

Karen Zelnick:

Among the difficult things founders have to face, layoffs may be the worst. We sat down with a CEO who draws back the curtain on a difficult but often necessary part of startup life. Join us in today's conversation with PJ O'Neil, co-founder and CEO of Nomad, and investor Gavin Christensen, as we bring you both sides of a perfect pitch.

Perfect Pitch is a podcast from Kickstart that reveals the minds of both investors and entrepreneurs throughout a startup's journey. I'm your host, Karen Zelnick, and I'm excited to introduce you to today's guests.

PJ, before you founded Nomad, you were the general manager at Opendoor, a leading digital platform for residential real estate. You were a co-founder of HomeSlice, which I originally thought it was a pizza place. It's not. It's a startup that makes real estate more accessible through shared home ownership. And you earned your MBA from UC Berkeley and your bachelor's in economics and mathematics from University of Colorado. And what else would you like us to know about you?

PJ O'Neil:

Thanks for having me. I'm PJ, founder of Nomad based out of Denver. I am here with my co-founder, Matt, and then my family, so my wife Hannah, my little daughter June, who's 14 months old. My wife is pregnant with our second girl, and our dog Pearl. We were born and raised here in Denver. Came home after spending time in New York and the Bay.

And it's really pretty amazing to build a startup here in Denver given how far the ecosystem has come. My dad growing up was an entrepreneur and it always felt like he was kind of swimming against the current. All of my friends parents were doctors and lawyers and in the oil and gas industry, and he kind of stood out.

Now building a company in Denver, this is a much more mature ecosystem. And a lot of the reason that the ecosystem has matured the way it has is because of firms like Kickstart that have invested in the Mountain West, that took that early chance to invest in entrepreneurs, and it's been cool to be a part of the Kickstart family.

Karen Zelnick:

Yeah, that's cool. Well, we're big fans of Denver, wouldn't you say, Gavin?

Gavin Christensen:

Absolutely. And I just would piggyback on what PJ's saying there, which is that we definitely believe that the entrepreneurs in Utah, Denver, Colorado, and the surrounding kind of mountain and Southwest states are different in the sense that there's a little scrappier, take nothing for granted. And I think what we see with PJ and Matt and others is this desire to build a company but also build an ecosystem to kind of pay it forward for other entrepreneurs because you feel like you're building a community as well as building your own company. And we love that about Denver. We certainly experienced that in Utah.

Probably a good point for me to tease this with our audience, which is we've been investing in Colorado since our first fund. That was back in '08. We have great partners on the ground in terms of other funds and service providers and existing companies that are helping new companies we fund. In the next few months, we'll be announcing that Kickstart will have someone on the ground in Denver.

PJ O'Neil:

So exciting.

Karen Zelnick:

So exciting. Yeah, that's a great teaser. But yeah, Gavin, it's great to have you back on the show as always. I want to dive a little more, PJ, into what other benefits do you see to starting a company in the Mountain West versus Silicon Valley?

PJ O'Neil:

A number of benefits. I think one, the founder community here is ultimately not a competitive vibe. So in San Francisco, whether you're a founder or whether you're a product manager, the first question someone asks you when you introduce yourself at a bar is what do you do and who do you work for? In Denver, the first question you ask is, where are you skiing this weekend?

When I'm talking to other founders in the ecosystem here, it's not how much money you've raised, but we actually get right into therapy, like, "Man, this is hard, isn't it? Let's talk about what are you going through? Where can I help?" It's a much more supportive ecosystem across the board.

As I think about talent, Denver increasingly is at parity talent-wise per capita versus some of the coast. Slack is here, Google is here. A lot of the big established public brands that we all know have outposts here. And then maturing startups, so Guild Education, Ibotta, Evolve vacation rentals, really big private companies have built a entire stack of really talented folks who really understand the startup world. So folks, when they join a company, they're joining a company because they really buy in and they want to build something.

My last couple years in the Bay, you wanted brands on your resume. I don't experience the same thing here in Denver. People truly believe in what they're building and commit to it. And then yeah, I think just the western attitude towards life and work is more sustainable. People bust their butt during the week and then enjoy their time on the weekend. Life is a little bit more balanced here I think generally, which makes for happier people and more productive teammates during the week.

