

people act like you're having a startup fail is the worst thing that can happen to you and like man that's not even in the top 10. Like it's bad. I mean, I've done it. It's awful. Okay. It's really bad, but far worse is to be in a company that won't die, a zombie undead company that you hate, but you can't leave. Have I met people like that? And like, we're having a mental health crisis among founders that's like not talked about enough. You know, people started talking about like the downside mental health risk, obviously the stress of being a founder is hard, but like look what's happening to the people that are so-called successes. Like when you build a company and you sell it out and it becomes something that you find abhorrent, like, yeah, maybe you get rich, but it's not good. And so building a company you hate that becomes a malignant force in the world, you know, that you have to go pretend you weren't involved with or like you feel complicit in what like that's way, way worse. And I wish more founders would take that more seriously early on. Today, my guest is Eric Reese. If you're not familiar with his work, I would be shocked. He is most famous for creating the lean startup methodology and movement and also his incredibly influential book, *The Lean Startup*. He also coined more terms and concepts that are part of the tech culture than anyone I could think of. He currently spends his time advising founders and startups, he was a former founder and CTO, and currently is the founder and executive chairman of the long-term stock exchange. This is now my favorite episode of the podcast and I can't wait for you to hear it. In our conversation, we cover a lot of ground, including the current state of the lean startup movement, where he sees things heading, what Eric would redo if he could do it over again, misconceptions about the methodology that frustrate him most, how AI will likely impact product development and startups, how to think about MVPs correctly, when to pivot and when to stay the course, also how to build a business with values that are aligned with human flourishing. Also, tons of amazing stories and lessons, and there's just so much gold in this conversation. And so with that, I bring you Eric Reese after a short word from our sponsors. This episode is brought to you by Sanity. Your website is the heart of your growth engine. For that engine to drive big results, you need to be able to move super fast, ship new content, experiment, learn, and iterate. But most content management systems just aren't built for this. Your content teams wrestle with rigid interfaces as they build new pages. You spend endless time copying and pasting across pages and recreating content for other channels and applications. And their ideas for new experiments are squashed when developers can't build them within the constraints of outdated tech. Forward thinking companies like Figma, Amplitude, Loom, Ride Games, Linear, and more use Sanity to build content growth engines that scale, drive innovation, and accelerate customer acquisition. With Sanity, your team can dream bigger and move faster. As the most powerful headless CMS on the market, you can tailor editorial workflows to match your business. Reuse content seamlessly across any page or channel and bring your ideas to market without developer friction. Sanity makes life better for your whole team. It's fast for developers to build with, intuitive for content managers, and it integrates seamlessly with the rest of your tech stack. Get started with Sanity's generous free plan, and as a Lenny's podcast listener, you can get a boosted plan with double the monthly usage. Head over to [Sanity.io](https://sanity.io) slash Lenny to get started for free. That's [Sanity.io](https://sanity.io) slash Lenny.

You fell in love with building products for a reason, but sometimes the day-to-day reality is a little different than you imagined. Instead of dreaming up big ideas, talking to customers, and crafting a strategy, you're drowning in spreadsheets and roadmap updates, and you're spending your days basically putting out fires. A better way is possible. Introducing Jira Product Discovery, the new prioritization and road mapping tool built for product teams by Atlassian. With Jira Product Discovery, you can gather all your product ideas and insights in one place and prioritize confidently, finally replacing those endless spreadsheets. Create and share custom product roadmaps with any stakeholder in seconds, and it's all built on Jira, where your engineering team is already working, so true collaboration is finally possible. Great products are built by great teams, not just engineers. Sales, support, leadership, even Greg from finance. Anyone that you want can contribute ideas, feedback, and insights in Jira Product Discovery for free. No cash, and it's only \$10 a month for you. Say goodbye to your spreadsheets and the never-ending alignment efforts. The old way of doing product management is over. Rediscover what's possible with Jira Product Discovery. Try it for free at [atlassian.com slash Lenny](https://atlassian.com/slash/Lenny). That's [atlassian.com slash Lenny](https://atlassian.com/slash/Lenny). Eric Ries, thank you so much for being here. Welcome to the podcast.

Thanks for having me. This just feels very surreal to have you on the podcast. It feels like a surreal experience. You're such a legend in product and in startups, and I'm just really excited to get to learn from you and for listeners to get to learn from you. And my first question, just what are you up to these days? I know you work on the long-term stock exchange. What else is going on in Eric Ries' life? Yeah, you know, if you can believe it, the lean startup came out in 2011. So it's been a little while now, and it's been such a crazy ride. And basically every year since it came out, I keep thinking, all right, that's the end. Surely that's enough. And just each year, it gets crazier and crazier, and new things come my way. So yeah, I definitely, you know, I'm building the long-term stock exchange at LTSC, I'm sure we'll talk about. And, you know, I spend a lot of time still with founders and with big companies, X, you know, trying to answer their questions about how to build companies in the right way. Obviously, been sucked into a lot of AI stuff of late, as everybody is. And one of the interesting things that actually surprised me is I spent a lot of time, the last 10 years, working on the issues of governance and corporate governance and how companies should be structured, not really with an eye towards technology in particular, but just, you know, with long-termism and humanism really at its core. And it turns out that those questions have just become like really acute for AI companies. So because of my work on governance, I wound up meeting with and getting to work with some of the top AI companies that's been really interesting. But yeah, I feel like I just, I go where the issues that are on people's minds go and it kind of pulls me into new and really interesting things all the time. Amazing. Okay. So I'm going to want to talk about all those things as we get into this. Something I wanted to mention is I feel like people don't give you enough credit for how many core concepts of startups and product building you've either invented or popularized. So what I know, obviously lean methodology, then there's the term MVP, then there's the term pivot. And then also, I think A-B testing, customer development, continuous deployment, vanity metrics as a term. I'm guessing there's many more. And then the long-term stock exchange. And I think the theme I get from this is there's a lot of first principles thinking that you've done. And so just a couple of questions here. One is, did you think you'd have this much impact on startup culture and language? And then just where do you think this comes from,

this first principles thinking that you seem to be really good at?

Well, first of all, thank you for saying all that. That's giving me too much credit, but I like the idea that it's going to balance out the too little credit I not necessarily get somewhere else. That's great. You know, no, I mean, that's your question. No, I didn't know this was going to happen. This is so embarrassing to admit now, but just to give you a sense of how different the world is now than at the time of the financial crisis. I was so embarrassed to be blogging that I didn't put my name on the blog. I published it anonymously because it's like, it wasn't a thing that people didn't. People told me it would be career suicide. And there were so few startup bloggers at that time that like the top three all reached out to me personally because they saw it in their referrer logs on their website. That's how little traffic they got that like when a new person started writing about their thing and linking to them, they were like, who is this guy? What's going on? It was a very different, it was a very different time. And I had just finished a startup. I had left a startup that was being successful. And I had this reputation among VCs that I could make engineering teams be super naturally productive. I had like the magic pixie dust. And so they would ask me to come in and work with their teams. And I would be like, no, listen, honestly, I'm not that special. What's nothing to do with me? It's just, you know, that this framework, I have these ideas that are helpful on a team if they adopt them. And they were like pat me on the head and be like, yeah, kid, I'm sure that's great. But can you please bring the magic pixie dust to my company? You know, anyway, and I would go and have these meetings and I'm not making this up. People would yell at me in the meeting, I would get yelled back, I would be like asked, not very kindly to leave. And I'd be like, I don't understand what are you yelling like, why are you mad at me? You asked me for this meeting. And they'd be like, what I'm like, I'm just telling you what I witnessed with my own eyes that we at IMV, we ship product 50 times a day on average at a time when people were like, lucky to be doing it monthly if they were really advanced. Remember, like it wasn't that long ago that we put the year the product came out in the name of the product. It tells you what cycle times used to be that was considered normal and people were like, that's impossible. That could never work. And at that time, I wasn't even propounding a theory or anything. I was just explaining what I had seen and people couldn't believe it. And so I had this great idea. If I write some of these stories down, then when someone asked me for these me, I was doing these meetings all the time. I didn't understand the way Silicon Valley worked at that time. I didn't understand why this was happening to me, having these meetings. And I tell write the story down and then I'll send people the essay. And if they think it's crazy, then we don't have to have the meeting. I won't get yelled at. Like that was really as far ahead as I was thinking at that time. And then, you know, it basically took over my life. And I was being asked to speak up if people really wanted to unmask the anonymity, who is this person? And so I came clean. I identified myself and started writing and speaking and working with companies. And it just it became it became a whirlwind. The first principle is part of it. I just I don't know. I've always been wired that way. I feel like maybe I'm a failed scientist. Like I wish I was actually good at chemistry or something. I could have actually been a real scientist. But I always really had a respect for the truth for scientific thinking. That was a big cultural value that I was raised with my parents or doctors, you know, just definitely part of my upbringing. And I was really into reading stuff that that worked that way. So it

was very natural for me, I felt like as I had success as an entrepreneur, I wanted to know why does this work. And what people give me advice, you know, all the advice used to be of the form that Steve Jobs once did this thing. So if you do it too, you'll be like Steve Jobs. And it's like, well, he also wore the black turtleneck. Is that is that also part of the like what helped me understand why does it work? And is it still appropriated? And does it make sense for that industry or not? I didn't like these just so stories. And I realized looking back, I didn't have this understanding at the time, but looking back, I feel like first principles thinking it really has two components that people pretend are one thing. And it's more one than the other. A lot of my work is just descriptive. It's not actually telling people what to do. It's simply giving a name and a concept to a thing that already happens. Like that's the funniest part in the early wave of criticism against lean startup, people were very angry at the idea that I was saying that a startup is an experiment. Like you can't treat a startup like an experiment. I was like, well, you can treat it however you want. But it is an experiment. People are like, well, I don't think it, you know, like people don't like the concept of pivot. There's still this anti pivot people, anti MVP people ever once in a while come out of the work still to complain about it. It's like, well, I'm not telling you that you should pivot. I'm just saying like that is what it's called when you change the strategy, but try to have fidelity to the vision that we it needs a name because we do it all the time. And even when we don't do it, we talk about doing it and we can't reason about it. And we can't. And so that like this is descriptive part. And then that's the real work, honestly, is just saying like, what is it? Like to me, the big question from the beginning was like, what is a startup really? Why is it so different from a big company? Why is why did none of the best practices that I learned in my career work? It wasn't just like a survival mechanism, I want to know. And then once you've identified what it is and laid out the the original principles of like what you're trying to do, the prescriptive parts are just a matter of deductive logic. It's like, well, okay, given that we've made this hypothesis, like what is that? What are the implications of that? And of course, the prescriptive parts are important because that's how you learn whether your hypothesis is correct.

So that's the other thing I think people don't appreciate people. We will call me a first principles thinker, which I love that there's a big compliment, but I feel like it conjures up for people this idea that I like sit in a cave for years and years and like conjure up the magic idea. It's like, no, I wish people had all the outtakes of all the concepts I've tried. At least start up without my first try, the conceptual vocabulary was not the first time I got it right. It came through a lot of trial and error, a lot of trying to figure out what works and doesn't work first in my own career, my own work, then trying to give advice to other people and trying to translate what worked for me to see what would work for them. And then to answer the questions that I thought were the natural ones, under what circumstances does it work and when would it not be appropriate? What predictions does a theory make that we could then go see if we're true or not true? And then the kind of the bigger picture thing is like, what are we really doing here? Like, what does success even look like? And so like that, I think is the thing we all really grapple with is, you know, it's very easy to come up with a theory or a method or a process that produces the maximum of something. But then it's like, what is that? Is that thing good? You know, is that actually helping us accomplish some kind of goal? And so that, you know, I think that

first principle thinking is very helpful for that too. But yeah, I don't know, I guess I've, but to really answer your question, the truth, true answers, I don't know. I was just, I've just always felt like I was wired that way. I have a love of ideas and want to know why things work. So to me, a couple of takeaways from what you just shared, one is just your wire to think in a specific way of thinking very logically, scientifically. I have a similar feeling where someone tells me a story, like the way I started writing partly is people kept asking me questions about how Airbnb did stuff because they're building their marketplace. I'm like, here's what they did, but who knows if that was the way to have done it. Yeah, yeah, exactly. Exactly. Did they succeed because of that or in spite of it? Let's dig into the lean startup method and methodology. Feels like we haven't heard an update on just like how things are going, where it's going, this how popular it continues to be. I'm curious, just what's your sense of the state of the lean methodology and the lean startup movement? It's an interesting question. You know, we used to do a lean startup conference every year and then I stopped because of COVID and we haven't resumed yet.

