

URL: <https://stvp.stanford.edu/clips/the-productcompany-interplay>

Many of the most successful technology enterprises were launched as products, observes Marc Andreessen, serial entrepreneur, including Facebook, Twitter, and others. He states that tools created this way are based purely on market demand, making these applications much more compelling. To the contrary, companies that establish themselves first and then work to craft an application have their achievements, but they are more likely to plummet into failure. Entrepreneurs approaching from this angle can too often fool themselves into believing they have a tool of value.



Transcript

There are products that become companies, and then there are companies that come up with a product.. One of the interesting things you see over the years is that many of the most successful technology franchises were products first way before they ever became companies.. Just in my own experience, Netscape was a research project.. It was based on a research project at the University of Illinois that we had worked on for three years prior.. And in fact the team had come together in Illinois before we started Netscape.. Microsoft, Bill Gates and Paul Allen were like deep into PCs early on before they even thought there was a software business.. Apple, Jobs and Wozniak built the first Apple as hobbyists.. More recently Mark Zuckerberg had Facebook running out of his own dorm room way before he ever thought of starting a company.. And then my own favorite example is Twitter.. Twitter was a side project at a company called Odeo and Odeo wasn't working..

Twitter was a couple of guys who were, basically, knew the Odeo product, which is a podcasting product, was going to fail.. And so they were frustrated and unhappy.. And so they started the side project Twitter and it just started to take off.. And so the product that becomes a company is a really good template.. And my theory on that is because it's a demonstration that the product has to exist.. The market needs the product so badly that somebody actually built it and deployed it and you can actually see evidence that people want it even before there is economic motivation to do so.. That's market demand.. Something magical is going on there at that point.. In contrast, great entrepreneurs, the stereotypical.. Hewlett-Packard, counter example, company then product..

HP Archives put online a while ago they put the original minutes of the first HP board meeting.. They're great minutes because it's like Mr.. Hewlett and Mr.. Packard, they were like in the 30's.. So these guys were really young at that time.. And it's like, their a lawyer and their accountant, whatever.. And it's like, "Assemble such and such, Palo Alto at 2:48 pm.. and first order of business, cash.. The company has \$3,000 whatever, in the checking account." It's like topic number six, product.. In one line said the product that the company will build has not yet been decided..

Period.. Topic number seven.. They didn't know.. They had like a general idea that there was going to be something to do with electro or mechanical or something, something, something.. I mean this is before the computer, literally before the computer when they started this thing, right? So they didn't know what it's going to be.. And they came up with many good ideas later but they didn't know.. So that's a success case of company first then product.. But we see a lot of failure cases which is a smart entrepreneur sitting around saying, "I really want to start a company.. And now let's go and try to figure out something interesting and good to do." And it's very easy in that process we've found to fool yourself into believing that there is a market and that there is a need because you want to find something.. You have a very strong motivation, internal motivation, to come out with an answer..

It's very hard to go through that process for three months and then say, "You know what? We can't come up with any good ideas.. You know what? Let's just go back with our day jobs." Yeah, at a big company of your choice.. And so it's a very strong motivation to fool yourself.. We're always a little bit leery of those.. I mean in fact if you track those true funders, those are often the ones that aren't actually able to raise money because the VCs are good at this kind of thing, they can smell this kind of thing coming.. Moral of the story is it has to be a really good idea.. That often will be an idea that is preexisting at the time you decide to start a company.. And if it isn't, be really careful because you're walking on sharp rocks at that point with a high risk of falling off the cliff and into the ocean...