

# HBO's Silicon Valley Schools Startups

by  **TRAKLIGHT®**

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# HBO's Silicon Valley Schools Startups

Silicon Valley begins with a man and his idea. In the first episode we meet our protagonist, Richard Hendricks, as well as the product he's developed, which at the time is an app intended to be the "Google of music." And while that app is useless, the compression algorithm underlying it has the potential to be revolutionary, a fact which becomes clear when billionaires start throwing piles of cash at him to either invest in or buy his fledgling company. It's Richard's decision to take the investment capital that is the impetus for the birth of Pied Piper, and all the triumphs and disasters that follow. And while Silicon Valley makes for great TV, it isn't a model that anyone would use to build their own business.

Looking back on the show's two seasons, there are plenty of mistakes and missteps, as you'd expect to see in any TV show that ostensibly focuses on a business and the individuals that work there. You only need to look back as far as Arrested Development's Bluth Company or The Office's Dunder Mifflin (or Wernham Hogg, if you prefer) to see that business failure and general incompetence breeds the best comedy. But while the aim of all these shows is to entertain, that doesn't mean that there isn't something to be learned from these failures.

# Leadership is Important

That seems both obvious and a bit of an understatement, no? Unless a company has created an idea or product that may be so great that nothing can prevent its success, good leadership is vital to a company's fortunes.

For creative types who want to build a company around their idea, the mantle of leadership is often thrust upon them, and for some it can be a poor fit. Such is the case for Richard, whose ambitions for his own enterprise seem to only extend as far as creating a product and somehow profiting from it. He's a bit unsure, both of himself and of where he wants to take his company. He waffles between accepting the offer to sell his company and taking the funding to try and do it himself. And as we see over the course of two seasons, his company suffers for it.

A leader, in business as in other fields, needs to have a vision for where they're taking those who have chosen to follow. It doesn't necessarily matter what that end goal is; it can be as grandiose as building a multi-billion dollar company or as minor as painting the side of a boat. As a leader, your employees need to believe that you know what you're doing, even in the times that you're not sure yourself. You're responsible for setting the tone and tenor of the workplace, for being a guiding light in the stormy seas of the startup world. If they see that you're unsure, indecisive, or frustrated, that can seep into the attitudes of everyone at the company until the workplace becomes toxic.

It's obviously unfair to level too much criticism on what is ultimately a fictional character that was created with the end goal of maximizing the comedic value of the show. If Richard was a forceful, dynamic leader, we'd miss out on the laughs that come from watching him stumble through pitch meetings or meekly attempt to stand up for himself. But there are no bonus points in the real startup world for people laughing at you, rather than with you.

*Have a clear idea of what you want your company to be & work towards that end.*

# Getting the Right Team is Key

When seeking to fill out his team at Pied Piper, Richard has to look no further than his workspace. He's able to convince his cohabitants at Erlich's "incubator" to stop working on their own apps to help him develop what may be a tremendously lucrative project, and eventually is able to hire the hilariously milquetoast Jared to handle the finer business points that he has no clue about. Unfortunately, he also has to let his best friend "Big Head" go for being entirely useless, leaving him free to fail upwards at the tech giant Hooli.

What Richard is left with can be described as a "team" in only a loose definition of the word. His fellow programmers Dinesh and Gilfoyle spend as much time antagonizing each other as they do teaming up to insult Jared, who is as oblivious as he is ineffectual. Erlich, the man supposed to be leading this ragtag team through the early-stage gauntlet of pitch meetings, seems to possess little of the expertise he claims, and seems more interested in promoting himself than Pied Piper. Given the level of dysfunction, it seems a small miracle that Pied Piper was able to survive beyond a few days.



Part of building a good team is not only identifying skill, but fit. You may find a person unparalleled in their ability to do things that you need done, but if they can't fit into the culture of your company, they're ultimately not going to be the right person for the job. Targeting those who can do what you need and can roll with the often-unpredictable nature of startups will help you find the right type of employee to make your company successful.

