

HOW TO SUCCEED AS A SEQUOIA INVESTOR

The outlier business, the no-5s voting system, and the mid-funnel discipline that decides everything.

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PRELUDE

I could write a separate guide for seed, venture, growth, scouting, talent, platform, board work, partner meetings, and hiring... but that'd be dumb. Everything is connected.

If you only understand one part of the job, you will move slowly, miss the point, and create chaos. The best investors aren't "good at one step." They understand the entire system end-to-end, so they can make decisions faster than everyone else *without* skipping the hard thinking.

This is a guide to that system.

1. WHAT IS YOUR GOAL HERE?

Your goal is not to "meet founders."

Your goal is not to "have a thesis."

Your goal is not to "be right."

Your goal is not "consistency."

Your goal is to **partner with outliers** and help them build **legendary companies from idea to IPO and beyond**.

We are in the **outlier business**.

Operating companies aim for consistency. We do not. Operating companies want quality at scale, repeatable processes, stable outputs. We want the exact opposite outcome: we want a few insane outcomes that matter more than everything else combined.

That changes how you manage people, how you manage time, how you evaluate decisions, and how you decide what "good" looks like.

2. STEWARDSHIP: HOW I THINK ABOUT THE JOB

The best way to understand our mindset is this: we don't think of ourselves like CEOs of a normal company.

If you run an operating business, it makes sense to push decisions down for consistency. In our business, if I push decisions down, I kill the thing we're trying to create.

Because to partner with outliers, I need a team of outliers. And you cannot field a team of outliers if you're telling them what to do all day.

So stewardship here is simple:

- **Enable the outliers on the team**
- **Protect the culture and decision integrity**
- **Minimize admin**
- **Maximize time in the field with founders**

My job is to help the team run harder, not to “manage” them into sameness.

3. THE BUSINESS OF OUTLIERS

Here’s the core idea: we are not trying to be right “most of the time.” That’s not the game.

In a venture fund, we described the math like this:

- You get roughly **45–55 real “shots”** in a fund.
- You need about **6** of those to be **10x+** outcomes.
- And about **3 of those 6** need to be **\$100M–\$1B+ gains** (the kind that actually makes the fund).

That means two things that should permanently rewire your brain:

1. **A high write-off rate is normal.** One example we referenced: a top-performing Sequoia fund had about a **50% write-off rate**.
2. **“Good picking” is not “avoiding losses.”** Good picking is getting enough **asymmetry** with enough **ownership** that the winners matter.

Also: it’s not enough to find rockets if you only put a tiny amount of dollars in and have low ownership. If you don’t own enough, the outlier doesn’t move the fund. Conviction has to show up in sizing/ownership, not just vibes.

4. MANAGING INPUTS IN VENTURE: FREEDOM WITHIN FRAMEWORKS

People always ask: “How do you manage a venture firm if everyone’s calendar is different?”

We do it by separating **frameworks** from **behavior**.

We accept that different partners have different authentic styles:

- Some are thematic and need thinking/whiteboarding time.
- Some are high-volume and live in the market, building funnel.
- Some map networks deeply (talent nodes, research nodes, operator nodes).
- Some are pure relationship engines.

If you look at the wrong calendar, you'll freak out. A blank calendar for one partner could be terrible, for another it could be perfect. Same for a packed calendar.

So we don't force uniform inputs. We force alignment on:

1. **Capabilities** (the value chain)
2. **Values** (how we behave)

The capabilities value chain (the shared language)

We used five steps:

Sourcing → Picking → Winning → Building → Harvesting

That's the whole job. Every role is some slice of that.

Values and reviews (how we keep quality without killing outliers)

A concrete system we described:

- **Every June:** review on **values** (with ratings + written commentary).
- **Every December:** review on **capabilities** (sourcing/picking/winning/building/harvesting).

For one team, the values were explicitly named:

- **Aggressive but humble**
- **Strong under scrutiny**
- **High “give-a-shit”**

- **Demanding and supportive**

If you want to fit here, you don't memorize these. You behave them until it's automatic.

5. SOURCING COVERAGE GOALS: “SEEING EVERYTHING” IS NOT THE GOAL

Because of the Sequoia platform, we *can* see almost anything we want. That is not the flex you think it is.

If you try to see everything and pass on everything, you'll be “right” 99% of the time because most startups fail. That's useless.

So we track sourcing in a way that avoids fake achievement.

A concrete metric we mentioned (at the firm level, not individual quotas):

- For growth, coverage was around **~70%** relative to a reference set.
- That reference set was something like **30–40 other investors** where we said: “If they invest, we probably should have at least seen it.”

And we explicitly said:

- **100% coverage is not the goal** (the incremental meeting becomes “CIA territory,” not net-multiple territory).
- **20% coverage is too low** (you're missing too much).
- **~70%** felt about right (for that business line).

