YC's essential startup advice

by Geoff Ralston, Michael Seibe

A lot of the advice we give startups is tactical; meant to be helpful on a day to day or week to week basis. But some advice is more fundamental. We've collected here what we at YC consider the most important, most transformative advice for startups. Whether common sense or counter-intuitive, the guidance below will help most startups find their path to success.

The first thing we always tell founders is to launch their product right away; for the simple reason that this is the only way to fully understand customers' problems and whether the product meets their needs. Surprisingly, launching a mediocre product as soon as possible, and then talking to customers and iterating, is much better than waiting to build the "perfect" product. This is true as long as the product contains a "quantum of utility" for customers whose value overwhelms problems any warts might present.

Once launched, we suggest founders do things that don't scale (Do Things That Don't Scale by Paul Graham1). Many startup advisors persuade startups to scale way too early. This will require the building of technology and processes to support that scaling, which, if premature, will be a waste of time and effort. This strategy often leads to failure and even startup death. Rather, we tell startups to get their first customer by any means necessary, even by manual work that couldn't be managed for more than ten, much less 100 or 1000 customers. At this stage, founders are still trying to figure out what needs to be built and the best way to do that is talk directly to customers. For example, the Airbnb founders originally offered to "professionally" photograph the homes and apartments of their earliest customers in order to make their listings more attractive to renters. Then, they went and took the photographs themselves. The listings on their site improved, conversions improved, and they had amazing conversations with their customers. This was entirely unscalable, yet proved essential in learning how to build a vibrant marketplace.

Talking to users usually yields a long, complicated list of features to build. One piece of advice that YC partner Paul Buchheit (PB) always gives in this case is to look for the "90/10 solution". That is, look for a way in which you can accomplish 90% of what you want with only 10% of the work/effort/time. If you search hard for it, there is almost always a 90/10 solution available. Most importantly, a 90% solution to a real customer problem which is available right away, is much better than a 100% solution that takes ages to build.

As companies begin to grow there are often tons of potential distractions. Conferences, dinners, meeting with venture capitalists or large company corporate development types (Don't Talk to Corp Dev by Paul Graham2), chasing after press coverage and so on. (YC co-founder Jessica Livingston created a pretty comprehensive list of the wrong things on which to focus [How Not To Fail by Jessica Livingston 3.]) We always remind founders not to lose sight that the most important tasks for an early stage company are to write code and talk to users. For any company, software or otherwise, this means that in order to make something people want: you must launch something, talk to your users to see if it serves their needs, and then take their feedback and iterate. These tasks should occupy almost all of your time/focus. For great companies this cycle never ends. Similarly, as your company evolves there will be many times where founders are forced to choose between multiple directions for their company. Sam Altman always points out that it is nearly always better to take the more ambitious path. It is actually extraordinary how often founders manage to avoid tackling these sorts of problems and focus on other things. Sam calls this "fake work", because it tends to be more fun than real work (The Post YC Slump by Sam Altman[4]).

When it comes to customers most founders don't realize that they get to choose customers as much as customers get to choose them. We often say that a small group of customers who love you is better than a large group who kind of like you. In other words, recruiting 10 customers who have a burning problem is much better than 1000 customers who have a passing annoyance. It is easy to make mistakes when choosing your customers so sometimes it's also critical for startups to fire their customers[5]. Some customers can cost way more than they provide in either revenue or learning. For example, Justin.tv/Twitch only became a breakout success when they focused their efforts toward video game broadcasters and away from people trying to stream copy written content (Users You Don't Want by Michael Seibel[5].)

Growth is always a focus for startups, since a startup without growth is usually a failure. However, how and when to grow is often misunderstood. YC is sometimes criticised for pushing companies to grow at all costs, but in fact we push companies to talk to their users, build what they want, and iterate quickly. Growth is a natural result of doing these three things successfully. Yet, growth is not always the right choice. If you have not yet made something your customers want - in other words, have found product market fit, it makes little sense to grow (The Real Product Market Fit by Michael Seibel[6]). Poor retention is always the result. Also, if you have an unprofitable product, growth merely drains cash from the company. As PB likes to say, it never makes sense to take 80 cents from a customer and then hand them a dollar back. The fact that unit economics really matter shouldn't come as a surprise, but too many startups seem to forget this basic fact (Unit Economics by Sam Altman[7]).