Karen Zelnick:

Does that align with what you kind of see, Gavin?

Gavin Christensen:

It does. I think here in the West there's much more of a focus on what have you done and what are you going to do versus what family do you come from? What schools have you been to? What pedigree sifters can I evaluate you with? It's like, "Well, what have you done? What did you accomplish?"

So it's very much a roll up your sleeves, make something happen, and try to stay down to earth, open tent, which I really appreciate and I think that's contributed to why some of these ecosystems are becoming very attractive. Denver is a great example to all, people all over the world are coming voting with their feet saying, "Hey, I want to be part of this and actually think they want me."

PJ O'Neil:

I totally agree. And voting with their feet out of places like San Francisco. As I look at our team, there are more people from Denver here now, but as we were first getting Nomad off the ground, of the first 10 people that were on the team, I think almost half of them had either moved here from the Bay during

the pandemic or had spent time in the Bay before joining Nomad at places like Uber, Snapchat, Opendoor. Unfortunately, real estate prices in Denver reflect that, which makes it a little harder.

Gavin Christensen:

Yeah. Yeah.

PJ O'Neil:

But yeah.

Karen Zelnick:

Yeah. I really like that insight. Thank you. There's so much about your founding story that I want to talk about, especially given that it was at the beginning of 2020. But why don't you tell us first of all what Nomad is? What does Nomad do?

PJ O'Neil:

Nomad guarantees rent for the mom and pop landlord. Most of the single-family rental industry in America is owned by individuals like us, someone who maybe moved out of their first home when they started a family, but decided to keep that home as a rental rather than selling it. That's the vast majority of rental properties, especially in the single-family world in America.

The biggest pain point for that customer is the risk of vacancy, of delinquency, of that home not renting. If you're a big institutional Wall Street investor who owns a ton of property, you experience vacancy as a percentage of your portfolio and it's just a part of your cost structure. When you're an individual landlord and you don't have rental income one month, it's a really binary, very visceral thing that many small-time landlords feel. And so Nomad, it's our goal to help those landlords smooth their cash flow over a long period of time and deliver value in a lot of other ways. But the primary value prop is that guaranteed rental income.

Karen Zelnick:

Did you come up for this idea at Opendoor? Were there learnings and experiences you had there that fueled this?

PJ O'Neil:

I graduated from CU Boulder, as did my wife. We both moved to New York City after we graduated and we wanted to see what that was like and we spent five years there. My first job was at a small strategy consulting firm called Monitor Group, which totally coincidentally Gavin had worked at. A few years before I had started, Gavin left. So we had that connection from the very beginning. It was a really, really awesome little boutique strategy firm where I really cut my teeth, learned what client service was all about, learned how to build spreadsheets and do presentations for execs. It was kind of the perfect job right out of college.

Monitor wasn't known for giving big bonuses, but I got a relatively small bonus after my first year, and I used that to buy an investment property here in Denver across the street from the University of Denver, directly across from the first Chipotle ever.

Karen Zelnick:

That's a great location. Yeah.

PJ O'Neil:

Yeah, right? So talk about a really successful Denver startup story, Chipotle. So my first home was right across from there. I rented it to college students the first year, quickly learned that I should be aiming for PhD, grad students the next tenancy. I had no business owning this home. I mean, I put 2% down or something. And I was lucky that I didn't fill all that much vacancy because if I had, I don't know if I could have stomached it. So I became a landlord at the ripe age of 22 and built a small portfolio from there.

So as I was leaving for business school out at Berkeley, I realized, man, I want to focus on business school, my studies. And so I said I want someone to manage these properties and take it over for me so I can focus on school. I surveyed this sort of property management landscape in Denver at the time and it wasn't all that impressive. They were charging a lot of money to manage these homes. I figured, you know what, I'll just continue to do it. In fact, I'll start my own property management business. We'll start with my properties and we'll grow it over time.

And so I started a property management business with my mom and my brother. We built this property management business from scratch and grew it to about 300 doors under management, which is pretty modest. And in fact, we sold that business earlier this year to focus 100% of my time on Nomad.

