Some Notes from the Interviews

Hervé Lebret – June 2008

Content

Founder	Company	Founder	Company
MAX LEVCHIN	PayPal	MARK FLETCHER	ONElist
SABEER BHATIA	Hotmail	CRAIG NEWMARK	craigslist
STEVE WOZNIAK	Apple Computer	CATERINA FAKE	Flickr
JOE KRAUS	Excite	BREWSTER KAHLE	WAIS, Internet Archive
DAN BRICKLIN	Software Arts	CHARLES GESCHKE	Adobe Systems
MITCHELL KAPOR	Lotus Development	ANN WINBLAD	Open Systems
RAY OZZIE	Iris Associates	DAVID HEINEMEIER HANSSON	37signals
EVAN WILLIAMS	Pyra Labs	PHILIP GREENSPUN	ArsDigita
TIM BRADY	Yahoo	JOEL SPOLSKY	Fog Creek Software
MIKE LAZARIDIS	Research In Motion	STEPHEN KAUFER	TripAdvisor
ARTHUR VAN HOFF	Marimba	JAMES HONG	HOT or NOT
PAUL BUCHHEIT	Gmail	JAMES CURRIER	Tickle
STEVE PERLMAN	WebTV	BLAKE ROSS	Firefox
MIKE RAMSAY	TiVo	MENA TROTT	Six Apart
PAUL GRAHAM	Viaweb	BOB DAVIS	Lycos
JOSHUA SCHACHTER	del.icio.us	RON GRUNER	Alliant Computer

PayPal - 1998

Born in 1975
Ukraine

then
Illinois
3 start-ups
Palo Alto

cofounder:
Peter Thiel
(b. 1967
Germany)

- It is crazy / nerdy
  - once he did not sleep for 5 days to have demo ready
- Founders
  - need a co-founder you trust
  - he had to fight with CEO who left (on windows vs. unix)
- Luck is important
  - but it does not come by accident
- Hire the best people
- Growth / speed / scalability are huge concerns
- Big companies can not do what start-ups do
  - too risky (PayPal lost $10M / month at a point)
  - not the time/resources for trial and error process
- Investors are great as long as all goes well
- The acquisition was the end of the start-up culture
  - big companies (eBay!) are about structuring
- "We did not know what we were doing but we could not work for anyone else"

Sabeer Bhatia

Born in 1968
India

then
Caltech
Stanford
Apple
FirePower

cofounder:
Jack Smith

- An idea that emerged from a pain they experienced

  "and there are tons of such ideas"

  write a business plan to crystallize your thoughts, he wrote it in one night (simple but thorough)

  were afraid of sharing ideas bec. had no bus. experience & there was no IP so idea easily stolen

- Got $300k for 15% of company from DFJ

  but DFJ had right of 1st refusal

  it took them 6 months to launch product

  were spending $1M / month with $1M in ad revenue

  then the VCs squeezed them in 2nd round

- Viral marketing at its best ever

  7M users after 12 months

  they owned customers & great branding

- Microsoft bought them for $400M in 1998

  1st offer was $160M

  but self-confidence helped "we could have been Google"

Steve Wozniak

Born in 1950
San Jose, CA

then
Berkeley
HP

cofounder:
Steve Jobs
(b. 1955)

- Start with a lot of motivation and values.
- When you are on your own, do not spend much
  because you do not have much; do it yourself. If you can not, may be you are not entrepreneurial
- Set-up goals and follow them
- Average products are done by average people,
  but when you stretch, you can do great things
- The computer was too cheap for big companies
  HP and Commodore also missed the opportunity
- Did not want to leave HP and did not want to stop being an engineer
- It is better to be young because you can spend a lot more night very, very late
- Some "Eurekas" (color, games in basic, floppy disk)
- Be generous
  he sold some of his stock

Joe Kraus

Born in 1972
California

Stanford

cofounders:
5 Stanford CS

- Wanted to have a company so "what do we do"?
- Were so naive "we did not know we could fail"

  and therefore we almost had to succeed

- Five founders,

  $3k each from parents so $15k initially,

  then $100k for a demo for Infoworld

  then $9k by Khosla for 1G drive to check scalability

  then $3M from KP and IVP

- Had to redo founders' equity sharing,

  1/6 initially

- One day you feel great and the next you feel dead, very irrational; many uncertainties like

  "why would people search more than one or twice (and then bookmark)?"

  "what is the business model?"

- Too many people give up too soon, never listen to the 1st no
- Success is 50% luck and 50% preparedness for that luck, opportunities create new opportunities, chain of events
- Hire carefully and spend cheaply

Dan Bricklin

Born in 1951
Philadelphia

then
MIT
HBS

cofounder:
Bob Frankston

- Cofounded with a friend

  because we were friends, a lot of decisions were not based on business arrangements

- Worked also for DEC and then a start-up

  "small companies can be as exciting and cutting-edge"

- Founders had disagreements but were complementary

- Focus on core business

- Do not be greedy

- A law suit with their distributor killed them

  Created an opportunity for Lotus which acquired them

  "Stay out of lawsuits if you can help it. It's bad for both sides, especially small businesses. That's lawyers' business, to them, solving things through lawsuits. But it's very, very expensive. It's a sport of kings, and it uses up a lot of time. Unless you're a very big business that can make it a very small part of what you do, it's much better to find other ways to solve things. Frequently, individuals can do it better face to face. People who are the heads of companies understand that. The boards involved there let it happen, and they shouldn't have, since it ended up being bad for both companies."