So it was like, we used to have an annual opportunity to bring people together, assess the state of things, hear the latest updates and stories. I really feel the lack of it. I miss it. We tried to do online versions, but it just wasn't, it didn't feel right to me. And that's partly, you know, it's COVID and the thing that our world has been going through the last years, but it's also partly, I didn't understand what it would be like to start a movement until I'd actually done it. And I just, I remember the first conferences we did, the first events we did had the feeling of a religious revival. People were like, we've got the new thing, we're going to stick it to the man. And I really thought, okay, my job is going to be to lead these hordes into battle. I really had like a martial metaphor. I used it just a second ago, combat of ideas. I was ready for like the old ideas are going to like fight us to the death and we're going to win it. And it's not like that at all. We charge onto the field and no other army ever came to charge us back. Like it just, we won by default, because the people who are doing it the old way didn't really like it or want, like it was very few defenders of the old way. Like very people came out and said, actually, no stage gate is actually still the correct product idea. And you've, you know, you've got it wrong. It just, it never, it never happened. And in fact, in the high, the fancy startup people went from dismissing it as like, totally pointless to complaining that it was overhyped and over before ever passing through the intervening stage of finding out what it was. That was really interesting. I'll never forget like tech crunch, like had an article this is years and years ago about how like lean startup is overhyped. And I was like, you haven't even talked like that's about the first entry point to talking about it. I was like, could you, could you at least learn to use the word pivot correctly and then, then criticize it for being overhyped? Is that all possible? So it went from like insurgent revival to just the default thing that people did, even the people that disagree have to carry the meme in order to criticize it. So it's, it's, it was fascinating to find myself on the other side of this thing. And, and you know, when I would meet young founders coming into the industry for the first time, and they're like, seems obvious. And I'm like, what was only five years ago that people thought this was like, crazy, so crazy, they're yelling at me. Now you think it's obvious, like it's really interesting to have something go from controversial to obvious. And you know, and of course, like tons of people who were really opposed to it at the beginning

came back, you know, now they say that they knew it all along and they were my big, you know, just you see, you see how it changes people's minds. So it's hard to generate that religious energy and excitement around something that everyone views as obvious. And it really was hard for my just because it's an ego matter, I want the validation of the winning and the this. And I realized at a certain point that like, the victory is not that this fancy company, you know, used it or whatever, like the victory actually is in the stories that people tell me about how the book was helpful to them. And that's, that's really, that's the whole ball game, we don't have to do no one, no one had to lose in order for us to win. You know, there's not people with some used to, I don't do this, people don't do this as much anymore, but occasionally someone still who wants to like make a fight between lean startup and agile or agile and design thinking or this and that. And you know, I tried really hard if you look at lean startup, it is full of citations and connections to Six Sigma and lean manufacturing and design thinking and customer development and DevOps and software craftsmanship and every everything I could find

is I really wanted to show how these things work together. And then we went through a phase where people wanted, wanted me to like make it into a religion for real. People used to write me and say, so and so on the internet is writing about lean startup and they're wrong, you need to make them stop. It's like, what, what power do you think I have to make someone stop writing? And I think they can write whatever they want. And then the other thing that people said was, well, lean startup is about this particular set of practices. If someone finds a new practice, they're a heretic and need to be excommunicated. And it's like, guys, no, no, no, we, I wrote extensively in the book, did you read? It's a scientific theory, which means that, that whatever works is lean startup. So if someone comes up with something new and it works, we can't be threatened and upset about it,

we have to adopt it. Well, when you have that attitude that whatever works is the thing that like the truth is what matters and like people's quiet moments of helpfulness, like that's, that's our metric of success. It kind of takes the like hype and drama and, you know, stuff that drives like press coverage and what takes it all out of it. And I don't miss it at all. Like, I think it's, I feel much happier doing that than I ever did when we, when I used to travel a lot and do a lot more public stuff. And I think partly again, partly the changes COVID and not, you know, conferences went away for a while. So it was like a quiet, quiet time. But I feel like it's actually been really amazing. Like that's what victory looks like. It's not about they don't throw you a parade and say the thing and even though people who are your critics just don't grumble about it. But like at the end of the day, the new entrepreneurs who come in just take for granted that this is the conceptual vocabulary of entrepreneurship, and then they do with it what they will. And I've learned to really, you know, appreciate that as much as my ego of course likes to get into fights with people. It's like, no, that's actually that's that's better. And that's what winning looks like. Yeah, it's so interesting that it's just you've done so well in communicating these ideas that it's just become part of the culture. And people don't even think about, oh, Eric Ries came up with all these things. I also feel like people push back at you on the things they disagree with. And then they never give you credit for like, the things that work great. It's only like, Oh, no, MVPs don't work anymore. Yeah, yeah, people once a year at least, someone still writes to me and says that they we should have used a different term for MVP that the

misconception

the misconceptions around MVP are driven by the choice of the term. I always write them back and say like, please tell me the better term and popularize it. And I'll use it. It's a great idea. Like, I'm more aware of the limitations than anybody else. And I'll tell you another thing that I think people don't appreciate. I know everyone wants to be a thought leader these days. It's like a disease. When Clay Christensen died, you know, I knew him and admired him a great deal. And, you know, his endorsement of my work was like one of the most important, like for me, like from the old guard of management thinkers for him to say that it was worthwhile was like really a big deal to me. And yet, there was this big debate is now a little bit older now about whether he's responsible for all the bad things people have done in the name of disruption. And the first part of me is like, that's an outrageous slander on clay, like that's so unfair. A bunch of tech bros like use disruption as a code word for all kinds of dumb stuff has nothing to do with his theory has nothing to do with his work. It's like, have they even read the work, man? So so I wanted to like I was one of his defenders, you know, and especially after he passed, I was feeling I was very emotional about it's not fair. But then the more that I've sat with it, the more I thought, gosh, maybe we are a little bit responsible for the things we put into the world. And it's terrifying because of course, you can't control what people do. You can't control like people, a lot of people are willfully ignorant. Whenever someone says something where I'm like, gosh, five seconds on Wikipedia, and they could have found out the truth about the thing they're talking about. So, you know, we live in an era where ignorance is optional. That's cool. But also a little bit scary. So like, I think taking on that responsibility, this is true for anyone who makes a product, I think it's not actually unique to authors at all, when you make something put out into the world. On the one hand, you don't have any control about what happens next. And yet I do think we bear a certain responsibility about was it, in fact, net positive, it wasn't helpful to people. And so I try it's like part of what motivates me to try to really get it right. And not just get it right for my own satisfaction, but get it right as evidenced by what happens when people use it. And that's why I mean, that's why testing and experimentation is like such a big part of my life and my theory. But to me, that's how we square the circle of our responsibility in a highly uncertain world is you go find out what happened when people use the idea. And if it's not right, you know, even out even after their misunderstandings, it's still not right, then you've got to make it better and find a way to communicate it more clearly. So it's kind of an eternal challenge, but I think an important one. Along the same lines, is there a misconception of lean startup or any of the other things you put out that you just kind of really frustrates you that just is a recurring misconception that people just continue to get wrong? You know, I wrote an article, God, five or 10 years ago, I can't even remember how many years ago it was like top misconceptions about lean startup. And it was like, number one, lean means cheap. So you're doing these sort of I mean, you're not raising money. It's like, that's, that's not true. And then, you know, I'll kind of remember what they are. And they're all still prevalent, you know, like nothing's changed. I could write that same article today. It's like lean is opposed to having a vision. You know, if you have, if you were really visionary, you wouldn't do experimentation. Experimentation leads to local maxima. And, you know, whatever, it's just like, I read it in somebody's book that they're like, that's what lean is about.

And I was like, man, did I forget to write it in the book? I was so gaslighted that I went, I actually went back and cracked open a copy of lean startup. And I was like, on what page do I address this? It was like on page nine in the introduction, the first things in the book, I was like, okay, I did say it. So like, that's pretty common, you know, that turn the crank thing about optimization, that's pretty common. And then like pivots, people perennially misunderstand

what a pivot is. And like, what, again, whether that's a descriptive or a prescriptive thing, you know, it's really tricky. And so, you know, like, it's like, those are, I feel like at this point, people are just being willfully ignorant. It's like, it's okay to criticize lean startup, there's no problem, it doesn't bother me, I think you should, it's good to do this, healthy to do so, but like to just trot out those same old things, you know, it doesn't.

I'm like, what are you like, how does that advance the state of the art? And how does that help entrepreneurs in any way? And it's like, and I'm not even really sure what they're trying to accomplish by doing that. That's the thing that I've grown confused about is like, what is the purpose of this discourse, other than just to kind of be reflexively contrarian, I don't know. Get some likes on Twitter, flash X. Maybe you're right.

So along those same lines, so you wrote the book 12 years ago, if you could go back and change something in the book, is there something that you would want to change? Oh, man, I would, I would change everything about it. It's why actually why I won't let myself do it. When I, when I was a consumer of books, I hated it when authors would come out with a second edition

that would destroy what was beautiful about the first edition, including the mistakes.

Because like in their attempt to put disclaimers on everything and make everything more nuanced, you'd like totally lose the thrust of the argument of the thing they were trying to do and their own, you know, like becoming famous, like really messes with you psychologically. So like, you don't, you don't want to expose your readers to that, like, oh, go get therapy, don't, don't make me don't like destroy the thing that made your book amazing. So like as an author, of course, I think so many elements of it could be, could be improved. The one that is the most glaring to me, well, I guess there's two, I'll mention two, just, just because they're relevant. One is, I'm a little embarrassed as a chapter in kind of towards the end of the book, where I talk about the scaling of lean startup. So it's like, okay, you've, you've had success now. What are the principles for which, how do you scale up a big enterprise now, you know, that has many lean startups within it and stuff like that. And I don't think I wrote anything wrong in that section, but I really cringe to read it now because it's so blind and just like, step one, do this, do that, like, you know, it makes it sound so easy. It's so simple. And of course, like, I've subsequently written a whole book longer than lean startup, just to illuminate those principles and explain how they work in real life, because I actually had the privilege of getting to go do that with companies of like, really extraordinary scale. So I'm a little embarrassed now to be like, I made it sound so easy. I hate to, I hate to mislead any entrepreneurs into thinking any part of entrepreneurship is going to be easy because that's, it's just setting people up for a disappointment. And the other funny bit is, you know, that meme on Reddit, the Star Wars meme, where Anakin Skywalker says, I'm going to change the world, and Padme, it's like, for the better, right? And then pause, and she's like, for the better, right? I feel like that is like the meme

of our time for the tech industry. Like, every company was about changing the world. And we forgot to ask for the better. I always just took it for granted that our goal was to make the world a better place. Like, that's how those values I was raised with. That's what I thought we were doing. And I was railing about it for a while. I got really, I would get depressed. And remember, don't be evil. And there's been all these moments in the tech industry where it seemed like we were going to really do something extraordinary. And then just like the things that these companies become is so depressing. And I was like, well, I at least made it clear and then I was like, did I? Again, I actually went back and reopened the book. And I was like, did I tell anybody that they should change the world? And if I did, you know, I assume I specified for the better. And it's actually right there in black and white, like right in the introduction, these start up one of the lights, like a throwaway line, you know, this is the technique that will give the entrepreneurs tomorrow the tools they need to change the world. Period. And I'm like, no, I should have said for the better. I didn't know I had to say it. I thought it was obvious. I thought we all agree. So I kind of feel like that is also a major oversight. And you know, I'm making light of it now, but like it's had catastrophic consequences. Not really. I think I don't like lean startup has led people in that way. I think it has much more to do, you know, with other with other social forces. But like, but I feel bad that I missed my chance to like take a stand on something that has turned out to be quite important.

So you saw me tweet a call for people to ask questions. Yes, I'm really excited.

So I have a few questions from the audience. The first is around the concept of MVPs, MVPs.

So Kari Sarnan, who is actually on the podcast recently. Oh, great. Founder of Linear had a question about MVPs. And his question is essentially, if you still believe that MVPs, essentially shipping very basic versions and iterating is the way to go given

that user expectations have risen a lot in any markets, iOS apps, for example,

web productivity software, things like that. Yeah. Yeah. Yeah. I love that question because before I get it, I get it a lot. And also it's important for us to really understand like people,

people think that MVP is about a specific tactic. So like an MVP is like a bare bone stripped down thing that will crash your computer. But it's not, that's not anything to do with MVP.

MVP is simply for whatever the hypothesis is that we're trying to test, what is the most efficient way to get the validation we need about whether my hypothesis is true or not.

And so part of a successful test is to understand what are the demands of customers in our market.

Now, the funny part is people have a real fear of failure in product. I mean, we all have this

deep, deep, deep fear. So the first answer is like, would like, you think user expectations are high

in the iOS app store, you should try like the purchasers of, you know, battery backup systems for data centers or like people who built deep sea oil drilling machines or, you know, like

jet engine, I've worked with companies where the standards are like actually really high and it makes iOS app seem like pretty, pretty basic. It was like, okay, nothing blows up if people like

your app. But like even in these really high end industries in really high stake situations, like the cost of offering someone to buy something that they don't like is really not that high. They

just say no. And like a lot of MVP is just about containing the liability of making a mistake.

So like, yes, one of the things I really encourage people to do is like, go find 10 customers, not

10 million, but like find 10 customers, get them to use the product and have them tell you what's

awful. That's okay. And like, I used to be so upset when I used to launch a product, if customers

would argue with me, like people used to be like, you idiot, I can't believe you lost launch this product without features XYZ. They're so essential. And I would be like, you're wrong. I did the right, I got to get mad at them. But then I got a little smarter. And I'd be like, XYZ, you say, and I'd be like, taking notes, right? I go, interesting. Now, sometimes XYZ would be the exact next three features of my roadmap. And again, I want to argue with them as I know, I was, you know, like, I knew that, and I bet you used to be like, Oh, thank you for that wise feedback. And then when we launched XYZ, they would feel a sense of ownership. Wow, I'm the one who told them to do that. He would have even done it. But of course, I think we're really afraid of entrepreneurs. I think we're really honest. It's not that people say you idiot, you didn't launch without XYZ. People say you idiot, you launch without ABC. And you're like, how is ABC? Never heard of that. That's how that's the much more common response that I get. Like, let's say, so let's grant the premise of the question that like, expectations are high. And if we launch an app, and it doesn't meet people's expectations, they won't like it. First of all, what really are the consequences of that? In an early part of the startup, we had to do a lot to explain to people the difference between a product launch and a marketing launch. Like, you know, you can launch the product to customers without telling anybody that you did that. It's okay, like no one's going to find out it's not going to be big news. And of course, like when once you're a big successful company, that's totally different issue where like now you have to put your corporate brand on stuff. But like if you're an actual startup, nobody cares. So like, it's okay to try it. But like, the other thing that I think people don't appreciate is that MVP is very flexible. So if you tell me like, when I work with entrepreneurs, like, listen, I'm sorry, our customers, the bar is here, and the thing just has to be that good. I'm like, excellent, and it can't have very many features, I guess, can it? Like, what do you mean? So you just told me the bar is way up there. So we better do like just the one critical feature at that level of quality. And then if that works, we'll do the next one. And then of course, like, oh, no, no, no, I need to do all the features at all the quality. It's like, well, then what are we testing? It's like, by the time you find out whether that's any good. And look, if you look at the the pivot stories, I'm sure you found this too, like, very often 90% of the work in the first version is thrown away, no matter how high, how high quality it was. And in fact, for as an engineer, that was part of my like original disillusionment with the agile software movement. That ultimately lean startup is that people promised me that if I followed these best practices, I would eliminate waste from my work. But if I build something that customers don't want, that's the ultimate waste. And nobody protected me from that. So I don't really care how high quality the initial MVP is, because quality is defined by the customer. And if we don't know who our customer is, we literally don't know what the word quality means. So that's where I think founders really run into trouble. And everyone's like, well, I'm Steve Jobs on this, I have the magic taste. And it's like, well, first of all, do you have the years and decades of failures and experience that that from which that taste derives? Okay, if you do that, I'm like, I'll give you the benefit of it out. And if you don't, then like, definitely don't rely on that, definitely do some experimentation, go get those cards. But even if you have the taste, like, if you're completely right, what can it hurt to double check? Like my view was like, oh, let's have 10 customers look at it and have them throw up about how it's so horrible.

