

URL: <https://stvp.stanford.edu/clips/the-sweet-spot-for-innovation>

Garry Tan, president and CEO of Y Combinator, shares insights from his early career mistakes, observing that the hottest areas for innovation aren't what you read about in the media - they're ideas that sound like a bad idea initially, but turn out to be a good idea.



Transcript

- My reality was constructed by the media.. 00:00:07,140 You know, if today it was, you know, X or Twitter or TechCrunch, you know, back then it was literally The Wall Street Journal or what was on the, you know, cover of Time.. And so the big thing to really realize is pretty much everything out there that you could read in media, it is literally the third-hand account of what happened six months ago.. And that's what I didn't understand about what Palantir was at that moment.. It was literally someone who had just sold PayPal.. I had actually invited Peter Thiel to speak at Stanford a bunch of times before.. It wasn't like I didn't know who he was.. He was bankrolling it personally.. It was like my friends who I'd like worked on projects with before.. We tried to start companies before..

You know, I just couldn't get over it.. I thought, "You know what? Like I'm not reading about selling enterprise software to three letter agencies on the internet or in the newspaper, so it couldn't possibly be big." And I got it exactly wrong.. And the other thing that's really crazy and sort of classic is that like, you know, the things that turn out to be huge, they sound actually stupid or like literally they don't make sense sometimes.. Like, do you remember what they said about the iPod? All that hype for an MP3 player? You know, the reality distortion field is starting to warp Steve's mind if he thinks for one second this thing's gonna take off.. And, of course, the iPod became the iPhone, and it changed the world.. And, you know, now basically X and Facebook, like, it's the same deal.. I remember one of the reasons why I didn't go work for Google in 2003 instead of, you know, going to Microsoft was that we all used Google on campus, but none of us believed it would make a dollar.. And that sounds completely insane today because it's sort of a wonder that any other company in the world makes money other than Google today.. (audience chuckling) So I think this was just something that I didn't understand.. Like things that seem like an idea but then are actually good ideas..

That's actually what you're supposed to do.. (chuckles) And then if anything, at YC, we've learned that there's another level to it, which is also your expertise.. And this is actually a really hard thing.. Basically, you always want to be in that sweet spot...