Lotus – 1982

Born in 1950
New York

then

Beacon College

Viscalc

cofounder:

Jonathan Sachs (b. 1947)

- Passionate with the Apple II
- Knew start-ups were important
- Brought improvement to Visicalc

  but was not listened to; negotiated a buy out a good deal   because he was underestimated

- Used the IBM PC 640k vs Apple II 64k as well as the Visicalc focus on legal suit
- Cofounder was an artist in high performance SW
- Was technical and made management mistakes

  good intuition until 25 people then

  bad middle management hiring, no strong board, no picking successor, bad product strategy

- The sixties were anti-business but he had DNA from grandfather and father
- Lotus wanted to be the best place to work
- Many surprises

  plan was $3-5M, reality $50M revenues

- Motivations varies with individuals but he loves passion
- Learn about VCs and their crazy, untransparent terms

Ray Ozzie

Born in 1955
Illinois

then
Data General
Software Arts
Lotus

- Known for key role at Lotus and Iris is Lotus spin-off funded by Kapor
- SW can do anything so follow your guts
- Groove was a very long-term project
  - 3-year development, another 3-year to customers
- Technology does not bring an advantage
  - you can get a good start and you should have something hard working really well
  - there is also too much uncertainty both at technology and market levels
- The best motivation is not to need investors
- Building a market is as challenging as building a technology
  - build relations with business people to learn
  - good to learn about business experience
- Advice: learn leadership, know your limits and what you are good at
- Do not do it for the money (even if important)

Evan Williams

COURTESY: TWITTER

Born in 1972
Nebraska

then
O'Reilly,
Intel
HP

cofounder:
Meg Hourihan

- From Nebraska, self-educated, went to CA where you need to be
- Worked at Intel and HP to learn but wanted to be self-employed
- PyraLabs was a collaboration tool and a byproduct became core: uncertainty is part of it
- Getting funded? know people and speak their language
- Focus!
- Do by doing, the early success brought success
- They raised $500k, hired, learnt, ran out of money, M&A did not work, fired all, helped again
- Compromise is dangerous,

  follow your guts

  if consensus, probably bad and not original

  success can be surprising, tough to plan

Tim Brady

Born in 19xx
?

then
BS Stanford
Motorola
HBS

founders:
Yang & Filo

- First non-founder employee
  - was Yang college classmate and did not finish HBS to write bus. plan
- You need motivated people
  - interim people from VCs did no help, neither hurt
  - 1st 20 people employees were friends! it worked
- Netscape was seminal to Internet and it helped Yahoo
- Stanford was friendly until they said to leave when too big, then Netscape helped!
- There was not much time to think, too fast!
  - Time and emotional commitment is huge but people loved it so when there is passion, it is easier
  - Do what you like
- They were in a vortex, be where it happens
- When they did not know, went to competitors
  - But missed hotmail
- Know yourself

Mike Lazaridis

Research in Motion (Blackberry) – 1984

Born in 1961
Greek

then
moved to Canada,
age 6
U. Waterloo
RIM

cofounder:
Doug Fregin

- Founded in 1984 and after 8 years, $0.5M sales

  then new CEO came on board in 1992

- Cutting edge technologies are essential (and nerds)

- Mixture of practical and theoretical is good

- The 84 crisis pushed him to be entrepreneurial

- Technologies relevant to present may not be innovative, but brand new may have huge potential even if you do not know

- Vision and faith are critical

- Never had to move from Canada to SV because Waterloo was high value

Arthur van Hoff

Born in 1963
Netherlands

then
Strathclyde (UK)
Sun (USA)

cofounders:
Kim Polese (1961)
Sami Shaio (1963)
Jonathan Payne (1964)

- In SV everything is easy and cheap to launch, risk is understood
- Four founders without any idea what to do but with a core technology (Java)
- Easy to manage 20 people but not 100, you need experience to take decisions then
- You do a start-up to have fun & get rich
- A BP sells the idea:
  - if there is no typo, right math and they like founders, VCs will invest
  - you can never guess the future, BP is marketing
- Were always very frugal with money, but sometimes a nice spend is motivating
- VCs: you can't live with them, you can't live without them.
- Advice:
  - you need energy, good people, talent attracts talent but you also need an advantage and an idea;
  - do not focus on details, you can not plan too much and many things will change
  - rely on your intuition as much as others' advice

Paul Buchheit

Born in 19xx
New York

then
Intel

Emp.#23 at
Google

- **Intrapreneurship** is possible
- There was a lot of resistance as it was not core business at Google
- Was risky with a lot of **uncertainty**

As I say, for people, it depends on their situation if they can take that risk of joining a startup or moving to a new city if they don't live in the right place. For me, I **was actually single at the time, I didn't have a mortgage**, so the idea of joining a little startup that may well be destroyed was just like, "That will be fun." Because I kind of thought, "Even if Google doesn't make it, it will be educational and I'll learn something." Honestly, **I was pretty sure AltaVista was going to destroy Google**.