That at least confirms that we're on the right track. Okay. And then we call it establishing a baseline when we talk about innovation accounting and the metric side of lean startup. Let's go find out how bad the situation is right now, so that we can then know that we improve from it. Because like the thing I actually see from people who in the name of quality will wait a long time to ship a product, is they ship it with really high quality and nobody uses it. And now we don't know why. Is it because our idea of quality is wrong? Is it because the value prop is fundamentally like I feel like building a high quality wrong value prop is nothing to be proud of. There's no craftsmanship in that. Or is it, you know, like I once had a company that built a really beautiful product, amazing land, everything was awesome, but there was a JavaScript error where when you clicked the download button, the signup button, whatever, it just, it didn't click. So they launched this thing, it had 0% signups. And they're like, it's a catastrophe. We made the wrong value prop. So how do you know from one experiment you can never know you have to be willing to do a series of experiments. And the again, the logic of MVP is just products take time to build like the best products in the world. Everything takes time. I don't think it takes a month a year. You're like AI will mean I could build any product I want and you know, instantly, but like it's not instantly, it's going to take time. So during that time that the product is under construction, there's going to be some moment in time when you have half the product, just logically speaking, you first have 10%. So when you have half the product, let's have customers use half the product. Well, it doesn't cost you anything extra. You had to do it. You build a natural experiment anyway. Have them use it and tell you it's only half as good, or it's unusable because it's so bad. Excellent. Good. But the startup literature is littered with examples of people where less is more, where the crappy small thing they did turned out to be more valuable than the competitor. And I'll just give you one example, one of my favorites. I come from 3D graphics, you know, and avatars and metaverse stuff, which of course now is bad. It's one of these things that goes through these hype cycles. And I'm like, are we actually in the hype cycle or in the truck? I think it's trending up right now. Is it? Are we trending up again? Okay, it's really hard for me to keep track. Even while I was working on it, every few years, it was either the future or nobody wanted to do it. I bet sales of Snow Crash, you probably have that cyclical thing to them, and it's hot. People read it, otherwise not. Anyway, we built a version, our first version of IMVU, we built with 3D avatars like in a cafe or in a scene. And the avatars were all anchored in place because we didn't have the technology called inverse kinematics. We didn't have the technology that would allow an avatar to like stand up and walk. And you know, when you do this 3D grab, it has to work perfectly. The feet have to like actually glide along the surface. And it just, if it doesn't look right, you wind up in the uncanny valley and people find it horrible. So we're like, can't have that. So we just have the avatars sit there. And people felt the product was claustrophobic. They would always be like the Sims. Let's me move around. Why am I stuck here in the chair? I feel that it was a very common thing in customer feedback. But we were like, we can't afford to do the expensive thing. We couldn't do it. Couldn't do it. And one day, like as a hack, as like a little demo, I was like, well, just change it so that when you click in the scene to a different spot, we'll just stop rendering the avatar in the first

place and we'll put it in the second place. So it was like really, we didn't even do the proper cut. The camera would zoom over there. It was really ugly. I was really embarrassed about it. I was like, let me just like play around with it and see what happens. And we, we shipped it to kind of, I was like, this is not, this is below the quality bar. This is like, I just like, I people, I felt bad as the engineer, everyone involved felt really bad, but we had like committed ourselves that we're going to try to experiment with stuff. We're going to see what happens before we can start for existence. We didn't even have a concept of MVP. We're going to try it and just see what happens. And we shipped it and nothing happened. No one cared. I was like, phew. But then we used to do these daily tracking surveys. We just sample people and ask them what they think of the product. And in the tracking surveys, people started to say that IMB was the most advanced

avatar product they'd ever used. We were like, people would be like, we used to be compared to the Sims unfavorably. Now people are like more advanced than the Sims. And I was like, what does

this mean? How did we get more of like, did we improve our 3D graphics or something? And we started to do, no one could understand why they were saying that. We used to do customer interviews

and finally a customer was like, oh, oh, it's so great, man. In Inview, when you want to go somewhere, you teleport. The Sims, you got to wait for the guy to get up and walk around. It's so annoying. And we were just like, oh my God, embarrassing. And for you, I mean, we didn't do university kinematics for a really long time. Wow. I love that story. Yeah. Something that I'm learning as you talk about MVP is that the idea of minimum is very fluid and very context specific. And essentially, the message isn't build something low quality and simple. It's figure out what is that minimum bar for your market and product. And just like the message is just build as little as possible. What are as little as necessary for you. So like, what's so it's fascinating. I mean, I'm John joking about I've worked on jet engines and robotics and cancer therapies and all kind of I've worked on stuff. And LTSC me took us 10 years to build the MVP for LTSC. So like, it doesn't even isn't necessarily mean cheap, low quality. It's just whatever your hypothesis is, whatever you actually believe is going to work. Let's put that thing to the test. That's all I really want. When I work with companies like, you know, first time founders, especially are usually very stubborn about this, and they don't want to do it. It's like, look, you tell me what you believe. I don't have to be right. And I want to just double check that you're right by however we do it. And then, you know, once people actually start to turn that idea over in their mind, they often will be like, well, you know, like, you know, a classic one is like, we can't, we can't sell the thing till we build the physical equipment. It's like, but do people buy is your product bought in a showroom where people see the physical equipment? No, they buy it from a brochure. So it's like, okay, well, how about we send them a brochure and ask them to preorder it. And then then it's like, but I can't do that. I can't have a crappy brochure. It's like, who said a crappy brochure, right? Like, we can build a really high quality brochure in a lot like in a tiny fraction of the time it takes to build the actual machine. And then it's like, well, then what is what are you talking about? It has really good fonts and it has pretty pictures. Maybe what's your theory, right? Like, you tell me what do you believe about like, well, actually, what matters is the quality of the specifications of the equipment in the brochures. Like, now we've got the leap of faith assumption.

Let's go find out. And then like, hold on, but we don't know what those specifications are going to be. Yes. Like, oh, but I saw this 500 page plan over here. What do you want it to be? It's like, well, it'd be really great if customers would accept this set of performance characteristics. Like, well, let's go promise that. Because maybe they'll be like, that's great. And I'll just I'll give you one example. I was mentioning data centers as a team that sold equipment and data centers. They had a serious data high end team of PhDs working on research to make the thing way more efficient. And they're going to win like a Nobel Prize in material sciences in order to make this product a reality. And they put and I convinced them instead of playing three years and \$18 million. So you don't make the thing, let's go take a brochure, take it to some customers. And I'll never forget, they took the thing into the brochure, they took it into customers and customers like laughed them out of the room. And it was like nothing to do with anything they cared about. It was nothing to do with efficiency where they're like, this is we would never buy this. And they're like, but you haven't even looked at page two to see how efficient it is. They're like, we don't pay for efficiency, we build data centers, how much they cost to operate with somebody else's problem. Right? Like, that's the thing people don't appreciate

is like, these insights are so obvious in retrospect, that everyone's convinced that they won't, it won't happen to them. When I teach students in lean startup, they're like, this is so dumb. They do they do one case after another in business school. And they're like, dummy, dummy, dummy, dummy, dummy, right? Like they're like, I would never make that mistake. And I'm always like, look, you don't have to argue with me. Just call me back when you get a job. And you make when

you make one of these mistakes, like remember, we had these conversations and go read the book then.

And I guess by random chance, there are some people in the world that just never made a mistake. Just the dice, you know, you roll enough dice, somebody had the experience that dice came up, you know, double six is every time. Okay, so there are those people and they, they give a lot of the advice in the world. But I don't know that necessarily those of us who have the double six luck should necessarily be following it.

This will be a really good segue to talk about pivots, because again, a big part of your message is a lot of the work you're doing is just going to go to waste anyway, why spend all this time building it. But just to kind of put a final point on this idea of MVP, because a lot of questions came in around just like, what is an MVP? Ben Silverman, the co-founder of Pinterest, has this quote, he didn't ask a question or thread, but he has this quote.

That makes no sense.

Yeah. And his quote is the hard part about MVP is that you don't know what minimum is, you don't know what viable is. And so just to give founders who are trying to figure out what that line is, some very succinct advice, how would you describe just helping them understand here's how far you should go with your MVP?

He didn't. He didn't say you also don't know what product is.

That's true. I can't tell you how many times a service has turned out to be a product or vice versa. People embody their insight about customers in the wrong way all the time. That's super common. That's funny. All the criticisms of MVP are really just people expressing their

frustration with how uncertain startups are. Yeah, it really sucks. This is not a good way to make a living if you want to retain your mental sanity. If cognitive dissonance, if you find that painful, like this is not the right job for you, because it's really hard to hold in your head. I have this ambitious vision. I know what's going to work. I'm going to do confidence, get everyone together. There's no substitute in this world for a human being stepping forward and just saying, I am going to make this thing happen. And if you do that, if you're putting yourself wet on a limb, it's really difficult. It's really hard to admit that. And I also do not know how to make it happen. That's the truth. Whether you admit it or not, that's the truth. So we have to just, that's why I say let's just double check.

So simple succinct advice. First, the first tip is write out the list of features that are necessary in your MVP, cut it in half and cut it in half again and build that. Honestly, if you just do that, that's really not that bad. The nice thing about MVP is it's one of those U shaped curves where like, if you get even in the vicinity of optimal, you're going to be fine. And most people's natural idea of what is necessary is so laughably wrong. People are naturally off by like usually one or two orders of magnitude, right? Very common for intermediate team that is trying to do 100 times more work than it's necessary to test their assumption. So first thing is just try being uncomfortably small in the thing that you actually make. And if you're having trouble with that in the startup way, in the sequel to Lean Startup, I really go through because it's really more for a corporate or large company audience. I really go through like, okay, if you want to have a process for determining what to do here, like you should first brainstorm your leap of faith assumptions that you hear and categorize them this way and select them like this. Okay, now for each assumption,

brainstorm the metrics you might use, you know, select the metric you want, what is your learning metric and then from their brainstorm MVP score them according to this formula and then like use that to help people. Anyway, if people can follow that they want. The thing I learned is that if people are having trouble coming with MVP, the problem is usually upstream in the chain of deductive reasoning from the vision down to the MVP. It's like usually people are just not super clear on what do I want to learn. And it's the most common reason is because people don't want to admit that they don't know. So as an entrepreneur to say that we're going to test to find out what customers want is really hard. I'll give you an example from my own experience. You know, LTSC, I said it's taken us like 10 years to get the thing approved and going. It's a really very difficult product to build. One of the early iterations of it, you know, that didn't work, we were building on partner infrastructure, which was a very different product back then. I don't want to get into all the legal nitty gritty because it's kind of dry. But anyway, it took us six whole months. It took us, you know, time to raise the money, build the team, do a stuff, you know, get all the lobbyists and lawyers everything in place. And then we had to go part do this partnership agreement. The partnership agreement itself took like six months to get in place. And then we had to go to the SEC and get approval. It was like a very complicated multi-stage process probably took, I think I just described two years of my life, you know, end to end there. And the whole time I was talking to the team about our goal with this whole thing is to learn what is actually necessary to get customers to list on our stock exchange. Our goal is learning. People are like, but I thought our goal was to get this contract done. I thought our goal was to, it's like, well, yes, but the reason we're doing those things

is so that we can learn whether this is actually going to work or not. And so I remember, now I never forget during the contract negotiations, people were like, you know, we got to take an extra week to deal with this point. I mean, we don't have an extra week. It's like, but this thing's taken two years. What's a one week? I'm like, no, every day is soap, we have to get the learning as soon as possible. And I was like constantly haranguing everybody involved. We got to go faster, faster, faster. You've got to give on this point, give people were walking all over us. We were getting just destroyed in the negotiation. I was like the weakest, lamest person around just like, we got to raise the money. I was anything to get speed. Anyway, long story short, we get all the way to the end. We get the thing approved by the SEC staff and then like we get ambushed. And like long story short, the SEC withdraws their approval and the whole thing is dead. The partner, you know, we have to break up the partnership agreement. Everything goes to hell. And I thought the company was going to die. And it was a totally miserable time. One of the worst things that ever happened to me in my life, I was, I was totally upset. And then you know, and in retrospect, I can laugh about it because it turns out, of course, it was the worst thing that ever happened to me, but it's actually the best thing that ever happened to me as a lot of certain things are because from that, we were able to pivot into the thing that ultimately got us, got us approved was the reason I tell this story is every bit of work we did that went into that partnership agreement for almost two years turned out to be a waste of time. Because in the end, partnership agreement fell apart. So like if we had won a few extra clots, our margins would have been higher if we had extracted more fees from the partner, or like though we would have had less liability, people were always like, well, we'll have the liability for this and liability for that. And I think about all the things, this thing was hundreds and hundreds of pages long document. It mattered. In the end, the partnership was never consummated, no customer, nothing ever happened. And the interesting thing, the reason for the story is that the people who went through that experience with me were so much faster on the next thing that we did. It was really amazing to see because they were like, now I understand what you mean. Most people live very causal lives that have not actually really dealt with this kind of failure in their business career, obviously, like in their personal lives, they'll have all kinds of trauma and you know, like I've worked at a crappy company and have a horrible experience, but they haven't experienced this specific thing where like you are the hero of the hero's journey, you are the protagonist of the story. And the thing is not just a setback, but you just die, it actually fails. It's so psychologically damaging that even people that have had that experience, a psychological defense mechanism is to tell themselves that that didn't happen. And like, you know it better than anybody, how many startup founders are like adamant that they didn't ever fail, they didn't pivot, everything's exactly the way they saw it, you know, at the beginning. And it's like, I've been around enough startups to know how often that is just not true. But like, we need to tell ourselves that story. But anyway, if you the number one lesson of the scientific method is if you can't fail, you can't learn. And so if you set yourself up in a position where psychologically you can't admit that something didn't work, you can't learn. And that's like, that really is the essence of MVP. It's just like whatever the catastrophic thing that's