So from the very early days, I was a landlord myself. Through that business, got to understand the pain points of the small-time landlord, the clients that we were servicing. After business school, I went to work for a company called Opendoor, which makes it seamless for someone to sell their home. So rather than hiring a real estate agent and listing your home for sale, Opendoor would pay you a fair market value for the home, charge you a fee, and you could kind of walk away.

Opendoor was a very ambitious real estate technology startup, raised money from SoftBank, very high-flying. And when I joined, we were still in the early days of our market expansion. We were in Phoenix and Dallas, and I was hired as our first sort of expansion general manager. So I'd fly into a city, stay there for a few months, hire the team, see us through our first 100 acquisitions or so, and then move on to the next city. I did that until I launched the Denver market and decided to stay here as the GM of the Denver market.

So through that process, really learned what it took to scale a boots-on-the-ground real estate technology business from scratch, and also learned the power of venture capital, of being well capitalized, having the ability to hire the very best and brightest people, to take a very archaic industry and really disrupt it in a meaningful way. That was about the time the idea of Nomad kicked in. How could we do for residential landlords what Opendoor was doing for home sellers?

And so at the end of 2019, that was sort of the plan. I met Matt actually the summer of 2019 and we kind of kicked it off. We both went to CU Boulder and we both went to Berkeley for grad school. He was a few years ahead of me, so we'd actually never met until I moved back to Denver. I pitched the idea to him and the next morning he texted me and he said, "Man, I can't stop thinking about this. Let's figure out how to side hustle on this in some way." And so we were able to side hustle on this idea by just pitching it to the existing portfolio of property management clients. We said, "Hey, would you like guaranteed rent in addition to your property managed?"

And so we could kind of MVP it quickly. Started having a lot of conversations with angels, got some commitments, and I left Opendoor at the end of 2019, two months before the pandemic as we were raising. Matt quit his job at Twilio about six weeks later, a couple weeks before the pandemic. And here we are, we have these commitments. We had half a million dollar in angel commitments. Then

everything goes dark and the angels disappear as their stock portfolios dip by 30%. Matt at the time had twin three-year-olds and a one-year-old.

Karen Zelnick:

Oh my gosh.

PJ O'Neil:

His boss at Twilio in fact called him and said, "Hey, we can just pretend this never happened. You can just keep working at Twilio. We won't say anything." And Matt said, "No, I'm committed to this. We're doing this."

Our commitments are drying up. We had \$300,000 in the bank, but we weren't allowed to spend it until we hit \$500,000 in the bank was the agreement we'd had with early angels. So like, "Man, we got to just start getting on the phone and calling people." We must have done 50 to 75 Zoom calls with investors around the country in a two-week span. And we cold reached out to Gavin. Again, credit to Kickstart. Most of the cold reach-outs to VCs as you all probably know don't go anywhere. You're in the middle of a pandemic, these investors are just trying to keep their own portfolio alive, much less field cold inbounds from two dudes in Colorado. Like, "What?"

But Gavin, again, this is a guy who is a very successful investor, not only responded to us, but he himself responded to us as opposed to someone else on the team who didn't have any context or maybe didn't know about us. We got on the phone, quickly pitched him, and kind of the rest was history. We ended up raising instead of the \$500,000 precede we were initially raising, we ended up raising 1.9 million from Kickstart, Peterson Ventures, Range Ventures, a new firm here in Denver. And so the raising in the pandemic actually was in some ways a blessing in disguise because, again, the world opened up. Scary time, but ultimately really, really fun.

Karen Zelnick:

So Gavin, you answered that cold outreach. What was it about PJ's email that stood out to you that made you say, "Okay, I'm going to reply to this." And maybe there can be some tidbits for listeners on how to do it.

Gavin Christensen:

You bet. I don't always respond to cold outreaches, and I actually should go back to the original emails to even know, but I think what happened with Nomad, one, it was kind of in our region. They did a good job of briefly describing the story. I think there was also some people that we knew that pinged us about Nomad. Brandon from our team also had a lot of interest in the real estate space, and so quickly took an interest. But yeah, I thought, wow, this is an interesting team. I like the way they're framing this up. It's worth our time to talk to them.