Web TV – 1995

Born in 1961
?

then
Columbia '83
Apple
General Magic

cofounders:
Bruce Leak
Phil Goldman

- Built a computer at 16
- Crazy

  once he had a cycle 2days work – 4hours sleep

- Passionate about users, not tech
- Fights with founders are painful

  "The worst thing that can happen to a startup is if the founding team —or the people who are leading the thing—do not get along. And it's deadly when they don't get along in front of the troops. And the attitude of the company distills from the top … in the early days, you've got nothing. All you've got are problems. You need to have an incredibly strong bond and an incredibly synchronized view of the world amongst the key players if you are going to succeed. A synchronized view of the world doesn't mean you don't argue about things, that you don't have disagreements. You must agree on the philosophy, though, and on the vision. There are many ways to get there, but if you can't agree on the vision, then obviously you're never going to agree on how to execute."

- Managed to transfer web to TV with smart, hard work
- Money…

  A hollywood angel put $1.5M
  then Sony interested but declined during negotiation with VC.
  VC still invested $9M and Sony came back.
  Then $35M round then Microsoft bought

Web TV – 1995

Born in 1961
?

then
Columbia '83
Apple
General Magic

cofounders:
Bruce Leak
Phil Goldman

- Silicon Valley vs. Boston

  "Phenomenal differences. I can't speak for every kind of startup, but for something involving technology—and even a lot of things involving content—it's just so much easier to do it here. You have resources here and people who understand technology. There's a high concentration of talent that you can draw on. You don't have to relocate people to get them there."

- It is difficult to understand customer markets

- Microsoft has own views and is too big so big companies can destroy value

- Again: The worst in start-up is when founders do not get along: there maybe arguments but there must be a common vision

Mike Ramsay

Born in 1950
Scotland

then
HP
SGI

cofounder:
Jim Barton
(1958)

- **Came from Scotland HP to SV HP**

    "We were definitely at the center of the universe, and that was fun. You felt like whatever you did, you had the best opportunity and you could go to the best places and work with the brightest people. They had energy and enthusiasm and they couldn't fail. There was nothing that was impossible. Culturally, in the UK, it was much more subdued; people were much more cautious."

- **Concerned about Europe**

    I was curious to see what's the attitude of a typical startup in Scotland compared to here. I found that they are just culturally a whole lot more conservative and cautious. And somewhat lacking in self-confidence. You come over here and . . . I had a meeting recently with a couple of early 20-year-olds who have decided to drop out of Stanford because they got bored, and they are trying to raise money to fund their startup. They believe they can do it, and nothing's going to hold them back. They have confidence, they have that spirit, which I think is great and is probably unique to this part of the world. Being part of that for so long, for me, has been very invigorating.

- **Moved to SGI with bright people, talent is critical**

- **Tivo's model was unusual**

    service to consumer and capital intensive

    not many VCs interested

    many rounds with about $500M, CFO was investment banker and one reason of success was to be well-capitalized.

Paul Graham

Born in 1964
Pittsburgh?

then
Harvard

cofounder:
Robert Morris
(1965)

- Co-founded Viaweb with best friend…
- Brain power in start-up was huge
- Declined an investor offer but negotiation sparked motivation
- He focused on SW development because it what he knew whereas he did not know about business
- Know your customer and make their life easier

  make something people want

- A ups-&-downs story,

  many M&A offers, so keep going until signature and the company could have died many times…

  M&A means dilution like sugar in tea… end of story…?

- A trick to sell: tell the truth!
- Regret: was a zombie for many years
- Raising money: avoid it if you can!

  do as cheaply as possible

del.icio.us – 2003

Born in 1974
?

then
CMU
Morgan Stanley
Memepool (1998)

- A hobby from 1998 to 2005
    - had 30'000 users so a need to have a company
    - it would have been difficult to convince investors without the users
    - there is a danger in having too much money: you have to spend it
- A lot of critical but boring stuff is to be done
    - Outsource when you can
    - But scaling is mission critical
- Assume everything will go wrong
    - try to be prepared for catastrophes!
- Constraints breed creativity
- Techies vs. business
    - But the guy who says, "I have a great idea and I'm looking for other people to implement it," I'm wary of—frequently because I think the process of idea-making relies on executing and failing or succeeding at the ideas, so that you can actually become better at coming up with ideas.

del.icio.us – 2003

Born in 1974
?

then
CMU
Morgan Stanley
Memepool (1998)

- more about ideas…

    You don't really know if it's a **good idea** until you've executed it. You need to understand the cost of execution and so on.