Another part of building a solid team is making sure everyone knows their role within the unit. You don't want to have people doubling up on the same work while other tasks are going uncompleted. Having defined roles and finding the right people to fill them will make for a more harmonious workplace. Part of that is making sure that you have the right positions in your company so that you have people to cover every aspect of your business. Initially, Pied Piper had no one with any real knowledge of the business world. There was a tremendous need for an assertive, dynamic leader to help Richard with the business side of the company, and as Richard had no clue where to find such a person, he got the competent but milquetoast Jared. Instead there are a number of startups founded by creative individuals with the drive and vision to innovate who lack knowledge on a number of the finer points in running a business, like sales, marketing, and administrative tasks. That's where finding a strong, competent team is crucial.

The Big Head – Richard breakup is another example of the importance of co-founder agreements. We as viewers recognize Big Head's superfluosity and general incompetence, but it wasn't hard for people as craven as Gavin Belson and his legal team to cast Big Head as a co-founder and driving influence in Pied Piper in the absence of a written agreement. Have co-founders agreements in place from the beginning that define what happens in the case of one party leaving the company to help avoid legal wrangling down the line.

***Find the right people for the right positions.  
Make sure that everyone in the company has  
signed employee/co-founder agreements to  
prevent legal dispute.***

# Identify and Protect Your IP

When you have an innovative idea, no matter how big or small, it's probably best not to tell others exactly what that idea is. And yet we see the Pied Piper team offer up specifics about their trade secret algorithm in a pitch meeting with potential investors, unaware that they were being taken advantage of for their most valuable assets. Being the inexperienced businessmen that they were (and still are), they naively thought that the group's genuine interest in the inner workings of their product was a sign that the meeting was going well, not recognizing it for the exploitative exercise that it was. By the time that Erlich was able to recognize what was going on and pull them out of the meeting, it was too late; the group had enough information to eventually create their own version called Endframe.

It's important to note that what the Endframe group did was neither ethical nor common practice amongst venture capitalists. Venture capitalists hear any number of pitches, and having to sign a non-disclosure agreement for each one would be a considerable hassle. You don't want to make the mistake of asking a venture capitalist to sign a non-disclosure agreement and run the risk of offending them. But that doesn't mean that you shouldn't exercise caution in discussing your idea or product in a public forum if you haven't already filed for patents, trademarks or copyrights, or if you have valuable trade secrets. Whether it's a pitch meeting or a trade show, avoid talking about your creation in anything but the most basic terms. Making a public disclosure of your intellectual property can affect your ability to file for protection later, if you haven't already done so. Also, if you have plans to go international, public disclosure can destroy the ability to patent outside the U.S.

***Know what your IP is and avoid discussing specifics in public forums.***





# Don't Be Afraid of Competition



What made Richard's algorithm so special was that there was nothing quite like it. There were plenty of other companies that were compressing data, but none were doing it as effectively as what the nascent Pied Piper would be able to offer, if we're to believe the show's mythology. (I don't claim anything resembling expertise on the technical aspects of the show.) But if decades of business and entertainment have taught us anything, it's that success breeds imitation, and before long Hooli CEO Gavin Belson has channeled his rage at being rebuffed in his offers to buy Pied Piper into all-consuming need to create a competitor to bring to market to effectively cut off Richard and his team at the knees. On face value, there seems to be no way that a tiny startup like Pied Piper can compete with a huge, resource-rich company like Hooli. But for every setback the Pied Piper team suffers, Hooli is right there in lockstep with its own massive failure.

So while the pending launch of Nucleus, Hooli's own version of middle-out data compression, hangs over the head of Pied Piper like an executioner's axe, it is also the impetus that spurs them forward, the existential threat that motivates them to push forward with their development.

While having a competitor can be seen as a challenge and a threat to your business, it's also validation. Having others jumping into the same space proves that there is a market for your service or product, that you are solving a real problem for consumers. And having competitors can be useful in fundraising efforts, as having multiple entries into the field helps show viability.