going to destroy your company is going to be, you just want to find out as soon as possible, so that there's still time to do something about it, we don't just die and move on. I'm actually seeing this a lot right now. I'm an investor in a bunch of startups, and so many of them are failing right now. And they built such beautiful products, such amazing products that they spent like years just like crafting, making so great. And then it's all, it's all for naught. And there's actually been a theme on the podcast recently around the importance of craft and design. And I'm curious just to get your thoughts on just when it makes sense to invest deeply into the craft and experience of a product versus, you know, the minimal viable product approach. Do you start very simple and then invest any time? Well, that's, I think that's a great question. People use the word craft to refer to so many different things. Like, I personally find a tremendous beauty in simplicity. So like, I would much rather people do one thing extraordinarily well than like 20 things half-assed, you know, personal. And like, how many products do you use? We were like, there's like 92 buttons on here of which I only ever press one. Could you have made that button like have a really nice feel that, you know, I could, I would have sacrificed all this other stuff. And I mean, I've actually worked on microwaves and refrigerators and stuff with actual physical buttons and like, even your crappy kitchen microwave that you paid \$16 for a Walmart or whatever. If you've never seen one of those things manufactured, it's actually incredible. The amount of craft that goes in behind the scenes to wire up every one of those buttons that are never pressed by a human being is actually really painful. If you start to think about, wow, that's a lot of human energy being wasted. So the elements of craft, I think are critically important. First of all, part of craft is perfection. Perfection is an attribute of quality. And we have to go back to the first thing in order to know what perfection is, you have to know what the customer believes. You have to know you have to be perfect for some purpose for some person. Some people will just say, well, I'm just going to build for myself. And that way I solve the problem. That's totally fine. That's true. If that's you, go nuts. You might only have a market of one, but you'll be happy. So be it. And there are, and there are startups like that where it's like, well, I don't care how big my market is. I'll just build for all the people like me and we'll, and I have a huge tribe, then I'll be hugely successful. If not, I'll just be an artist doing my thing. I have total respect for that. That's like, the ends and the methods are totally, totally aligned. Where people get into trouble, I think, is when they want to use craft as an excuse to not get any feedback. So what I tell people is, like, first of all, there's an element of crap that is just like, whatever you do, how are you going to go about it? You know, like, whether you're building an MVP or a fully featured whatever thing you're doing, like, you know, I'm a software engineer by training, like, my code is a certain way, you know, I have a certain craft in the way that I write software, because I think that's the best way and that produces the best outcomes. I will never compromise that. And compromising that in the name of going fast is stupid, right, like write crappy code, you spend more time firefighting than you do writing code in the future. So a certain amount of craft is just about keeping your options open. And actually, it's very much like, favorable to speed, using like the right, the right primitives, having the right abstraction layers, like using the right tools in the right way, you having high quality people on your team, like all those things that you go faster, not slower. And a big part of Lean startup is about helping teams get into

that optimal configuration by acting as a speed regulator, because there's such a thing as optimal speed, which we can get into if you're interested. But another part of craft is just an excuse for just avoiding feedback, like making things pretty, that, you know, pretty in the way that I want them to be because I want them to be that way. And even there, when I meet people like that, people are just like, sorry, my artistic ethos is this, and we have to be this way. And I'm like, excellent, then that's not one of your leap of faith assumptions that you're willing to test. So like, so be it. Don't don't pretend to test it, just be like, I'm not like, we're just going to do it this way, because that's how we do things. And it's fine. And I think like, that's a big, like when companies are like a core value, like I'd rather go out of business, than violate my core value, I also respect that too. But like, then that to me, that means like, having a respect for craft for design for perfection, that increases the need for experimentation and testing for all the other stuff. Because we've already invested a huge amount of our energy and force into this thing that we really care about, well, then the other stuff, you know, like, and do we also have to do like this fancy press campaign, do we also have to, you know, go put the founder's base on go boards and put them up around town? Like, is that, are those all part of your craft? Like, I just feel like people use it as a, as a, as a catchall excuse to do all kinds of stuff. But I think, you know, the idea that, like, craft is a signal to your customers about the things that you actually care about, and that that you're going to take care of. It's like, it's part of making a promise to customer, like that they're going to believe. Like, if that's your thesis, that doing an MVP that lacks craft doesn't test the thesis. So I think people want to set up a dichotomy here that doesn't really exist. I'm totally in favor of that when people have that authentic desire. But I also meet a lot of people that are just faking it. They don't have taste. They don't have a design ethos. They don't have. So like, if you don't have that stuff, where are you going to get it from? Well, good news, experimentation will get you there if you let it, because you will eventually learn the habits of mind, the patterns of the things that work. It makes sense. I really like that advice of, as a founder, build the company you want. Like, if you want to build, like, why create a business and a company you're not excited to be working on. And if you end up failing, like it's on you, that was a big mistake it turned out. But at least you tried and you're not building a company you don't want to work at. And then as a product leader, in, I don't know, if you have as much control to build a product the way you want, but, but try it basically. I always tell people to just get fired for doing it the way you think is right. Like, there's nothing that was a faster career accelerator than being known in the industry as the person who stands for that principle so much that you got fired over it. Like, the people that that magnetizes to you are going to like, you're way happier. You're going to be so much happier being a place that appreciates that. That was a big, that was a big career accelerator for me. Not that I actually got fired, but I was willing to be fired for, for, for my beliefs. And I remember sitting there, I was going to a board meeting where I was sure I was going to be fired. And I was like, well, I just don't believe in building products the conventional way. This is like a before lead startup. So I was like, I didn't even have a language for it. But like, I had a strong conviction that the way I was doing it was the right way. And I was like, well, just I'll be known as the guy who that got fired for that. And eventually someone will want to work with me because that's what they want. If nobody wants

that, then I'll go, go find a job in a different industry. Like, I don't want to be an industry that doesn't like, that's how I want it to be. And I think that people, people don't appreciate the extent to which people act like you're having a startup fail is the worst thing that can happen to you. And like, man, that's not even in the top 10. Like, it's bad. I mean, I've done it, it's awful. Okay, it's really bad. But far worse is to be in a company that won't die, a zombie undead company that you hate, but you can't leave. Who have I met people like that? And like, we're having a mental health crisis among founders that's like not talked about enough. You know, people started talking about like the downside mental health risk, obviously the stress of being a founder is hard. But like, look what's happening to the people that are so called successes. Like, when you build a company and you sell it out, and it becomes something that you find a parent, like, yeah, maybe you get rich, but it's, it's not, it's not good. And I mean, I just the other day, a friend of telling me about a friend of his who sold this company exited for like, say \$300 million or something made a lot of money and committed suicide, like not that long later, people follow the Tony Shay story, I'm adding new Tony, I was horrible tragedy, like, what's going on? So I just feel like there are worse things than having your startup fail. And so building a company you hate that becomes a malignant force in the world, you know, that you have to go pretend you weren't involved with or like, you feel complicit in what like, that's way, way worse. And I wish more founders would take that more seriously early on. That is such an important point and something I see a lot too, just companies, the founders started that are just like, alive. But they were almost never going to succeed. And they're kind of stuck. They don't want to shut it down. They don't want to give money back. What advice do you give those sorts of founders that you feel like are just stuck in a zombie company like that? It's really hard. I mean, of course, if it's going to fail, you should shut it down. But everyone's like, but I thought it's always darkest before the dawn. And it's like, sometimes it is. It's all, you know, what else is really dark, like, when you're dead, right? So like, what's the day? Everything comes back to I used to tell people the most uncomfortable laugh line in my early talks about lean startup was when I talked about the people used to talk a lot about Steve Jobs and the reality distortion field. And I would be like, okay, you're in the reality distortion field, you're on the flat part of the hockey stick. How do you know the business plans? I actually lived through this one. There's a business plan. Business plan says six months after launch, we will have almost no customers and almost no revenue. And that's when the hockey stick will commence. And I remember being there in month six, being like, we are on time on budget. This plan is cheap. Everything's happening just like the plan hockey stick to commence. I'm walking to my watch. And then we just stayed on the flat part into the far horizon. And people would laugh. And I'd be like, okay, now, if you're following a startup leader, you're in the real or you're yourself are in the reality distortion field, and you're on the flat part of the hockey stick. How do you know if it's ever going to stick? Or you're just going to be, and people will be like, huh? And that's like, that is a really scary situation. It's like, we all have these moments of doubt. And sometimes the right answer is to overcome the doubt and go for it. And it's actually part of the genius of the startup system. You know, the people, people criticize venture financing and all the problems with the Silicon Valley. And of course, do it to ourselves. So there's plenty of things to criticize.

Like one of the genius things about it is like at the end of the day, you do run out of money. The thing that you're forced to declare bankruptcy, that's actually a really positive feature of the system. So a lot of founders just can't do it. But I will say like, the thing I try to ask people to do is like, take them take really take some time to introspect and just ask yourself, do you actually want to be here? If you if you could magically wave a magic wand and you were to start a new company right now, would it be this one? If it's not just there's no indentured servitude anymore. It's okay. You know, it's okay to move on. And then the question is like, then there's like, everything moves into a tactical conversation about shut it down, give the money back, do a really hard pivot into the new thing, you know, it depends a lot on the specific factors of the situation. But it's, I think we do fact founders of disservice, if we act like this is easy, or is it I mean, it's just it's gut wrenching. And it's really difficult. And like not to be too spiritual about this, but like, it, it really goes right to the issue of ego identification. For so many people, they are their company. And so for the company to die, they also must die, like it feels like you're going to die. And I think that is like, that's part of the mental health problem. So like people, you know, as they get older, as they mature, as they have a spiritual practice, I hope they can learn to dis identify with the company and not feel like it's so personal so that it is possible for the company to die without them dying. And then they can take what they learned into the next company or the or into the next pivot or the next iteration of what it should be. Or sometimes the right thing to do is just to step aside and let a different CEO take over. Or you know, there's so many ways you can go about it. But as with any pivot situation, the hardest part is always just to admit the facts as they are. And then, and then you do it yourself versus like, what is the situation? Is it working? Can't tell you how often people just can't accept it's not working. And you get investor updates. I how many investor updates have you ever received where it's like, we're crushing it, everything's going great. And then very next investor update is we're out of business giving money back. It's like, well, you had no say your last investor updates that you were crushing it, it was absolutely no indication there was any problem like, Oh, of course it was an indication, but we're just lying about so don't be that person. That's actually an amazing segue to where I wanted to move to, which is our pivoting.

So I've done a bunch of research on consumer startups, B2B startups, and the numbers I see, and I'm curious if you see similar numbers is around a fifth of consumer startups ended up pivoting to a completely different product and almost half like 40% of B2B companies ended up pivoting to a completely different product. Does that sound right from your experience?

Yeah, that does sound right. So it's interesting. I used to do this exercise for founders where I would tell them the story of IMPU two different ways. The first way is one in which, you know, we got everything completely wrong and just sounds like we were to complete idiots and we had to pivot so many times. And then I would tell the same story again, but where we got everything right and we were geniuses and everything that happened vindicated. And then people wouldn't believe me

or like both stories are true. Like, like choosing which elements of what actually happened to emphasize and where to put your weight, you can tell the story. So like, yes, I would say there's like the percentage of people that know that they pivoted and then there's another percentage of people that didn't admit it, but they actually did. And it's really hard to assess from the outside.

I mean, just I know this from having worked with enough startups where I know the outside story and I know the inside story and they're just really different. I mean, Paul Graham used to boast about that as one of the features of Y Combinator that the founders they would get to come to the dinners would tell you the true story of what really happened. And that was critical information you couldn't get anywhere else except at Y Combinator. And I was like, wait a minute, is he saying that everyone just lies on stage when they tell the story publicly?

I don't know if that's something to boast about, like you're calling all your guests liars. And then like, I've hosted a lot of those events. I'm like, oh, yeah, people, people lie on stage. I see like, so I think part of the problem is just like trying to find out the truth of what happened is really challenging. But there's another element that I think is interesting, which is, so you know, pivot is defined as a change in strategy without a change in vision, right? So we have this idea that the founder has the vision, then they try to figure out how to make the vision happen, and they find a different way. But like the vision stays constant. But the truth is a little bit more complicated than that because the founder's vision also evolves. Founders discover what the vision actually is through the process of building the company. So again, not to be spiritual about it, but I actually believe that building a startup is in large part a process of self discovery. You actually are discovering what is true about the thing that you yourself believe. And partly that's because when we fantasize about the vision, that we never have to make any trade offs, you know, the product is infinitely popular, infinitely cheap, you know, everything's great. It's just like, no, no trade offs to be made, we're real life forces to make trade offs. And then you find they're like, Oh, I have to choose would I rather have a high end product only for a really rich people? Or would I rather have a product for this industry or this sector or this group or that group, like it can be, it can be painful. But also founders learn to talk about the things they care about over time. So I mean, go on YouTube, if you've never watched the interview with Zuck on his couch at Stanford, talking about Facebook, it's, it's a remarkable thing. It's just that some college can't come, college news person was like, just happened to catch an interview with this guy, like at a critical moment in his life, when he just didn't know what he was talking about yet. And like, now he's really ambitious. And now Facebook's vision is this really ambitious thing. And people are very at pains to say that he always had that vision from the beginning. And he talks about it. And like, that may be true. But you put the documentary evidence exists. And I'll just give you one of my own stories about that. In one of my companies, we moved offices relatively early on, because we started on a really, really crappy small office that we moved to a larger space. And I remember sitting in that office when there was just five of us. And we sat down and we had a meeting where we expect out what we would now call the MVP, as well as a longer term vision for the company. And we had this whiteboard, we all of us debated what what features should be in and out and what should be on the whiteboard. And, and I can remember writing down, I have the, my visual, my physical memory of writing down the things that were going to be necessary for the company to succeed in being right. And my co founders arguing with me about not having their perspective, they're being wrong. And I'm like, good thing. And I'm like, I can, I can, I can do one of the things I remember telling the story. Anyway, we moved offices shortly after that time. And that whiteboard was lost. And then years later, we moved offices again, and someone was cleaning out an old storage closet. And that whiteboard was just happened to have got shoved in the closet.

And someone pulls it out like, what's this? And I looked at it, I'm like, Oh, that's the whiteboard we used to hang in our main conference room. And it still had the notes from that meeting are sitting there on the whiteboard. I was like, this is so cool, historical moment, I'm taking a picture. And then I'm like, wait a minute, this is weird. It's in my hand, it's recognizably in my own handwriting. But many of the things that I'm writing there are horrible ideas. I'm like, that's not what I thought back then. I was on the other side. That's my co founders bad idea. That's not my idea. And I had this realization that like, it's not just that I learned something through the course of building this company about strategy. My own understanding of the vision of what we were doing was different. But I don't like the thing that's so critical to understand is I give into this day have no psychological memory of having changed my mind about it. I still have the original memory of writing those things on the whiteboard. And I thought I really thought someone was playing a trick on me at first. Because what I could witness with my own eyes on the whiteboard contradicts my actual memory of the thing. And I was like, which of us is right? And of course, I had to admit the physical evidence got to win out. But I think it's important also to understand how much that is true. And that's like, again, go back to like, why science is so important? Like, why do we write our like all the elementary things about science, we write our hypotheses down, we subject our things to tech, like, we do that because human psychology is so buggy. And, people who are fighting with their like generative AI, you know, chatbots and stuff are starting to see like, those are nothing but a reflection of human theory of mind. So like, we're starting to see it in alien creature that like, wow, our intelligence has all these weird behaviors and gaps and things. And of course, we want our robots to be perfect. But it's like, well, first look in the mirror and realize that you yourself carry all those cognitive biases, and you got to put in place a structure to get around them, or they're going to destroy it. That is an incredible story. It makes me think about just not like, I think it's exactly what you said, not only are the stories you hear often intentionally, not accurate, they're true, and they're kind of a myth that they've been, that have been created, but also you forget exactly what happened and you tell a story that didn't really happen. That's wild. Imagine a place where you can find all your potential customers and get your message in front of them in a cost efficient way. If you're a B2B business, that place exists. And it's called LinkedIn. LinkedIn ads allows you to build the right relationships, drive results, and reach your customers in a respectful environment. Two of my portfolio companies, Webflow and Census, are LinkedIn success stories. Census had a 10x increase in pipeline with a LinkedIn startup team. For Webflow, after ramping up on LinkedIn and Q4, they had the highest marketing source revenue quarter to date. With LinkedIn ads, you'll have direct access to and can build relationships with decision makers, including 950 million members, 180 million senior execs, and over 10 million C-level executives. You'll be able to drive results with targeting and measurement tools built specifically for B2B. In tech, LinkedIn generated a 2-5x higher return on ad spend than any other social media platforms. Audiences on LinkedIn have two times the buying power of the average Web audience, and you'll work with a partner who respects the B2B world you operate in. Make B2B marketing everything it can be and get \$100 credit on your next campaign.