- about VCs…

    In general, I found VCs to be significantly politer than the folks I worked with. The worst they did was not call me back. I'd never hear from them again. Brad Feld does a nice blog talking about how the VC process works. He says they never call you back to say no—they don't want to close the door in case they want to open it again, but they don't want to actually give you a response. Very few VCs actually said, "Sorry, we're not interested."

- a start-up is a combination of **freedom** and **huge responsibility**

Born in 1971

California

then

UCSD

Diba

Pixel

Onelist

Bloglines

- **Did ONEList with a VC, became Yahoo eGroups**

  Kept his job until he was VC-funded.

  "The VCs did come in 2 weeks after we took the money and said they wanted to replace me as CEO, which was interesting. I was pretty wrapped up ego-wise with the company. When you start a company, it's your life. So you think you are the only one that can run it. You think, if you're not around, it will fall apart—or at least I did—for all of these things. It was very difficult for me to separate myself from the company in that way. So there was a fight over that for quite a while before I acquiesced, and we brought in a new CEO. It turned out that that was very good for the company and, had I been more mature, it would have been a less painful process."…

  "There was bad behavior on all sides. During the whole funding process they said, "We're interested in you guys because of your management team; we think you're fantastic." … Two weeks later they pull me into the office—before even the first board meeting—and say, "We want to replace you as CEO."

- **Start-ups are amazingly fun and stressful**

  "A startup is all-encompassing, so do it when you are young and when you don't have a family because you'll lose it all."…

  "I probably never would have forgiven myself had I quit. There are always dark times with startups, always. I was in a startup in San Diego where we didn't get paid for 3 months. There are different types of dark times, but for some there is just no more fun than doing a startup."

Born in 1971
California

then
UCSD
Diba
Pixel
Onelist
Bloglines

- ▪ **Self-funded Bloglines without VCs**

  in the internet space, initially only users count, not the business model

- ▪ **"Just release early, release often"**

  "If you find really early versions of ONElist or Bloglines on archive.org, the websites are horrible. They are crap, they don't have any features, they just try to do one thing. And you just iterate because users are going to tell you what they want, and they're your best feedback. It's critical just to get something out quickly. Just to start shipping and then you can iterate. Because shipping is just this huge hurdle. I've been a part of companies that have had big problems shipping—they just can't ship. It's a psychological thing"

- ▪ **Techies vs. bus. people**

  "user-focused Internet companies aren't very complicated business-wise, so until you actually build something that's got users and has momentum, it's not like you're going to be doing biz dev deals or anything like that …

  If you build momentum, if you get users, then deals may come your way, but a lot of times most deals don't make sense, so you don't need hardcore MBAs. It's more focusing on the product and engineering side."

- ▪ **Reputation**

  "I've learned that your reputation is very important, as an entrepreneur, as a tech guy in the Valley, and it's a good thing to worry about your reputation."

Craig Newmark

Born in 1952
New Jersey

then
IBM for 18 years

- Realized early he was not a good manager
    found a CEO he could trust
- Biggest lesson: follow your instincts
- What is a start-up?
    "in the conventional sense, we were never a startup. In the conventional sense, a startup is a company, maybe with great ideas, that becomes a serious corporation. It usually takes serious investment, has a strategy, and they want to make a lot of money."
- Biggest mistakes?
    He can not say as he had law suits he can talk about!
- No outside money
    but a lot of personal time which could have been very expensive with someone else
- A huge culture of trust

Catarina Fake

Born in 1969
Pittsburgh

then
Vasser College
designer
Salon.com
Yellowball

cofounders:
Steward Butterfield
Jason Classon

- Began as a multiplayer game

  photo sharing was a byproduct which became core product

- Co-founded with two friends

- About market

  "This is weird, but one of the things that enabled us to innovate within this space was that we hadn't done our research. We hadn't sat down and said, "We're going to build a photo-sharing site. We're going to do the research, figure out what the business model is, and raise some venture capital." We were naïve and optimistic."

- When Flickr became popular, VCs knocked at the door

  "That was the ironic thing, because when you need money, nobody will return your calls. When you don't need money and you say, "Sorry, guys, don't need any money," they can't stop calling you."

- Complementarities of co-founders

  "Stewart's very improvisational and he likes to do things in a fairly loose manner, whereas I tend to be very directed and driven toward a goal. So in combination, he sort of loosens me up and I get him on a path and those two things work really well together."

- The additional difficulty of being a woman in start-ups

  "There is a lot of institutionalized sexism working against women in business and I think that people aren't even aware that it's there."

WAIS – 1983

Born in 1960
USA

then
MIT
Thinking Machines

cofounder:
John During

- WAIS was a JV project between Apple and KPMG with Thinking Machines

  became a company in 1993

- Learn about start-up

  "I really liked the discipline that came from a bootstrapped startup. I think that everybody that goes and does a startup—even if they don't do a major startup that way—should start a business that is having to make people happy with them day one, through contracts, through small scale sales, whatever it is."

  "Thinking Machines was a bottom-up company. In many ways, the ideas and the people with power were the young engineers. They could see where things were going better than the top level management, because everything was so new."

- Location

  "Go someplace where people don't think you're crazy."