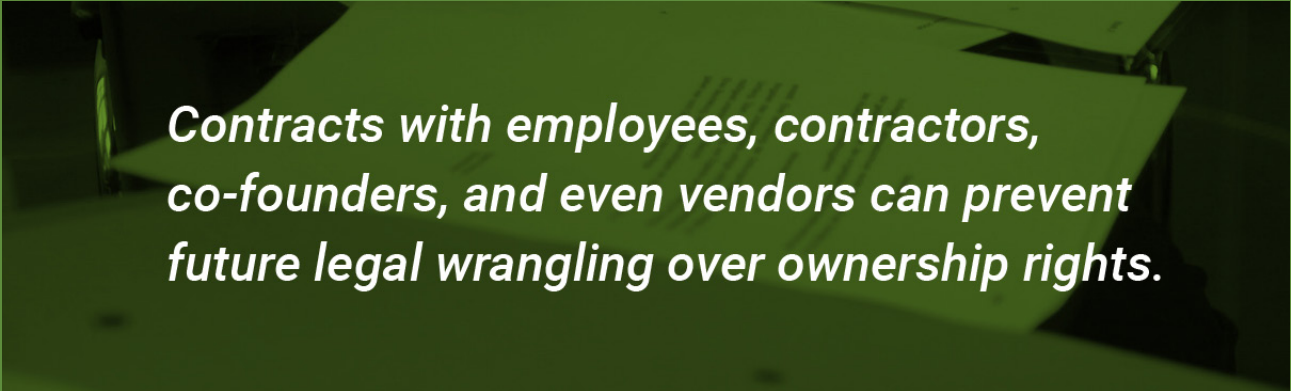
***Competition is validation of an idea. More companies in a particular space can be good for fundraising.***

# Contracts are Important

For the litany of mistakes and missteps that threaten to derail Pied Piper, the greatest danger the company faced over the two seasons is the lawsuit brought by Hooli, a lawsuit enabled by the employment agreement Richard has from his time working at Hooli. The tech giant contends that Richard worked on Pied Piper on Hooli time and using Hooli resources. We of course know that the suit is little more than a shot in the dark and a bullying tactic by a company with the resources to sustain a prolonged legal fight. Gavin Belson and his team really had no idea whether or not Richard was working on Pied Piper with company time, but that was really of no consequence when the goal was to try to hamstring Pied Piper from getting funding or do much of anything beyond defending against this lawsuit.

The cruel twist in all this is that this Hail-Mary tactic paid off for Hooli; an incriminating email turned up that proved Richard had used his work computer for Hooli testing, and despite Bachman's hilarious and cringe-worthy attempt to fall on that evidentiary grenade, Richard was found to be in violation of his employment contract. But thanks to a twist that would make Game of Thrones writers proud, the arbiter also found that Richard's employment contract had language in the non-compete clause that rendered it illegal in the state of California, which made the entire contract null and void. He walked into court that day thinking it was a technicality that would cost him his company, only to have a technicality save it. It's worth remembering at this point that this is a TV show, and relying on miracles isn't a viable legal defense.

Employment contracts and any other agreements you might need to operate your business are vital to protecting your company from potential lawsuits and ownership disputes. Also, if you are like Richard and working on the side on your billion-dollar idea, read your own employment agreement! Employees and contractors should have agreements that clearly define ownership of work created so both parties are aware of who owns what. It's best to use agreements that have been crafted either by an attorney or in consultation with one to prevent using agreements that violate employment law. As we've seen, an improper contract can be extremely costly.



***Contracts with employees, contractors, co-founders, and even vendors can prevent future legal wrangling over ownership rights.***



# What's in a Name

Pied Piper isn't the most popular of names from the outset of the series. But despite protestations to change it, Richard decides to stay with this particular moniker. And for better or worse, this name represents all of the successes and failures that the company experiences over two seasons. But there was a time when it seemed like the team wasn't going to be able to use it. In keeping with the general business naiveté of the character, Richard hasn't done any research into company names before settling on Pied Piper. Unfortunately, when looking into trademarks, the team discovers that the trademark on Pied Piper is held by a nearby irrigation company. While Richard is able to ingratiate himself with the owner enough to reach an agreement to buy the name from him, the deal is almost undone by overconfident PR on the part of Erlich that leaves the owner demanding more money from what he believes is a cash-rich company trying to get one over on a small businessman.