Just go to LinkedIn.com slash pod Lenny to claim your credit. That's LinkedIn.com slash pod Lenny. Terms and conditions apply. So you talked about pivoting, and I never knew this about the term pivot is that you keep the vision the same. And I actually have this list of companies, B2B companies in this case, that pivoted. And in their cases, it was very different. And let me go through them real quick. And I'm curious, what do you call it if they don't keep the vision consistent? So Segment started as a university classroom lecture tool, Loom, which just sold for a lot of money. So Atlassian started as a marketplace for companies to hire subject matter experts. Slack famously started as a game called Glitch. Box apparently started as a box to put photos and content in on Facebook. And Retool started as Venmo for the UK. That one I didn't know. I found that out through Twitter, where one of the YC partners replied and share that story with me because I also didn't know. And I think that's a good example where no one ever tells you that. That's kind of an important part of the story to know. Yeah, exactly. Exactly. I think it was a quick pivot. They think they got to YC and they're like, no, let's do something else. This is why it's so hard to evaluate from the outside. Because oftentimes, there is a thread of connectivity that from the inside makes sense, why we went from this thing to that thing. And it's often something unusual. It'll be something like, well, while we were building the game, we had to do this thing first, because our values were like, you can't build a game without this thing. And then this thing turns out to be more valuable than the game. And then you're like, oh, why are we building this game? This is the thing we actually really care about. So people are like, what I thought your vision was to build a game was like, well, maybe, but why did they build that thing first? Other people build games without building that thing. So that's why I say it's a process of self discovery. Oftentimes, the vision is discovered more than chosen in these stories. And from the outside, it can seem really, really weird. And part of it is also that some people really need the failure of the first thing to appreciate what is great about the second thing. I think Segment is a good example where they tried a bunch of stuff, and then they posted this random thing on Hacker News, and they just blew up.

Yeah. Sometimes it blows up so much, you're like, wow, that's amazing. But oftentimes, like the new thing will get like 100 signups. And if you'd started with that as your first thing, you would be like, 100 signups, okay, but if you've done 20 things in a row with zero signups, man, you're like, God, somebody likes this thing. Like, you know, sometimes your first trip, sometimes not. And again, not to go back to Facebook all the time, but it's such a famous story that people know it. You know, in the movie, there's that famous scene where they live in the house in Palo Alto, and they run into Sean Parker, and he, you know, that's like that. Apparently, that's that's real. And they really were living in that house. They really were working on faith. But like, the thing that gets missed from the story is that Facebook's already started at that point, already being successful. And they're on the break between semesters on the summer. And Dustin Moskovitz and Mark Zuckerberg and Adam D'Angelo, and I forget who else are living in this house together. And I remember learning, someone told me this story about what they were actually working on at that time. Was it Facebook? They like, Zuck and D'Angelo had already moved on from Facebook and decided it wasn't successful enough. And they were like, I forget, one of them was working on like a system where you could like, use gestural controls on your webcam to program computers, because he wouldn't get carpal tunnel. It was like, they were sitting on

Facebook.

And it was like, the story I think is, I hope I should ask Dustin if this is true. And I believe Dustin Moskowitz taught himself to program so that he could like, keep up with the demand of people who wanted to open Facebook at new schools, because the virality was like so insane. And I was like, wow, you can be even building Facebook and not know. And it's like, people are like, well, if I told you that story without telling you the name of the foundry, like that's no visionary.

I'm like, no, it's Mark Zuckerberg. No one has ever accused him of having a lack of vision. But somehow, like this is true. Like, so I feel like part of this is about just admitting the complexity of these stories is a little bit more is more to the story than you really realize. These are imperfect people. And the pivot is really about like learning, right? That's to me, like the thing that matters, you know, the original idea of the pivot was like one foot anchored in the thing, one other foot moving like from basketball, right? So like anchored in what you've learned and yet so connected. So like, it was truly a complete shutdown, start over again, nobody and nothing in common. I was like, that is not a pivot. But that's just actually quite rare. Usually, there's some critical insight or element of the first thing that is carried over into the second thing. And if you were there, if you know the story, you'll be like, oh, wow, that makes sense in retrospect. And again, I think this cuts against our whole idea, like the thing we think it's like to be a visionary is you just, you know, all the answers you like a biblical prophet who sees the future. But that's not what it's like. It's really much more about having the courage to see the world as you think it ought to be. And then dance with that wherever it takes you. And so I think it's a much more element of courage than of intelligence or anything else. You're so full of amazing stories, Eric Ries. I never knew this Facebook story. I'm thinking about a founder who is maybe going through a period of considering a pivot. There's a lot of startups right now just not struggling, not struggling, but struggling to the 2021 vintage is having a rough time.

Exactly. And so I'm curious just what advice you have for founders that are trying to decide is this time to pivot? Should we give up? Should we stay the course just any tactical pro tips? So first of all, if you're asking whether you should pivot or not, you probably know the answer already. That's the first thing to just like straight up say, people call me sometimes and like, I want to know if I have product market fit. Well, the fact that you have time to call me and ask me this question already tells me the answer. If you had product market fit, you would not have time for this. There's no time for like when it's working, there's no time for naval gazing. There's no time for any, you just, it's, it's, if you've never lived through a company going through product market fit, it's such a rush. It's such an insane thing. The whirlwind of it is so amazing and so horrible at the same time. Like there's just no time for anything else. So if you're not sure, you're sure. So that's the first thing is just, can you admit it to yourself? Can you do it? The thing that it's like shut down, like if you admit that it's not working, then like, what do we do? And like, I really, what I really ask people to do in these situations is like, give yourself a fixed period of time to take some decisive action and see if it feels better. So like, classic thing, if you can't agree that it's not working now, okay, can we take six weeks to try to make it work? It's like, we have this assumption, we're going to try to test it and we're going to like, instead of working on the 29 other things that we have to do in the future, can we just spend all of our time 100% on the one and only one thing that matters right now and just like, go heads down on that for a fixed period of time and see, can we move, is it possible to

move the needle in that thing? Because one of the things that is true about startups when it's not working is that they're stuck in this, in this kind of law of diminishing returns, or like you just, you can test yourself to do, you do everything you try doesn't work, then nothing works.

It's like Thomas Kuhn and his theory of scientific paradigms. One of my favorite things that he talks about is that when an old paradigm is replaced with a new paradigm, it's usually only because the old people die out and the new people replace them. But he's, but he did a lot of research

into like, why does that happen? It's not that the new people are like magically smarter than the old people, it's just the old paradigm gets to the point where there's no more experiments to run that are fruitful. And young, ambitious people want to run productive experiments and the new paradigm gives them a thing where like every experiment reveals something really amazing and they just naturally gravitate. It's not actually a formal process of abandoning the old and going to the new. And that's true here too. Most people are not consciously able to let it go. They can't do it. So okay, find yourself a paradigm where the, the experiments are productive. Like, I can't tell you how many startups I've been where they're like, it's up to the right. I'm like, oh, really? It's like, yeah, at first it was 10%. Now it's 10.5%. Then it was 10.6%. Then it was 10.65%.

You're like, guys, yes, it's up into the right, but it's not what you need it to be for this to work. It's just so try to get yourself so you'll give yourself a fixed amount of time on the current thing. If you have to, then if you can't, once you say, okay, the thing's not working, do we have enough time for something new? Can you give yourself six weeks to try the new thing? And it's like, you know, if you're a bigger company back, okay, maybe you can't have a whole company work on it, but like, can we have a team or can we do something where we just, somebody, at least one whole human being, not a part-time committee, somebody is full-time heads down or trying to make the new thing work on a deadline. And if you're a small team, and there's only three

of you, can you just put the whole thing on pause for a minute and give yourself a fixed amount? If it was one weekend, that would be better than nothing. Any amount of, what can you actually afford? I suppose six weeks, but if it's only one weekend, like, no problem, whatever, like, what is the new thing you want to do? And just now that you've agreed among yourselves that you're going to do that for a fixed period of time, everyone go around the room and say, if I could start this company over again, the thing I wish we were doing was, and no one wants to go first, but since everyone's going to have to do it, you're like, okay, I kind of wish we were doing this other thing. Why? Well, everyone say, I'm like, sometimes the first person goes and everyone's like, I've been wanting to say that same thing for months. And it's like, wait, we all actually secretly want to do this other thing, but we're all afraid to let the others down. It's like, that's actually great new. Well, good. Don't mourn the 18 months of your life you just wasted. Be excited about the fact that you actually are on the same page about the new thing. Anyway, everyone says a new thing. See if one of them stands out to you. Do that one. If you all agree, do that one. If you have three things that you're equally excited about, do them in order. Everyone gets one month. We've got three months of runway left. Well, first month, we'll do the first thing. Second month, and we'll just see if anything sticks. And then sometimes we'll do that. And they're like, I'm just exhausted. I just want to die. If everyone goes around and says that, just give the money back. It's okay. Don't die.

Let the company die. It's all right. And like, when you raise, when you raise too much money and you got your cap tables all messed up and you, you know, I feel like for our 2021 vintage brothers, like, and sisters, sometimes you just, you need to try again with the right capital structure. It's not possible. So like, either recap, like make the structural changes you actually have to make to give yourself a chance to do something you care about. You don't have that. What are we doing here? Life's too precious for that.

That is awesome advice. Very tactical, very real. On the point you just asked of, what would we be doing? Like, what would you want to be working on? I imagine many people today would be answering AI related products. And this is a good segue to where my next question is just, how are you seeing AI change the lean approach, product development, the way teams are run? What are things, trends and changes you're seeing in all of the stuff that we've been talking about? I mean, we're entering into a really interesting phase of humanity and technology and civilization. And to know the right answers to those questions requires empirical knowledge that nobody has. That's what's exciting about it. And also, of course, some people find it terrifying. I think that what I'm seeing so far is that, first of all, people are afraid of AI, but not really afraid of AI. They're afraid of corporations with AI. Like AI doesn't do anything by itself. It has to be embodied and deployed by humans who have bad alignment. And so everyone's talking about AI alignment. I'd be a little more sanguine about AI alignment. If the company's doing the aligning, we're better at aligning their human intelligences because, you know, I'm blanking on who's law it is. I don't always name the laws. The idea that your software comes to reflect the organization that produces it is somebody's law. Conway's law, maybe? Let's call it Risa's law. Please don't. I forget who's law. Anyway, that is going to be true on steroids in AI, where we're training in machine intelligence and we're transmitting values to it. Those are going to be our organizational values. And tech has severely under-invested and neglected in creating governance and alignment structures to have those values be explicitly embodied in the organization, which is why so many of our companies have become disappointments. And so many people feel betrayed by the companies they themselves help build. It's actually kind of sad. So AI is going to force us to take those issues seriously, no matter what. The other thing that's interesting you ask about how it affects the start-up, at the end of the day, AI is a management technology. The thing it does is manage intelligence and other intelligences. And if you watch, watch people struggle to make AI agents work, it's been really interesting to me how often I've played with a lot of those tools myself. It's amazing how often you program the agent and it will be like, okay, the job, you know, you give it a task like go take over the world or whatever, go make a really sensible ice cream stand or you give it any task you want. And it'll be like, these AIs are programmed to never say no. So whatever you say is like, no problem. And it'll be okay. First step, write a business plan for taking over the world. And I will spawn a new agent with a new AI like, okay, your job is to go write this business plan. And sometimes it will like, you know, go try to write the business plan. But oftentimes it'll like, it'll spawn, it'll be like the new, the sub tasks will be like, Oh, first thing I need to do is spawn an AI agent that knows how to take over the world and have it write the business plan. And I'll just, everyone will just book pass the buck to somebody else or it'll be like, it'll go into an infinite regress was like, first thing we need to do is research this. And then like the thing that

comes back, and now that we've learned to research that we need to research 10 more things. Each of those 10 things require researching 10 more. That's like, so many ways to go wrong. And anyone who's been a middle manager who reads these transcripts will be like, tell me about it, buddy. Right. I know I was just doing an AI agent. I wanted to write me a 30 day course, 30 day transcript or a 30 day course for teaching people lean startup. So what it asked me to do that. And I was like, great, I'll have the AI do it for me. And it was amazing. It was like, okay, no problem. Day one, what is lean startup? How does it work? Day two topic, you know, what is an MDP has to work dot, dot, dot continue like this for 30 more days. You'll have a 30 day course. I was like, yes, because I know that, but could you please fill out the other 30 days? It was like, no problem. And it spawned a new sub agent. It was like, given these two as an example, please fill out the other 30 days. And it was like, got it. It was like, how to do a task in 30 days. Well, first look at these two tasks, then like create similar things for 28 more days, then return the results. It's like, no, no, I'm asking you to do that thing. If you ever want the money, Python, no, can't guard him if he's a guard skit. It's like that. You're just like, no, it's like, we're not, we're talking past each other. So yeah, I think there's like, it's really interesting to see how AI, as we learn to understand it, we will be able to develop different manner. It will like really change management a lot because it changes the individual span of control quite a lot. It solves one of the most hard problems in management is that in order to touch a lot of things, we need a lot of hierarchy, because just the expansion factor of each one has this many reports, has this many reports, this many reports, like that's what's required in order for us to like summarize a large amount of information. You know, if you have 100,000 employees, they're having 100, doing 100,000 things, the CEO needs to know what's going on. That's really difficult. You know, so there's this massive amount of human labor required just to summarize and understand what's happening. Well, AI is really good at summarization. It's actually one of its main strengths. So it's actually really easy, you know, and not in the not too distant future, it'll be very easy for someone to just be like, summarize for me everything my company is doing. And you won't need like tons of middle managers to do that for you or just, you'll just know. That's, we don't even know what we would like to build organizations where those kinds of powers are available to everybody. And I think the last thing is people are very focused on whether this is going to lead us to utopia or dystopia. And most people have a very firm conviction about what's going to happen. And therefore what needs to happen now to prevent something bad from happening. So you have the people who are like, we have to stop pause, blow up the data centers, because it's going to lead this bad thing. People are like, we have to have government intervention to prevent research on the thing or to ban open source. But like for every one of the things somebody wants to do, somebody else is saying, that is actually the thing that leads to the dystopia, right banning open source is what leads us into like a corporately controlled, you know, autocracy that's even worse than the thing that you were afraid of. So a very common question I've been getting from people in the industry who are having like an existential crisis about what should they do with their life in the face of this AI. And as you say, all people whose startups are failing, like I want to be working on AI. Okay. For everyone who's got a grasses greener kind of attitude about that, the people that are actually like doing it and quitting their job and going to work on AI, the first thing they can find is like, what should

