Keith Rabois: [00:00:00] I think, first of all, in

technology, the opportunity cost in your 20s is very high. If you look at a lot of people have been most successful, the foundations of their career are in their 20s. most of the best people I've ever worked with in my career. We're actually interns. I think first time founders are actually better Every company that's successful is like a cult, And every cult that works is unique. we at Founders Fund have pretty much put a line in the sand that we won't invest in remote companies it's very obvious why it doesn't work.

Scarlett 2i2 USB-1: I am so excited for this show. Stay. As you heard in that intro, this absolute has more bangers than a Taylor swift concert. Joining us in the hot seat today is Keith Rabois general partner at founders farm. One of the best venture firms of the last decade. And then joining him is one of his latest investments.

Mike Shabbat, founder and CEO at Traba. it's an incredible discussion. I really like to innovate on formats. So obviously we do round tables. I'd love to hear your thoughts on this style of show. You can let me know on Twitter at Harry stabbings, but it is incredible. So let me know what you think and we'd love to hear your thoughts.

But before we move into the show, today.

Again, you can check it out@riverside.fm and use my code 20 VC. That's two zero VC.

Arising Venture Advert: And speaking [00:02:00] of game-changers for businesses, as a VCI, come across many businesses that have potential and offer a great product or service, but they run into issues.

And that's why I love the team at arising ventures. They're a holding company that acquires tech startups that are facing setbacks and helps get them back on track to success. They've helped companies like UpCounsel, which they took from burning $1 million a month and shrinking to profitable and growing jive, where they launched a shutdown company and went from nought to a million Aero in just five months. They want you to reveal your great business underneath the broken incentives, whether it's a broken camp table, co-founder disputes, underwater, common stock.

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Morgan Freeman Intro: You have now arrived at your destination.

Harry Stebbings: I am excited for this, my word. I mean, I saw this email where you outlined the culture at Traba before, and I thought this was going to be a really [00:04:00] special show. So first off, I want to say thank you both for coming.

Now, second, I want to start with some intros. Let's start with you, Keith. For those that don't know, which I think at this point there's probably no one, who are you? And what do you do?

Keith Rabois: So I'm primarily a general partner at Founders Fund. I've been at VC for about 10 years after being a fairly entrepreneurial executive at companies like PayPal, LinkedIn, Square, co founded a company called Opendoor, and as a side project, also CEO of a 130 person company based in Miami.

Harry Stebbings: love that side project. Mike, same for you. What do you do? What does the company do? And then additional one there, but how did you get to know Keith and what's the relationship?

Mike Shebat: Yeah. So I'm Mike, I'm the CEO of a company called Traba and we're a labor marketplace that connects workers with open shifts in the light industrial industry. And our mission is to empower both businesses and workers to reach their Full productivity and potential. So what that looks like at scale is the AWS of labor across the global supply chain.

Things are moving faster. People are finding the right jobs at the right [00:05:00] time. They're upscaling and everything is just getting better around the world in the global economy.

Harry Stebbings: I did actually have like quite a neatly defined schedule and then you sent over the culture doc and I just thought oh This is gonna be so much better if we have an honest conversation. So can you talk to me about the culture docs that you sent over to me, and start with what you expect in your approach, Mike.

And Keith, I'd love for you to chime in with lessons that you have, observations that you have, from seeing this from slightly afar.

Mike Shebat: Yeah. So when my co founder Akshay and I started the company, we were thinking big. Just like how I mentioned to you, we plan on having a global impact, building a once in a generation company. And when you go back and you look at any of those once in a generation companies, Microsoft, Amazon, Apple, it was a group of people that were committed and they were working really hard doing something that is. very, very hard to make work. So our first value dream big, that correlates very closely to our second value, which is Olympians work ethic. we were just like, what we're going to do is we're going to work really hard together towards a common [00:06:00] goal. We only hire and promote people that are bought into that mission.

Harry Stebbings: can you expand on that? What does the Olympian's work ethic mean in terms of expectations in office, in hours, in attitude? What does that mean?

Mike Shebat: Yeah. So it's a mindset. If you were to be in high school and telling everybody around you, I want to go to the Olympics, there is a certain commitment with that you're waking up early, you're going to practice, you're showing up with other people that are also trying to divide to go to the Olympics together.

Traba is we're all committed to at least 12 hour days. Monday through Thursday, Friday, we're working late, but people do tend to go out on on Friday night. but it's an in office culture, just like how you could technically become an amazing baseball player by hitting balls in the batting cage alone.

But the real magic happens is when you're practicing with the other teammates, to prepare for the big game.

Keith Rabois: Okay.

Harry Stebbings: like a unicorn a [00:07:00] year for something like 20 years, but my question to you is when you look back at those that you have founded or invested in with similar trajectories, was this Olympian work ethic the same across all of them?

Like, is this anything new?

Keith Rabois: I Wouldn't say it's necessarily all of them universally but more than 80%. It's a very common characteristic of successful companies I actually feel this is successful Or I observed that it's a successful characteristic of almost anybody's successful in any field. effort and input is what dictates results.

I think there's never been a substitute for, you know, effort and dedication to your craft if you want to be top 1 percent in any field. And if you interview people in athletics, as Mike pointed out, Olympian work ethic, if you interview people in music that succeed, if you interview people in technology that have been successful It's always the people that work the hardest that have the most opportunities. And if you have the most opportunities, you tend to have the opportunity to thrive. this is kind of basically how every technology company was built for decades. only heroic people really who had [00:08:00] almost irrational ambition.

Entered the field of starting a company with their friends. Like it was basically borderline irrational to say I'm going to reinvent the world and society or an industry from scratch with my best friend from college. And the only people who did that had traits that were unique and had a work ethic that was unique because that's how you shift the probabilities from literally zero to something that approaches, you know, a couple of digit percentage points.

you know, when we worked at PayPal, I actually joke with Mike all the time that he's actually top one basis point in work ethic, and I was probably only top 10 basis points, but my absolute number of work hours is probably higher because the standards were so much higher at PayPal, like the idea of like having a day off was like inconceivable, literally inconceivable.

like there was three people out of 254 people in the company that when we sold the company that could live in San Francisco because the company was based in Palo Alto. There was no extra time to commute between Palo Alto and San Francisco. So it was like an insane idea to try to live in San Francisco, even though we were all in our 20s and early 30s, because you just didn't have an extra 20 minutes to commute.

