential road map that's well organized over the next year. Blah blah blah blah blah. That world is like ridiculous. Like right now the capabilities of foundation models or companies like lovable and you know things like that are just so improving such a rapid rate that it makes no sense to have a year-long road map and they they just like incoherent. There are things that were impossible to do in November that are actually pretty easy to do right now in March. And so I think you need to build an organization that's incredibly adapt at, you know, people say nimble and all this stuff, but incredibly adapt at changing the road map almost on the fly. And I think intermediaries like conventional PMs don't make a lot of sense versus being prepared intellectually, embracing, exploiting, noticing. So someone needs to notice that oh wow we can actually do this but then exploiting it this week is the future of a very a high growth stellar startup will notice that something's now possible this week and create new features and new value for customers next week.

>> That's such an interesting area of discussion. A lot of people listening to this RPM set when I try to defend that role just to see if see if I can convince you otherwise. Uh, and by the way, I will say Mark Andre had this really good visual of just what's happening here is like every f all those three functions, it's like the standoff where they're all like I'm g taking the future is my role. The future is design.

That's engineering is the future. So the way I see it is as AI makes it easier to build and kind of eats the middle of the software development process. Just anyone can build. You tell AI here's what I want. Um, the hard part, the the gap at least for now is figuring out what to build and then aligning everyone around what to build. I agree with that. I actually think like whether you talk about someone who used to be a PM or someone used to be a designer or called an engineer, the skill is more like being a CEO now, which is what are we building and why?

>> Exactly. >> And to be a successful engineer, that trait's critical to be a successful designer because the tools and the the ability to actually create the thing an object is going to be easier and easier. But the art is knowing what to build. You know, another competitor of mine, Alfred Lyn at likes to talk about being a chef. When you're a chef at like a prime restaurant, you're not actually cooking the dish. You're sampling, you know, your colleagues and, you know, editing their work a little bit. But fundamentally, it's half a commercial role. Being a being a chef in a famous restaurant is what's our value proposition, how do we differentiate ourselves, how do

we brand ourselves, what's our segment, what's our pricing, you know, etc. What's our location even?

That's what makes, you know, a famous chef. It's not they're literally cooking the dish all the time. >> Okay, I 100% agree. Interestingly enough, PMs are called mini CEOs often. And I think the important thing is it's not like what do you call this person? I think the question is what skill will be most like where human brain still going to be necessary. >> Business acumen. It's basically a business acumen, >> right? Like what will help this company grow and succeed and >> exactly? I understand the company's business equation, where we're trying to go and what the inputs and connection outputs are >> and I can >> on my own >> create things that move the needle or potentially move the needle. It's very exciting because you know you can actually drive impact like much more easily now as an individual. My conclusion based on what you just shared is of the three roles which role is best at that and in historically it would be PMs. Obviously, I think the important thing here is it's like the best, you know, it's like great PMs or great engineers, designers will do well, but I think interestingly what you're describing to me is what it sounds like what a great PM would be really good at.

Basically, >> if they were if they were exceptional, I think that's right. But I think the best a lot of the best engineers I've worked with have commercial instincts like Max Levchin has this on steroids. Jeremy Stppleman, you know, who's worked with me very closely at PayPal before he started Yelp and got promoted to be engineering director and vice president of PayPal, had commercial instincts, you know, back when he was an individual contributor. So, I think there are great engineers who are technically proficient that have always understood the business building.

>> Yeah, I think that's like the ultimate unicorn is an engineer that is also very business-minded. >> It's going to put a premium. I think this will at the age of AI will put an incredible premium on that because they're not going to need a large team. You're not going to be marshalling the forces >> like you know another example is a good friend of mine is director of engineering at RAM. He ships as much code personally. So he he has a team of about 20 people. He personally ships as much code as he used to as an individual contributor while he's managing a team of 20 because the tools are so great and he's become a leading pioneer in the usage of AI and he's basically using AI as a second team. He's basically like okay you're the team manager you do this you do this you do this stitch this together check this out blah blah blah and I think that is definitely the future.

>> I 100% agree engineers that are very good at that are just extra valuable. Uh what's your take on design in the future of design the value of design? >> Well, you know, it's interesting. I design and code are merging and it's not it's not clear to me who triumphs of like is it code becomes design or design just translate automatically into code. Um I'll base some investments that you bet on both in some ways, but I think they're merging in a way where they're not separate, you know, thfts anymore.