In terms of what we were thinking, sort of like dating game, we were kind of wondering, Kickstart was started in the Great Recession, and so in some ways we see recessions as opportunities. But I believe that first call, or I think the second call, I was actually on a one-wheel ride as we were trying to figure out how to cope with it.

Ultimately, we decided to lean into the pandemic and really didn't slow down our pace investing at all, and we're very glad that we kept funding companies like Nomad because the entrepreneurs just had a level of determination and commitment that is really indicative of success, in our view.

Karen Zelnick:

It's always hard being a founder. It's just a different type of hard during a recession and downturn. So that's interesting. And I like too that you mentioned that they did a good job of telling what their company did. I want to reiterate that point of as a founder, it's very important to be able to tell your story and to tell it well.

But PJ, I want to jump back to something. Matt had a call from Twilio. I'm sure you had thoughts about what am I doing? How did you know when it was time to make the jump to leaving a big company, a stable job to founding your own thing, and what were some learnings from that?

PJ O'Neil:

Before Matt and I decided to do this full-time, I remember we had a dinner with our wives and we kind of pitched the idea to them and they were very skeptical. But Hannah knew me well enough and I think seeing it through Hannah's eyes helped me actually make the decision. And it's one of those things she knew that I just would not feel like I had lived a fulfilling life if I hadn't scratched this itch. The opportunities to scratch that itch only come around every so often. When you feel it, you have to do it. It's existential almost to me that I did this. It was something I've been wanting to do for many years.

As you mentioned in the intro, I founded a company in business school called HomeSlice. We were in meetings with all of the top VCs in the valley talking about it, but we didn't have track record yet. You look at a company like Pacaso. Pacaso became the fastest company into a unicorn in history, and Pacaso is the exact same idea as HomeSlice actually. And so that was frustrating to see that I didn't have the right credentials and so I couldn't breathe life into the thing.

Now, here I was, I had all this experience at Opendoor. Matt came from one of the best SaaS companies in the valley. We had this itch and we had to take it. And so when Matt got that call from his old boss saying you can stick around, the train had already left the station. We were doing this thing and nothing was going to stop us.

Karen Zelnick:

Gavin, you founded Kickstart in the beginning of the Great Recession. You've done something similar. What's the sort of emotional toll of leaving that sort of stable position or that job? What do founders need to consider as they enter this arena? How do they know they've got the founder opportunity fit?

Gavin Christensen:

I think for me, I was someone who post business school, and I kind of went back to the firm I was with before, I had no intention of being an entrepreneur. I think I look back and I go, oh yeah, I had a lot of the classic characteristics of someone who does start something, but I just had no... I loved venture capital, so I was like, "I'm going to do venture capital." What I realize is, oh, venture capital's a lot more fun if I get to drive and choose the strategy, I get to create the culture that I think can win. We can make building the community part of our DNA instead of always having to swim upstream in a firm that had different priorities is kind of what I learned.

In the process of building Kickstart, and this is true for most entrepreneurs, there's a lot of personal sacrifice of family and stress. And once you cross the threshold, you can never go back because you're always changed. And so it's really hard to go back. And I had multiple opportunities to go back that were actually much more lucrative than what I left, but ultimately chose to stay with it even when it was pretty dicey and most people thought Kickstart was pretty freaking lame.

It was small, but it was beautiful and it was working. And I realized that so many other places I've been were, hey, they paid big salaries and there's a lot of pedigree, but they were broken. They were big and broken and complicated, and I was like, "Man, small and beautiful and working will actually with time beat most things that are big and complicated and broken."

Big respect for all entrepreneurs because it is a tremendous personal toll. They experience it along with those that love them. And thankfully, if it works, which it sometimes does, to some degree it often does, then the benefits accrue to the broader set of relationships, which is as it should be because that's who gets the cost as well.

PJ O'Neil:

I've learned a lot from that in a few ways. One, raising an early-stage venture round is all about storytelling. It's about creating that narrative and making that narrative compelling and getting people's hearts and minds bought into that narrative. And then as an investor, hearing this story from Gavin got us fired up to work with him. This is the guy who's going to be in the trenches with us and we really are excited about partnering with someone like this.