And so this is how we [00:09:00] built companies. And Mike is really refreshing, because it's kind of like the traditional way of building a company, which has been proven to work. One of the reasons why I introduced him to one of the, to this board member, Samir Koel, from Coastal Ventures, is Samir was attending a board meeting with me.

about open store and he was complaining about the new generation of entrepreneurs that, you know, none of them want to work that hard. They're all entitled, blah, blah, blah, blah. was thinking in the back of my mind, Oh my God, I've got the perfect entrepreneur for you because Mike has none of those traits.

He's not entitled. He sweats the inputs and he's built a very intentional culture with his co founder that really does replicate the best of let's say PayPal or how Apple or Amazon were actually built.

Harry Stebbings: I worked seven days a week, we have the funds and then the shows and everyone says to me, and it fucks me off so much, That's not sustainable. Now, I mean, it's good for now, Harry, but you can't sustain it. I mean, look, we're 2, 700 shows in and nine years in, so I'm still here. but my point to you is, how do you respond, and this is to both of you, anyone who wants to take it, How do you respond to those that go, that's [00:10:00] not sustainable, and you can't keep doing that?

Mike Shebat: I think it's just simply not true. even like a traditional, say like a normal nine to five, usually the hardest working people, they, if they do actually leave at five, they go home and they work on something else. That's their craft. So say they want to be the best piano player in the world.

They're playing piano when they get home and no one's saying like, they don't even think about that as work. So when you're with a group of like minded people that are working towards making the world, A better place at scale and trying to build something incredible. it doesn't feel like work.

Keith Rabois: Yeah, to amplify that it's momentum that matters. It's like progress that matters. That's what fuels you when you know you're getting better when the company is getting better, when the customers are happier, more delighted, etc. Workers are making more money. That's what fuels you. But if you think about the back to Olympic work ethic, like the people who become Olympians, They don't stop until their body basically can no longer compete with elite people. You know, if you look at the basketball players, the Michael Jordans and the Kobe Bryants, they're still [00:11:00] outworking everybody who's 16, 15, 14, 13 with 500 to 5, 000 shots a day. Notoriously after playoff games, still taking more shots, making the staff keep up with them, waking up at 5am for more practice.

That's what makes you successful in any field. people think DJs are these creative people that don't do any work. Most of the successful DJs I know play like 300 shows a year. Across the world until they make it and when they make it they still play 150 shows a year traveling all around the globe So like there is no substitute for success.

It's like you have to decide when you wake up What is my life about and if it's about transforming the world? You have to take energy from somewhere and apply it and it becomes self fulfilling like at the end of the day You really do have this ambition to get better every day And it doesn't even feel like work I used to joke with people that if you have to look at the clock in the middle of the day You have the wrong job

Mike Shebat: And if you even just think about most people, in a high school in the U. S., if they're trying to go to the best college, you just think about their [00:12:00] schedule. They're waking up at 6, going to school, doing their classes, they may do athletics after class, and then they do their homework, and then they go to bed, and they repeat.

We still, at Traba, people still go to the gym, people still take care of themselves. But it's just shifting a mindset of like, this is going to be my craft. We're going to build something together. So people are showing up to work. They're working together. They're collaborating. They're solving problems.

They have full context because they're in the room. They're visiting customers. Then people do like go to the gym, get a, get a mental reset and then back to it with their colleagues. I feel like a lot of high performers, even across corporate America have felt this where they're like, wow, like I'm putting in so much effort, but 80 percent of the people, this company, they're just not pulling their weight.

Like, why do I have to apologize for reaching out to someone at like 6 PM? Whereas like. Early stage startups are very hard. Most of them don't work. So we want to self vet and only have people that are opted in and excited about that. And it unlocks like a level of velocity and intensity that just doesn't happen at most places.

Keith Rabois: And Harry, one of the most unique [00:13:00] things about Traba is the consistency. So Mike alluded to it, but it's worth like putting a very fine point on. Everybody at Traba is up to the same standards. seen a lot of companies where the top 10 percent are, the top 20%, top 30, top 40. But literally everybody at Traba is as committed as everybody else.

And that's extraordinarily rare. And I think that's why the company is succeeding.

Harry Stebbings: we're gonna dig into that in terms of the depth of talent there and that mindset. I do just have to ask that we mentioned the parallels to athletes several times. There is a moment in athletes training programs, workout routines, where rest is embedded and an extra hour in the gym won't enable them to actually be better.

Is there ever a moment in work where an additional hour of input isn't actually worth the output?

Mike Shebat: I think the right question is to ask like, okay, for a certain number of input, what is your leverage on that time? but it's a shift of mindset okay, if we're all committed to at least 60 hours a week of work, how are we leveraging that 60 hours a week to be the [00:14:00] most high impact on the business and moving things along even faster?

So the reason why I wanted to change the mindset is because if you know that not only you, but all your colleagues are also going to be there at 8 p. m. You're not even thinking about pushing it out the next day, you're doing it that night. at scale, like, over time, compounded across a lot of decisions, the whole engine, the whole company moves so much faster.

to answer your question more directly, people do rest. But they also need to know that, like, they should be pushing themselves into hypertrophy, which is...

you're not actually going to get bigger unless you feel like, Oh, actually now this is where it's going to get hard. you're doing 20 sets of bench press. Like you're just doing that with very low weight. You're not actually making a difference. It's the same thing with work.

people should be pushing themselves more and more. And that's how you know that you're actually moving fast enough.

Keith Rabois: let me just apply the athletic metaphor to it's not as if like, let's say you're a football player. You don't just go to the field and practice all day, 24 7. You might study film you might go home and spend 4 hours watching [00:15:00] video of your opponent and that makes you more successful. So your body is recovering, but brain is training.

But you're spending every incremental moment watching that film, and that's what leads to what looks to be, you know, this heroic interception, but it's all based upon preparation.