I am so excited to tell you about this season's supporting sponsor, Vanta. Vanta helps over 15,000 companies like Cursor, Ramp, Dualingo, Snowflake, and Atlassian earn and prove trust with their customers. Teams are building and shipping products faster than ever thanks to AI. But as a result, the amount of risk being introduced into your product and your business is higher than it's ever been. Every security leader that I talk to is feeling the increasing weight of protecting their organization, their business, and not to mention their

customer data. Because things are moving so fast, they are constantly reacting, having to guess at priorities, and having to make do with outdated solutions. Vanta automates compliance and risk management with over 35 security and privacy frameworks, including SOCK 2, ISO 27,0001, and HIPPA. This helps companies get compliant fast and stay compliant more than ever before. Trust has the power to make or break your business. Learn more at vanta.com/lenny.

And as a listener of this podcast, you get \$1,000 off Vanta. That's vanta.com/lenny. What I'm seeing is something really interesting happening with design. On the one hand, I just did some analysis on the job market for design and it's basically plateaued in terms of the number of open design roles over the past three years just hasn't gone anywhere. It's a flat. We had uh the head of clawed design, Jenny Wen, on the podcast and she had this kind of insight that the design process there's no time for the design the traditional design process. There's like engineers are shipping 17 things a day. There's no time to sit there and help mock and prototype and all these things. Well, let me give you a couple of concrete examples. So, at Shopify, the way they develop, they've developed, they've been doing this for over two years now. So, this may seem normal, but they have not let PMs uh provide like PowerPoint or keynote presentations on product for like two years. Every presentation on product has to be a workable demo. and they just expect the PMs to create the products and the execs just refuse to look at static, you know, we're gonna have this feature. No, I want everything working. This is for two years. So, I think that, you know, again, like everything's just merging together.

>> That's so interesting. You would think though because there are so many products launching every single day, like there's just endless things to pay attention to, you would think design would be a differentiator more and more. >> I do agree with that. I I do agree with that actually. I think the alpha is in design. Just like in marketing, it's not the tools, it's not the channels, not the metrics, it's the storytelling. It's how do you cut through the clutter in the snappiest, most compelling possible way, there's kind of an NP problem.

There's so many different words you can use to express the same concept. But the person who can say this is the way to frame it, you know, the proverbial thousand songs in your market is worth like all the tools in the world. >> Yeah. Uh so that's the other part of my insight recently is just as AI makes it easier to build. It's kind of expanding from the middle out and what remains is figuring out what to build and making it iterating on the idea and then it's at the other end of spectrum which is distribution getting anyone to pay any attention to what the heck you've done because again there's so much happening every single day.

>> Yeah. Cutting through the clutter. I mean that's always been critical. I mean, one of the time when people are pitching me as an investor, it's one of the things I'm dialing into, you know, immediately is how the how the hell is this going to cut through the clutter? It's one of the reasons why I don't like to take like customer feedback into account because by definition, when you put something in front of a customer, that's not a proxy for the real world.

In the real world, you have to cut through the clutter while they're going to their Barry's boot camp, while they're doing their job, while they're raising their kids, you know, etc., etc., while they're walking, while they're on the subway, like that like, you know, an isolated fake experiment doesn't give you actionable insights and

often is directly involved. >> Interestingly, on that line, uh there's a few companies that are launching. Similey is one that is simulating humans. I don't know if you heard about this company. They basically are building AI models of actual people so that you can simulate your marketing launch and your product experience with people before you launch.

>> I don't know if I've seen that specific company. I have um seen one or two uh sort of pitches. My my general question as a refrain on those type of companies is what are they training on? Because like again, if they're not training on the right data, it's dangerous to say you're simulating humans. >> Yeah. Yeah, that is the question. Oh man, what a weird world. Along these lines, actually, you have this uh I don't know if you call it a hot take that AI content is going to surpass human content and that's just the future. I >> inevit that's inevitable. M someone was I was talking to someone and then she was saying in like the Chinese Tik Tok uh app it's just like all AI videos now and it's like very good. She like actually enjoys watching these videos and these stories.

>> I think there'll be like a binary sort. Maybe I could see products and content thriving that is clearly still human generated and that there's some desire for authenticity just like for example you know this piece of art is a warhaul. Anybody could create this now high fidelity, but there's still an appreciation for this was created by Andy Warhol. I think there's going to be a curated experience uh with a premium of provenence, you know, that you know was human created and then there's just going to be sort of a rank filtering of what's the best content and whether it's AI generated or not. It's a little bit like the Ben Thompson trajectory thing of curation, you know, versus algorithm. There's going to be two polls and the curation may be for human created stuff and then there's going to be the algorithm which is just what's the best.