The power of storytelling, the power of narrative continues to live on even as we get to be a bigger business. It really helps to frame what we're doing not only for investors, but to our employees and to ourselves even. Right? This is a story I tell myself every day. Gavin has a lot of tidbits, lot of stories, lot of ways to orient to the problem at hand. It's been so helpful for me.

Karen Zelnick:

I mean, it's true. He inspires all of us every day. And I know I say that, it sounds [inaudible 00:20:32] when I say that. I'm not joking, I'm serious about that. But Gavin, we're talking about the highs and lows of leaving and starting things, but there are highs and lows once you've started and once you've crossed that threshold, obviously that goes without saying.

But PJ, I want to specifically talk about the rollercoaster of talent management and specifically with layoffs. I know you've had to unfortunately do some layoffs. And we're entering a phase where a lot of people are going to have to be doing those unfortunately. So I would love your insights on that. If you could tell us about how did you know that doing a round of layoffs was the best decision for Nomad? How do you make that call as a founder?

PJ O'Neil:

Yeah, it's such a hard call because leading up, all of 2020 and 2021 was about acquiring talent, telling that story, getting people bought in, and every new hire was like, "Yes, we did it. We got this amazing person to buy into what we're doing and who's fired up to come join us."

In fact, in the early days as we were hiring people, we started to actually get very legit people who wanted to join the business, and that was a pinch me moment. I'll never forget one of those legit people, her name's Katie, she runs our customer team. I remember sending her an email and I said, "Hey... Or maybe it was a phone call, I said, "I want you to know this is early stage still, this is very risky." I did everything I could to talk her out of taking the job because it felt like a lot of weight to have someone that legit join this company, this vision in the early days.

And that puts a lot of pressure on a founder that now you have to live up to the legit people on your team. And that's how I feel now. I look out of this phone booth and to see all these unbelievable people working here, having faith in what I kind of got off the ground still is this pinch me moment. But I'll never

forget, Katie emailed me the next day and she said, "In spite of your best efforts, I'm excited to be accepting a job at Nomad."

Karen Zelnick:

Amazing.

PJ O'Neil:

For the last two years, we've been fighting tooth and nail to get these people on the team, and then the rules of the game change overnight. What a company is measured against, the metrics that matter changed, the amount of runway you needed to have changed, the way future investors might look at your business changed.

It's easier now to think that way because now as I look back, it's like the math just changed however you cut it, whether it's the future cash flow model or the discounted cash flow model or the metrics used in fundraising, all of that changed overnight. And so had I been a very cool, cold, calculated person, I think I actually probably would've made the decision a lot earlier to lay folks off because the math was telling everybody that we had to.

It took probably a little bit of hard conversations with folks like Gavin, others on the board. Having these investors around the table who are seeing things happen across a ton of different companies helps for founders who are very data-oriented, it's really nice to know that there are other data points out there that we can draw from. And so really what I was so amazed by these investors with millions of dollars at stake are saying ultimately it's your call. Gavin's like, "This is your business. We trust you. Here's what I'm seeing." And the conclusion now seems obvious, but it was really hard. And so all these people we'd fought tooth and nail to get on the team we now were taking a hard look at.

I felt all the stages of grief. You have denial, you have depression, you've got bargaining, a lot of bargaining, lots of bargaining, even up to the last second of the layoffs, like "Ooh, does this person really need to be on the list?" Bargaining up to the very, very last second.

And as we brought people into this decision, what was hard was I'd already worked through a lot of those phases. As people were coming into the decision, they had to start their grieving process fresh. And so it's one of those things, time heals all wounds. And the company is in a really good shape now, but it was really hard. Happy to talk through the logistics or anything you want to talk about.

Karen Zelnick:

I would like to talk through some logistics. But first, Gavin, as a board member, as an investor, how do you perceive layoffs for a company? And also how do you think through advising a company on them and letting it ultimately be the founder's choice?