Harry Stebbings: I was like, I love that. I had this kind of spar on the show the other day, and he said, I encourage people to have side projects, and I said, why? That's ridiculous. I personally would like you to go home, and if you're a sales rep, Read about the latest sales tools, the latest sales techniques, prospective clients we could be going after.

You don't have to be in the office working at 9 PM, but improving what you do in the day, like you said, they're about watching tapes, improving your day to day processes. Do you want your people to also have side projects? Do you agree with me or,

Mike Shebat: so you want to hire people where it's like, we are all committed to making a once in a generation company. This should be everyone's top priority, that's the type of people we want to hire. Now people can go off and do something in their careers later, having looked back and been like, I learned so much by giving my all to that [00:16:00] one thing.

Keith Rabois: you need to develop your comparative advantage in life. And when you identify what that is, you want to double, triple, quadruple down on that and leverage that all day, every day. I do believe that there are things you can do that are maybe closer to what Jack was thinking, which is what I'll sometimes do is I'll read books.

Like, I have a voracious appetite for reading, and the idea of reading the books is to spark ideas that I can later leverage, and so sometimes there's different time horizons of investing in yourself, like, I read a book, it's probably not that practical for tomorrow, I'm not going to come up with something from this book and, you know, send it to Mike, and he's not going to apply it at a job tomorrow, But years and years of reading quality stuff does occasionally lead to an epiphany or spark or an interesting idea that other people miss, and then I can leverage that. So it's like an investment, it's just with a different time horizon.

Harry Stebbings: Keith, can I be direct? You're an investor and a founder at the same time. Is one not a side project?

Keith Rabois: No, you know, there, there is some tension, On the investor side, I don't think there's much tension, like I actually don't feel like for the most part [00:17:00] I'm compromising my ability to invest, although in theory I can meet more companies, in theory I can meet every, you know, early stage startup, and that would probably be good, but I'd probably be tired anyway and wouldn't be as sharp as possible if I tried to do 24 hours of meetings with entrepreneurs every day. where the consequence is, is running a company. There are real trade offs, and Mike reminds me of this every day, not literally reminds me, just watching Mike. I am. Reminded of what I can be doing with the incremental time when I'm serving on boards, when I'm meeting with founders and colleagues, when I'm taking new pitches.

And there's a real trade off to my company that I have to create alternative leverage for. find other ways of adding value to offset some of the disadvantages. So there are real, real tradeoffs in company building. I would not recommend that. As a VC, I think it's net very positive. There are things I remember and that I've been able to remember by having to work with my hands again.

That makes me more, hopefully more useful to entrepreneurs like Mike. There are things like around recruiting, you know, there's things around like actually growth funnels that when you have to do it for [00:18:00] yourself, you remember some details that occasionally you can pass on. But I feel the stress every day at work in the company office.

Harry Stebbings: the decay rate on operating experience has never been greater, and so if you did something five years ago, pre COVID, pre open AI, and pre chat, it just doesn't

matter.

Keith Rabois: Like I, I took eight years between Square and taking over, you know, CEO of OpenStore and it's like muscle atrophy, And it took me the first year at least to get back to be decent as a CEO.

I think the second year it started coming back and the muscle memory started recovering. And, you know, maybe now I'm actually doing an A job at least.

Harry Stebbings: Mike, can I ask you, you know, we hear that culture, and Honestly, I think a lot of people listen and will be quite shocked, and will go, well, who would sign up for that? How do people respond when you illustrate that culture, and how do you think about their response?

Mike Shebat: [00:19:00] reality of the matter. Like if I'm going to tell somebody, let's get together and try our best to build a trillion dollar business.

And then I say that of course takes a lot of work and we want to hire people that are committed to that. And I'm going to be honest with you that this is what the company is committed to. look at their eyes and if they are smiling and they say, actually, like I already work those hours, or that sounds awesome that everyone else around me will also work that work that much.

That's the right type of person. If it's somebody that's trying to justify or change something, you already know that they're probably not going to be a good fit, So we want to find the people that actually are excited by that

Keith Rabois: Harry, a good illustration and Mike, you know, can amplify this is Mike hired a wonderful head of finance named Jessica. She actually proactively reached out to the company. Because she read about, Traveller's Culture and the dedication, the 996. She had worked in Asia and had watched and observed how all the successful companies in Asia have this work ethic and culture.

And when she was moving back to the [00:20:00] United States, she only wanted to work with a company that was just dedicated to winning and being successful. So she proactively reached out to Mike. So it actually becomes a magnet for talent.

Harry Stebbings: but how many people are there like that? Maybe I sit in Europe and so I see a different view, you know,

Keith Rabois: That's why there's no European successful companies, As you know, I mean, like, it's not accidental. There hasn't been a

100 billion dollar European

company created since

1990. Miami's great. Well, how'd

You hear Miami? you can move. We'll set up a studio for You Okay.

Harry Stebbings: people on Twitter that go, ugh?

Mike Shebat: I don't care because in reality if you. want top of the bell curve results, so if you just think about a distribution, most people are in the middle, but you want outcomes that are on the far right, like basically top 1 percent outcomes. So it's actually better for me to be upfront that this is what we do.

And like Keith mentioned, we have enough people that are tired of being around middle of the bell curve results and want to [00:21:00] actually, if they're going to give their all to a startup, they want to pull every lever that makes the probability of success as high as possible. And joining a team of like minded individuals that can withstand any challenge that comes our way, like very low ego, high work ethic, understanding that startups are difficult,

So it's actually completely fine with me if people misunderstand or. Don't want to do that. the outcomes are just going to be different.

Harry Stebbings: Do you ever get people who think they want it and then join and go, too much?

Mike Shebat: Yeah, we do. We actually get people that think that we're kidding. Like people will be like, Oh yeah, I'm going to say the right things in the interview process. And then we have had people join and then they're like, Oh my gosh, these people are actually working past 9, 10 PM, like every night. And. By the way, people are happy, it feels like we're all in like a college working on a very hard project like that to do the next day. Like, so yes, we do. We get people that I've had people that have

joined, said the right things in the interview process. And

then.

We basically are like, okay, this isn't for either of us after like the first

week.