I do that will have a positive effect? It's like, it's actually really difficult to find out some, you know, like everything I put everything I propose doing, someone's telling me that that's actually the evil thing to do and vice versa. So the other thing I think it's really important is like, big part of Lien startup has been for me, it's been just about learning how to deal with uncertainty in my life. Right. So like, how do you deal from a business perspective? How do you deal with situations upon uncertainty? And you'd be scientific experimentally be, you know, how do we just like all these different values that are about coping with uncertainty? And so the question people are asking me is basically like, how do you take ethical action in the face of high uncertainty? And so the framework that I've been using I found very helpful and I hope other people will get something out of it is the aperture of possible futures that AI makes possible is so incredibly wide. And like I said, it predicting it requires a really deep understanding of a bunch of empirical questions as far as I can tell, nobody knows the answers to right now. So given that it's not knowable, what's going to happen? Like, it's not just you don't, you're not an expert enough, but it's as far as I know, nobody knows. And the people who are most expert are actively doing the research to try to find out the thing that will help us predict. So you didn't know you could do about that, you got to wait for someone to go find that thing out. The thing that makes sense is to pick actions today that make ethical sense in a wide variety of future scenarios and do those. And what's really interesting is that takes people out of total paralysis about it into like, there's actually some very clear things that we should do. So like, whatever your, whatever your doomsday scenario is, we need more transparency right now, right? Like that's critically important. We need more state capacity. We need more competent leaders. We need companies who are committed to certain values. Like I just, it changes the way that we think about these technologies in relation to ourselves as individuals. And that's really my goal. My work here is just like, how do we get people off the sidelines and into the fight, like doing things that are actually likely to be worthwhile. And, you know, as I'm talking to you, I'm like, Oh, it sounds a lot like the idea that most of the work you do in a startup is going to be thrown away after you pivot. So don't do that work. It's like, it's, it's not really a special unique insight. It's just taking the same approach to coping with the uncertainty of entrepreneurship and now applying it much more broadly because everything's about to change. It sounds like this connects a lot with the work you're doing now around governance and long-term stock exchange. And I want to get into that. But before I do, I'm curious if personally, you're finding AI to be useful in some part of your life using a tool, or if there's a more interesting example of a company using a lean startup approach with AI integrated. Is there anything that comes to mind of just like something that you've seen to be practically valuable with some of the AI tooling? When GPT-4 was first launched, I saw a friend of a friend just was posting a friend of theirs, you know, like a story about someone who was using it for cold sales outbound right when it first came out. And they had like downloaded a list of, you know, 10,000 Shopify stores with metadata, which I googled, you can like buy that for like a hundred bucks. And then they just told GPT-4, I wrote a little Python script for each store, GPT-4, please pitch this store owner something that my like outsourcing company could build for them and be really creative about it. And then it just, he didn't even read the emails, he just sent them one after the other. And when the person would reply, he would look in the email to see what he had pitched them and then talk to the person on the phone. And it was like, why the things that

it pitched were like so wildly creative and cool. It was like, really, it was like really interesting. They were in the tone of the store. They were like really like they use clever puns. I thought it was and he was showing me screenshots of like, the person writing back being like, you had me at, you know, it was very, it was very good sales prospecting. So, okay. So obviously, like, our, that's like an incredible story about experimentation at a super high rate, right, like just like nothing, we could never have done anything like that even five minutes ago. And now it's going to become completely routine. But it's also a story about how all of our communication channels are about to be super saturated with AI generated experimentation, you know, like whether we want it to or not. And so if you think if you just extrapolate a little bit, if this technology holds the way we think it will, it's pretty clear that every company is going to be sending just huge volumes of AI generated email, such that people are going to need AI generated email clients to read the email for them and summarize it for them. And someone was joking, we will be making jokes about like, I'm going to write three bullet points. My AI will turn that into an email, send it to you, your email will redact it back to the three bullet points. Couldn't we have just exchanged three bullet points in the first place? We were like wasting a lot of silicon, you know, a lot of GPUs were burned to, to, you know, move these three bullet points from point A to point B. But I don't think that's as silly a story as it sounds. I actually am kind of excited about the possibility of AI powered marketplaces to be far more fair than the way we do it today. If you think about that story, the problem fundamentally is that you have a massive number of people who could create things for store owners.

And if all of those people emailed every store owner on the planet every day, what they could do, it would be an overwhelming amount of information. And so neither side is really capable of doing that. But like AI is capable of doing that. So like imagine a world in which everybody is required, and it's also, but it's also really easy to do, to define like a procurement policy.

Like what am I interested in buying, right? And what problems do I want to solve? What am I interested in buying? And what like, what information do I want to have? And my agent reads my inbox

for me with this filter and applies the filter completely fairly. It doesn't matter if I played golf with so and so last week or whatever, just if the proposal comes in and it's credible and the AI is like really diligent about making sure it's not spam, like then it will bring the thing to my attention, but it won't show me the email. I will be tricked by its clever, you know, Alree style positioning nonsense. And it was just like, it will give me the essential information that, Hey, did you know that there's this thing that could actually save you a bunch of money? Oh, okay, great. Like that is so much better than advertising could ever be. And it's also way more fair. We could then say, okay, actually, we would like every conceivable vendor to send me every as many emails as they want at any time, just blow me away with all the things you're thinking to do. Let your AI go crazy, trying to convince my AI that your thing is actually good. Like that's not, that's not wasted time that actually create a lot more fairness in the world. And like create a really even playing field for procurement for information. Think about like journalists and pitches, and you just see like so many situations where we've established hierarchical gatekeeping, like structures, because that was the only way to manage the volume of information that had to be processed for that thing to happen. When those, when those limits are removed,

it's could, it could be terrible, but it could be really awesome.

I love your optimistic bent on all the things we're talking about. I really respect that.

And that might be a good segue to the final thing I wanted to chat about, which is just the stuff you're working on now. So you talked about you're working a lot on helping companies with their governance. Also, I think you work on company culture and helping companies make, make money and profit and build real businesses.

And then that obviously connects to long-term stock exchange.

So can you just talk about what it is you're spending your time on there and where you see big opportunities? Yeah, sure. I mean, I think it's one of the big, big, big issues that we're grappling with. Like if I compare the questions I get asked by founders today versus 10 years ago, these issues are so much more in people's minds than they were back then.

And I often now, when I work with, when I meet, when I work with a founder for the first time, we'll often do a thought exercise that's kind of like, okay, we've talked about culture, we've talked about the company. It's like, okay, great. Why should anybody trust you?

Like you're asking your, and companies are built, like we're talking about companies now building stuff that is so invasive into people's lives, like so much more powerful than before.

And really honestly, this is just about taking seriously the rhetoric about changing the world.

So many tech companies, when they're raising money, are going to change the world in fundamental ways. And when they're being asked to take moral responsibility, they're like, I'm just a little database. It's like, can't have it both ways, buddy. Are you like a Superman who's reordering the whole world to your whim? Like, well, then you have moral responsibility for the outcomes.

And, you know, that's like a hotly debated point right now. But I feel like it's actually super people have already made it clear in their rhetoric where they stand there. They're just trying to evade that responsibility. So the next gen of founders are don't find this complicated at all. People feel a real sense of responsibility to make the world a better place. Like real things.

Okay, great. So you're asking people, you know, like I was, you were, you're like, we're going to so many companies that are like straight out of science fiction. I mean, like a company that does, you know, travel from San Francisco to Tokyo in one hour. You're like, that's unbelievable. You know, actual weather changing, like, like the real thing where you're like, we're going to change the amount of habitable land on the planet and solve famine and drought forever. Obviously AI, there's these incredible, just incredible possibilities and, you know, in nanomaterials and quantum computing, I should go on. There's just so many cool things going on. But they all have really dire consequences. I mean, so I can do a really advanced biological AI company where like, imagine having an LLM, imagine like chat GPT, but for biological compounds, we'd be like, AI, could you just synthesize for me a molecule that has these properties just described in natural language? And it's like, sure, you're like, that could be incredible.

Like think about the cures and the diseases. And I just like, that's going to be an amazing transformational technology. But it has such obvious risk and downside that we have to take it really seriously. Like, why should anyone trust you with this power? And people always say the same thing, well, I'm a really good guy. And you know, I'm your bro, man. I've got good intentions. It's like, well, kiss a crap about that. You could die. You could be replaced.

Some investor could like sweep you. Like I tell you how my story is going to tell you about startups where the investors change management, you know, involuntarily. And so the fundamental problem

is that no individual person can ever make promises on behalf of an organization. It's not possible. It's a category error. You're replaceable. And the reason is because organizations are actually alive. They are super organisms with their own soul and their own life. We are their cells and organs when we make them founders don't create them birth. And that's different. We don't own them.

They're not slaves. We nurture them. It's different. So if you want to make promise, if you want your organization to be trustworthy, the promises it makes, if you want to win the public's trust by making promises, they can believe you have to embody those promises in the structure of the organization itself so that even if you weren't there, the promise would be kept. And people act like that's impossible. But there are lots of examples. I mean, like think about like the code of medical ethics and the Hippocratic oath. Think about, you know, in the US, you want to do healthcare,

you have to have a care delivery organization that is like staffed and run by doctors, not by private equity, you know, guys, like there's all these things where like we know how to build structures that are, you know, organized around some purpose. So what should that purpose be?

I was talking to a former Googler. I hate to pick on Google because, you know, they've obviously done a lot of good things in the world, but they're like, I think the locus of a lot of tech people's disappointment in the world. And so this is nothing unique to Google, but I just happened to be talking to an ex-Google. And he was talking about the values and the company

and his disappointment and what had happened in the many years that he's been there, the good and

the bad. I said, okay, ask me, answer me this question. I'm going to ask you two different things. So for each thing, I want you to tell me what is your assessment of the probability that this thing will happen in the future? So thing number one, what do you believe is the probability that Google will file its next quarterly report on time? It was like 100%. It was like, how 100%? You'd be like, as certain as the sun will rise, bet your life on it. He's like, as certain as the sun will rise 100%. I agree. Now, second, second question, what is the odds that Google would be complicit in something that would make them money, but at the expense of murdering somebody? He's like, oh, they probably wouldn't do that. He's like, probably 100% as certain as the sun will rise. He's like, well, no. I was like, oh, really? What do you have? I was like, well, come on, what if we run a self-driving car and kill somebody and they cover it up? What if then we build a social media product and it's complicit in a genocide like Facebook who went through that. It's like, I don't think they would do that on purpose, but it looks like such, like the difference between the thing that is certain and the thing that we don't know. I was like, okay, why is that? We just, we treat that like normal. Like, of course companies file their reports on something. But is it because in the human heart, fidelity to finance rules is hard coded, but care for other humans and their life is not? People don't give a crap about quarterly reports. We have built a massive apparatus in these organizations to make sure that certain things happen. Companies are really good at things that they care about. Therefore, we can learn something interesting about the things that they care about by what they choose to be good at and what they perennially are not good at. And so my view is that what it means to be a for-profit

company, like we've gotten it wrong, basically incorrect, making a profit is actually about maximizing human flourishing. That's what it means to be for-profit. So like our current category says that Philip Morris is a for-profit company and the Smithsonian is a not-for-profit, but that's just backwards. Smithsonian is a lot more good in the world than the merchants of death at Philip Morris. So I think we've just gotten confused that all forms of making money are the same, but we all know that that's not true. There's exploitative, extractive ways of making money, and then there's truly additive ways of making money that actually create net new value. And so if companies are dedicated to human flourishing and they want to be the kind of company that will create net new value and they don't want to become a bureaucratic nightmare, they don't want to become

a rent-seeking blob of discriminate math, like we don't want that to happen. We have to encode those promises into the company in a deep way. And I think that's really what governance is about. Like the whole ESG movement, all the discussion about this has gone totally off the rails. Like Philip Morris has actually great ESG scores. It's absurd. So how can that possibly be right? We have to find a better way forward. And so like once you, again, going back to lean startup and first principles, like once you go back to that first principle, say, what would it look like if every person in a company felt fiduciary duty to promote human flourishing? Like how would you do it? And

what would be different? And I've just, I've started to meet founders who are building companies like that. And it's almost unrecognizably different. And I've been talking, I've been framing this, of course, in terms of the big things like, you know, obviously, like you think about the weather control startup, like that needs to be right, not just because like I have a supervillain, got their hands on it would be really horrible, but also because like you can easily imagine they got bought by some private equity firm who's like, this is awesome, we can now like put every town in, you know, in a zero sum competition with their neighbor for the good weather and extort them both from like, that would be just as horrible. We don't need supervillain for this. Like none of us should want our technology to be used in that way. So we need to prevent that from happening. But what, so when we put that in that ethos, we make that part of every decision, like we finally can create the environment that like people really want to work in, like just, just to make great products. I feel like most people I meet just want to work on something awesome. And we act like giving like that, that's just like, just happens. But I've worked with so many companies now, like even the ones that are really, truly great. You go meet a team, it was just when we had, we had the island of freedom, we had the fully full, we just, we were able to do it exactly right. That's one of those satisfying experiences in my career. You ask people, why was it, how was it made? They're like, how was the product made? No, how was the island of freedom that you lived on made? I don't know. Ask my boss. And I've been, I've done this exercise. I've asked the boss and the boss's boss and the boss's boss. I've got all, and like sometimes I'll go all the way up and we'll be like, well, actually the founder of the company who's still around. I made it so. But sometimes no one knows. You're like, who's in charge here? The board is in charge. They're like, I don't know. CEO asked me to serve on the board. It's like, who chooses the company, chose its own board, the board chooses the sea. Like it's all self-referential and it's like, where did it come from? So right now I kind of view it as like an accident. It just happens sometimes. But that's because we're not