Gavin Christensen:

Our philosophy's, hey, we invest in founders, CEOs and leaders, and we ultimately are backing them in their decisions, but we're also trying to provide the benefit of we've invested in over 200 companies historically and we have a ton of companies kind of going through the same things and kind of say, "Hey, here's what we're seeing horizontally across the economy and here's how we would think about this tricky situation."

So we get a lot of reps on any one challenge in a company, which I think where VCs can be very helpful to founders, especially, I think it's on the one hand, VCs that are humble enough to offer up data and thoughts, but make sure that the founders feel like their hands are firmly on the wheel, that they're

closest to the specificity of that company and the idiosyncrasies of that company. And so I think that's a really important way for VCs to think through this from their side.

But I would say the broader philosophical thing for me is as a leader there's a lot of ethics in being a great leader and there's a lot of compassion necessary. The least compassionate thing is to actually when you know something is really problematic and that your chances of survival is going up and you can change it and you don't do it, ultimately everybody loses their job, just to be clear.

It's startups every day are basically showing the world that they deserve to exist. There's no tenure in startups, there's no guarantee, there's no pensions. I mean, startups are fighting to prove that they exist every day. And so, so much of the psychology flips when you say the goal is to try to have as many of these employees make it and hopefully a lot more, and investor capital and time and talents get there. So getting there is kind of the ultimate goal. If that doesn't happen, nothing else matters, which is a very clarifying moment when you realize that as a founder and as an investor.

In the general topic of how do you learn these things as an investor, there's nothing so visceral as having experienced these things and done it wrong to have a lot of conviction about, "Okay, let's please not do it this way because I've seen that movie and I kind of know where it goes." Just it's hard to teach these things to other people without them experiencing it. So that's one thing that we've been through a few economic cycles and have experienced it, and so feel some of these things very viscerally, which is like, "Hey, let's do this."

PJ O'Neil:

And letting the founders feel that viscerally with their hands on the wheel. I think this moment has put real founder hair on my chest. This is something that I'll never forget and one that I will, one, hopefully continue to make really smart decisions as the founder so that we don't have to do this again. But then hard things happen at companies all the time and startups a lot more often, and so you kind of need to be practiced to deal with those as they come.

Karen Zelnick:

PJ, I'd love to get into the best practices that you talked about or how you actually conducted these layoffs. Once you made the decision, walk us through your process after that.

PJ O'Neil:

I think the first was Matt and I just acknowledging it and being fully in this together. So I think that's where having a co-founder is most important is these hard times, especially if you can rally around each other to get through this. I don't know how I would've done this as a solo founder because the weight is immense.

The second thing was we probably needed to make some adjustments in the business anyways, and so we actually used this as a moment to take a really hard look at the business to decide what do we need to continue doing and what can we stop doing? What will not scale as we grow? And then the parts of the business that we didn't think were critical were the first places we looked. And so in our case, we made the decision that we did not want to have a physical presence in the markets we operate in anymore.

That was Opendoor, it was a good learning. We learned how difficult it was to scale with people on the ground. And so made some choices based on functions we may not need as we grow the business. And then from there, we unfortunately, kind of constructed the list of folks who may not fit into the new world that we're moving into as a business. And then from there, it's just really hard.

Some things I found to be helpful was leading from a place of vulnerability. I was an EMT in college and the thing that always stuck with me as an EMT was this is not your emergency. This isn't your time to panic. This is your time to stabilize that person. And so you have to be vulnerable, you have to be empathetic. This is not about you. You have to constantly remind yourself of that through this process.

The thing I'll never forget is everyone in this business knows how important this is to me. The first thing that people did when I walked out of the room after delivering the really hard news to our team, the folks who remained came and gave me a big hug. That vulnerability, people understood how hard this was, but how necessary it was.

And then so much of it is about galvanizing the team after this to help people understand the why and being really transparent about the why and opening the floor for questions and then being really, really deliberate about where are we going next and helping to paint that vision. And so I think people were able to wrap their heads around all of this news a little bit more easily.

But man, morale all of December was just like, it doesn't matter how good of a job you do, it sucks. You just have to rely on time to get you through it. And people have to start seeing the light at the end of the tunnel. The changes we made, people have to start seeing that it's actually working. And so we're at a place now where our operating team is 30% less than it was, and yet we're not missing a beat today because we made some really rapid changes in the business to ensure that we could get through this.