Keith Rabois: Yeah, Harry, [00:22:00] just to reinforce that, I've been in Mike's office, you know, at 10 p. m. or, very unusual times, weekends, and the energy at 10 p. m. is better than 90 percent of companies at 2 p. m. Without fail, by the way.

Harry Stebbings: we're all totally aligned. The one thing I do say is, I will expect more than any other employer from you. But I will pay you more as a result. Well, I know what you're giving up, do you pay people more because you expect more?

Mike Shebat: Yeah, we do pay people well. There is a dynamic of being a series A startup where part of our success is to also manage our cash effectively, especially in this market. Part of what I get asked is, okay, you grew this much, this is your revenue growth rate, but how much capital did it take to do that? So it's part of all of our collective success to also manage cash effectively.

So what I would say is people do get paid well on cash. They get paid more than the average job. But the real unlock for people to unlock generational wealth is the equity. And that's actually why it's an interesting like dynamic because the more that you hire people that are too cash [00:23:00] obsessed, the less likelihood that your equity, that everyone's equity will be actually worth a lot too.

as we continue to grow and as the equity upside starts to not be as high of a multiple. It's natural that you continue to pay higher cash, but we do pay well above market, especially on the equity side, and then with hiring the best people with the commitment cash is, is also good.

Harry Stebbings: I'm intrigued. When you look at, and this is for both of you, when you look at cash discussions and title discussions in the hiring process, are there any lessons from how people respond and how that will correlate to success or lack of success in a role?

Mike Shebat: 100%. So if they're way too focused on title, it's an immediate red flag. part of what unlocks the greatness in a startup is people basically thinking of their career as a rock climbing wall. Like, I'm going to go over here, solve this challenge, go over here, solve this challenge. What's better for the overall company?

A startup is a team sport. we have this, tenant, which is one of our values, which is playing for the front of the jersey. So it's not [00:24:00] about you as an individual. It is actually about... Solving problems. And when the company is growing, when you're hiring a lot of people, when you're onboarding a lot of customers, things are starting to break because of your growth rate, you need people that are putting down the hat of like, this is my title and just solving whatever problem is there,

it doesn't matter what your title is. So that's the number one red flag.

People that are way too focused on cash, versus the equity. I do think that's more of a yellow flag. Like some people have things in their life that they have to pertain to, whether it's like student debt or families or things like that. but I do question if you're joining a series a startup, you should be thinking about the equity value unlock.

Um, so I don't compete on cash with large mature companies where their

equity is only going to go up, like, at the rate of the S and P 500 or anything like that.

Harry Stebbings: Does the culture scale with time? When we think about, you said you're a series A company, when you're a series D company, does that culture look the same then, or do we regress to a mean that it's sadly we have to regress to?[00:25:00]

Mike Shebat: we're going to try our best never to regress to a mean, but what I would say is the culture does adapt based on the risk profile that everybody takes on. So when we first started the company, we were actually in office at least 6 days a week. 12 hour days. we were basically up against the clock to get to a series a funding.

you need that level of commitment. You need that level of being all in and dedicating everything to it. And that unlocked actually like an amazing series. A, We have pulled that back a little bit to be more flexible as we hire different types of people, different roles that we need to fulfill.

But as we become an a thousand person company, we will modify it. what is the commitment together? But we will never sacrifice the high velocity, high performance culture.

I do believe strongly that everyone should be joining a company more like a Olympic sports team. It's not a family It's

an Olympic sports team and like when you're an athlete that's not pulling your weight you get pushed off the team.

Keith Rabois: I think you definitely do past x, [00:26:00] 000 employees, see some regression to the mean. And the art is constructing some accumulating advantages, let's say a network effect before that happens, because the momentum of a network effect can offset some of the slippage in like quality.

although that said, both Amazon and Apple were able to scale to call at least 10, 000 employees. Without regressing. so it's possible. Um, I think other company cultures start regressing past 500. Some retain 510, 000. You see some decay, but if you establish the correct network effect that can offset, I mean, there's, you know, the Warren Buffett quote about build a business that's so powerful that even idiots can run it.

so, you know, at some point you do want to erect something that's a true machine that, you know, you're constructing the machine through human labor effort. Energy is sacrificed, and at some point you want the machine to be running, um, and the machine can run for a while before it decays.

Harry Stebbings: Keith, having seen many different scale ups in different situations, if you were to advise Mike

proactively on [00:27:00] when culture

starts to break, And

how, what would you say are the most prescient points for

Keith Rabois: You know, truthfully, the biggest mistake is usually hiring the wrong person. everybody you hire, if you don't correct that person who's off on your culture and your values, will hire, like, ten more people like that, and all of a sudden, You've got a real problem. Mike is truthfully maybe the best I've ever worked with.

I think maybe the best. Yeah, I'm sure the best of this trait is if he realizes the person's slightly off, he's going to fix that person right away.

Harry Stebbings: What does, what does fix that person mean?

Keith Rabois: first initially give him

strong feedback on why you're off. What's not

acceptable. Here's how you have to correct it. And if not, you know, edit the team appropriately.

almost every other CEO I know, including ones who've been incredibly successful, probably procrastinates on that conversation a little too long.

Mike Shebat: I do look for something called a force multiplier at the company. And those are the people that I just want to promote, give them more equity, give them more responsibility. And the reason for that is because at scale, you're building an engine.

And I [00:28:00] want to basically, when I do find somebody that is not only thinking about, okay, this is my job. how are they actually amplifying the cultural values that are important for success at our company? I do tell my entire management team that it's not, your job is not about you. It's actually about the fact that you also have on other people.

So if you think about any like micro behavior, like for example, let's say you're late to a meeting. If one person is late to a meeting, like three minutes late. That may not be that big of a deal if it's just one on one, but now you actually have a leader that's late three minutes in meeting. Everyone now thinks it's appropriate to do that.

Now, everything is slower by three minutes multiplied by the number of people that were in that meeting. If it's, if it's an all hands, even worse. the way that I scale the culture is I culture, like basically being a force multiplier is actually a component in all the promotions, performance reviews.

How are you actually embodying the behaviors that. We know

that at scale, let's say it's 500 people what you're doing actually would be what we want to see across 500

people.