  "California was also in recession, but in California there were dreamers. There were people who wanted to think about new and different things and wouldn't think we were crazy to try to build this thing."

Born in 1960
USA

then

MIT

Thinking Machines

cofounder:

John During

- **About start-ups (again)**
  - "Some people just do startups over and over again… So a lot of people that I saw in the late '80s and early '90s in this Internet world were the people that had been involved in the PC revolution 10 years before. They had seen all of that go through, and they were looking around for "what's the next thing?" and this Internet thing started to smell kind of like it."
  - "Having your own company means that it's much harder to blame somebody else. If you are working inside a big company, you can always blame management, marketing, engineering, or something. But, when you are running it, you can't, because it's all your responsibility. I found that to be quite cathartic. The East Coast also has a little more of an aesthetic of complaining."
  - A business co-founder is tough to find and critical
- **About competition, uncertainty and ambition**
  "There were other systems around, but one thing I tend to do is do something that is far enough out there that nobody in their right mind would possibly want to do it. In general, I usually take things from the "you gotta be crazy" period to the "of course." And once it gets to "of course," then there will be competitors, and I'm done. Because usually what I want to do is just get other people to do it. The best way to do that is to show that it's possible."

Adobe – 1982

Born in 1939
Cleveland

then
CMU
Xerox PARC

cofounder:
John Warnock (b. 1940)

- **First part of career at Xerox PARC**

  Amazing **pool of talent** and in 1997, had a computer with a mouse, a word processor designed by (the future) Word developer, a mail tool and ethernet (Metcalfe would leave to found 3com…)

  Developed a computer to printer tool which Xerox **management was afraid** of or did not understand; mgmt proposed a 7-year development plan.

  "In fairness to the management, I think we as **researchers were a little naïve about what it would take to get these things from conceptual operating prototypes all the way to full-production**, supportable products. But we sort of hoped that they would hire the people who could do that."

- **Frustration pushed them to investors**

  Despite their **age** and family situation, they took the **risk** of the start-up

  "If you have a PhD in computer science, you're not going to be looking for work very long."

  They raised $2.5M with a **BP** for a HW product

  After talking to Apple and DEC, they discover customers want a SW and they threw out their BP…

Adobe – 1982

Born in 1939
Cleveland

then
CMU
Xerox PARC

cofounder:
John Warnock (b. 1940)

▪ **Do not stay as a 1-product company**

"There's a very high risk when you're a single-product company that eventually a combination of changes in the technological landscape and changes in the competitive landscape will eventually cause you to begin losing market share."

▪ **About Vision**

"I am not a hunter,… but I'm told that if you want to shoot a duck, you have to shoot where the duck is going to be, not where the duck is. It's the same with introducing technology: if you're only focused on the market today, by the time you introduce your solution to that problem, there'll probably be several others already entrenched."

▪ **About Customers**

"Listen to them very carefully. Understand what their requirements are and what their needs are. Not necessarily do what they asked us to do, but to have the vision to do more than they expected."

▪ **About Engineering vs. Business**

"I don't think there's any mystery in running a business. I think it helped that we were in our 40s, that we had worked for a variety of organizations. We had worked in other companies, but tried to leave their bad ideas as proprietary to them. We tried to pick the best things that we saw."

Open Systems – 1976

Born in 1950
Minnesota

then
U. St Paul
Open Systems
Hummer
Winblad

cofounder:

- Unusual case of a woman entrepreneur

  worked 1st at the Federal Reserve Bank but "it just wasn't inspiring", so decided to start a company.

- About risk and entrepreneurs

  "It's so long ago now that I just remember the general feeling that there was very little to risk. I was somehow already fully trained for anything that might confront me. Of course, all that is false; there's a lot of risk and you are never fully equipped to . . . you just have to be very adaptable."

  "I think what does separate some entrepreneurs from other[…] We don't worry about the unknown. We don't really worry about the risk points ahead. As you get older and you get more experience, you train yourself to think ahead about the risk points versus just to take the next hill. But non–risk-takers and non-entrepreneurs would really have big headaches about this. They would need some level of comfort and safety."

  "They have the courage to do the job. That they'll have the ability to judge the business situation. They'll have the ability to lead people. They'll have the ability to interact with the marketplace and to really build confidence into strategy."

  "Although, once you become an entrepreneur, it's sort of like becoming an alien. You notice there are other aliens! There they are, they've done that too. How did you do that? It was mostly hard to converse about . . . you couldn't get wisdom from anyone. Comments like, "What would you do with this software company?" "What's a software company?" It was such a nascent industry, and that's really a gift to join a nascent industry that becomes a real one. If you're in the group grope phase, you can make tons of mistakes. Because there is no one else competing with you or nipping at your legs. It's a completely green field."

Open Systems – 1976

Born in 1950

Minnesota

then

U. St Paul

Open Systems

Hummer
Winblad

cofounder:

▪About co-founders

"I was very fortunate that these three guys—that we all challenged each other quite a bit, that no one thought anybody's idea was better than the other's. So we had to vet our ideas against each other and sort of "win" amongst each. You're very lucky if you have an ensemble early on where no one just sort of accepts that you make all the calls"

"The majority of companies fail by self-inflicted wounds by the leadership team."