There is nothing easy about it, and leading from a place of vulnerability, empathy, but conviction I found to be the most useful way through.

Gavin Christensen:

Kaz, I just add maybe a couple things to that. I think PJ and Matt and the team did an excellent job, and I think it's important to just know it's going to suck no matter what. Maybe the biggest principle here is it's really hard and it's hard on the culture of the company. If done well, it can be a galvanizing moment that actually improves the culture, but what you don't want to do is underdo it and do it again in a quarter. That does not help any culture. It's not so great of an event that you want to repeat it every quarter. And that's a really common mistake is to be a little timid about it because it is so painful and underdo it and have to redo it again.

Karen Zelnick:

That's a really good learning. Yeah.

PJ O'Neil:

It's so easy when you're doing the really callous spreadsheet, you always think you're done. You always think, you know what? This is enough. I couldn't possibly imagine doing more than this. You usually can do a little more. And it sounds even callous saying, but the reality is you put the business at risk if you don't go deep enough and you put the other folks who remain on the team at risk if you're not going deep enough.

Again, I'd worked through all the stages of grief and waking up the next morning, I did feel a sense of relief. Maybe just a relief because it was over, but also relief that this business gets to live to fight another day. And the other thing I'd say is the folks who are staying, you've got to bear hug your best people. It's been our top performers who have helped get us through this craziness.

So yeah, if you're a founder listening, I think it's really hard. Talk to other founders, talk to your board. It's very therapeutic to have these conversations with others who have gone through it. Lean into the community wherever that is as you're making this decision.

Gavin Christensen:

Totally. And just quickly, what I like to do, and PJ and I did this, which I said, "Hey, this is a simple visualization, but this is sometimes very helpful." Imagine that your company, all the people, all the technology, the patents, the code, all the customers, all the channel partners, you all get into a big bus and you're going on this road trip and you pull into a parking lot, maybe it's at Yellowstone or something, and everybody gets out. So everybody is now out of the bus and you realize, hey, the bus only has enough gas to get to somewhere less than back where you wanted to go. Yeah, everybody's out. Nobody is in the bus. It is an empty bus right now.

What do you put back in? You only have so much gas, so it's like you have to choose and some things are not going to make it back in. Because so much of the mental block is, "Well, I can't imagine living without that person and that piece of technology and our two products and those customers." Because really most companies in order to get through times like these and almost any company to be successful is going to have to make really hard choices about what they can do, what they can't do.

Both PJ and I our first day at Monitor, we got an article called What is Strategy from Michael Porter.

PJ O'Neil:

Yeah.

Gavin Christensen:

I think you probably did as well. The number one takeaway from that article, which is one of the seminal articles on strategy, is strategy is more defined by what you choose not to do than what you do. The secret weapon of a startup is focus and surgical precision.

And so a lot of the clarifying aspect of that visualization is saying, "Hey, everybody's out, who gets back in?" And it doesn't mean they're bad or good, it's just we're just choosing to do one of three things. And we're going to probably have to fire some of our customers and we're going to have to fire some channel partners and we're going to have to throw away some IP and some of our people aren't going to make sense but they're going to go get great jobs.

Anyway, that has tended to help focus the conversation of we're all out now, which is actually the right way to think about, which usually is if we don't all get out, we're all just going to be stranded together and no one is going to get there. So maybe we have a smaller group get there, and then maybe we can hire back those people and more people and have something to talk about.

Karen Zelnick:

I love the tactic of inverting the question where I actually was reading an article on difficult decision-making and how inverting it is often one of the most helpful things of yeah, not who do we take off the bus, but who do we put back on the bus? That's really helpful. Thank you.

PJ O'Neil:

Can I say one thing now on other side of it?

Karen Zelnick:

You may say five things, yeah.

PJ O'Neil:

Now on the other side of this, again, if you're a founder, I think this is helpful to hear, it would've been helpful for me, but folks who I had to lay off, they have a job again. And some of them doubled their salary.