Efforts to try and liven up the Pied Piper brand are also undone by poor planning and execution. Erlich is determined to give the company an edgy new logo designed by a local street artist named Chuy. What Chuy comes up with for them is edgy, to say the least, but also completely inappropriate to show to anyone, let alone use to represent the company. Erlich has to go back to Chuy and ask him to design something else, which turns out to be just as bad and offensive than the original. Eventually Chuy crafts something that is appropriate for the business and agreeable for everyone involved, but it wouldn't be Silicon Valley without a catch: Chuy sold the original artwork to Gavin Belsom, who gleefully displays it on Hooli's campus. Even if you paid to have it created, you don't necessarily own it.

Your name is perhaps the most important part of your business. It's how people find you, remember you, and build word of mouth for your products. Before settling on a name, it's a good exercise to do some research on trademarked names to see if your idea is being used by someone else. And while it's okay to look to outside creative types for design work, it helps to have an idea of what you want so that you can help guide the process and avoid having to reject several options.

***Do some cursory research before settling on a name for your business.***

# You Do Not Get What You Pay For

Richard and his team are constantly finding themselves racing against deadlines that seem impossible to meet. A seemingly innocuous application to TechCrunch Disrupt turns into a race to complete a viable product as Peter Gregory and Gavin Belsom fight a proxy war through their investment and company, respectively. In the rush to get things done, Pied Piper reaches out to a supposed whiz-kid programmer nicknamed “The Carver” for some contracting work to help configure Pied Piper for the cloud. He promises the team that he can complete the work over a weekend for a hefty fee and a steady supply of stimulants.

Unfortunately, The Carver’s legend seems to have outgrown his actual abilities. While he initially seems to be breezing through the work and irritating everyone at the company, it turns out to be a façade. Richard finds him huddled under the desk after wreaking havoc with the Pied Piper architecture, leaving Richard to scramble to try and undo the mistakes. The Carver, nee Kevin, is forced to confess that he isn’t the savant that he portrays himself as, and that previous employers have forbade him from saying he was employed there due to a series of mistakes. While Pied Piper eventually gets their cloud architecture and The Carver gets his fee in exchange for never saying that he worked for them, it’s a less than ideal situation. For the purposes of Pied Piper and Silicon Valley as a show, everything worked out in the end, albeit with a few things going wrong, to be believable and funny. But in the real world of business, it doesn’t always play out that way.

If you’re looking to hire contractors, make sure that you have solid agreements in place from day one that outline what is expected from them as well as who owns work created under the contract. We never see Kevin sign any sort of contract with Pied Piper, so it’s hard to speculate whether he did or not or what sort of terms may have been in it. But if he hadn’t, Pied Piper could have been in trouble if Kevin claimed ownership of the code he wrote for them. The same could be said for the logo created by Chuy, which has already come back to haunt them should embarrassment be any form of recompense.

***When paying to have work created for you, make sure your agreements stipulate you own any work created upon completion.***

# It Can Be Hard to Get Funding

When Pied Piper ended season one victorious at Tech Crunch Disrupt, they seemed to be on the fast track to success. They were the talk of the conference, and venture capital firms were lining up to offer them funding. But a company's fortunes can change rather quickly. When the second season kicks off, the company is sent in turmoil by the death of Peter Gregory and the lawsuit from Hooli. Suddenly, Pied Piper is without their biggest supporter and facing an intellectual property (IP) lawsuit. The offers for funding are quickly rescinded. Richard is faced with the likelihood of having to crawl back to Gavin Belsom and sell Pied Piper to Hooli, rather than see it quickly bankrupted in court. He's saved at the last minute by a white knight, albeit a rather crude one, in the form of Russ Hahnemann. But Russ' promises of funding with no strings attached quickly prove to be disingenuous, as he tries to force Richard into doing things that he is uncomfortable with. They're eventually rid of his influence when Raviga buys out those shares, but at a great cost to Richard.

