URL: https://stvp.stanford.edu/clips/tackle-concrete-problems

PlanGrid's Tracy Young and Doug Leone of the venture-capital firm Sequoia talk about prioritizing challenges at a startup and knowing when one has potential to succeed. Leone explains how a company must first achieve product-market fit, and how PlanGrid secured funding from Sequoia because the startup solved an actual problem the founders faced. Toby Corey, lecturer in Stanford's Department of Management Science & Engineering, interviews.

Transcript

- I think the first step is to make sure we've prioritized the right problems.. Something that has worked for us is we sort of, because as a startup, there's just this barrage of problems that are coming your way.. And we only have so much resources and time.. And so, our big task here is to make sure we're working on the right problems.. I like to sort of think out a little further, and our team does too.. If we don't solve this problem, how bad is it gonna be six months from now? Is it going to become 10 times worse, and it's gonna completely come back and bite us in the butt? If so, we should probably solve it right now.. - Fantastic.. Doug, have you seen this type of mindset from other founders? What's the common element that you see, what did you find so unique and compelling about Tracy and PlanGrid? - Well, I think the very first thing I'd like to say is how bad 1988 sounded.. (laughter) We have to kind of strike that in the future.. What we found is a few things..

First and foremost, what we saw is a company with 20, 25 people, with no salespeople, with revenues coming in.. All the employees were salespeople and they were answering the phone.. And that is so unusual, because when you start a company, the toughest thing to do is product-market fit.. If you can do product-market fit, we can help you do everything else.. Imagine a world where you don't have product-market fit.. What can we do as investors, as partners? So, we had that.. And then we just saw something else, and that is we had a founder who solved a problem she had in the business.. Let me give you a whole bunch of other cases.. It's a lesson to you if you're going to start a company.. Solve your own problem..

I'll give you just four or five examples.. The founders of Airbnb, Brian Chesky and Joe and Nathan, needed money.. They rented a room in their house, and that's how they found that market.. They solved a problem they had called cash flow.. The founders of Zappos couldn't find a pair of shoes.. The founders of Medallia, which is an enterprise company, probably one of the best private companies in the market, they understood the mismatch between customers and vendors by being very unhappy customers at a hotel in London, and yet the hotel kept on using them as references.. Closer to Stanford, the founders of Yahoo.. Jerry Yang, there's a building named after him.. Couldn't find anything in the yellow pages.. They solved a problem for themselves, they just happened to be a proxy for the next million people..

Or the founders of Cisco Systems, here at Stanford again, trying to network discus the campus networks.. And so, key number one, a little message.. If you want to start a company, don't intellectualize some crazy stuff you know nothing about.. Solve a problem you have.. And there's a chance that if you're up and coming, and you're in the right circles, you go to the right schools, that that problem, that you're the beta site for the next five million people.. Tracy was that beta site.. The other thing we saw, though, was a very passionate founder, domain knowledge, solved their own problem, committed, authentic, those are the ingredients that we look for when choosing a company with whom to partner...