>> I 100% believe that that makes so much sense. I was just thinking the other day it's so interesting that AI is getting very good at video like videos are actually fun to watch that are AI generated and then like images are getting really good but writing is still really bad that is AI generated in and it's ironic that it's called a large language model. It's all context text trained and it's just like that's the thing it's least good at which is really weird.

>> Well, I think part of it that's the economic decision of token rationing by um the LLMs like they they basically are when you prompt they're kind of trying to make their economics work within a bell curve distribution. And so for example, if use a prompt an LLM to write something that's very short, the quality is significantly better than if it's a page paragraph, I mean page to chapter to book. I think it's token ratioing ratioing versus actual quality.

>> You would think though, you know, like I don't know if it was Hemingway just like if I had more time I would have made it shorter like it takes it's more work. But then you have I think the writing right now what works best is short many short examples and then humans >> picking editing >> reprompting. >> It's a little bit like when I used to be a litigator 25 plus years ago. >> The hardest part of writing a brief or all the art and all the magic was the first paragraph. If I could write that first paragraph really well, the chance I would win the case and convince the judge would go through the roof. So, what I would actually do is I might have three weeks to write a brief. I might spend the first week or more walking around the office thinking through how am I going

to nail the first three sentences. Once I figured out how I wanted to frame those first three sentences, I could write 30 pages in like two days. But getting that right could take a week or two.

Sometimes it would occur to me in the shower where literally the, you know, shower or in the middle of a run, it's like, "Oh my god, here's how I distill it." Then I could just sit down and power through the rest of the brief. And I think it's a little bit like that. The power through the rest of the brief works well. You still need the first three sentences. >> Is there a story from that time in your life that would be interesting to share?

I didn't even know about that. >> So yeah, not everybody knows. You know, I spent the first four and a half years of my professional career as a law clerk and then litigator. Um, which occasionally comes in handy truthfully. Like sometimes trading off business risk against legal risk is a valuable thing to do. Um, sometimes it's not accidental that many of my best investments um or in financial services in heavy heavily regulated areas because I think I can sort of do the legal risk assessment in my own brain. This was definitely true back in the day when I invested in YouTube. Um but um I think most things that lawyers learn are very uh inconsistent with being entrepreneur. So when you're graded as a lawyer, you learn every exam in law school virtually is uh issue spotting. So you get credit for identifying patterns like identify all the issues and then resolve them. So you learn to identify everything that can go wrong.

Moderately useful but very not useful as an entrepreneur. I mean sure you can identify all the reasons a company could fail not that difficult to do the art is you know solving those uh so you know not the best training and then you also measure your productivity by hours worked you know literally your bill per hour it took me two years maybe a year and a half after converting to technology to stop tracking all my time I used to literally write down in my notebook half hour of this meeting 20 minutes on this you know blah blah bl >> that is So funny. And David Sax was a lawyer, too. It's like interesting.

>> That's true. Peter Peter was a lawyer. Peter was smart enough to quit after uh five months and four days. I think David never practiced or maybe even smarter uh than both of us. >> Okay. I want to hit on some uh hot takes, contrarian takes that you have. You have a number of these. I heard you share in a podcast recently. They asked you um why don't you have as many contrarian takes these days? And you're like, well, they've just all been proven right. And that's the problem is, you know, if you have good ideas, eventually you want them to be adopted. It's a little bit like a uh, you know, when you're an investor, you want to be contrarian. So Airbnb, you start with a contrarian take, but eventually if the company's going to succeed, it has to become consensus like everybody in the world has to use it and believe in it and trust it. So you want that inflection like you don't want to just have contrarian takes and then nobody believe it. So you do need a refresh rate. Um, and then the question is how do you have a, you know, how do you find new ideas? But you want to actually exhaust them.

>> Okay. So, one that I think people still dis would disagree with is that your advice is for um for unless you're building an enterprise company, you don't actually want to be talking to customers. >> Yeah. I hate talking to customers. I refuse to allow colleagues out and talk to customers. You know, there's the the famous, you know, you can talk with the famous stuff and the Steve Jobs, you know, the horses and the old faster horses and all this stuff, but I think it's more important is it's often directionally wrong. customers don't know what they want and

they're very bad because it's a subconscious decision especially for consumers like what I purchase what I wear is not a conscious decision and when you're consciously trying to answer a subconscious decision you actually give misleading information even when you're trying you know the proverbial example I like to use but it's instructive is ask anybody who drives a super fancy car like a Porsche or a Lamborghini like why they bought the car 99% of the time they will tell you every reason except the real reason that once you realize that you're like I'm never asking customers anything. Now it's hardcore enterprise customer development does work because there is a decision maker and the decision maker is mostly making utilitarian decision and yes there's political forces within the organization and they may or may not be able to tap into those but fundamentally extracting that information is valuable but a consumer SMB micro merchant product unmitigated disaster >> and so the implication here is you need to rely on your instincts and gut and experience Yeah, I mean humans are humans. I have this other line I like which is everything important you need to learn about humans was written by Shakespeare.