For earlier stages, the comparable coverage targets were lower (because the waterfront is wider and signals are different), but the point stayed the same: **coverage without engagement is fake.**

6. SEEING THE RIGHT COMPANIES: FALSE COVERAGE VS SUBSTANTIVE ENGAGEMENT

We named the failure mode: **false coverage.**

You can go to Demo Days, watch 100 one-minute pitches, and tell yourself you “covered the market.”

That’s not coverage. That’s watching.

The real question is: after you see a batch of companies quickly, **which 5 do you choose to spend real time with?** That decision is measurable, and it reveals your judgment.

So when you “see” companies, the real system is:

1. High-efficiency exposure (lists, demos, intros, network surface area)
2. *A mid-funnel decision* on what deserves time
3. Deep engagement on the short list

And we track judgment like a funnel:

- What did you see?
- What did you choose to pursue?
- What did you pass on (and why)?
- What new data updated the decision?

We talked about using a four-quadrant mental model:

- **True positives**
- **False positives**
- **True negatives**
- **False negatives**

And the practical fix for “memory loss” was simple:

When you pass, codify the rationale while it’s fresh. Sometimes a short memo (even ~1–2 pages) is enough so six months later you remember why you passed, instead of rewriting history.

7. PROPRIETARY MAP OF TALENT: “PAGE RANK FOR PEOPLE”

We described a system that sounds simple but only works if you actually do the behavior for years.

The idea:

- Do real favors for great people.
- Build trust.
- Then ask them: “**Who are the 5 smartest, most respected people like you?**”
- Track those answers for a **decade+**.
- Put it into a CRM so the firm has a living **talent map**.

That’s basically **PageRank for people**.

It’s not just founders. It’s the engineer who becomes engineer #37 at a breakout, then later becomes a founder. It’s the operator nodes that tell you where the next wave is forming.

This becomes an input into sourcing and picking:

- You can get a sense of the percentile-quality of a team.
- You can see networks forming before companies are obvious.
- You can find the “before company formation” moments.

And the important warning we made: if you make this transactional, people will feed you garbage just to end the call. The system only works if you **give before you take**, consistently, over time.

8. THE IMPACT OF GREAT ENGINEERS: DON’T LIE TO YOURSELF ABOUT TECH DEPTH

We made this point in a very non-academic way:

The more technically demanding the product, the less tolerance there is for mediocre engineering.

Some companies can start with a single extraordinary builder and later scale the org. We gave examples where early code was written by essentially one person for a long time, and it still worked because that one person was a monster.

But if you're building something like a vertically integrated, deeply technical system (we referenced a "foundation-model-level" product in medicine as an example), you cannot hand-wave engineering. You're competing with frontier capability. You need an all-star team from the start.

So your job in diligence is not "Is engineering good?"

Your job is: **Is engineering good enough for the ambition of the product?**

9. PICKING WINNERS WITH CONVICTION: CONSENSUS DOESN'T MATTER, CONVICTION DOES

This is the part people misunderstand the most, so I'm going to say it the same way we said it:

We track partner votes on investments. We vote **0–10** with **no 5**.

- **6+** is positive
- **4 and below** is negative

And the internal finding we shared after doing this for **more than a decade**:

Consensus vs non-consensus does not matter.

Presence of conviction is what matters.

Example logic:

- If everyone is a **6**, it's "positive," but nobody has conviction. That's dangerous.
- If three people are **9** and three people are **1**, we should probably do it, because the signal is the conviction, not the average.

The meta-point:

We're trying to build the future. The future does not look like the past. If everyone agrees, it's often because it maps too cleanly to known patterns and gets priced accordingly.

Also: strong yes and strong no are both valuable. A "strong no" is better than a mushy maybe, because at least it's real.

10. COACHING ASYMMETRY INTO PICKING: YOU NEED COURAGE, NOT PERFECTION

We described a real coaching scenario that happens inside the firm:

Sometimes someone is extremely capable, sees lots of interesting opportunities, and has a brilliant reason to pass on all of them.

At some point, coaching becomes very direct:

“We’re investing in this one.”

Not after 5 more calls. Not after 10 more weeks. Now.

Because the psychological wiring of many investors is:

- top schools
- top careers
- A-student identity
- low failure history

But this business requires you to be wrong a lot. If you can’t emotionally tolerate being wrong, you will never capture the outliers.

We tied it to two fears that distort decision-making:

- **Fear of missing out**
- **Fear of looking stupid**

Those two fears block the right decisions in both directions (chasing heat and avoiding lonely conviction).

And we said something important: when we review our biggest misses, if you keep asking “why” five times, it usually bottoms out in a **psychological bias**, not a spreadsheet error.

We even named one bias with a label we use internally:

“Separation of church and state.”

Meaning: don’t let the thrill of the chase (emotion) bleed into clinical decision-making (truth).

11. MENTORING YOUNGER INVESTORS: START WITH CURIOSITY, NOT CONTROL

Here's how we described reacting to a younger partner doing something courageous that you don't understand:

We don't start with judgment. We start with:

"I observed you doing X. I'm curious why."