Karen Zelnick:

They didn't need you anyway, PJ.

PJ O'Neil:

Yeah. You have to remind yourself sometimes these early-stage businesses, the pace of learning is so, so, so fast that you've actually now given them a leg up in their next role. And so these people are getting unbelievable jobs elsewhere and guess what? They're all also exercising their options. They are still rooting from us from the sidelines, and they are excited to watch us succeed. So time heals wounds and people move on and people keep fighting and oftentimes end up in even a better situation as a result of all of this.

Karen Zelnick:

Thank you for sharing that. And that's important to remember. That was really good. I was also thinking, you mentioned that you woke up the next day with this feeling of relief. I heard an author speak one time and someone asked her the question, do you like writing? She's like, "No, I don't like writing, but I like having done it." And I think that's true of so many things you do, especially in startups. It's so hard and you don't like doing it, but having done it, it was the right thing and it was the thing that's going to get you where you need to go. And so I appreciate that insight of after you did it, people were okay, you were okay, your startup is in a better position, and it was the right thing to do even though it was immensely, immensely hard.

We have one question, PJ, that we like to ask everybody on the podcast, and that is what's an effective practice you've implemented in your work or personal life that you think has had a great impact on your success?

PJ O'Neil:

Bringing others along for the journey. You don't have to do this alone. And letting other people in to how hard this is and being okay with that, so whether that's other founders, whether that's your co-founder, whether that's your significant other. This is a really lonely, lonely path if you let it be. And so surround yourself with people who love you, with people who support you, with people that'll be there whether this thing is a success or not, and lean into that community.

Karen Zelnick:

Thank you. Thoughts on that, Gavin?

Gavin Christensen:

This is maybe a little bit contrarian, but I would say this is a hard time, but it's always hard to build startups. It's just always hard. It felt like it wasn't for a little while, but that was a bit of an illusion. But I would just say I would challenge people who are feeling like they want to get coaching, get a counselor first. Chances are the things that you think you need to fix as a leader are probably things you need to fix about yourself and your personal life. And a lot of coaches are a really expensive, inexperienced version of a counselor, to be honest. And so I would start there.

PJ O'Neil:

Man, that's such good advice. I'll admit one thing on this podcast that is vulnerable that I think again is helpful. I took anti-anxiety pills before the series A. I've never been on medication before. And it reset my brain and I got off them three months later. But resetting my brain, talking to somebody, and building that stronger foundation has led to a much more successful last year and being okay with that. Us founders are often type A, nothing can get us down, we're the best, but you got to take care of your mental [inaudible 00:37:46].

Gavin Christensen:

You absolutely do, PJ. And I think it's great that you shared that. It was marriage counseling that pulled me into, and I thought, wow, I did counseling every week for years. And I think I'm someone that always felt like I had to be okay and I had to have it all figured out and I couldn't talk to anyone about it. And you move from a place of defensiveness to curiosity about yourself. As an evolving and improving case study or even story, you kind of just get interested in your own story and the ups and downs.

For the sake of your own pocketbook and your mental health, if you have never had counseling, you should. Most of the things that affect us as leaders that are really bad have less to do with like, oh, try this style or read this book. It's like, maybe you should stop being a freak in this way. Maybe you should, you know what I'm saying? Maybe you should stop being so dang selfish or broken in this way. It's hard to be a founder. It's extreme. And people that can do it have had some hard things often have happened to them. So it's like work through those and then see where you are.

Karen Zelnick:

And then pay \$400 an hour for a coach. Yeah.

Gavin Christensen:

Yeah.

PJ O'Neil:

I love that.

Gavin Christensen:

Coaches can be awesome. They can be amazing, but I would start with first principles.

Karen Zelnick:

Yeah. I think that's a terrific insight, and PJ thank you for being willing to share your experience with that.

PJ O'Neil:

Thank you. This was fun.

Karen Zelnick:

And of course, thank you for listening as we dive deep into what it takes to create the perfect pitch. If you want to learn more about our investor, Gavin Christensen from Kickstart, or our CEO PJ O'Neil from Nomad, we'll have a link to the company and a longer bio in our show notes at kickstartfund.com. You

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