Keith Rabois: Harry, if you read [00:29:00] high output management, you know, by Andy Grove written in 1983, it's basically the same philosophy and Mike's translated it to trauma. Which is basically everything's about what is the high leverage activity and high leverage activities can be have upside and they can have downside and you need to stop the downside ones like the three minutes late to the meeting because it multiplies and then you need to amplify the positive ones and you want to filter people and your own calendar by whether something is a high leverage activity or not.

Harry Stebbings: Mike, do you celebrate wins?

Mike Shebat: We do celebrate wins. When we hit a very like big milestone, I had given an all hands to the company. And I was like, here's what we have to be proud of. Like, this is our unit economics. This is our growth rate. We, we actually doubted we could do it and we actually far surpassed it.

Everyone clapped. before people could stop clapping, I switched to the next slide, which is basically like why most Y Combinator startups that graduate Y Combinator end up not making it. And it's because they get complacent and they lose momentum. one thing that keeps me up at night is it's always this balance of guys.

We are genuinely crushing it. [00:30:00] We should be very, very appreciative of this. And all these, all this hard work is translating into actual results, but then at the same way, you don't want to have a feeling that we already made it because we definitely have not already made it. You don't make it until we end up IPOing and actually, actually, I don't think we'll ever feel like we've made it.

It's always day one.

We just raised an incredible round of financing based on real results and great people. But I also know that like, if we just all get complacent and comfortable, which happens to a lot of companies, next quarter is not

guaranteed to be as good as this past quarter.

So we're always thinking like, okay, what's next? How can we increase velocity and work even harder?

Keith Rabois: Like, so for example, let's apply this to a startup. I LinkedIn by any measure was, pretty successful, certainly impact. acquisition 24 billion or so truthfully probably hit somewhere between five and 20 percent of its, you know, potential, because it didn't do some of these things like I, in my mind, it's still confound, you know, it still drives me crazy that LinkedIn wasn't more valuable than Facebook.

It should have been,

Harry Stebbings: you unpack that for me,

Keith Rabois: [00:31:00] yeah, we didn't have an Olympic work ethic. We had a bunch of French engineers that wanted to work 35 hours a week, at the time. In 2003 to five, when the company was really founded, most people thought the internet was dead to read, didn't read Hoffman who founded the company really couldn't get the stellar quality of talent that Mike's been able to tap into and it started, propagating and those people hire 10 people like them.

And then all of a sudden you had a mediocre culture with a brilliant idea and a great viral distribution. So again, 24 billion for most people is acceptable. Michael will be disappointed in himself if he stops at 24.

Harry Stebbings: Keith, this might be more directed at you, but it's just like, when you think about the work culture and the commitment required

for working at Charble, or working in this

environment,

can you do that and be a parent?

Keith Rabois: mean, I think you can. So I remember when I was a lawyer. The last month I was a litigator at Sullivan and Cromwell in New York, I built 360 hours. I bet you almost nobody who works in the startups works 360 hours. That's built by the way, not worked. many of the people I competed with in my class of [00:32:00] associates actually had kids.

one of the women, one of the women, Sharon, who is like a classmate of mine, who's now a partner. Had kids. So you can be very successful if you have kids, requires you to be more disciplined, like about your time allocation.

It tends to amplify things if you're really disciplined, maybe even do better with kids. Um, you know, Deleon's about to have a kid, I'm sure he's going to become just as good or better investor, you know, with a kid than he was before.

Scarlett 2i2 USB: I do have to ask. I have a guest on the show the other day, and they said that you can be so productive in your twenties, that not being your fullest work self in those years is one of the biggest opportunity costs you will make or decision opportunity costs you will make in your career. Others say that you need to experience life, travel, How do you feel about that? And which side of the fence do you sit on?

Keith Rabois: I can amplify that. I think, first of all, in

technology, the opportunity cost in your 20s is very high. If you look at a lot of people have been most successful, the foundations of their career are in their 20s. It's a little bit like sports. If you're going to be an NFL player, NBA basketball player, and, uh, you know, major league [00:33:00] baseball pitcher, the idea of taking time off in your 20s would be literally insane.

technology has some of that. Yeah. Steph Cohen, who co founded Palantir and Sean, who's the CTO, have both written blogs and Twitter, threads about how you're committing, like, professional suicide by investing your time with distractions in your 20s.

I think there's something to sampling, sampling different things in life. Like, I sampled being a lawyer, and then figured out what I really should be doing is, So sometimes you do need to sample to figure out where your comparative advantage is and where to double down, but that's an investment.

It's a conscious decision. It's not like, hey, I'm going to go see the world or I'm going to sit back and watch Netflix.

Mike Shebat: by far the right move, because if you are in your twenties, you have all this energy. You actually want to like reach your full productivity and potential in this, life. Why would you go work at a company where you could actually put like 50 percent effort in?

Be on zoom, but like actually be going to doing something else and you're never worried about, Oh, am I actually going to get laid off? [00:34:00] Like you're basically wasting a whole decade of time in an area that's actually not pushing you. It goes back to what I talked about earlier with hypertrophy.

you should actually be putting yourself in situations to grow from and actually surprising yourself and being like, wow, I actually am capable of doing this. Like you actually see people that

accomplish great things very, very young and it's because they're putting themselves in the situation to actually challenge them.

Keith Rabois: Yes. Some specific examples. Why do you think that Teal

Fellows have been so successful or YC founders? Why have they been so successful compared to normal distributions? It's because they invest their time early in their careers and doing things that are challenging and they stress themselves. They challenge themselves through the hypertrophy model those paid dividends and they may, have luxuries later in life because they invested. most of the best people I've ever worked with in my career. We're actually interns. And they took advantage of being an intern. You know, we talked about Deleon. We talked about Tony at DoorDash. Taylor Francis. These people invested very consciously early in their themselves in a position to be challenged.

To learn as much as possible. And [00:35:00] then double down and leverage that as fast as possible. And that's how you generally break through in any field.

Harry Stebbings: I got two questions that I have to ask on the back of that, and they're kind of bold statements, but I do believe them. One, I find that all the greatest entrepreneurs that I see, I invest in, I work with, whatever that is, but the greatest entrepreneurs start some form of entrepreneurial project early.