When looking for funding, make sure that you're only taking "smart money" and from investors you feel good about. Richard obviously had some misgivings about Russ Hahnemann when they first met, but was willing to turn a blind eye to them in order to get the money he so desperately needed, and that decision had terrible repercussions. If you are not looking to get funding through investors, you can also consider crowdfunding platforms. If you think crowdfunding is something that you want to do, take the time to research platforms and pick the right one for you. Sites like Indiegogo and Kickstarter are well-known, but they're also crowded spaces with a lot of pitches competing for attention. If your product falls within a certain niche, a smaller but more specialized site can help you find investors looking to finance projects in your particular field.



*When funding, accept only the offers that make sense for your company, with terms that you feel comfortable with.*

# Relationships Matter

No one succeeds or fails in a vacuum. It's said that you should be kind to people you meet on your way up because you may well see them again on your way back down. When it comes to managing personal relationships, Pied Piper leaves much to be desired. Their conflict with Hooli was unavoidable – Gavin Belsom is a man possessed of a need to seek revenge on a perceived wrong that would make Captain Ahab blush. But much of the damage done in their dealings with professional contacts is self-inflicted.

You couldn't blame Pied Piper for feeling their oats a bit after winning Tech Crunch Disrupt. In pulling off an improbable victory over larger and more established companies, they became the hottest commodity in the tech startup world, with seemingly their pick of offers from venture capital firms. But rather than keeping a level head and taking each meeting seriously, Erlich had managed to convince Richard that affecting some degree of boorishness somehow added to his own mystique and the allure of a company, or at the very least had no negative impact. And without going into great detail about what ultimately transpired in one meeting or who put what where, Richard and Erlich managed to not only cross the line of professional decorum but leave it well in the rearview mirror. They could get away with those tactics when they were sitting on top of the tech world; every VC knew that Pied Piper could walk into any other firm and get an offer as good, if not better, than what they had put on the table.

But as soon as the lawsuit came down, all those choices disappeared overnight. Instead of having VCs pleading with them to take their money, Richard and Erlich had to go crawling back, begging to take any offer they would be willing to give. Their relative lack of people skills and relationship management also hurt them in their brief partnership with Homicide. Richard tried to overcompensate for some initial spinelessness with some overly-aggressive posturing and ended up having to flee in embarrassment.

A critical part of the success of any venture is creating and maintaining professional relationships. While the value of a professional connection may not be immediately evident, you never know when or how it may pay off. It's often the friend of a friend who can help us get an important introduction or can provide a much-needed service. And it isn't just a one-way street; helping other entrepreneurs and small businesses, even when they may not be able to return the favor, is a way to do good for others, just as someone may for you eventually. Even if you're not looking for help right now, or in a position to help others, treating others well can go a long way. A reputation stays with you, good or bad, so cultivating a good one can be invaluable in the long run.

*Building and maintaining good business relationships is essential for the long term success of your business.*





# Appendix

## How Pied Piper would have benefitted from free risk assessment and investing in the full ID your IP platform

So far I've gone through a myriad of ways in which Richard and Pied Piper have made mistakes in the early stages of their business. But what if they didn't make those mistakes? Granted, what I'm essentially asking is, 'What if the show weren't funny?' In truth, I wouldn't wish away a single mistake if it meant missing out on all the hilarious moments the show has given us over the past two seasons. But that's me thinking as a fan of comedy; as someone who writes on the world of small business, however, it's an interesting premise that I've briefly explored before. So now that we have a fuller picture of the fortunes of Pied Piper, I'd like to go back to have Richard go through ID your IP one more time.

First, Richard would have done a quick run through of the free Business Risk Assessment.