engineering these beings to create the outcomes that we really want. And I just think that it's like a blind spot as company builders. We're so focused on the product. I'm not nearly focused enough on the organization. And we, we tend to say at the surface level stuff like culture, we don't get into the deeper stuff. So yeah, I think as builders, as an, as an industry, we need a new movement to say like, we are going to build companies where human flourishing is the thing at the beating heart. And we're going to, we're going to wield that as a competitive advantage to like not only change the world for the better, but also make a lot more money. That's the crazy thing about it is these companies are, are worth a lot more than their competitors. Because if you're working, like if you're without naming the company, I talk about a company that is an incredible ethos of love and just like it actually loves their customers. It's amazing. And that's like the whole everything cascades down from that central premise, including the instruct, like every CEO I meet is like so frustrated all the time. Like I can't get people on the same page. I tell them what to do, but they don't listen. It's like, maybe part of the reason you're having trouble with this is the strategy you're communicating does not actually make sense to people. Well, this one really makes sense. Like treat your customer like you treat your own parents. People are like, Oh, that's actually really easy and clear. Like I understand exactly what that means. And so their customer loyalty is unbelievable. Can you imagine what their retention is like if you actually felt you call customer service and it's like you're reaching your guardian angel rather than some board customer service wrap. It's amazing. Like, so their competitors are like, This is not fair. We had to come. It's like unfair to compete with this. This is like something as a monster. But like when you're going to a customer like, Hi, would you rather work with a company that's owned by some private equity schmuck, or a company where some of the prosperity you help me generate is reinvested in you and your community? Like it's a competitive advantage to do the right thing. So I feel like that, like we're going to have a new wave of founders who take that seriously who are going to just they're going to steamroll. It's going to be really awesome to watch. I can see how you started a movement. Maybe accidentally I am mesmerized. I am sold. If people listening are also sold and want to build a company this way, what do you what can they do? Is it work with the long term stock exchange? Is it is there something they could do to help move their company and product to you and business in this direction? I feel like there will come a time when there's a lot of resources about how to do this and there aren't a lot right now. So it's a bit it's a bit thin. I'm working on it, but you know, we're still trying to figure out the right the right way. But I am hoping to start doing some events and some some things like to talk about this stuff. So people should should feel free to reach out or follow me in my unusual places. If people want to do it themselves, talk to your lawyer. This is like definitely one of these talk to your lawyer moments. I've worked with enough companies. I've actually like been around long enough that I've worked with multiple companies that have gone from zero to IPO and beyond. So I like I have personal friends who've like taken a company public or like now extremely wealthy and who like sometimes even call me and like, Hey, I run this massive multinational company. Can we can we talk about this like very specific situation that's come up at work? You know, like I still am involved in those companies. I still get to hear sometimes what it's like to actually do it. And one of my main takeaways of that entire

process is that it's always too early until it's too late. So what happens is people hear something like what I'm saying like, Oh, yeah, we need to make sure, you know, like, here's some things you can do. Obviously, you can become a public benefit corporate social, what's it called in California, social purpose corporation. It's like there's legal designations you could take.

You could talk to a company that the day that because they're tech, their startup involves building a technology out of something that comes out of indigenous cultures, they took 10% of their company and they put it in a foundation, the trustees of whom are tribal leaders from the cultures that they interact with. And those people that that has like an economic role in a role in governance, you can establish like a foundation like that.

You can do what's called the board mission pledge where people on your board are required as a condition of being on your board to pledge that they'll use their business judgment under Delaware law to support the mission, not just the narrow interest of shareholders. You can build we call it an LT SPV, which is basically a financing instrument that operates like a regular SPV. But every LP in the SPV has to sign a contract to say that they will support the mission of the company. If you ever want to do something like a V corporate version or you ever if there's ever a situation where it's unclear whether they're in favor of you doing the thing that's right by your stakeholders long term, they're pre committed to that. And we assign trustees to oversee those shares rather than just the narrow interest of the show. So like, so I can go, I can go on and there's like all this stuff you can do. But I get so I get companies, I get founders excited, I've been getting founders excited about this for a long time.

I've now been long enough at this that like founder will go to their lawyer and the lawyer will say, listen, sounds great. But like, you don't need to do that right now. You can always do it later. And then the companies go bigger and they'll you know, they'll do some financing around each financing round. It's like, is this the time? That's fine, we can just do it later. And then it's like 18 months from the IPO, they fired a CFO, and there's like a bankers and the whole thing's on rails. And the CEO is like, now, hey, did we ever establish that foundation thing for our non employee stakeholders? And they're like, huh? The thing we talked about, you said it was too early. Oh, yeah, I remember that. Have we done it? Oh, no, it's too late. It's too late. The thing's on rail, we do tarrollers wouldn't like it. The bankers are like, oh, you don't want to put that your IPO prospectus. It's like, wait a minute, well, when was the right time? You're telling me that like 18 months ago, July 3rd through 7th, there was a four day window and it was the right time. It's never the right time. Why is it never the right time? And I've seen founder after founder after founder get steamrolled. The only exceptions I know is a mutual friend of ours who like actually stopped the IPO process and was like, no, I won't file the paperwork. They tried to steamroll them and file the paperwork without them. And like he said, no, until I see this thing in there, we're not doing it. And it was a very contentious thing took a tremendous amount of political capital I admire immensely for doing it. But most founders don't, most founders just go along and the thing never gets done. So the most important thing is to sit down with your lawyer and just take them through a few hypothetical situations and ask them, are you properly protected against this specific thing? For example, if tomorrow, Philip Morris shows up, pick your favorite evil, I use Philip Morris because my dad's a pulmonologist. So I grew up as Philip Morris is the ultimate of evil corporations, but pick your favorite evil core. If they show up tomorrow and they offer you \$1 per share more than your company is currently worth to buy it from you and your investors

in order to use it to sell cigarettes to children. Do you have a fiduciary duty to say yes or a fiduciary duty to say no? Believe it or not, if you went to a fancy law firm and they filed for you the standard articles of incorporation that are used in Silicon Valley, most governance experts upon reading those documents would say you have a fiduciary duty to say yes. If that doesn't horrify you and make you want to jump out a window, I can't help you at all. And if you don't care, fine, I got nothing to say to you. You don't care, you don't care. There are really sociopathic people in this world and they build sociopathic companies that I can't help you. But if you do care, sit down with your lawyer and just be like, hey, is this true? Could this happen to me? And they'll be like, yeah, obviously. And you're like, if I like to prevent that, what could I do? And I'm like, well, your investors might not like it. Investors like it this way because it maximizes their returns. And you're like, yeah, but I don't, that's not what I asked you. And your lawyer, all your lawyers are good enough to know the answer to this question. What can you do? And if they can't go back and rewind the video that Lenny, I just had, I just named a bunch of things, you can have two founders preferred shares, you can do, you know, all this stuff, just ask them about some of that stuff. And don't ask them, should I do it? Ask them, tell me for each thing just to be like, can you give me the pros and cons of doing it? And they'll be like, the pros are, you know, it might actually allow you to save your company's soul in a dire situation like this, the cons are investors might not like it too much. And you just be like, just sit there and be like, hmm, I'd like to do it. That sounds good. Like thank you for advising me on the pros and cons. You work for me. You're my lawyer. Like I'd like to implement this thing and just honestly, just pick a few of them to get started with. And over time, what you need to do, last piece of advice, every founder wants the one weird trick. This is how me and startup started to be like, can you just tell me the one weird trick to keep my company innovative forever? I was like, there's no one weird trick. You want to do the right thing. It is a relentless and constant process. We need to build a structure of the company so that at every level, at every moment,

every decision the company makes, somebody in the room making that decision feels like they have a fiduciary duty to do the right thing. If that's the outcome you want, then this is going to be a perpetual process of constantly trying to find ways to create the alignment that is needed between the governance, the management structure and the actual operations and culture of the company. Those are not separate things. They're actually only one thing because it's just one being you have a skeletal system, a muscular system and a circulatory system, but those things are not separate. They work together to produce you the being and the same thing is true for these governance structures. I think most founders are under-indebt, under-invested in that, and that's why we get to these horrible outcomes. To give founders a little ammo in doing this because, as you said, investors are not going to be excited to sacrifice profits. Employees may not be. Are there companies that you can share that have done this and have implemented some of these things that are public? If not, what confidence can you give founders to be like, many, many amazing companies have done this and it's actually not that hard?

I don't like to name specific company names in venues like this because then people always say, well, but what about this? People like to be the what about is something too much. Also, I like to let companies speak for themselves. I have way too much confidential information and I just have to be really careful about it. Nothing I'm describing here is hypothetical or

unreal. I have witnessed this many, many, many times myself. Every story I tell, it's a real company that you can meet. They're real people. They're out there. They're not always the loudest. The loud voices in our industry tend to be the ones that have something to sell.

These companies are just quietly doing the right thing. They don't really need to tell you about it because they're doing it. There's an inverse proportion to the loudness and controversy and memeness of the thing and how likely it is to be accurate, unfortunately.

What I will say is this is kind of an open secret in the world. Here's the thing that really surprised me. I thought the way that we build companies, like the standard corporate governance practices that we all do, must be well established in research. They must be well backed up. It must be the only and best way. But when you start studying these things, you find the exceptions really fast. I got into this because of Toyota. Only because I called the thing Lean Startups.

I wanted to borrow stuff from Lean Manufacturing. I studied Toyota. Well, Toyota has a really weird corporate governance system, which is part of the old Japanese Koretsu system where the Toyota

family is intertwined in its ownership with their supply. It's like by modern standards, it's a terrible rat's nest of disastrous corporate governance practices. But if you look at the literature, everybody who studies Toyota is like, well, the reason they're able to do this awesome stuff is because they have a philosophy of long-term thinking. I used to be like, well, how can you have a philosophy of long-term thinking if you're subject to quarterly returns?

And they'd be like, oh, they don't pay attention to that stuff because they have this other structure. And they're like, oh, that's weird. So for a while, I was like, oh, I guess it's just Toyota. We should build more Toyotas. But then there's always family-run companies out there where the family has produced this outcome. And then I started to meet foundation-controlled companies. You know, it's funny, open AI is the hottest new thing. Open AI is a non-profit foundation with a wholly-owned for-profit subsidiary. I thought that was like, wow, open AI. So that's actually very common. There are a lot of companies like that in the world.

In certain European countries, it's actually like 25% of the companies, like public companies, are all structured that way. So it's actually like, where are we normal? And I did a talk for one of those companies a few years ago. And it blew my mind because when I would go there and talk to them, I was talking to their CEO and their leadership. And I was like, oh, what's it like to deal with the public markets and quarter? And they're like, oh, we don't do that. I was like, oh, is that a major source of competitive disadvantage? You know, you guys are non-profit.

And they're like, are you kidding me? We crush our competitors because they have to waste time on all that stuff. We don't waste time on it. I was like, oh. And then like,

anyone ever heard of Warren Buffett? And why did his companies have a competitor? Like, he was always like, oh, if you're giving up profit, your investors might not like it. I'm like, these companies are just our world destroyers. What are we giving up? That's why I go start with the wrong definition of profit. We're actually make a ton more money if we do it this way.

And like Amazon, for all of its flaws, like the long-term thinking, the customer centricity, like, that's a major source of competitive advantage. And I've worked with many of Amazon.

I've worked with Amazon. I've worked with many of their competitors. And like the funny part with the competitors sitting there, they're like, oh, man, Amazon's entering our market.

We need to do XYZ. And I'm always like, do you think Amazon's doing XYZ? And they're like,

oh, no, they don't have to do that stuff. We had to do all this bullshit that our investors require and the activists and whatever. And I'm like, it's like, well, if you're competing against them and they don't have to do that crap, maybe you should try doing it their way and be like, oh, our investors wouldn't like that. I was like, your investors want you to get your butt kicked by Amazon. Are you sure? So I actually think one of my realizations here is that the investor-centric view of corporations was called the shareholder primacy theory of corporations. It's just wrong. It's wrong even if all you care about is maximizing returns for shareholders. Shareholders have this propensity to be the person who killed the goose that laid the golden egg. And it's been going on for 150 years. These case studies go back to the 19th century. It's an old, old, old idea. And the solutions are actually all hidden in plain sight. So I was reading a research paper the other day that studied some of these, I think it was in Denmark, foundation-controlled companies versus level-matched public companies that are not foundation-controlled. And I found the foundation controlled companies outperformed from a financial performance perspective. And I was like, how is this not the most incendiary result? If this is true, so much of the indoctrination we've all received about what it means to be a for-profit company, just wrong. Because those companies should be riddled with slowness and agency problems. I know the theory so well. I can tell you all the things that ought to be true. If those things are not true, what's up? And then I was like, wait a minute. I've been to these foundation-controlled companies. I've been to Hershey. It's just controlled by the founder donated the shares to a foundation that runs a school. I've seen it with my own eyes. And even having seen it with my own eyes, it took me a while to realize, wait a minute, this is an open secret. So I was kind of horrified to find out that this is well-known and yet was never offered to me. How can no one ever offer me the chance to build a company this way? And if you study even open AI or any of these companies that are now structured this way, it's always very idiosyncratic. They were on the standard path and then something happened that allowed them to do something unusual. And I was like, well, I don't understand why we have to wait for it to be idiosyncratic. Why don't we do it on purpose? And so I started to conceive of this idea. I call it the spiritual holding company, basically the thing at the center that is responsible for the soul of the overall ecosystem of companies that is the enterprise. And you can see that, obviously in the opening example, if anyone's just studied the anthropic long-term benefit trust, it is not coincidentally structured that way. But you see lots of examples where that's what's done. And I started just pitching it to founders and said, look, let me try to show you what the benefit of this would be. And I've been amazed how many founders like breakdown and founders like start crying with me where they're like, this is what I always really wanted to do. But I never felt like no one would talk to me about it. I didn't think it was possible. I want to put, you know, there's a critical stakeholder I want to put at the center of everything I'm doing, or there's some reason why we're doing this. And I want that to be the thing. I was trying to start up who's trying to get, and again, it's not like a kumbaya thing, you know, do good or whatever, virtue signaling bullshit. Like, it's a competitive issue. There's a company that is working to recruit academic researchers to leave their lab and come work for the startup full time. It's one of the most difficult recruiting challenges there is, because you're talking, you know, it's not talking about like kids out of some school, it's like tenured professors who are leaving behind a very good life to go do this thing. They would only