They're 13, 14 building websites. They could be selling cookies at their school, but they start entrepreneurship in some way early. Do you both agree with that?

Mike Shebat: I think that developing the skill of resourcefulness and basically being like, here's where I want to go. And I'm not going to just take like these arbitrary rules or this system around me as an answer for that. I think developing that at a young age is very important, there's actually a general partner of Founders Fund named Trey. We were just at his 40th birthday party. one thing that was mentioned was that he didn't get into Georgetown the first time and he literally went and like, set up a tent in front of the admissions office and was like, I need to get into this school and ended up getting in.

[00:36:00] Like, I think that you need to develop whatever it is. I think you need to develop that mindset at a young age that whatever gets told to you isn't actually the answer right off the bat because it was just generated by a system and people that are probably actually optimizing for the middle of the bell curve and like the mean.

I think that whether it's building websites or other entrepreneurial endeavors, or

trying to find your way into like some system, I think that that type of mentality is very important as a young.

Keith Rabois: Paul Graham wrote this fabulous blog post

called Relentlessly Resourceful, which is, I think, the trade that Mike's alluding to, and

I think to be successful as an entrepreneur, you need that trade on steroids, almost every trade That's important.

You develop early in your life and there's evidence of it. So like work ethic, intensity, resilience, resourcefulness, it shows up very, very early as Mike alluded to, you know, Trey, when they were roasting Trey, they gave examples as early as high school of like, you know, ways he was relentlessly resourceful.

that shows up later when you're building companies, when he's co founding companies. And I think everything that leads to [00:37:00] success is actually shaped much earlier than people realize. Per your point about children, I do have, you know, kids that are two and a half years old, and I'm already trying to inculcate all of these values, like, and I'm not accepting any excuses.

Other parents are like, you're crazy. I'm like, no, these kids are going to have these traits now.

Harry Stebbings: If you put 20 VC on in their nurseries, is it actually just

Keith Rabois: We'll test it out. We're going to test it out.

Harry Stebbings: Jacob will come home and

be like, Keith. The

Keith Rabois: He already thinks I'm crazy.

Harry Stebbings: question I have to ask, and I want to learn, I use the show as a learning mechanism. I always have done. I don't like first time founders and I want to be learned from you guys here.

But I don't like them because I feel that there's so many mistakes one makes in their first company. That you would never make in a second or third, and if runway and time is the killer of progress, you waste so much time hiring the senior execs before you should, finding PMF,

customer discovery, all of these things. Why am I wrong to not like first [00:38:00] time founders?

Keith Rabois: I think first time founders are actually better on average. Um, most of the best companies I've invested in are first time founders. Not all, part of it is ambition. part of it is you don't know what you don't know, which means you don't accept any rules. once you learn too much, even as an entrepreneurial person, you know, take in some of those and they're not always right.

I think the best thing you can do though and we had this side conversation and twitter thread about this is Pair yourself very well with either investors or board members Who can help identify some blind spots sometimes when the grass isn't quite greener So that you can take advantage of those lessons While you're a first time founder with all the positive energy and all the positive no excuses sort of mentality than most second time founders have I think I've learned some things, and I have avoided some mistakes at OpenStore.

But in some ways, I wish I had done some things naively.

Harry Stebbings: What are the biggest mistakes, Keith, that you most often correct

Keith Rabois: The biggest

mistake was not being as intentional as Mike and Akshay

about the culture in the very, very beginning. culture is like [00:39:00] concrete in liquid, form. Concrete's really malleable. But once it solidifies, it takes like a jackhammer, which is incredibly disruptive, painful, expensive to break.

I was a little too, I was a lot too passive in letting the culture formulate, and I really have struggled to fix that.

Harry Stebbings: Can I ask you, Mike, when you think back on the decisions you've made that you've been a mistake and you wish you'd done differently, what do you think those have been? If Keith Slare was the culture and he should have been more intentional from day one, what would yours be?

Mike Shebat: I think when I was first starting the company, you think everything has an equal weight of importance. When in reality, want to spend your time as you're scaling on the most high leverage, uh, activities that are actually going to 10 X the business. It's that balance of sweating the details where every detail does matter, but then when there's only a finite number of hours in a day and how much energy you can apply towards something, I've grown as a founder where I've been like, okay.

Here's like, as I'm starting my day today, what's like the most important thing that like is critical to the company. And I should be like putting [00:40:00] my time towards that then learning the skill of like delegating the other things. But then, while still pressure testing, but I think when I first started, every single detail had an equal amount of importance and actually Keith being, uh, around the table for the whole journey, he actually did give a metaphor of like.

I'm operating more like the army where the army is like very much like operational efficient across everything. No, no mistakes, whereas what I should be doing as a founder is being more like a Navy SEAL, going all in and like really applying myself into like the highest leverage activities.

Harry Stebbings: I'm gonna go there on something, but why not? Founders Fund's motto is like, don't fire the founder. Keith, you must have invested in people where they're not as good as you think they are, and they don't live up to expectation, and actually they don't listen to you for

whatever reason.

What do you do then?

Keith Rabois: venture is a lot like baseball in the United States. If you're world class, you're right 40 percent of the time. And I define venture as seed, stage, investing, series A investing, 40 percent Hall of Fame, Ted Williams tech category. So by [00:41:00] definition, 40 percent right, it's going to lead to 60 percent not being right.

partially because it's such a big challenge. Reinventing an industry is like this heroic effort. our partner, Trey Stephens, says building a company is fucking hard. Like direct quote, you know, and it really is worth using a direct quote because it signifies how challenging it is. So being 40 percent right and 60 percent wrong is what you're kind of signing up for.

what I care most about is that people leverage their ambition, their talents, their skills. To the highest potential. Not everybody is going to be a major league baseball pitcher, even though a lot of people start in college, and try, and if you have that potential, you want to fulfill it.

And so that's most exciting. Like, I don't expect founders to listen to me, by the way, just to be clear. I almost never tell a founder what to do. I do have feedback and hopefully insightful feedback about kind of spidey sense of what's working and what's not. Almost like a cartoonish mirror in a haunted house.