Because if you hired an outlier, you should assume there's a chance they see something you don't.

So the operating approach is:

- Let them run.
- Let them make mistakes.
- If a pattern repeats (e.g., 0-for-4 with no learning), then tighten the loop.

But the default posture is curiosity, because the goal is not to turn everyone into a clone. The goal is to help them become the best version of themselves, inside the shared Sequoia system.

12. FRAMEWORKS ON PICKING: THE SPEC + THE MID-FUNNEL DECISION

We talked about "specs" as a shared language by stage.

One spec we stated explicitly (for growth) had three parts:

1. **Emerging market leader**
2. **Unique and compelling value prop**
3. **Sustainable competitive advantage**

And we mapped those to business characteristics:

- Market leader in an important tomorrow-market implies **revenue scale**.
- "Unique" suggests you don't compete purely on price, which supports **gross margins**.

- “Compelling” suggests adoption doesn’t require absurd spend, supporting **operating margins**.
- “Sustainable advantage” implies the free cash flow lasts.

But then we said the part most people miss:

The most important decision is often not the final partner-meeting decision.

The most important decision is the **mid-funnel decision**: what gets brought to a Monday at all.

By the time something hits the partner meeting, you’re usually already pretty good at deciding. Your biggest misses are what never got the time it deserved.

So we put hygiene there:

- You don’t just sprint meeting-to-meeting.
- You force time after meetings for **debrief**.
- You write down impressions while they’re real.
- You rate opportunities consistently (0–10, no 5).
- You update priors as new data arrives.

We described it as marrying:

thinking fast + thinking slow

...instead of letting your memory rewrite the story later.

13. WHAT IT TAKES TO WIN: YOU CAN’T FAKE “LOVE”

When you decide you want to partner with a founder, the “winning” advice was almost annoyingly simple:

If you genuinely love the founder and the company, they will feel it.

But you can’t pop out at the end and declare love if you’ve been sloppy the whole process. The founder’s impression is the sum of every interaction.

So winning is:

- Do your homework.

- Be thoughtful and responsive.
- Show depth.
- Be consistent.

And passing matters too, because you want to be in business with great companies even if “not now.”

So a high-quality pass looks like:

- Clear reasoning
- Real effort
- Useful feedback
- A relationship preserved

It's not “no.” It's “not at this point in time,” with actual substance behind it.

14. HOW TO ONBOARD WITH A FOUNDER: TRUST = COMPETENCE + INTENTION

Once you invest, your first job is not to “be loud” in board meetings.

Your first job is to become trusted.

We framed trust as two components:

1. **Competence**
2. **Intention**

Competence (the mistake people make)

People think competence means “show value immediately.”

No. Competence starts as: **understand the company deeply enough that your advice isn't random.**

So onboarding behaviors we described:

- Go through employee onboarding so you feel what new hires feel.
- Meet key leaders (if not done in diligence).
- Review prior board materials (years, if you can).
- Read culture docs / internal manuals if they exist.
- Show up to early board meetings listening more than talking.

Intention (the part founders secretly test)

Founders have venture horror stories. They assume misalignment until proven otherwise.

So you have to show your intention is pure by behavior, not slogans.

We described an explicit way to say it:

- Objective function #1: maximize outcomes/share price (LP duty)
- Objective function #2: help the founder become the best version of themselves (why we do this)

And then you behave in alignment with that for a full year.

We said it directly: if the founder trusts you by the end of year one, you're in a great place. Trust takes time.

15. PROUDEST BOARD SEATS: BE THE FIRST CALL, NOT THE LOUDEST VOICE

The board seats you're proud of aren't the ones where you dominated the room.

They're the ones where you became an extension of the founding team *in trust*, even though you're "just the investor."

And we made a clear jab at the anti-pattern:

Board members who always need to be right, always need to prove how smart they are, tend to ruin meetings.

The job is pattern recognition + questions, not ego + sermons.

THE ACTUAL CHECKLIST YOU SHOULD HAVE IN YOUR HEAD EVERY DAY (WITHOUT TURNING IT INTO A CHECKLIST)

I'm not going to give you cute bullet points, but I am going to give you the mental loop you should run every day if you want to operate like us:

1. You wake up and remember: **we're in the outlier business.**
2. Then you ask: am I investing my time like someone who is trying to find outliers, or like someone who is trying to be "right"?
3. Then you run the value chain: what am I doing today in sourcing, picking, winning, building, harvesting?
4. Then you protect the mid-funnel: what deserves real time, what doesn't, and did I write down why?
Then you remember the voting system: no mush, no 5s, conviction matters more than consensus.
5. Then you remember the real enemy: fear of missing out and fear of looking stupid.
6. Then you behave in a way that earns trust: competence through context, intention through consistency.
7. Then you do it again tomorrow and let compounding do its thing.

That's the playbook.