

Why Startup Hubs Work

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If you look at a list of US cities sorted by population, the number of successful startups per capita varies by orders of magnitude. Somehow it's as if most places were sprayed with startupicide.

I wondered about this for years. I could see the average town was like a roach motel for startup ambitions: smart, ambitious people went in, but no startups came out. But I was never able to figure out exactly what happened inside the motel—exactly what was killing all the potential startups.

[1]

A couple weeks ago I finally figured it out. I was framing the question wrong. The problem is not that most towns kill startups. It's that death is the default for startups, and most towns don't save them. Instead of thinking of most places as being sprayed with startupicide, it's more accurate to think of startups as all being poisoned, and a few places being sprayed with the antidote.

Startups in other places are just doing what startups naturally do: fail. The real question is, what's saving startups in places like Silicon Valley?

[2]

Environment

I think there are two components to the antidote: being in a place where startups are the cool thing to do, and chance meetings with

people who can help you. And what drives them both is the number of startup people around you.

The first component is particularly helpful in the first stage of a startup's life, when you go from merely having an interest in starting a company to actually doing it. It's quite a leap to start a startup. It's an unusual thing to do. But in Silicon Valley it seems normal.

[3]

In most places, if you start a startup, people treat you as if you're unemployed. People in the Valley aren't automatically impressed with you just because you're starting a company, but they pay attention. Anyone who's been here any amount of time knows not to default to skepticism, no matter how inexperienced you seem or how unpromising your idea sounds at first, because they've all seen inexperienced founders with unpromising sounding ideas who a few years later were billionaires.

Having people around you care about what you're doing is an extraordinarily powerful force. Even the most willful people are susceptible to it. About a year after we started Y Combinator I said something to a partner at a well known VC firm that gave him the (mistaken) impression I was considering starting another startup. He responded so eagerly that for about half a second I found myself considering doing it.

In most other cities, the prospect of starting a startup just doesn't seem real. In the Valley it's not only real but fashionable. That no doubt causes a lot of people to start startups who shouldn't. But I think that's ok. Few people are suited to running a startup, and it's very hard to predict beforehand which are (as I know all too well from being in the business of trying to predict beforehand), so lots of people starting startups who shouldn't is probably the optimal state of affairs. As long as you're at a point in your life when you can bear the risk of failure, the best way to find out if you're suited to running a startup is to try it.

Chance

The second component of the antidote is chance meetings with people who can help you. This force works in both phases: both in the transition from the desire to start a startup to starting one, and the transition from starting a company to succeeding. The power of chance meetings is more variable than people around you caring about startups, which is like a sort of background radiation that affects everyone equally, but at its strongest it is far stronger.

Chance meetings produce miracles to compensate for the disasters that characteristically befall startups. In the Valley, terrible things happen to startups all the time, just like they do to startups everywhere. The reason startups are more likely to make it here is that great things happen to them too. In the Valley, lightning has a sign bit.

For example, you start a site for college students and you decide to move to the Valley for the summer to work on it. And then on a random suburban street in Palo Alto you happen to run into Sean Parker, who understands the domain really well because he started a similar startup himself, and also knows all the investors. And moreover has advanced views, for 2004, on founders retaining control of their companies.

You can't say precisely what the miracle will be, or even for sure that one will happen. The best one can say is: if you're in a startup hub, unexpected good things will probably happen to you, especially if you deserve them.

I bet this is true even for startups we fund. Even with us working to make things happen for them on purpose rather than by accident, the frequency of helpful chance meetings in the Valley is so high that it's still a significant increment on what we can deliver.

Chance meetings play a role like the role relaxation plays in having ideas. Most people have had the experience of working hard on some problem, not being able to solve it, giving up and going to bed, and then thinking of the answer in the shower in the morning. What makes the answer appear is letting your thoughts drift a bit—and thus drift off the wrong path you'd been pursuing last night and onto the right one adjacent to it.

Chance meetings let your acquaintance drift in the same way taking a shower lets your thoughts drift. The critical thing in both cases is that they drift just the right amount. The meeting between Larry Page and Sergey Brin was a good example. They let their acquaintance drift, but only a little; they were both meeting someone they had a lot in common with.

For Larry Page the most important component of the antidote was Sergey Brin, and vice versa. The antidote is people. It's not the physical infrastructure of Silicon Valley that makes it work, or the weather, or anything like that. Those helped get it started, but now that the reaction is self-sustaining what drives it is the people.

Many observers have noticed that one of the most distinctive things about startup hubs is the degree to which people help one another out, with no expectation of getting anything in return. I'm not sure why this is so. Perhaps it's because startups are less of a zero sum game than most types of business; they are rarely killed by competitors. Or perhaps it's because so many startup founders have backgrounds in the sciences, where collaboration is encouraged.

A large part of YC's function is to accelerate that process. We're a sort of Valley within the Valley, where the density of people working on startups and their willingness to help one another are both artificially amplified.

Numbers

Both components of the antidote—an environment that encourages startups, and chance meetings with people who help you—are driven by the same underlying cause: the number of startup people around you. To make a startup hub, you need a lot of people interested in startups.

There are three reasons. The first, obviously, is that if you don't have enough density, the chance meetings don't happen.

The second is that different startups need such different things, so you need a lot of people to supply each startup with what they need most. Sean Parker was exactly what Facebook needed in 2004. Another startup might have needed a database guy, or someone with connections in the movie business.

This is one of the reasons we fund such a large number of companies, incidentally. The bigger the community, the greater the chance it will contain the person who has that one thing you need most.

The third reason you need a lot of people to make a startup hub is that once you have enough people interested in the same problem, they start to set the social norms. And it is a particularly valuable thing when the atmosphere around you encourages you to do something that would otherwise seem too ambitious. In most places the atmosphere pulls you back toward the mean.

I flew into the Bay Area a few days ago. I notice this every time I fly over the Valley: somehow you can sense something is going on. Obviously you can sense prosperity in how well kept a place looks. But there are different kinds of prosperity. Silicon Valley doesn't look like Boston, or New York, or LA, or DC. I tried asking myself what word I'd use to describe the feeling the Valley radiated, and the word that came to mind was optimism.

Notes

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I'm not saying it's impossible to succeed in a city with few other startups, just harder. If you're sufficiently good at generating your own morale, you can survive without external encouragement. Wufoo was based in Tampa and they succeeded. But the Wufoos are exceptionally disciplined.

[2]

Incidentally, this phenomenon is not limited to startups. Most

unusual ambitions fail, unless the person who has them manages to find the right sort of community.

[3]

Starting a company is common, but starting a startup is rare. I've talked about the distinction between the two elsewhere, but essentially a startup is a new business designed for scale. Most new businesses are service businesses and except in rare cases those don't scale.

[4]

As I was writing this, I had a demonstration of the density of startup people in the Valley. Jessica and I bicycled to University Ave in Palo Alto to have lunch at the fabulous Oren's Hummus. As we walked in, we met Charlie Cheever sitting near the door. Selina Tobaccowala stopped to say hello on her way out. Then Josh Wilson came in to pick up a take out order. After lunch we went to get frozen yogurt. On the way we met Rajat Suri. When we got to the yogurt place, we found Dave Shen there, and as we walked out we ran into Yuri Sagalov. We walked with him for a block or so and we ran into Muzzammil Zaveri, and then a block later we met Aydin Senkut. This is everyday life in Palo Alto. I wasn't trying to meet people; I was just having lunch. And I'm sure for every startup founder or investor I saw that I knew, there were 5 more I didn't. If Ron Conway had been with us he would have met 30 people he knew.

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