Just read Shakespeare. Like that's better than all the customer research. Um now you are producing a movie and ultimately this movie doesn't just need to be critically acclaimed. You have to sell tickets. So if you're not selling tickets, you have to question, okay, is the trailer wrong? is our distribution, you know, where we're trying to meet people to let them know about the movie. Is that wrong? Fortunately, unlike a movie, you can go back and say, "Have I casted this somewhat incorrectly? Is the script slightly off?" You know, etc. But the goal is selling tickets, and that's what you want to optimize for. But if you don't sell tickets successfully, economically, efficiently, you definitely want to go back in a loop and try to reorient things. to show that you are selling tickets.

>> So this is like CALTV kind of stuff is what I'm hearing here. And so your insight here is just like it's not only like it's like uh it's not going to help you. You're saying more so it's actually harmful. >> It's harmful. And then people will say, "Yeah, like I've sat in so many meetings and this would infuriate me, but where people will be like, I talked to eight customers, blah blah blah blah, and I know that this isn't statistically represented, but then they pontificate for an hour and then then they're like, oh, I know this is not, you know, blah blah blah blah." And but once you hear this stuff, it's like you can't take this out of your brain. And then every other subsequent meeting is like this this stuff is just locked in the customer's brain. So yes, in an enterprise where you have like I I work with a company in AI that has 30 must-win accounts, that's like the goal for the company over the next few years. Make sure all 30 and we're doing really well. Get all 30 using our problem. Great. We actually can talk to all 30 customers and we can actually meet the decision maker all 30 customers and we can influence the CEO at all 30 customers. That is a useful exercise.

If you're targeting a billion people on the planet, you are not getting a representative feedback. >> Being a contrarian and take many people would not believe this is good advice. Do you have a story maybe or an example of just like wow this like someone talking to a customers saying going in the wrong direction for a while? >> Oh, all the all the time they're called failed companies. You know there's a reason why I mean there's a darwinistic efficiency to this too which is just like hey there are things you can that like is it feasible to do xy or z. for let's let's get like Door Dash. I don't I don't I don't think customers told us that we want a button on our phone to click to deliver food. But you could talk to restaurants and say, "Hey, would you put this placard here so that people walking into your store know in the future they can get delivered?"

>> Okay. Yeah, maybe. Then could you run an experiment of how many deliveries per hour would you have to do to you know break even and is there enough density you know within like there are ways to improve the odds that you can make the business work but I don't think launching the company saying hey we found 10 people in Palto you know do you want this button on your phone so you know when Tony and Evan walked into my office originally the epiphany I had was well they had a stat which is 93% of the restaurants in the United States don't deliver. I was like, "Okay, seems like it should be a higher percentage than seven."

Convinced. Um, and then when they were describing what they wanted to create, Andrew Mason of Groupon fame had famously said, "These phones, these devices should have two buttons. I'm bored and I'm hungry." And uh, I was like, "Oh my god, you're the I'm hungry button." And then so it just clicked in my brain. And then it was like, "Okay, now we need to make it economically possible to scalably do this. Good luck guys. >> And this advice is not just consumer.

You're also talking like Door Dash has like SMBish. >> Yeah. Like Square and things like that. >> Square. Yeah. >> Square is a good example. Like anything submid it's directionally dangerous. >> And the advice here is basically trust your insights. Like you need to have the insight yourself. You can't find it. >> I think typically the best companies Yeah. >> there's foundational insight. And you know people don't necessarily want to hear that but like there's logic you can acid test and pressure test the logic like there are like you know to some extent like when Brian first pitched me on Airbnb there was some interesting evidence he already had that this was going to be successful. The number one that one stuck with me at the time was he gave me the exact number of Craigslist listings that said I want to rent someone's bedroom. And it was actually a reasonable number. It was like 30 in the Bay Area. But given that you had to literally type it in and you know sort of have the epiphany yourself, I was like that's a lot actually. That's like a probably a real market there.

And I was already like as soon as he said that I was already leaning in and by the time he finished his three-minute monologue I was like this is the coolest thing ever. I need to invest. >> Yeah. And I think Airbnb is a good example where he was solving his own problem saw an opportunity wasn't like talking to people hey would you do this sort of thing and and people would have said you know if he sampled the wrong people definitely would have got feedback that was like no like very very high risk. Like that's a good example where you' sample 10 random people, good chance that nine plus% would say, "No, I would never do that."

