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in [News]

The Boy Bosses of Silicon Valley Are on Their Way Out

SAN FRANCISCO — The young kings of Silicon Valley are dismounting their unicorns.

They're writing sentimental blog posts that outline their legacies. They're expressing hope for their companies' prospects. They're quitting their jobs leading the start-ups they founded.

In recent weeks, Ben Silbermann, a co-founder of the digital pinboard service Pinterest, resigned as chief executive; Joe Gebbia, a co-founder of the home rental company Airbnb, announced his departure from the company's leadership; and Apoorva Mehta, the founder of the grocery delivery app Instacart, said he would end his run as executive chairman when the company went public, as soon as this year.

The resignations signify the end of an era at these companies, which are among the most valuable and well-known to emerge from Silicon Valley in the past decade, and of the era they represent. In recent years, investors have dumped increasingly large sums of money into a group of highly valued start-ups known as unicorns, worth $1 billion or more, and their founders have been treated as visionary heroes. Those founders fought for special ownership rights that kept them in control of their companies — a change from the past, when entrepreneurs were often replaced by more experienced executives or pressured to sell.

But when the stock market fell dramatically this year, hitting money-losing tech companies especially hard, this approach began to change. Venture capitalists pulled back on their deal-making and urged Silicon Valley's prized young companies to cut costs and proceed cautiously. The industry began to talk of "wartime C.E.O.s" who can do more with less, while bragging about lessons learned from previous downturns.

Patience for visionaries wore thin. Founder-led companies started to seem like liabilities, not assets.

"All of that changed in the last 90 days, and it's not coming back anytime soon," said Wil Schroter, the founder of Startups.com, an accelerator program for young companies. The "we'll figure it out later" story is no longer attractive to investors, he added.

In addition to Mr. Silbermann, Mr. Gebbia and Mr. Mehta, founders at the top of Twitter, Peloton, Medium and MicroStrategy have all resigned this year.

They're not leaving on a high note. Shares of Pinterest are down 60 percent from a year ago. Elliott Management, an activist shareholder known for pressuring companies to make big changes, recently took a stake in the company. Airbnb shares are down 25 percent from a year ago. And Instacart lowered its internal valuation almost 40 percent in March, as it prepares to go public in a hostile market.

"It's surely less fun being a C.E.O. when markets are down, the economy is trending negative and regulation is increasing," said Kevin Werbach, a professor of business at the Wharton School of the University of Pennsylvania. "If you're as already rich, famous and successful as these guys, there usually comes a point where staying in the saddle is less appealing than riding off into the sunset."

In start-up lore, Mark Zuckerberg pioneered the modern boy boss. Carrying business cards that read, "I'm C.E.O., bitch" and ruffling Wall Street feathers with his "disrespectful" hoodie, he demanded investors let him keep a controlling interest in Facebook as it grew, ushering in today's era of "founder-friendly" deal-making. Young, ambitious men like Mr. Zuckerberg received similar protections and leeway as venture capital firms rushed to appear as accommodating as possible, lavishing the entrepreneurs with perks (dinners, jets, celebrities) and services (recruiting, public relations, design). One firm even publicly pledged to never vote against a founder on company matters.

"It inspired our whole generation to believe in the impossible that they could start companies," said Trace Cohen, 34, an investor in very young start-ups.

Founders took advantage of their upper hands. They stayed in the top jobs, even when the companies outgrew their skills as managers. And they kept their companies private for as long as possible, avoiding pesky business realities like turning a profit. They were given the benefit of the doubt — something female founders rarely got.

As the tech sector became a dominant force in our economy, the cult of the start-up founder made its way into popular culture via celebrities like Ashton Kutcher and TV shows like the HBO satire "Silicon Valley."

Some founders of this era took their latitude too far. Adam Neumann's spending and partying got him forced out of WeWork in 2018, even though he held a controlling stake in the company. And Travis Kalanick's aggressive tactics at Uber resulted in his ouster in 2017, despite his super-voting shares.

The rest mostly held on through the companies' initial public offerings. But it turns out that running a publicly traded company, with its attendant fiduciary duties, analyst calls and slog of quarterly earnings, is a far cry from the hustle and thrill of start-up life. Now, as troubles mount amid a market meltdown, they're giving up the power and control they once fought for.

In his announcement, Mr. Silbermann said that running Pinterest had been "the gift of a lifetime." Mr. Gebbia, who will become an adviser to Airbnb, posted an effusive reminiscence of the company's early days, alongside photos, nicknames of his co-founders (Brian "Jet Fuel" Chesky and "Indiana Nate" Blecharczyk) and lessons about the goodness of humanity. (Mr. Chesky remains its chief executive.) Mr. Mehta tweeted that he "cared deeply" about Instacart — the "one thing I have thought about for every waking minute of the last decade."

Leaving as billionaires, they have emanated Silicon Valley's relentless positivity. Pinterest "is just getting started," Airbnb "is in the best hands it's ever been in" and Instacart has a "enormous opportunity ahead," the founders wrote. Both Mr. Mehta and Mr. Gebbia said they had plans for new projects.

Investors say they anticipate more of these resignations from founders who are realizing they now have to work harder for less (relatively speaking). "Now, they can let some executives step up, take over and grow it with different incentives," Mr. Cohen said.

Last week, Brad Hargreaves, the founder of Common, a start-up that operates communal living spaces, announced he would step down as chief executive, becoming chief creative officer. The company's head of property, Karlene Holloman, a hotel industry veteran, will take over as chief executive.

The market downturn factored into Mr. Hargreaves's decision. In flush times, he said, it's good to have a founder at the top of the company who can sell investors, employees and customers on a grand vision. "Operations don't really matter that much," he said. "No one's really watching the bottom line."

Today's environment requires someone with Ms. Holloman's extensive experience and operational skills, he said. "In a tighter time, when operations matter a lot and nobody's buying into any grand visions, you want an operator in that seat," he said.

"A lot of founder-C.E.O.s stick around too long," he added.

The founders who have so far stayed on amid the downturn — and there are many, including at Stripe, Coinbase and Discord — can expect greater demands and more pressure. The stock trading app Robinhood has laid off more than 1,000 employees this year as it loses active customers. Dan Dolev, an analyst at Mizuho Securities, said several investors had privately suggested Robinhood bring in a more seasoned executive to help its co-founder, Vlad Tenev. Mr. Tenev cannot be forced out, since he and his co-founder, Baiju Bhatt, together hold a controlling stake in the company.

"They're typical founders where they're very good at the ideas and creative stuff," Mr. Dolev said, "but could use help with operations."

A Robinhood spokeswoman said the company had recently undergone a reorganization and pointed to executive hires from TD Ameritrade and the Securities and Exchange Commission.

Making matters worse, start-up founders have lost their halo of positive cultural cache — a trend that began during the tech backlash of 2017 and that has grown with the release of devastating books and TV shows about WeWork, Uber and other tech darlings.

"Once you've made a certain amount of money, you're playing for status, and the status isn't there," Mr. Hargreaves said.

Still, there's always the comeback story. If the market gets worse and companies start seriously tanking, we could see the reverse dynamic of founders returning to right the ship, said Mr. Werbach, the business professor.

It would be a throwback to the original cult-hero founder, who commanded admiration long before unicorns roamed the Valley and who even inspired Mr. Zuckerberg's swaggering business cards. He was, perhaps, the original boy boss: Steve Jobs.