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Successful startups: The right founder, problem, and people

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A lot hinges on communication, execution, and thinking like Chris Rock

A week before Chris Rock hosted the 88th Academy Awards, the comedian tried out material for his monologue at The Comedy Store, a comedy club located less than three kilometres west of The Dolby Theatre where the Oscar statuettes would be handed out. One of his unannounced visits was witnessed by a local comedian who [told what he saw to The Los Angeles Times](.).

This process of trying out material in smaller, lower-stakes settings is a well-known process of the 56-year-old, who sorts out what works and what does not before taking it to the big stage. According to one startup accelerator, founders should take a similar approach in refining their pitches.

"Practise with people with whom it is safe to look dumb," advises **Hsu Ken**, Managing Partner at Iterative. "As you work through what works and what doesn't, you can increasingly talk to less and less friendly people. By the time you're talking to complete strangers, you would know what works and what doesn't work.

"We've worked with companies who started their pitch thinking their company is about A but the more we work with them, we realised it's actually about B because everyone is responding to B. You then rework your entire pitch around B."

CEO = COMMUNICATIONS AND EXECUTION OFFICER?

Ken made those remarks at a recent SMU Institute of Innovation & Entrepreneurship (IIE) sharing session titled, "What YC looks for in top founders". The ability to communicate, Ken notes, is a must-have for startup founders.

"As a founder, especially in the early days, your job is, 'Can you convince people? Can you convince investors that they should invest? Convince co-founders and teammates to work with you? Can you convince customers to use your product and give you money?" explains Ken, whose machine learning startup Decide.com was acquired by eBay in 2013. "You're more of a salesperson than anything else. The sooner you make peace with that, the better off you're going to be."

As with pitches, Ken asserts that communication skills can be picked up and refined, and are not inherently inborn. Citing Mark Zuckerberg's improvement from his early wobbly media appearances (see [here](.) and [here](.)) to recent assured testimonies to Congress, Ken notes that "there are people who are better at this skill naturally but it is 100 percent a skill".

And then there is the 'E' word: Execution.

"You meet with companies and they say they'll do A, B & C. The people who execute well did A, B & C consistently every week," points out Ken, whose company invests US$150,000 in batches of startups twice a year, and then working closely with the founders for three months. "There's this compounding effect that you get when you execute well. Your rate of learning increases almost proportionately to how well you execute, and more people are willing to help you.

"Then the funny thing happens: you become more ambitious. You start thinking, 'Let's think big!' That's the compounding effect."

Ken also singled the need to be intentional in prioritising problems "that will kill you tomorrow" instead of those that "kill you three to six months from now". He elaborates: "You shouldn't be working on problems that are going to kill you in six months when you haven't solved the problems that will kill you tomorrow. Being intentional is having a good grasp of what things are really important now and focusing on working on those things.

"You can have a lot of activity but that doesn't mean you are executing well."

WHAT'S YOUR PROBLEM?

Ken also favours founders who are internally motivated ("You want to solve a problem") instead of externally motivated ("Fame and fortune"), as well as possessing a mischievous streak.

When assessing startups, he goes by the following two-by-two to assess the problem being addressed:

	Painful	Annoying
Common	A	B
Rare	C	D

"If you're working on a problem that is really common and it's really painful (A), you are working on a really valuable problem," he notes. "If you are working on a common problem that is mildly annoying (B), there's a chance you'll get ignored.

"Rare and painful (C)? That's a pretty decent place to mine. I'm being facetious but I always think about, say, curing Alzheimer's. One percent of the population has it, which isn't a big percentage. How painful is it? Extremely! It's extremely meaningful to those who have it and their family. That's a valuable problem to solve."

There is no point in working on a quadrant D problem, Ken adds, before pulling up another two-by-two:

	Obvious	Obscure
Easy	1	2
Hard	3	4

"The easy and obvious problems (1) have all been solved, like eBay," says Ken, referring to the digitalisation of the physical marketplace. "The obscure and easy to solve problems (2) can be found but you need to be somebody very observant. You've seen something people haven't seen. Or you could be looking at industries people haven't.

"Hard but obvious (3) problems would be something like teleportation, it's really obvious and really hard. The only people to whom I would recommend this route is if they have very deep expertise of something. Hard but obscure (4)? You really shouldn't work in this area."

HIRING THE RIGHT PEOPLE

No matter how gifted a communicator a founder might be, or however valuable the problem the startup might be attempting to solve, you still need to hire the best talent to stand a chance of making it. How do you compete with big companies who can offer much higher salaries?

"In Silicon Valley it's easy because nobody wants to work in a large company because everybody wants equity," says Ken. "Equity is how you make a lot of money. I used to give people two kinds of offers: more equity, less salary; and more salary, less equity. Nobody ever took more salary, ever. I had a lot of people who took the 'more equity' offer and wanted an even lower salary. The Valley is a very different place.

"Here (in Southeast Asia), where people don't value equity as much, the thing that I have done is to sell the rate of learning. You're not going to compete on salary. Salary is the thing companies offer when they can't give you any other meaningful thing."

He adds: "I also take bets on people who are not quite ready for the job. I really like people who are really good at their jobs but they haven't been a manager before, or haven't been CTO, but I think is going to be good.

"It's hard to pick out those people but oftentimes you can get really good people because you are the first person to give them their shot."

Hsu Ken was the speaker at the SMU Institute of Innovation and Entrepreneurship (IIE) sharing session "What YC looks for in top founders" held on 2 Dec 2020.

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