>> You know what's really interesting? I was just watching Taylor Swift's acceptance speech at this award show, iHeart Media, something or other, and and she gave this really powerful speech that when she was starting out, she was just kind of at home uh working on songs, learning piano, just in a room on her own uh and had thousands of hours to just iterate and learn and get better versus today, if you were to do this, you'd be posting it, sharing it, people giving you feedback constantly. and her advice is just like find ways to just not expose yourself to people for a long time. So I have a couple of friends who are like in artists in the music industry and I think what she's saying is one of the reasons why it's sometimes difficult for artists who had success to recreate the success because the first success was not data driven was not customer feedback driven it was like I'm creating this and it's resonating then because they have an audience someone either they or their manager whoever the label blah blah blah blah blah wants them to get feedback back and it creates derivative, you know,

sort of works, not strictly legally, but like derivative works that are less inspired.

Um, there's a podcast that Jack Alman did with uh my friend Alex from the Chain Smokers. He actually talks about this at some length that they created this song that actually didn't resonate with their core uh their normal audience um but actually resonated with a different audience um which is interesting. Um, so I think you can get trapped with success if you It's a It's a good illustration. Actually, >> there's also this concept of the ugly baby in Creativity Inc. I don't know if you read that book at Catmill about every idea at Pixar. Like every great idea starts as this ugly baby that no one wants to like help and pay attention to and just like get this out of here.

>> It's like a startup. I mean that is actually the startup. Like I use this prism as an investor which is when I make a seed investment or series A investment let's say I want half of my friends who are VCs to laugh at me like literally laugh because I I know most of the people I compete with pretty well and so I'm running this algorithm through my brain are these people going to laugh if so like this is a great invest potentially great investment because it's an ugly baby and ugly babies are the ones where there's real alpha >> that's so interesting you say that I did some research recently on what are signs we interviewed this me and Terrence Rohan I don't know if you know him VC uh we interviewed early employee people that have joined early generational companies many times and like they open AAI they joined open a early before anyone knew about it Palanteer really early stripe and so we asked them what did you look for and there's three patterns and one of them was exactly that the idea people laughed at them they thought it was crazy this is never going to work palanteer for example open AAI for example >> yeah my parents used to laugh at almost all my jobs attack Um, you know, it used to be very funny. They thought I was going to be homeless because most of them did not make sense to them.

>> Classic parents. No idea what the hell people do in tech. >> They did they did appreciate Stripe though. Uh, my mom always appreciated Stripe and, you know, always trying to lobby me to invest and I finally listened. >> Nice. Good job, mom. She earned her keep. Okay, we just uh shifted perspective because uh Keith's iPad was dying. Classic. That's maybe the downside of the iPad. >> The downside of the iPad is they use it too much.

>> It's like that's product market fit. Okay. I want to actually follow up on this discussion we're having about just uh finding great companies. Uh a lot of people are starting AI companies now. There's so many launching. Uh as an investor, I'm just curious what's a sign that this is a worthwhile idea considering the endless number of startups launching. And maybe what are some just like flags that like okay maybe don't work on that idea? Well, the existential question that everybody talks about these days is, you know, are the foundation labs just going to be so proficient that there's no oxygen?

Because if you're building a successful startup, you need to build for like 8 to 20 years into the future. Like whether you just discount a caps flow analysis or some other prism, it doesn't matter. Ultimately, you have to build for something that's durable for decades. And the rate of progress at the foundational by the foundational labs and not just one multiple of them really does start creating questions about the sustainability of even companies that are look like they're thriving in the short term. So that's one question. The second question I'd ask is very typical.

I've always asked this question for like 25 years which are what are the accumulating advantages of the startup? You do want to believe that over time you create an unfair advantage and there are different species of accumulating advantages. You know the one that people immediately gravitate to but it's only one illustration of a set of options is network effects but you want something that over time makes the business better and better and better arguably easier and easier at some point.

>> Do you see those sorts of things at the beginning like when you're seeing an you know seedstage startup? Yeah, it's a great question because I think people can conflate uh two things. There's a difference between seeing it and understanding the potential. So, what I'm looking for when I meet a founder is can they articulate where the accumulating advantages can be in theory conceptually. They don't have to have demonstrated it. Yes, there's an occasional example once every 5 years you might find one where you can see you can actually point your finger on it empirically. But that that's way too strict a bar for an early stage investor. But you re I personally want the founder to articulate to me where they can build accumulating advantages and maybe even sequentially identify when they would start either taking advantage of them, leveraging them or measuring them. So when you're looking at when you're when you're evaluating startups these days, I know this is like a very hard question to answer, but just what do you is there anything in particular you're looking for that you get really excited about?