do it if they profoundly believed in your mission, but they're not naive. And the first question every one of those people asks is like, how do I know this technology is not going to be used for you? Because I like I have complete academic freedom. I'm going to give that up for you, make me believe that this is the real thing. And if you're like, well, you know, we we believed in some manifesto and we're good people, and we got money from some investor who's promised he was going to be a good guy, like that is not going to cut it. And so they're having to do the whole thing like this sit down their lawyers, what do I have to do to make this promise real for these people to make them want to join. And I just I've just seen that over and over again, if we have the courage to do it, it can solve what are really today considered insoluble business problems. So it's it's it's cool. But I think it's scary for people to feel like they're doing something different. And so I think over time, we'll get more of these stories on the record, we'll get more people will have, you know, they'll be more precedent for it. But I gotta say, I just did not to harken back to leave startup too much, but I'll never forget sitting with early people who are like, what's the proof? What big company is doing this? And I'll be like, just wait, you know, if you don't want the competitive advantage now, you can get it later. And like, many of the people you look back on who was profiled in those books, like many of the early lean startup adopters are like very successful people today, because they didn't feel like they had to wait, they were able to think for themselves and apply the principles in their own life. And I don't ask anyone to take this on faith. This is not like you have to do what I say, it's more just like, think for yourself, like if this makes sense to you and no one can explain to you why it's bad idea in a way that you find compelling, give yourself permission to at least try it and see what happens. What a beautiful example of first principles thinking looping back to our very first question. I think it's gonna be the longest episode we've done yet, which is amazing. Also, I think it might be my new favorite episode. So that's a good combination. With that, we reached our very exciting lightning round. We'll see what lightning, what sort of lightning we find. Are you ready? I'm ready. What are two or three books you've recommended most to other people? There's a book called The Enlightened Capitalists that is just a hundred years of people trying to fix this problem and failing and like the detailed case studies and like no founder should ever read it end to end. It's too depressing. But it's important to know some of these stories of founders that like they're willing to talk about their regrets on their deathbed that they like wish they had done differently. For those who think there's one weird trick that will help disabuse you of that notion, but it's helpful to understand the mistakes that have been made before so we can do better going forward. On a happier note, I really want more people to read Ken Luz, The Dandelion Dynasty. It's a silk punk fantasy series, but it's written by, and he's a wonderful writer. If you want to see what like real optimism about engineering and the ability of engineers to change the world, but transformed into a totally different environment, it's just such a great, such a great read. The audiobook is really good. Also, and I've been kind of plugging that plugging that lately. And then if you want just something that's like pure fun, you know, it's not really the season for summer read, but like, and also a really good audio book is The Murderbot Diaries by Martha Wells. She's just such a great writer. And I know it's a very frivolous thing on the surface, but there's actually a lot in there.

And it's, I won't, I won't ruin it for, I don't think I would say it would be a spoiler, but there's actually like a surprising amount of depth for what is really just a fun action adventure kind of read. I can't wait. If I hope it is someday made into a movie, it will be. If they do a justice, it will be really terrific.

What's a favorite recent movie or TV show?

I really have been trying. I don't have time. I'm a young kid. So my media consumption days are extremely, extremely limited. But I have been, I've been kind of forcing myself to slog through a bunch of the Disney plus Star Wars series, which have been almost universally disappointing with the exception of Andor. For those that have not seen Andor, it really is very good. Not good for a Disney plus Star Wars show. It's like actually good for television, which I couldn't believe when I saw the premise of it. Also a huge fan of Andor, and I've recommended it many times. And I feel like now every new Star Wars series, I'm just comparing it to that bar. And that's the problem. It's just like, if they would just make that creative team, or they would just let them make shows, it would be okay. It would redeem all the rest of their failures. Yeah.

Just keep making equals. I'll watch them all.

What is a favorite interview question you like to ask people when you're interviewing them?

My favorite interview question of all time is to ask people to describe a best practice that they learned in their career and to really get into it. Like, tell me the story of how you learned the best practice, like how, you know, whatever, you just let them go on and then you'd be like, great. Tell me a situation where that best practice would not be applicable. Most people can't do it. So interesting. What is the favorite product you've recently discovered that you really like, whether it's an app or something physical? I was just singing the praises of a product to a friend. It's the most boring and stupid product ever. It's just a humidifier. And you'd be like, okay, how can you mess up a humidifier? But like, actually, it's actually really difficult to get it exactly right. It's like, you know, what, like, there's always little attention to detail crowd. This is a group about craft. It was on my mind. It's like a very humble appliance. And it's actually like, I've gone through like 10 different models trying to find something that doesn't drive me. But you know, like, if you want to run it at night, if it has a light that's on all night, that's really annoying. If it makes a noise, that's no good. If it overheats, this is like all these things where you're like, boy, if anyone had used the jobs to be done framework for one minute on what this physical device is supposed to be, this is the product they would have built. And I can't believe it's like such a so interesting in modern capitalism. There's so many categories where they're just there isn't a product like that. Or there's just one, like, how come every product does not like that? And, you know, the forces we've been talking about are the reason why it's funny to see it like, you know, represented in such a humble object. What is the actual humidifier that you found? It's the Levoit 300 s ultrasonic humidifier, Levoit 300 s. It's, it's like, it's just a really well made \$60 appliance, you know, it's nothing special, but they're about to see a spike in sales. Good Levoit. I somewhere some somehow there was a product management meeting where they talked about how to make this thing. And so I just I can picture it right now somebody was like, look, the way we make these things sucks. Like, he please let me just like put the thing that's normally on the bottom, let me put it on the top and let me put this in there and put that in there. And someone was like, oh, okay, that's going to add three cents to the cost and reduce our margins by what and someone was like, no, really think we should do it right. So I would

like to reward people. Yeah, this is going to take us off topic potentially. But I've just thinking I've been thinking more recently about how most often the best stuff comes from just like one person singular control over how to do that thing over and over and over. Yeah, there's actually if you studied Twitter production system, they had this job that's called the chief engineer. I wish more founders knew about this, because like when you become large, it's important to be able to empower the founders that work for you. And I just only see yourself as the founder. So the chief engineer is the person with the moral authority over an entire line, like a car from start to finish. And I don't know if this is still true, but back in the days when people were writing a lot about Toyota, inside the company, the car is not called the Toyota Camry. It is called so and so sans car. And the thing about the chief engineer is they have no reports. Nobody works for them. They just have like the they have what's called the big room. If you've studied that whole thing, like there's like a place where they are, and they have the they have a small staff, but like they have the design and the car and like any but as the as the number of people who work on a car, you know, it swells up and then it comes down because you have the design phase, then you go into production, and you eventually like the repeal goes back down. The most important thing you have to do in a product is make trade off decisions. And if you just let people make their own trade off decisions, it's totally different. It's really difficult to have any kind of coherent design like thrust. And so the idea is like this is the person who makes those two, if there's a fight between two departments about how much the thing should cost or if someone has a question like this, then I can improve the the aerodynamics of the thing by this much, but it will cost this much and it will mean we have to take this button and turn it from metal to plastic. You have someone who can actually be like, no, that button has to be metal. Like we made a promise that this is going to be like or but doesn't like you just need someone who knows that thing. It has to be that you can keep it in somebody's head. So yeah, call the chief engineer. Just when I thought we were done with golden nuggets in this episode, that is so interesting. I think that makes so much sense. And I also agree that should happen more often at companies. Wow. Yeah, it's very much missing examples structures. Yeah. All right, two more questions. Do you have a favorite life motto that you like to repeat yourself, share with folks, something that you come back to often that helps you do the right sorts of things? Well, I won't get into the whole explanation. The motto is that nothing real can be threatened and nothing unreal exists. Although the whole other episode just unpacking that. Amazing. Final question. You invented a lot of terms, a lot of concepts. Is there one that you don't think cock fire and that kind of spread as much as you thought it should? Oh, yeah. Yeah, I got tons. I got tons. Oh man, the cutting room floor is full of so many things. I went through a really extended period of trying to use, but it was before Lean Startup, I tried to use the cell biology as the metaphor for a startup. I should have been, I wanted something more biological, less mechanical. I never got one person to understand what I was talking about. It did not work. But I'll take the one that surprised me the most. This is such a small one, but I really thought that this would like take off and people would be way into it. I did a lot of writing about it and then like couldn't get couldn't get the stick. So everyone knows viral loops. There's also engagement loops. And I was like, Oh, just like we have viral loops, which is about how come bioproducts grow. We should also have engagement loops, which is about how people stick. And like, there's a science to stickiness.

And like people have written about that, like from the point of view, like how do you make your product more addictive? But that's not really what this is about. This is about being able to model the dynamics of how customers flow through. And a version of that is in the Lean Startup, we have what I call the law of sustainable growth, which is a situation where new customers come as a natural side effect of the actions of past customers. And so that is obviously true of the viral loop. Everyone knows the paid, you know, engine of acquisition where you have, you know, whether your marginal profit per customer drives your ability to invest in customer acquisition. But there's also what I call the sticky engine of growth, which is kind of like the vestige of this idea that made it into the Lean Startup. But I actually think that that's a whole really interesting thing where like, if you think about the way to think about it is like, if someone is living their life, having a happy time, then for some reason they use your product. Why did they use your product? What made them come back to your product? And it's actually, there's not that many things it can be. Like, it might be because you gave them a synthetic notification, like, Hey, please come back to my product. And they did. It could be because some kind of organic notification took place. Like that is like, they got an email from a friend on your platform that was like, they got a notification that was driven by like their, you know, one of the most successful customer emails of all time is PayPal's you've got money. Click here to take the money. It's like, has a very high click-through rate. Maybe second only to Facebook, someone has tagged you in a photo, but we're not going to tell you which photo it was. So you better click, right? Like, so like, so something happened. If it's not one of those two things, then it's got to be because of positioning. Something in your brain on its own told you to use that product. Or like, why did you go start playing World of Warcraft? Did someone have to, did you have to get a notification to remind you like, you like playing, you know, how you like doing it or like, or something happened in your life that like made you neither you're hungry. So you went to the thing to get the food. Like, because those are the only ways by which people come back to a product, those are all, those all can be measured, studied and understood to the same level of precision as we have with viral loops. I can't for the life of me understand why viral loops gets all the attention and no one is remotely interested in the science of engagement. So I thought, I thought, I was a time when I thought engagement loops would make me way more famous and lean start up everyone. I was very, very wrong. This also reminds me that you also, I think we're the first person to talk about growth as loops and these specific loops and a growth engine. Yeah. Yeah. So wow, we discovered another one. I imagine there's many more. Eric, this was incredible. I definitely think this is my new favorite episode. Thank you so much for being here. Two final questions, working folks finding a line if they want to reach out potentially, and then how can listeners be useful to you? You still find me at theleanstartup.com. I'm at Eric Reese, E-R-I-C-R-I-E-S on all the usual places, although I really don't do a lot of social anymore. So like joining my mailing list at theleanstartup.com is probably the best way to keep track of like the major things that I do in my life. And then yeah, I do try to get on some social from sometimes to make some announcements. And if you want to reach out, I'm just Eric at theleanstartup.com. How can listeners be useful to you? Oh, that's really sweet. You know, honestly, people need to just take these ideas and do something with them. And then you learn something from it and then tell me what happened. That's all I want in

exchange. Just tell me what happened. Even if you, like the people I've learned the most from are the people that tried to use my ideas. I thought they were like the stupidest thing they ever heard of and like doesn't work and they're mad and whatever. Like tell me, I want to know all about it because really my job, like the way I see myself is like my job is just to try to understand these things. I just want to know the truth. If I'm wrong, like, I don't like being wrong. I'm not, I'm as attached to my ideas as anybody else, but like I try really hard to find out what is true. So if you discover something new, please tell me. That's all I ask. Just let me know. And, and if you don't try, then how are you ever going to discover anything new? So just, you know, if you like, you know, every day I meet people who are like, who just heard about Lean Startup for the first time. For me, it's so old that like every day that people read the book for the first time and they're like, they have a question about, so like, if that's where you're at and you just discovered it, like, excellent, you know, I've, I read a couple books, you can go read them like, please, for those ideas. If you're someone who's like jaded and they're like, oh, I'm so tired of hearing about Lean Startup. Like I mentioned a few new ideas in this, in this conversation, like, go try one of those. And like, even if, even if it doesn't work or if he does work or, you know, like even the people I've learned a lot from are people who they tried it and in the process of it not working, they had another even better idea. And then they went and did that, well, go do that. Oh, I asked, tell me what happened. I want to learn from, from people who, who making this happen. And like, you know, I hope as we come together as a, not just as a Lean Startup movement, but as a startup, like as a group of people who fundamentally believe that we can make the world a better place through the building of organizations from scratch. Like we have that as our belief, like that, that the future is not scary, newness is not something to be feared or opposed. But there is a like a responsible, methodical value creating way to, to make positive change in the world. Like that, that's an ethos that is not universally shared. And that if someone's listening to your podcast, my assumption is you're in our tribe. So like, we as we have a collective responsibility to think about, like, what do we want to, what do we stand for? Beyond just my company, my founder, my story, my that, but like, what do we as a group, what are our shared and collective values? And how do we make those manifest in the world? I'll leave you with one last idea. We collectively have so much power, it's crazy, because the system, the way it works down, what I've learned about our current, you know, what they call late stage capitalism, right, by financialized engine of capitalism, is that it is value destroying in so many ways. And although markets discipline companies, and they require them to create more value than is destroyed to stay alive, new companies, the ones that we built are so valuable, like the core insight that makes a thing is so valuable that the being that you built can withstand so much damage before it collapses. And yet, if you look at the average tenure of companies and public companies, you just look at average CEO tenure, like any all the metrics you look at are really grim here, like we're destroying companies faster than we create them, such that like the total net number of public companies in America is down more than half from a peak that was in our lifetime, it's not that long ago. What's going on? Well, the system requires a steady supply of fresh meat to replenish that which it destroys. And if you're listening to this podcast, you probably are one of the peddlers. So you're the manufacturer of the thing that the system requires for its basic survival. And so,

as a matter of fact, we as a group, we get to set the terms by which this is done. And so, if we want to stop selling our beings, our babies, our children for money, we don't have to do that. If we want them to have a certain ethos themselves in the world, we want them to be trustworthy counterparties and do something for the people we care about, we can insist that that is the precondition upon which we will give our everything to. And so, I don't want to say that I know all the answers or that my values are the ones that should win out. But I do think that we do have a certain shared value set of values that we ought to be more ardent in defending. And I hope your listeners will take that to heart.

And beautiful and empowering way to end this. Eric Rees, thank you so much for being here.

My pleasure. Bye, everyone.

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