Startup founders' intuition will always be to do more whereas usually the best strategy is almost always to do less, really well. For example, founders are frequently tempted to chase big deals with large companies which represent amazing, company validating relationships. However, deals between large companies and tiny startups seldom end well for the startup. They take too long, cost too much, and often fail completely. One of the hardest things about doing a startup is choosing what to do, since you will always have an infinite list of things that could be done (Startup Priorities by Geoff Ralston[8]). It is vital that very early a startup choose the one or two key metrics it will use to measure success, then founders should choose what to do based nearly exclusively on how the task will impact those metrics. When your early stage product isn't working it's often tempting to immediately build new features in order to solve every problem the customer seems to have instead of talking to the customer and focusing only on the most acute problem they have.

Founders often find it surprising to hear that they shouldn't worry if their company seems badly broken. It turns out that nearly every startup has deep, fundamental issues, even those that will end up being billion dollar companies. Success is not determined by whether you are broken at the beginning, but rather what the founders do about the inevitable problems. Your job as a founder will often seem to be continuously righting a capsized ship. This is normal.

It is very difficult as a new startup founder not to obsess about competition, actual and potential. It turns out that spending any time worrying about your competitors is nearly always a very bad idea. We like to say that startup companies always die of suicide not murder. There will come a time when competitive dynamics are intensely important to the success or failure of your company, but it is highly unlikely to be true in the first year or two.

A few words on fundraising (A Guide to Seed Fundraising by Geoff Ralston[9]). The first, best bit of advice is to raise money as quickly as possible and then get back to work. It is often easy to actually see when a company is fundraising by looking at their growth curve and when it flattens out they are raising money. Equally important is to understand that valuation is not equal to success or even probability of success (Fundraising Rounds are not Milestones by Michael Seibel[10]). Some of Y Combinator's very best companies raised on tiny initial valuations (Airbnb, Dropbox, Twitch, are all good examples). By the way, it is vital to remember that the money you raise IS NOT your money. You have a fiduciary and ethical/moral duty to spend the money only to improve the prospects of your company.

It is also important to stay sane during the inevitable craziness of startup life. So we always tell founders to make sure they take breaks, spend time with friends and family, get enough sleep and exercise in between bouts of extraordinarily intense, focused work. Lastly, a brief word on failure. It turns out most companies fail fast because founders fall out. The relationships with your cofounders matter more than you think and open, honest communications between founders makes future debacles much less likely. In fact, it turns out that one of the best things you can do to make your startup successful, in fact, to be successful in life, is to simply be nice (Mean People Fail by Paul Graham[11].)

The Pocket Guide of Essential YC Advice

- Launch now
- Build something people want
- Do things that don't scale
- Find the 90 / 10 solution
- Find 10-100 customers who love your product
- All startups are badly broken at some point
- Write code - talk to users
- "It's not your money"
- Growth is the result of a great product not the precursor

- Don’t scale your team/product until you have built something people want
- Valuation is not equal to success or even probability of success
- Avoid long negotiated deals with big customers if you can
- Avoid big company corporate development queries - they will only waste time
- Avoid conferences unless they are the best way to get customers
- Pre-product market fit - do things that don’t scale: remain small/nimble
- Startups can only solve one problem well at any given time
- Founder relationships matter more than you think
- Sometimes you need to fire your customers (they might be killing you)
- Ignore your competitors, you will more likely die of suicide than murder
- Most companies don't die because they run out of money
- Be nice! Or at least don’t be a jerk
- Get sleep and exercise - take care of yourself

References

1. Do Things That Don’t Scale by Paul Graham ↩
2. Don’t Talk to Corp Dev by Paul Graham ↩
3. How Not To Fail by Jessica Livingston ↩
4. The Post YC Slump by Sam Altman ↩
5. Users You Don’t Want by Michael Seibel ↩
6. The Real Product Market Fit by Michael Seibel ↩
7. Unit Economics by Sam Altman ↩
8. Startup Priorities by Geoff Ralston ↩
9. A Guide to Seed Fundraising by Geoff Ralston. ↩
10. Fundraising Rounds are not Milestones by Michael Seibel ↩
11. Mean People Fail by Paul Graham ↩

Recommended Reading

1. A Fundraising Survival Guide by Paul Graham
2. How to Raise Money by Paul Graham
3. Taking Advice by Aaron Harris