Traklight Risk Chart		D	Good to Go	Slow Down	High Risk
Business Entity - Inception				!	
Business Entity - Current					×
Invent or Work Alone	N/A				
Co-founder Agreements	N/A				
Employee Agreements	N/A				
Contractor Agreements	N/A				
Disclosure - No NDA	N/A				
Fundraising				!	
Provisional >1 year	N/A				
Invention Disclosed	N/A				
Potential Patent Disclosed >1 year	N/A				
Open Source	N/A				
Open Access to Secrets	N/A				
Insurance					×
Records & Filings					×
Pending Litigation			✓		



When filling out the first four sections of the questionnaire, Richard would've come across all of the issues that he would discover much later. He would've been reminded that, as an employee of Hooli, he needed to check his employment agreement to see what the restrictions were on his work created for Pied Piper, notably the part that stated they own the code that he worked on using his Hooli computer. Whether or not he would've discovered this in time to avoid such a mistake is a separate matter, but at a minimum he would be aware of the problem.

He would've also been reminded that forming a business entity is an important part of starting a business. And given that he tried to form a business entity at the bank, he would've no doubt been grateful at the questionnaire's ability to guide users to the necessary resources for business formation.

The questionnaire also asks if you've developed a business plan, another area where Richard was woefully unprepared. You don't need to have an MBA to know that venture capital firms are looking for a little more than some vague notions of where a product is going when they ask for a business plan. Having a visual cue reminding him that Pied Piper needs a business plan would've been a valuable resource for Richard in those hectic early days.

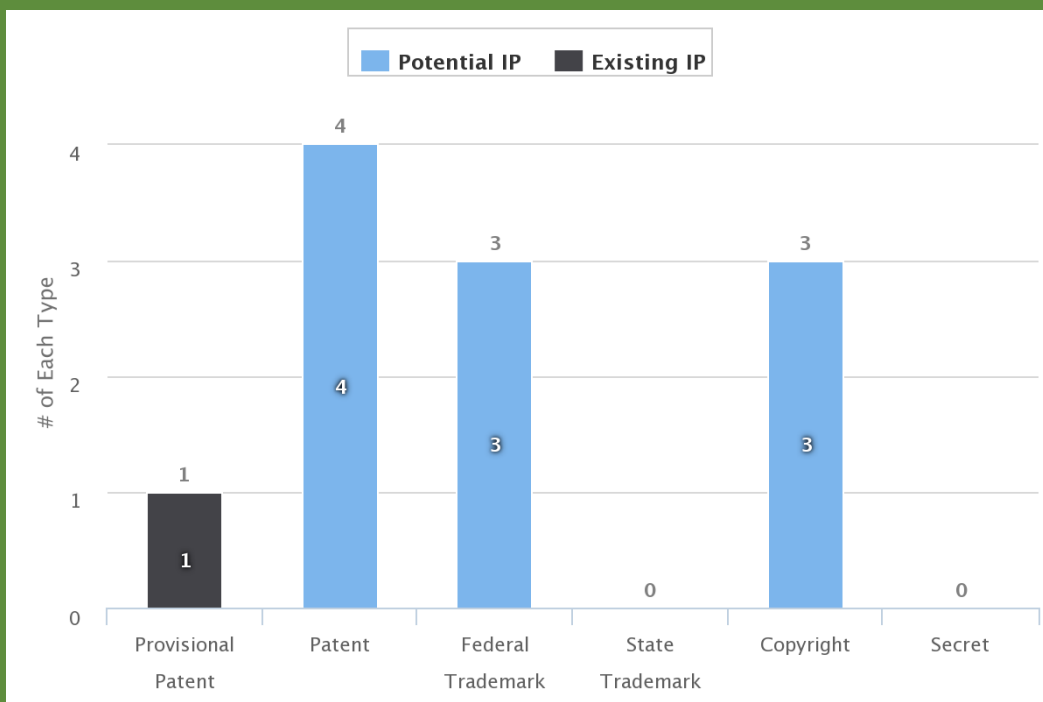
On the topic of fundraising, Richard's reports would have cautioned him on talking about his idea without a non-disclosure agreement in place. Heeding this advice, they could've avoided the disaster of mapping out how their algorithm worked to a VC firm before figuring out they were being taken advantage of. Instead, he could've given a rough outline of what his software did without giving away too much information.