I'm a founder driven investor. So the only thing I really care about is does this founder have a non-zero chance of changing an industry or the world? And if they do for a seed or series A investment, I'm in period. Don't ask any other questions. That's all I need to identify. Not every investor who's been successful has the same algorithm they're running. There are technologydriven investors like I would say Mark Andre's probably like something like that. But node's a mix. He's both founder driven and a technology driven investor. There are investors who are sort of productmarket driven investors. My colleague David Widen I would say is that. I think Alfred Lynn and Sequoia is mostly that.

So you can have different uh sort of approaches, mental models, paradigms, but for me it's is this founder extraordinary? Do I have reason to believe that this founder is the next Brian Chesky? >> You mentioned that you're an investor in all these all these companies you listed are doing incredibly well and you work with a lot of you're on the boards of a lot of really successful, incredibly uh good teams and companies. Is there just something they are doing the way they operate that is different from companies that are not as successful?

>> I think the subtle signal let's say very early is speed. And you know it's one of those things that's easy to say but let me try to be more concrete. There's a tempo, an operating tempo that a successful company develops that is very that develops very early in a company's trajectory and is incredibly impressive. I remember when Roloff Boto was on my board at Square, he and he led the series B. So he joined our board and six months in, so two board meetings and he said to me, he's like, I haven't seen this kind of tempo since our PayPal days. and he had been a VC at that point for nine years. And when I was curious, I said like, you know, what are you noticing? And he's like, at board meeting X, you guys identify an opportunity or problem, and by the next board meeting, you've shipped solutions, addressed it, featured just constantly, consistently. And I I think that's right. Like so the time between the seed and series A at fair was pretty tight and I remember at the time my chief of staff was

Delian Aspar Roth and Delian said to me after the second fair board meeting that he shadowed me at he said if there's if there's one company in Silicon Valley that would cause me to leave being the VC it'd be fair and I was like interesting why he's like the pace of execution and his answer was exactly the same as RS He's like, "There is something slightly off." And by the next morning meeting, not only have they identified the root causes, but they've shipped and reacted and and measured the the impact of the solution. And that compounds that speed really does come out. So that's just one trait and but you see it it in like it did lead me to for example preempt the series A of RAM.

So I led the seed in like Mayish of 2019 and gave a term sheet to preempt the A in September. So pretty quick. One of the two signals was how fast RAMP was able to be on the precipice of shipping the cards. I'd been working in financial services for a long time at that point, you know, 19 years or so, and there's just a lot of moving pieces to ship a card. you need these program managers and you need the sponsoring bank and you need this and this and this usually takes 9 to 12 months best case nine ramp was on the precipice in like 3 months and I was like oh my god like I'm just never seen that velocity that was one of two maybe three inputs and I was like yes makes sense to double down already even if we hadn't shipped anything yet so I think that's one critical density of talent you see companies just creating an unfair advantage the team was x when you invested it's Wow, this DM is getting better, you know, deeper, better, etc. So, that that's another signal. The third thing that I've noticed though, you know, is I think they have a different hiring philosophy ultimately.

And maybe there's exceptions to this, but most of the companies I work with that are thriving have basically skipped hiring senior people, senior experienced people. It's mostly internally grouped talent. And I think that model has worked really well. It's definitely true of RAMP, definitely true of Trade Republic. It seems to be a mostly common ingredient, but there's probably exceptions. >> Wow, that is an incredible answer.

instead of traits. Uh just to be clear what you're saying on that third piece. So it's not hire like fancy VPs from other successful companies and instead develop people internally as a trade- internally and almost turned it into a competitive advantage meaning a strategy like we're just not even going to interview people. We're not going to try. We're just going to promote from within. And I I think in some roles, you know, it's not like you hire a GC, you know, typically right out of law school.

But although we have done that once and it worked out pretty well, believe it or not, but but I wouldn't recommend that. You know, I have this blog post, well, Delian wrote this blog post of lessons he learned from Keith and one talks about hiring senior people and the the rough prism is are you hiring for value creation or value preservation? If you're hiring for value preservation, typically sub experience is useful. On the value creation side, it's probably not.