▪ Time management

"You also learn how to optimize your time —and I see entrepreneurs do this, "Let's get up earlier and stay up later."…"That's not going to work." That's stuff that you do get help from friends and advisors."

"And you learn on the job. Unless you've managed people before, you don't really know how to do that well. So you have to build skills … when you've got 30 years of experience [as an investor], then your challenge is how to teach and not tell. Because you want people to figure it out. You want to make sure that you can grab them by the coattails if they are falling off a cliff, but you want them to discover the edges by themselves."

▪ Being an inventor and being entrepreneurial

move from the ego, "me" to the company, "we", the shareholders

Open Systems – 1976

Born in 1950
Minnesota

then
U. St Paul
Open Systems
Hummer
Winblad

cofounder:

- **About strategy**

  You have to have **tactics to get to strategies**, but you have to have a strategy, and you have to put your strategy up here and then see "Where's my gap" to get to this aspirational goal. You're always going to be short of people, you're always going to be short of money, you're going to be short of source supply value. So you have to find leverage points, versus working your way up through tiny little rungs and seeing if you get there. Think like a big dog, and find leverage to get there.

- **About women in technology**

  A colleague said "My daughter, who is 13, is a math whiz, and she was just really focused on math and now that she's 13, she's worried about appearing too nerdy." …

  all of us were math whizzes and we had really fun teenage lives as well as adult lives and have been very successful."

  so it is about changing role models

  It's, first of all, a small number of women and an increasingly small number of any gender being inspired by math and science. It's a big problem. You'd think…Steve Jobs, with this aspirational product, the iPod. Why don't you want to be those guys?" They have inspirational products, inspirational lives, and it's not like we're under-covered in the media. Something is getting lost in the message….That is not pulling not only women, but pulling everybody to say, "I want to be like those people," I don't know.

David Heinemeier Hansson

Born in 1979
Denmark

then
-Daily Rush (99-01)
-Copenhagen Bus. School
-Illinois (05)

cofounder:
(inside 37 signals)

- **Product "basecamp" came as a need under constraints**

  "If Microsoft decided to go after Basecamp, they'd say, "Get a team of 20 people to do this and we'll give them 6 months to come up with something." Because when you're in a big corporate environment, you throw a lot of resources at projects. You just could never arrive at the type of product that Basecamp is when you don't work under constraints like we did. It's just too tempting to try to do it all, or at least do too much."

  "having too little money is a great way of getting great product, because it's a way to get focused."

- **Do less rather than more**

  - 80% is fine and the remaining 20% is user specific
  - by being focused on basics, you get a broad attention

- **About being in different locations**

  "advantageous actually, because the 7-hour time difference leads to "alone" time. In a company where everyone is in the same place, it's very easy to walk down the hall and interrupt somebody.""

Born in 1963

Maryland

then

MIT

HP

Symbolics

Icad

cofounders:

Eve Andersson

Tracy Adams

Ben Adida

Jin Choi

About uncertainty (1993)

"I told the professors at MIT that all I wanted to work on was Internet applications and they told me I was crazy—that there was no future in it. I decided that, since they weren't going to even talk to me about what I wanted to do, I'd leave MIT for a summer."

The beginnings

"We want you to make the changes." I'd say, "Well, I'm busy. I need to finish my PhD"…They'd say, "No, we really need you to do it."…"You'll give me $100,000 for 2 weeks of work?" "Yes, we just need this system up and running now." After a few of those calls, some of my friends and I decided that we'd band together and have a little company to do support and service.

About customers

- Listen to what they want
- Think about user experience and test it
- Meet the deadlines

About incentives

"We pushed the profit-and-loss responsibility down to individual teams… They'd get a big bonus if they did a good job and the customer was happy and the thing was profitable."

About competition

"So we worried about competitors, but it was an unreasonable fear. As a friend once pointed out, most gunshot wounds are self-inflicted."

ArsDigita – 1997

Born in 1963

Maryland

then

MIT

HP

Symbolics

Icad

cofounders:

Eve Andersson

Tracy Adams

Ben Adida

Jin Choi

- **About teams**

  "We never wanted to have more than two or three people on a project. The consequence of that was sometimes they would have to work pretty hard."

- **About age**

  "When they're young, people need to work pretty long hours to build experience and get things done. But the benefit was that then they get a big chunk of the project."

- **About growth and culture**

  "We built the company a little too fast, and consequently the last 50 percent of the people hired really didn't have much commitment to the corporate culture."…"Consider McKinsey…They say they'll never grow their company by more than 25 percent per year, because otherwise it's just too hard to transmit the corporate culture."

- **About hiring**

  "Here was the problem: hiring businesspeople was almost impossible. That was one of the things that drove us into the arms of the VCs."… "If you don't have backing from Kleiner Perkins, we don't want to work for you."

  "but I think for these fragile little companies, just putting a generic manager at the top is oftentimes disastrous."

