Entrepreneurship 101

Haseeb Qureshi (that’s me)
I’m Haseeb. I’m a crypto VC.

I used to be a professional poker player, a software engineer (Airbnb, earn.com), a startup founder, and have been investing in crypto for over 5 years.
We’re going to talk a lot about startups.

But what makes a startup different from a regular company?
Startups are special.

They have magic powers. ⭐️⭐️
This is because they are:

- Small
- Nimble
- Unconstrained
- Courageous
- Most of all, innovative
Startups can do amazing things.

But they are also fragile.
Big company

Startup
<table>
<thead>
<tr>
<th>In a big company...</th>
<th>In a startup...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility is diffuse</td>
<td>Everyone feels responsible</td>
</tr>
<tr>
<td>You must defend your cash cows</td>
<td>You must put everything on the line</td>
</tr>
<tr>
<td>Incremental improvements</td>
<td>Innovate or die</td>
</tr>
<tr>
<td>The best companies are the best managed</td>
<td>Minimal management necessary</td>
</tr>
<tr>
<td>Default alive</td>
<td>Default dead</td>
</tr>
</tbody>
</table>
Like all organisms, big companies decay over time. Startups eventually replace them.
And yet, startups are stressful, unforgiving, and extremely risky.

<table>
<thead>
<tr>
<th>Funding Sequence</th>
<th>Failure to Raise the Following Round</th>
<th>Failure to Exit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed (to Series A)</td>
<td>79.4%</td>
<td>97.0%</td>
</tr>
<tr>
<td>Series A (to Series B)</td>
<td>50.0%</td>
<td>88.7%</td>
</tr>
<tr>
<td>Series B (to Series C)</td>
<td>55.8%</td>
<td>84.1%</td>
</tr>
<tr>
<td>Series C (to Series D)</td>
<td>62.1%</td>
<td>80.7%</td>
</tr>
<tr>
<td>Series D (to Series E)</td>
<td>66.4%</td>
<td>78.1%</td>
</tr>
<tr>
<td>Series E (to Series F)</td>
<td>69.2%</td>
<td>74.3%</td>
</tr>
<tr>
<td>Series F (to Series G)</td>
<td>75.0%</td>
<td>74.5%</td>
</tr>
<tr>
<td>Series G (to Series H)</td>
<td>82.6%</td>
<td>72.4%</td>
</tr>
<tr>
<td>Overall Average</td>
<td>67.6%</td>
<td>81.2%</td>
</tr>
</tbody>
</table>

Most startups fail.

Data from Sebastian Quintero, *Dissecting Startup Failure By Stage*, https://medium.com/journal-of-empirical-entrepreneurship/dissecting-startup-failure-by-stage-34bb70354436
Most people should not start startups.

If you start a startup, you will probably fail. And you almost certainly will not become rich.
Learn how to launch a successful startup in high school

leangap.org

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Startups won’t make you cool.
They won’t make you rich.
They’ll challenge you, stress you out, and take away years of your life.
I hope I’ve scared you. 💀

You should be scared of starting a startup.
There is only one good reason to start a startup:

because you want to **solve a big problem with your life**, and you’re willing to **sacrifice time and energy** for a chance at it.
That’s OK if you’re not ready to start a startup yet. This course will still be useful.
But why are startups so valuable?

### The Highest-Valued Startups in the World

Biggest startup companies worldwide by valuation (in billion U.S. dollars)

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Valuation (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bytedance</td>
<td>Artificial Intelligence</td>
<td>140.0</td>
</tr>
<tr>
<td>SpaceX</td>
<td>Space flight</td>
<td>100.3</td>
</tr>
<tr>
<td>Shein</td>
<td>Apparel</td>
<td>100.0</td>
</tr>
<tr>
<td>Stripe</td>
<td>Fintech</td>
<td>95.0</td>
</tr>
<tr>
<td>Klarna</td>
<td>Fintech</td>
<td>45.6</td>
</tr>
<tr>
<td>Checkout.com</td>
<td>Fintech</td>
<td>40.0</td>
</tr>
<tr>
<td>Canva</td>
<td>Software</td>
<td>40.0</td>
</tr>
<tr>
<td>Instacart</td>
<td>Supply chain</td>
<td>39.0</td>
</tr>
</tbody>
</table>

As of April 2022
Currently private, up-and-coming companies (including whisper valuations)
Source: CB Insights
Not all innovation comes from startups. But a lot of it does.
Most economic growth comes from innovation.