>> It's interesting how much of this comes back to just your initial point about hiring and the team being everything. Step. So, number two was talent density and three is uh helping people develop and be, you know, into the role versus finding someone. And then obviously speed all trickles down from just who you're hiring. >> Yeah. I mean, I've watched people use like even chief of staff roles to groom talent. um the one company board meeting I was at this week that is phenomenal um on any metric and the last two his head his CMO who's who's

fantastic is performing miraculously um was his last chief of staff and his new head of product probably is his last chief is is his current chief of staff and just like created this institution a factory where he can absorb ambitious talented people and over one or two years in Osmosis is train them to be senior successful leaders.

>> When you talk about speed, I think about ramp uh for sure. Uh when Jeff was on the podcast, their CPO, he just like our title was velocity, velocity, velocity. And I know they have like days. If you go to days.ramp.com, it's like the number of days since they launched. And they're just always looking at that number. How long is it? >> Oh yeah. Every board meeting starts with that. The first slide day day 1184 >> and they're like what are they worth?

like a hundred billion. Not quite, but they're not. >> Probably not quite that much, but like a reasonable fraction of that. >> Okay, that was incredibly valuable. Okay, one last hot take that uh I know you have that I want to make sure we share is this idea of criticizing in public versus in private. Talk about that. >> Yeah, so this is um a lesson I actually absorbed from one of the great founders I work with. And you know, you like many great founders, they have their own management philosophy. And one of the most important tenants is criticize people in public. And when you decompose the logic of it, it's so obviously true, but almost no one does this and very few people talk about it even if they do it.

So if you think about it, when you give people feedback negative uh in individually, you're optimizing for the atomic unit, not the system. The reason why to do it in public is it's more important for all the colleagues to understand that there's an issue. It's being addressed versus like they they usually have uh suspicions, let's say, or concerns. And if you've channeled the negative feedback to the individual, they don't know that you're addressing this, that you're on top of, you're aware you're addressing it. Now, it's a collaborative.

Um, and then also it lets other people kind of raise their hand and say, you know what, I can kind of help with that or you know, etc. And so it becomes like a team building exercise in some way versus like, oh, you have this deficiency, go fix it yourself. And then the rest of the company, you know, is nervous about why this problem is persisting. >> When people hear this, they may it may feel like, oh, wait, I'm just it's like it feels aggressive to be criticize everyone public coma. Uh any advice for just like how do you not make it this like I don't know scary environment or is that part of it?

>> Well, I think you want to win, you know, and there's probably in art to this like I would say, you know, some of the best coaches in sports probably do a bit of both. Um like there's things they will say in front of the team and then there's things that probably, you know, channel to the individual player. So probably a mix, you know, could be very effective, too. >> It feels like you're not a a focus on psychological safety as a core tent. No, I don't believe in that at all. Like high performance machines don't have psychological safety. They're about winning.

>> Like for those who want to, you know, a good book that's off central casting for you is uh read Jordan Rules >> or watch The Last Dance if you like. But like fundamentally, read Jordan Rules. If you want to be Michael Jordan, you got to act like Michael Jordan. >> Do you feel like that's negatively correlated this idea of psychological safety with success? And there just >> for the most part. >> Yeah. Interesting. I'm going to take us

to failure corner. Okay. So, failure corner. So, that you know, you talk about all these things you've done that are incredibly well, all these companies you invested in, all these businesses you've built, PayPal, all these things.

People don't realize there's also a lot of failures along the way. Is there a story of a time you failed in your career or investing that uh might illuminate the down, you know, when things don't go great? >> Well, I mentioned I mentioned one. I alluded to one by accident. I talked about being aqua hired or whatever into Google and being stuck there. I'm so clearly not successful. Um that was a slide. Uh so you know we did sell for like 187 million but not nowhere near the ambition. You know didn't really achieve any of our goals productwise or companywise. Investing teaches you you know mostly about failures. You know if you're a world class investor in the early stages 30 to 40% hit rate is great and golden by definition. That's like 50 to 60, you know, percent 70% failing there. It's a little bit like those old Nike commercials where there's the Michael Jordan one where it's like, you know, I've missed 109 gamewinning shots in my career or there's the tennis one.

I think it's Federer that's like, you know, I something like I win 60% of my points. I think I'm like the best tennis player ever, but I lose 40%. So, there's a lot of that in venture. You definitely have failures all day long. I think one of the arts is like not getting too caught up in failure. Actually I I think over and I I actually gave this feedback in the board meeting recently which is someone you know well mentioned well-meaning one or two board members are like well let's do retros on our failures and the company's doing really well. So I was like you know what honestly I'm not sure I would do this. I was like, I don't want to deter people from taking ambitious shots on goal. And if you overemphasize failures and you real people think they're going to get criticized, this is where psychological safety maybe has some validity, which is be ambitious, be bold. Don't worry about the failing part unless there's things you missed that you know could have been factored in.