  "We'd get first-rate programmers because we had a company where programmers were the stars. Because we were not GE or Microsoft, we were not a place where a great businessman rationally would have wanted to work."

Born in 1963

Maryland

then

MIT

HP

Symbolics

Icad

cofounders:

Eve Andersson

Tracy Adams

Ben Adida

Jin Choi

- **About VCs**
  - In addition to the difficulty in hiring, a banker said "if it's a big name like Kleiner Perkins, we just take the company public without doing any research." (i.e. deep due diligence)
  - "Probably the VC firm that we should have picked was called Summit. They were very humble"…There were these two VC firms, Greylock and General Atlantic Partners,… and they would send their senior partners by to schmooze us.
  - When they invested, they delegated very junior people…

- **About business**
  - "Fundamentally, if you have a lemonade stand, you have to sell your lemonade for more than it costs you to make. That's really all you need to know to run a company."
  - "You can't turn an employee into a businessman. The employee only cares about making his boss happy. The customer might be unhappy and the shareholders are taking a beating, but if the boss is happy, the employee gets a raise."
  - He has a vision that all employees have to be responsible and do more than usual, like developers selling.
  - Was unhappy conventional views on business If you have bland, boring marketing materials just like IBM and you have very high prices and slow delivery, there is a niche for that product and it's occupied. IBM is there. The customer doesn't need you.

- **About a law suit**
  Founder was unhappy with VCs, used his majority shares to regain control and VCs sued him… at the end, settlement, but assets sold to Red Hat.

ArsDigita – 1997

Born in 1963

Maryland

then

MIT

HP

Symbolics

Icad

cofounders:

Eve Andersson

Tracy Adams

Ben Adida

Jin Choi

- **About VCs (again)**

  "Basically, whenever VCs do an investment, they make the startup company pay their legal expenses. Remember, the investments come from the limited partners, the pension funds, etc. So they get their 2 percent annual management fee, but a lot of their costs, like their legal expenses, are also actually being paid by the limited partners."

- **About business (again)**

  "If you are a for-profit corporation, your job is to make money, and if you're not making money, you're not doing a good job. End of story. It's important to have fun, but once you incorporate for profit, my attitude is that you better make a profit. When I was trying to retake control of the company, most of the programmers at ArsDigita were so relieved to be rid of me. They thought, "Now we don't have to listen to this guy, we don't have to have our code reviewed, and we can all be happy and go home at 5 p.m. and never write anything. Let the salespeople sell—we don't have to talk to customers anymore."

- **About ArsDigita and VCs**

  "It really upsets me that people think of ArsDigita as a venture capital–backed company. It wasn't. It was a company that I started and backed financially, basically by myself, but within a year or two brought in some other smart, good people. It upsets me that they think of ArsDigita as a company that the VCs somehow played a big role in starting; that I sued them and somehow got money trickily. They were only in there for about

  18 months from the time they invested to the time it went bust, and at that time the company was more than 5 years old. So it was not a VC-backed company; it was a company that took VC money just in an attempt to shortcut the underwriting process in going public."

Fog Creek – 2000

Born in 1965
New Mexico

then

moved to Israel

Yale

Microsoft

Viacom

cofounder:

Michael Pryor

- **Beginnings**
  - "Key inspiration—what actually made me take the leap into starting Fog Creek—was Philip Greenspun of ArsDigita" (previous case)
  - "But there are a couple of things that I would do differently."

- **About the business model**
  - "The theory was that the product they created would support the consulting, and the consulting would support the product."
  - But they thought the product needed to be open source, and we thought, "That's nice, but consulting is a business where your revenue is just a multiple of the number of people you can hire. Software is a business where your revenue can grow much faster than the people you hire."

- **About pricing**

  "A five-user license like $199 just feels like shareware. But, a ten-user license at $999 starts to feel like a more substantial product. You really have to have a price point that conveys what you think the product positioning should be. Many people will judge where your product fits in the market based on its price."

Born in 1965
New Mexico

then

moved to Israel

Yale

Microsoft

Viacom

cofounder:

Michael Pryor

- **About location**

  If you are in Boston, Austin, Raleigh-Durham, Silicon Valley, or Seattle, as a programmer you have a lot of choices of where to work. In New York, the choices are investment banks,… not technology companies.

- **About marketing**

  - The first problem we had is that we thought we didn't understand sales and marketing because, indeed, I am a programmer and Michael is a programmer.

  - So we were just afraid of the so-called "go-to-market" strategy… So the mistake I made was in thinking that I had a sales and marketing problem.

- **About partnering**

  - "We had this dream that we would find a company that would sell and market our products, and we would do development."

  - "I could only find one example in which one company sold a product and the other company developed. It was Lotus Notes, which was developed by a Boston-area company called Iris Associates."

Fog Creek – 2000

Born in 1965
New Mexico

then
moved to Israel
Yale
Microsoft
Viacom

cofounder:
Michael Pryor

- **About creative business models**

  "All those little coupon schemes, this is what General Motors does. They figure out new rebate schemes because they forgot all about how to design cars people want to buy. But when you still remember how to make software people want, great, just improve it."