Try to exaggerate the positives and exaggerate intentionally the negatives. And play it back to the [00:42:00] founder and say, is this what you really think you want to be doing?

It's worth emphasizing that a lot. Every company that's successful is like a cult, And every cult that works is unique. And so if you just take general feedback and apply it to a unique situation, It can often be, bad, like really bad. so I think that is exactly the role of a founder is what am I building?

What's special? What's unique? What's differentiated about what we do? Our company culture. And then how do I apply general frameworks? To my specific talent pool, my specific market, my specific culture. This is actually like specifically, like I'll give you another illustration of another founder who thinks like Mike does.

So Max Rhodes who worked with me at Square and now runs FAIR. When he asked me difficult questions, he actually starts the question with what's the right framework to think through this problem? It's never what's the right answer. It's like do you have a conceptual framework that I can apply to my company?

Harry Stebbings: what do you think of the frameworks which are malleable to companies across stage or sector or space, Like, what are the frameworks which

do apply

across and you should take and [00:43:00] learn from?

Keith Rabois: let me give you an extreme example from the kind of public domain. Most people say you should build a company that's transparent, right? Like you hear this all the time, transparent, blah, blah, blah, blah. Apple, which is the most valuable tech company in the planet, is completely non transparent in every possible way.

Employees are not allowed to go to the wrong buildings, they have separate badges, they're not allowed to know what other employees are working on, et cetera, et cetera, et cetera. obviously the mainstream advice clearly doesn't work to build the most successful company in the history of the planet. To some extent, you know, that's, the point is like, there isn't a right way to do things.

You have to figure out why would you're building a special and differentiated, you know, if you read Zero to One, Peter talks about both cults and secrets. So you have secrets about the world that you believe that other people don't subscribe to, and that's what powers your competitive advantage, and that's what you're doubling down on.

Apple has lots of beliefs about the world that most people don't believe in, but that's why they're very successful. And you can't, like, apply that. Like, nothing that works at Apple would work at Google. Like everything Google does is completely antithesis of Apple. And so that's why you have to have, a philosophy that [00:44:00] accommodates successful examples, and then you apply that philosophy to what you're trying to do.

If you have a monopoly, for example, Google has this 20 percent you know, side project bullshit, or they used to. If you have a monopoly business with 99 percent gross margins or 90 percent margins, Maybe letting your employees waste time once in a while maybe isn't catastrophic. Most of us do not run pure monopoly businesses with 90 percent margins.

So that would be catastrophic to our businesses. That would be catastrophic to DoorDash. It would be possibly catastrophic, to Traba. It would definitely be catastrophic to

Mike Shebat:

Harry Stebbings: I always say to founders, don't

try and educate investors. If you need to educate them, it's just too hard.

Keith Rabois: Well, you're you're, I think I agree with you, Harry, that once you're having that conversation and trying to educate investors, they either Okay.

Notice that and they spot it and they're like, Oh my God, this amazing where they don't and just just avoid them

Harry Stebbings: But when it's like, talk to me about cloud and you're like, we're gone. We're out, like,

this is just not going to work.

Keith Rabois: Well, this is why they get to give advice to entrepreneurs who are listening [00:45:00] Actually, I

don't think you should

practice your pitch with mediocre investors Even though lots of people give that advice because really good investors are going to ask completely different questions And you're going to just mislead yourself by practicing with mediocre investors.

And then you're going to get a really good investor and they're going to ask you completely different questions because you're going to dial into what actually matters. And you can almost tell, like, you know, I get to work on both sides of the table because I'm raising money from investors, pitching them.

And then obviously hear a lot of pitches and watch our portfolio raise money. There's usually two or three things that matter and when you talk to a really good investor It's so consistent how they dial into the same two or three things.

Harry Stebbings: I agree. I think the hard thing is that, honestly, most people don't meet the good investors.

my question to you was actually, could Traba, or could any of the companies that you've worked with, Keith, be built outside of the ecosystems they were in? We joke about Europe, but could they have been built in Europe?

Like, how

important is that

local maxima of talent that you have, Mike, in Traba, that it's in person, in office?

Keith Rabois: Well personally, I [00:46:00] believe you need to be in person

So when Mike started the company, he and Akshay were courageous because at the time, there was this consensus view that people could work remotely in distributed ways and blah, blah, blah, blah. And the world had changed and COVID blah, blah, blah, blah. And they were like, we're doing an in company and in person company only period, like six days a week.

Now, people realize that that is the correct way to build a startup. But three years ago, that was incredibly contrarian. And, you know, we at Founders Fund have pretty much put a line in the sand that we won't invest in remote companies because we've just watched 50 years that there's almost no examples of people building companies that way.

And there's lots of, if you've actually been a founder, if you've been a CEO Peter has, if you've been a CEO and founder like I've been, if you've been a co founder like Trey, you just know why. It's very obvious why it doesn't work. And so we immediately filter that way. But you have to give Mike a lot of credit because...

That was not almost like an acceptable view to have, you know, during COVID or the end of COVID. I think you can do this in Europe, you'd have to be careful because obviously [00:47:00] European countries have all these regulations about people working. But we have a great company, Trade Republic in Berlin, run by a actually a founder who's very similar to Mike in terms of DNA, Christian.

And it's doing very, very well. Uh, we have a board meeting actually later today. I feel like it's possible. But I think it takes a courageous, confident, no excuses, tenacious founder to pull it off.

Harry Stebbings: Mike, how do you feel? Could you have built Trouble somewhere else?

Mike Shebat: Starting in Miami was definitely the right move. I do think that being different than most. I mean, we were working six days a week, 12 hour days in Miami, Florida, where people do like, there's beautiful beaches there.

There's like a lot of things to do. people would be like, okay, I'll move to Miami, work at Traba, dedicate everything to actually making this company work, building relationships that will last a lifetime, go through a lot of challenges together. In Miami, I do think that, and I did work with Uber in a lot of countries that like France, like Netherlands, Egypt, and even though most of the [00:48:00] population may have a certain culture, I do think that being very unapologetic and saying this is what we are and you can opt into it, I do think you can still find the top 1 percent of people in those communities that will opt into that the risk is when you are too open and aren't aren't up front with what actually you want to commit to.