But you want people to take risk and you want people to be excited about raising their hands for very difficult problems and challenges because that's how you create value. And so I was like, "No, let's let's really not do these retros. >> Let's just focus on winning." >> Contrary intakes all around. >> Keith, is there anything else you wanted to share? Anything else you want to leave listeners with before we get to our very exciting lightning round?

>> I'm excited for your lightning round. This is usually like one of the best parts of your podcast. >> Okay, first question. What are two or three books that you find yourself recommending most to other people? So the number one one is called the upside of stress um by Kelly McDougall's professor at Stanford and basically it argues in an incredibly compelling way that if you want to be happy healthy or wealthy you need more stress in your life not less. So it's magic the evidence she marshals is effectively uncriticable that at the outcome level at the biochemical level it is transformative to people to read this book. So highly recommend it. favorite recent movie or TV show you've uh you've enjoyed >> TV actually just watched Nuremberg trial highly recommend uh Nernberg um there's a lot of lessons there that are applicable to the modern world um so I won't spoil it all but even I'm a kind of a student of history and politics and watching the movie I probably learned five or 10 things that I never knew before so highly and it's extreme I mean obviously It's not an exciting thrilling movie, but extremely well produced movie and incredibly useful to understand, you know, some of the travesties of history and how to prevent them in the future.

>> Where do you find this? Is that one of the streaming services? >> It's either on Netflix or iTunes or both. >> Sweet. Okay. Uh, is there a product that you've recently discovered that you really love? >> Rarely. Um, you know, I do find I do find products that I'm addicted to. Like, you know, I don't this crusade about eight sleep, which is another one of my conventions is, you know, you must sleep eight hours a day. You must prioritize sleep even when you're very busy. Um, I am an investor and so I'm somewhat biased in eight sleep, but it transforms people's lives. So, I'm still addicted to that one.

I don't know if there's like a new product that, you know, I've been fanatically addicted to recently. >> Hey, Sleep counts. Do you have a life motto that you find yourself coming back to in work or in life? >> No days off. # no days off. I don't believe in taking days off for workout. I don't believe taking days off from work period. Um the derivation for those who are interested is when uh Bill Bich won the Super Bowl for like whatever billionth time with the Patriots. Um as backto-back Super Bowl wins, I think he started the championship celebration parade with this chant of no days off.

So that's that's kind of my mantra. >> And when you say no days off, uh are you saying like work every day like you know like work the weekend sort of thing or or what do you >> that too? But like so let's talk about the workout side. I believe I've missed seven days in seven years of working out and it it still kills me like half of those I still annoyed that I missed like I still really really had reoriented my schedule. I should have been able to hit at least four of those and I measure it and I post it at the end of every year.

Um, last year I missed none, so I was very happy. But I don't believe in excuses basically. No days off is a proxy for I don't believe in excuses. >> And do you work out every day? Is that the rule? >> Oh, >> I mean literally there's only seven days in the last seven years I haven't worked out. >> That includes all kinds of illness, sickness, travel, international time zone travel, weddings. >> It's like no excuses.

>> Like actually every day. All right. And >> more than once, typically more than once a day. And you've told me uh before we started recording, you had a Barry's class this morning. You have another one later today. >> I do. I uh and and a lift. >> Okay. Final question. So, you were famously part of the PayPal mafia. I'm curious if there was someone there that's like overperformed. Someone that you worked with that you never thought would be that good.

>> Honestly, no. I wound up investing in, you know, most of most of the derivative companies and stuff. And so I think I had a good Spidey sense of which people, you know, had had at least founder level ambition um and could potentially build something. Sorry, I wish I could give you a better answer. >> They would have been mad at you anyway, so this is the safer answer. >> Well, it depends. If they've been super successful, they >> Peter Teal. No, just kidding.

>> Yeah. Yeah. Yeah. Elon Musk. Uh Keith, thank you so much for doing this. I learned so much. Uh that's going to help a lot of founders, a lot of people building stuff. Two final questions. Where can folks find you online if they want to reach out and how can listeners be useful to you? >> Yeah, so axe.com. I tweet prolifically. Um you mentioned my pin tweet. So that's probably the easiest way. >> Sweet. Keith, thank you so much for

being here.

>> Pleasure to be with you. Thanks for the invitation. >> Uh thanks for accepting it. Bye everyone. Thank you so much for listening. If you found this valuable, you can subscribe to the show on Apple Podcasts, Spotify, or your favorite podcast app. Also, please consider giving us a rating or leaving a review as that really helps other listeners find the podcast. You can find all past episodes or learn more about the show at lennispodcast.com. See you in the next episode.