In a world of declining growth + interest rates, innovation is extremely valuable.
Most of that innovation comes from startups. **From people like you.**
There is a lot of money chasing startups.
That’s why, if you’re successful, the rewards can be immense.
(But, of course, you probably won’t be successful.)

(That’s okay.)
OK, this concludes the pep talk.

Let’s dive into the 🥩 of it.
How are crypto startups different from normal startups?

(Side note: I’m gonna call it crypto, not web3.)
Crypto startups are subversive.

SEC Orders Crypto Startup To Register ICO Tokens or Face $31M Fine
SEC regulators found crypto startup Bloom qualifying them as securities

Crypto is fully banned in China and 8 other countries
BY MARCO QUIROZ GUTIERREZ
January 4, 2022 at 11 PM PST

Nine countries have have banned cryptocurrency altogether:

- China
- Qatar
- Egypt
- Morocco
- Iraq
- Algeria
- Oman
- Tunisia
- Bangladesh

NFT scams, toxic ‘mines’ and lost life the cryptocurrency dream is ast with EOS

1 million for Revolution. Instead, crypto has astrous gift to con artists

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Crypto is extremely volatile.

This makes it harder to tell what’s real product-market fit.
Most startups are open-source and very public.

Community is everything.

(This has a lot of implications on strategy, which we’ll talk about later.)
The 5 (big) steps to build a startup

1. Learn the culture, products, and history of the sector.
2. Find great cofounders.
3. Come up with a great idea.
4. Validate that your idea is great.
5. Raise money for it.
Step 1: Learn!
Do you know enough to start a startup?

• Immerse yourself in the culture, the products, the history
• Join another web3 startup — this is the best education you can get
• Read voraciously, go to meetups and hackathons, play around with the tech
• If you aren’t technical, get technical (at least a little!)
Step 2: Assemble a Team
The best teams are comprised of friends

- The #1 cause of company failures is cofounder breakups
- You don’t have to jump directly into starting a company!
- You can start with a small project, or some consulting
- Generally you want to pick cofounders who you trust with your life, are competent and resourceful, and who complement you
- Solo founder?
- Who’s the CEO?

(Also, equity splits are a tricky thing.)
Step 3: Come up with a great idea

Step 4: Validate that it’s actually great

(We’ll talk a lot about this part.)
Step 5: Raise $$$!

(We’ll also cover this later.)
A Brief History of Crypto
Until 2009, the Internet didn’t have a purely digital form of money.

The only way to send money online was to use offline systems.
Bitcoin: A Peer-to-Peer Electronic Cash System

Satoshi Nakamoto
satoshin@gmx.com
www.bitcoin.org

Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main problem lies in preventing double-spending. We propose a solution using a distributed hash-based proof-of-work. The network timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work, forming a record that cannot be changed without redoing all that comes after it. The longest chain not only serves as proof of the sequence of events witnessed, but proof that it came from the largest pool of CPU power. As long as a majority of CPU power is controlled by nodes that are not cooperating to attack the network, they'll generate the longest chain and outpace attackers. The network itself requires minimal structure. Messages are broadcast on a best effort basis, and nodes can leave and rejoin the network at will, accepting the longest proof-of-work chain as proof of what happened while they were gone.
Satoshi Nakamoto solved this problem with the invention of **Bitcoin**.

For the first time, the Internet had **its own form of money**.
Once you make money digital...

What else can you do?
What if contracts were digital?

What if property could be governed by code?
Ethereum opens to the door to smart contracts.
You can think of Ethereum as a “computer in the sky.”

(h/t Tim Roughgarden)
Software can encode almost anything:

NFTs
Tweets
Loans
In-game items
Like many technologies before it, smart contracts enable permissionless innovation.
OK! That was a lot. 👍

Questions?