In the risk assessment, you are asked about co-founders, reminding you it's best to have agreements in place should they leave the company. So while Big Head wasn't in any measure a co-founder of Pied Piper, that didn't prevent the Hooli legal team from trying to cast him as such. Having something in writing that definitively recognizes the co-founders and outlines the protocol after departure can help to head off such potential legal challenges. Had Pied Piper had any such agreements or contracts in place, Big Head would've been reminded in his exit interview to keep any IP or trade secrets confidential after his departure, and may have been reminded of any non-compete clauses that may have existed. Fortunately, for Pied Piper, Big Head is useless.

With any sort of agreement you make for your business, it's best if you can get something in writing. That especially applies to something as important as an appointment to your company's board. When Richard awakens one morning to discover that he drunkenly offered Erlich a seat on Pied Piper's board (a fact confirmed by an audio recording from the previous night's event), he's forced to try and figure out a way to back out of his promise without hurting Erlich's feelings. While it's fairly obvious that great decisions are rarely made after a few drinks nor can you likely hold someone to a contract made while intoxicated, the real takeaway is that operating on oral agreements is a sure way to find yourself and your business in an uncomfortable spot.

Next Richard would have completed the full ID your IP to check out his valuable assets needing protection. He would have received the following:

Traklight Risk Chart		C	Good to Go	Slow Down	High Risk
Business Entity - Inception				!	
Business Entity - Current					✗
Invent or Work Alone			✓		
Co-founder Agreements			N/A		
Employee Agreements					✗
Contractor Agreements					✗
Disclosure - No NDA				!	
Fundraising			✓		
Provisional >1 year				!	
Invention Disclosed			✓		
Potential Patent Disclosed >1 year			✓		
Open Source			N/A		
Open Access to Secrets				!	
Insurance					✗
Records & Filings					✗
Pending Litigation			✓		



Armed with the knowledge he would've gained from ID your IP, Richard could've also realized that having his domain name isn't the same as owning the trademark and considered changing the name of Pied Piper instead of going to great lengths to buy the name, at the threat of physical harm. Buying the trademark may have been a matter of principle for him after feeling his authority challenged, but it's a gamble that most companies wouldn't and probably shouldn't take, given that there are endless possibilities of names that can be created, vision quest or not.

Pied Piper has also gone through a series of logos, some more appropriate than others. In periodically updating the report, they would've been reminded that their logo is something that they spent money on and is identifiable with their product, such as it exists, and hopefully taken the time to seek out protection for it. While most of the Pied Piper team would think that stealing their first logo is a mercy, the fact remains that it still belonged to the company and steps need to be taken to make sure it isn't misappropriated by another company.

Going through the questionnaire, Richard would realize that the way he built his algorithm qualifies as a trade secret that he needs to keep under wraps. It may also be a potential patent, another reason to limit public explanations of how it works. Part of the excitement around Pied Piper's big win at TechCrunch Disrupt was that Richard's new method was entirely different and vastly more effective than other methods of data compression that are used. Hopefully he would've made sure that keeping these methods secret was a part of employee letters and as part of company policy. And Richard would have known that it's bad form to ask a VC for a non-disclosure agreement (NDA) plus most certainly never have written out his trade secret algorithm for the technical team at that VC.

Data retention and record keeping is an important part of any business, as you may have to prove that you are the inventor at some point, say, in binding arbitration. While all the records in the world may not have saved Richard from one damning email, it's still a necessary practice in order to keep your IP protected. Everything from notes to drawings and designs should be kept just in case you ever need to prove that you in fact created it.

So would Richard have been better off if he'd gone through ID your IP before starting Pied Piper, or even before any of the many disasters that he ran into over the course of two seasons? I don't think that's actually in question. But what makes Silicon Valley truly special is how relatable it is to entrepreneurs, startups and small businesses everywhere. Despite all the planning and preparation and care to detail, every business is going to make mistakes or stumble. Hopefully those mistakes haven't been as large as what we've seen on the show, but mis-steps are a part of the startup world. The key to success is trying to avoid as many mistakes as you can and minimizing the risk you put your business in. It's exponentially better to send out that typo-filled email or miss a sales call or two than to fail to properly plan for your business's success, or fail to recognize what steps to take to avoid failure. Not every business gets renewed for that next season.