And that's when you hire people that are all like all over the place in terms of what their commitment level will be.

Harry Stebbings: Final one for a quickfire. Keith, you just said about kind of, uh, you know, remote work not generating great companies. You have your GitLabs and your Zapiers, and I've seen like,

uh, a lot of people on Twitter be like, Oh, Keith, you're so wrong on this one. And so I'm going to get in trouble

if I don't ask it. Are

Keith Rabois: Well, okay. Yeah, let's talk about it. So I actually sourced GitLab for KB. We are the seed investor. and I

met them in YC office hours and I knew they were special. I think you can build an open source company predicated on open source software and distribute away because you have thousands of contributors or hundreds of contributors all around the globe to open source software and you're managing and corralling the contributors.

It's a [00:49:00] very special exception, but I knew it. And I knew it right away. So, um, I'm not going to accept like Twitter people, like who have never found a successful company criticizing it when I knew that I found the exception in the last decade. you know, and last thing I don't think was actually built the way people remember.

I don't know all the details, but as I've probed a bit, I don't think it's quite as clearly true that it was built that way, that it was built remotely. maybe when you have a network effect, maybe when things are going perfectly. You could build a remote company. Like for example, Airbnb is, uh, like alluded to. I invested in the beginning with Airbnb. You know, obviously they've gone to a remote culture, but they have the best network effect business i've ever seen And if you ask brian or joe, would you start a company from scratch today as a new founder?

I can guarantee what that answer is. It's not going to be do it remotely

Harry Stebbings: Why is it the

best network effect business you've ever

seen? I

Keith Rabois: Well, because you have a network effect across

markets. Typically, you have a local network effect, but Airbnb is great because you have travelers, let's say going from China to New York and vice versa, and that's pretty rare when you can actually literally spread [00:50:00] across markets.

You have a local network effect, like the more, um, Host you have the more matchmaking you can do so like there's the more supply you have the more likely I can find what I want The price point I want in the neighborhood I want with the layout I want but then also once I've been to New York Then I can take it back with me to Miami and so that's extraordinarily rare.

Harry Stebbings: Okay, listen, I want to do a quick fire round. So I say a short statement, you give me your immediate thoughts. I'm going to

direct them. So don't worry, it's not going to be a free for all. Mike, you can be CEO of any other company for a day. Which would it be?

Mike Shebat: If only for a day, I think it

would be interesting

to be the CEO of the New York Times.

Keith Rabois: That's great.

Harry Stebbings: Keith, where do interest rates go from here?

Keith Rabois: Uh, they're not going much down. I mean, I think we have sustained

inflation for structural reasons for a decade. you know, plus or minus, they might be slightly alleviated. But there's a lot of very strong reasons why this zero interest rate or low interest rate environment was a, you know, one time in history kind of world.

Harry Stebbings: Mike, what's the right way to view competition?

Mike Shebat: be aware of competitors, but not [00:51:00] to obsess over them.

Harry Stebbings: Keith, 2024, are we more optimistic or less optimistic than 2023?

Keith Rabois: I'm optimistic. I just don't believe there's a lot of great startups to invest in as a VC. Those are two different things. Like, generally you have to be a technology optimist, as you know, Mark Adjusin pointed out, to be a successful investor. You always have to meet a founder and say, what can go right?

what is the potential of this company and what is the potential of this person? But I think there's going to be rare examples of when things can go right on a probabilistic basis.

Harry Stebbings: Mike, what's the best piece of advice you've been given in the Traba journey?

Mike Shebat: be unapologetic of what you stand for. It actually creates the right effects downstream.

Harry Stebbings: Keith, final one for you. If you could change one thing about Founders Fund, what would it be?

Keith Rabois: Um, I think we need to be?

and cultivate up and coming talent, for investing because it's a decades long business. Peter's been around for a while. Brian's been around for a while. Trey just turned 40. [00:52:00] the problem is and the challenge is projecting who's likely to be a great investor is even harder than figuring out who's going to be a world class

founder.

Harry Stebbings: What are the biggest signs that someone is a great investor early? We're talking about Deleon beforehand.

Keith Rabois: You know, I think investing is a little bit like playing the guitar and you can't really tell someone who can play the guitar until they pick up the guitar. And so you can't read a book about playing the guitar and know whether you can play the guitar or something. And so I think the only way to tell is you need to get some reps, you need to try to invest, you need to watch, can this person identify with taste, who's a world class founder, can they close an interesting investment, do those companies show signs of life, I've yet to find a really strong proxy for that, where I know how to find a world class founder, I know how to evaluate a world founder.

Directionally, I usually know how to interview an executive, etc. Trying to identify who's going to be a world class founder until you see them actually try to do it is Really really really difficult and you don't get real returns for six Eight, 10 years. Whereas like an executive, I always know in 30 days whether they're [00:53:00] really going to work.

Harry Stebbings: Jeff at Insight said you need 10 to 20 million to learn

Keith Rabois: There's that famous fighter jet thing from John Doerr about

like you crashed, an F 15, 50 million. Anil from Greylock used to talk about that. I don't know if you really need to lose that much money. I think a year in, you know what you have. Like we knew Travo was working pretty damn quickly. Neufair was working at the second board meeting. He pushed me on a ramp even before launch to double down. I actually think within 12 months, 90%, 99 percent of the time, you know, whether you've made a good investment, even if the external world doesn't know.

Harry Stebbings: Mike, final one for you. Where are you and where's Traber in 10 years time?

Mike Shebat: So we'll be a publicly traded company, and working towards that trillion dollar goal we have.

We have improved millions and millions of people's lives, upskilling them, connecting them to the right jobs at the right time. And we've unlocked a new level of productivity in the supply chain. So people are getting food faster at a better price. Well, uh, buildings are getting put up with a better cost.

getting put up faster. There's not this constraint of [00:54:00] labor across the supply chain.

Harry Stebbings: Guys, I've loved doing this. This is why I didn't really like

the schedule, because I thought the conversation was so much better without it.

thank you both so much for joining me, and this has been fantastic.

Keith Rabois: A pleasure to be with

you.

Mike Shebat: Yeah. Thanks for having us.

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