Twitter Thread by Sumit Grrg



Sumit Grrg
@sumitgrrg

I've read all of Jeff Bezos's 23 years of Amazon shareholder letters twice now.

It's an MBA of its own.

Here's what I learned about startups, entrepreneurship, investing and more:

Your customers are loyal to you right up until the second that someone else offers them a better service.

Listen to customers, but don't just listen
to customers also invent on their behalf.

Here's Jeff Bezos on coming up with the Amazon Kindle:

We set ourselves the incredibly audacious goal of improving upon the physical book.

So don't be afraid to set big goals.

And remember that if you don't execute well, it will be done by someone else.

Many of the problems you'll face will have no textbook solutions, and so you should happily invent new approaches.

Find the real root cause or causes of a problem — and do real root fixes.

So then, when you fix it, you're not just fixing it for one customer. You're fixing it for every customer.

Risk aversion limits innovation and long-term value creation.

The path to success isn't straight.

Success often comes through iteration: invent, launch, reinvent, relaunch, start over, rinse, repeat, again and again.

Remember that failure is part invention.

So better to fail early and iterate until you get it right.

How to achieve outsized returns:

Outsized returns come from betting against conventional wisdom.

Given a ten percent chance of a one hundred times payoff, you should take that bet every time.

But you're still going to be wrong nine times out of ten.

Big winners pay for many experiments.

1/2

Let's talk about baseball.

If you swing for the fences, you're going to strike out a lot, but you're also going to hit some home runs. It's as true for business as it is for baseball.

However, there's just one difference.

2/2

Baseball has a truncated outcome
distribution: No matter how well you connect, the most you can get is 4.

In business, every once in a while, when you step up to the plate, you can score one thousand runs.

This long-tailed distribution of returns is why you should be bold.

Here's Bezos talking about the Echo:

1/2

If you had asked a customer "Would you like a black, always-on cylinder in your kitchen about the size of a Pringles-can that you can talk to and ask questions, that also turns on your lights and plays music?"

They would've said no.

2/2

No customer was asking for Echo. This was definitely Amazon wandering.

Wandering is an essential counterbalance to efficiency.

You need to employ both.

The outsized discoveries require wandering.

How to think long-term?

Think it's good enough today, but it will get so much better.

Be an owner ■■

Many investors are short-term tenants, they turn their portfolios so quickly that they are really just renting the stocks they temporarily "own."

Owners aren't so short-sighted.

Long-term thinking is both a requirement and an outcome of true ownership.

Invest in long-term market leadership rather than short-term profitability, or short-term market reactions.

"In the short run, the market is a voting machine but in the long run, it is a weighing machine."

— Benjamin Graham

You aren't 10% smarter with a 10% increase in stock price and conversely aren't 10% dumber when it goes down.

Always want to be weighed.

It's impossible to produce extraordinary results without extraordinary people.

3 questions to consider before hiring:

1. Will you admire this person?

2. Will they raise the average level of effectiveness of the group?

3. Along what dimension might this person be a superstar?

Pay to Quit.

Once a year, Amazon offers to pay its employees to quit.

While the headline says "Please Don't Take This Offer." The goal is to make them rethink their priorities.

An employee staying somewhere they don't want to be isn't healthy for the employee or the company.

"Leaders have relentlessly high standards — many people may think they are unreasonably high."

(Amazon leadership principles)

How to achieve high standards:

1/2

First, you have to be able to recognize what good looks like in that domain.

Second, you must have realistic expectations for how hard it should be to achieve that result — the scope.

2/2

Just one example / perfect headstands

Most people think that if they work hard, they can master a handstand in about two weeks.

In reality, it takes about six months of daily practice.

If you think you can do it in two weeks, you're just going to end up quitting.

Most decisions should be made with around 70% of the information you wish you had.

Wait for 90, and you're being slow.

Plus, if you're good at course correcting, which you should be, then being wrong will be less costly than being slow.

"Disagree and commit."

If you have conviction without consensus, it's helpful to say,

"Look, I know we disagree on this, but will you gamble with me on it?"

No one can know the answer for sure, and you'll probably get a quick yes.

Finally, it's always Day 1.

Day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death.

And that is why it is always Day 1.

If you enjoyed this thread, consider getting the ebook version.

At 15 mins, it's slightly bigger — enough to share the ideas more freely. It's $9, so, maybe, show your support!

Regardless, retweet, and follow me @sumitgrrg for more of these.

Thanks!

https://t.co/pa3MwgLWCj