

Software 2.0, Financial Discipline, and Building Teams That Last

Recommended Reading from Tech Founders

2026-07-27

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By Recommended Reading from Tech Founders • July 27, 2026

Guillermo Rauch's high-conviction endorsement of Andrew Karpathy's "Software 2.0" leads a set of organic recommendations on AI, financial discipline, product education, culture, and difficult conversations.

Most compelling: *Software 2.0* — Andrew Karpathy

- **Content type:** Essay
- **Author:** Andrew Karpathy
- **Link:** No direct essay URL was supplied. Recommendation context [1]
- **Recommended by:** Guillermo Rauch
- **Key takeaway:** Rauch calls the essay "canon" and says everybody should read it. He describes its central distinction as deterministic, explicitly coded "Software 1.0" versus systems trained on data, where behavior is probabilistic and can exhibit emergent properties. [1]
- **Why it matters:** It offers a concise conceptual frame for builders working with AI: the task shifts from specifying every branch of a program to training models and discovering what their learned capabilities can do. [1]

"Everybody must read this because it's so ahead of its time." [1]

Operating discipline and durable teams

Profit First

- **Content type:** Business book
- **Author:** Not identified in the supplied material
- **Link:** No direct book URL was supplied. Recommendation context [2]

- **Recommended by:** Andrew Wilkinson
- **Key takeaway:** Wilkinson endorses the framework of taking profit from revenue immediately—using an example of removing \$30 from every \$100—then making the business operate on what remains. He compares it to eating from a smaller plate: constraints make people more deliberate about expenses. [2]
- **Why it matters:** Wilkinson sees the approach as a way to create spending discipline, particularly in smaller companies, and has asked his CEOs to read it. [2]

Kathy Sierra’s writings

- **Content type:** Product, user psychology, and marketing writing
- **Author:** Kathy Sierra
- **Link:** No direct resource URL was supplied. Recommendation context [3]
- **Recommended by:** David Heinemeier Hansson
- **Key takeaway:** DHH calls Sierra one of his all-time greatest writers on what motivates users and makes products effective. He highlights her idea that the best marketing is to “out teach your competition.” [3]
- **Why it matters:** DHH credits that teaching-over-spending approach to Sierra’s internet writing in the mid-2000s and describes it as foundational to 37signals’ success. [3]

Incorruptible — Eric Ries

- **Content type:** Business and organizational-culture book
- **Author:** Eric Ries
- **Link:** No direct book URL was supplied. Recommendation context [4]
- **Recommended by:** Diane Penn, Head of Product, AI Research & Labs at Anthropic
- **Key takeaway:** Penn values Ries’s reframing from simply building great companies to sustaining great teams and companies. She highlights examples of using culture metrics rather than revenue alone to preserve the values an organization cares about. [4]
- **Why it matters:** The book is a useful prompt for teams that want to articulate their norms and measure more than financial output. [4]

Crucial Conversations

- **Content type:** Management and communication book
- **Author:** Not identified in the supplied material
- **Link:** No direct book URL was supplied. Recommendation context [4]
- **Recommended by:** Diane Penn
- **Key takeaway:** Penn uses the book to prepare for difficult discussions and to judge the appropriate level of detail in the moment. She says it helps her become a better manager and coach. [4]

- **Why it matters:** This is a practical recommendation for leaders seeking a repeatable way to approach high-stakes conversations rather than treating them as purely improvisational. [4]

A personal-development pick

How to Raise an Adult

- **Content type:** Parenting book
- **Author:** Not identified in the supplied material
- **Link:** No direct book URL was supplied. Recommendation context [4]
- **Recommended by:** Diane Penn
- **Key takeaway:** Penn recommends the book for its framing that the aim is not simply to raise children, but to develop adults—and for the question of which characteristics parents should foster. [4]
- **Why it matters:** It supplies a clear lens for thinking deliberately about the traits and capabilities being developed over time. [4]

Sources

1. How I built a \$3B AI Startup + 7 AI Business Ideas
2. Andrew Wilkinson's \$20,000 to \$260,000,000 story
3. DHH: How to Build a Profitable Company Without Losing Control
4. How Anthropic builds products like Claude Code before the AI models are ready | Dianne Penn