- **About customers and competition**

  - "Talk to your customers. Find out what they need. Don't pay any attention to the competition."
  - "No matter what we knew that the competitors were doing, the information was completely useless to us."

- **About management and VCs**

  - "If you're an investor at a VC stage, when you look at the kind of founders you have, it's obvious that some of the founders are just hardcore geeks that are never going to develop into good managers. Some of them are founders precisely because they wouldn't be good managers."
  - "There is a justification for saying a lot of founders would not be good managers, but there are an awful lot of companies being run by founders that do a pretty good job of running them by themselves."

Fog Creek – 2000

Born in 1965
New Mexico

then
moved to Israel
Yale
Microsoft
Viacom

cofounder:
Michael Pryor

- **About culture**
  A company that is not designed to create high-tech products is very unlikely to have the culture or the DNA that it takes to create high-tech products.

- **Advice to founders**
  - "I've got a lot [laughs]: Don't do it. It's going to suck. You're going to hate it."
  - "Don't start a company unless you can convince one other person to go along with you."
  - "[If you] don't take the leap and quit [your] job, [you] can give up [your] dream at any time."

Born in 1963

then

Harvard

CenterLine (1987)

CDS

cofounders:

Langley Steinert

Nick Shanny

Thomas Palka

- **Beginnings**
  - Came from a personal frustration around travel and Internet, then "I was employed at the time, so we put the idea on ice for about a year… (but) I wanted to get out of what I was doing."
  - "Then it turned out that with the Lycos deal (even though Lycos was a major web property at the time), the joke was the quarterly revenue check wouldn't buy the weekly free lunch that we offered to our employees. We had a rather fundamental problem in half of the business" …" but we just were not making a dime".

- **About the business model**
  - Until they found an ad business, they wanted to license content, which did not work. Could raise their 3rd round ($3M in total)
  - Finally banner ads made them break even: "Click-through rates at the time were a quarter of a percent or half a percent. Here we were sitting at 10 percent because the links were so relevant to the topic at hand".

- **About business**

  "I'm an engineer by training myself, but at this point I have so much experience dealing with customers and what they want that I can bring that back to shape the product. Look at me 20 years ago, and at best I was a smart engineer. I didn't know much about business, knew nothing about selling"

TripAdvisor – 2000

Born in 1963

then
Harvard
CenterLine (1987)
CDS

cofounders:
Langley Steinert
Nick Shanny
Thomas Palka

- **Advice to founders**
  - "Don't say yes too quickly, don't say no too quickly, to see whether any other options come along, or to see whether the deal gets so bad that it actually becomes an easier decision to just say no and you can go about your plans. We had a few sleepless nights back then."
  - "Certainly the **founding team** makes the biggest difference. Usually founding teams don't stay together for very long. That happens. If the founding team splits in the first 6 months, that can be pretty devastating to the birth of a company. So getting to know someone before actually joining forces, spending some more time thinking through what the roles and responsibilities will be between the founding team members."
  - "You can't get too attached to your vision in a startup, because things may **change**."
  - "At the earlier stages of the company, do whatever the hell the **customer** wants."
  - "Then, as you're growing, sort of mid-stage, what I tried to foster here is an attitude of **risk-taking**…don't be afraid to make a lot of mistakes without a lot of time analyzing whether you should or shouldn't do it."

TripAdvisor – 2000

Born in 1963

then

Harvard

CenterLine (1987)

CDS

cofounders:

Langley Steinert

Nick Shanny

Thomas Palka

- **About hiring**
  - "The keys to our success was being fanatical on the hiring side"
  - "If you find someone you like, pay what it takes to get them to come to your company in options or in salary."
- **About the acquisition (for about $200M)**
  - "IAC was a fantastic company to be acquired by, because they told us their history was: *We acquire companies and we let them run stand-alone.*"... "They were true to their word."
- **So...**
  - Chapter one is starting up the company, getting anyone interested in what we do.
  - Chapter two was hitting that profitability mark so we could break even.
  - Chapter three is growing, and if it so happens, as it did with us, a great liquidity event.
  - Chapter four is, "OK, are you done with the business? ... How close are we to being number one?"
  - "So if I have 20 million uniques a month now, why don't I have 50 million?"

Born in 1978

then
UCB

cofounder:
Jim Young

- **The Beginnings**

  "Jim was burned out from working on his PhD, and I had just graduated from business school and was unemployed, so I figured what the hell, let's build it. It wasn't that hard to build in the beginning—it was hard to build later because we had to scale it."

- **About experience**

  "There's kind of a backwards logic that says: when you are young, you should learn from people who are experienced, so later on, if you want to do a startup, you can take the risk. And that's a myth that was created from school."

- **About starting**

  "We were panicking…. I got 8 hours of sleep the first 8 days." …"The scaling issues were pretty bad. That first half-year seemed like a day. There was a lot of manic behavior going on. I was on an adrenaline rush, which felt good, but it was exhausting and sometimes I felt like I was going crazy. So much, so fast, all at once."

- **About motivation**

  - "I think entrepreneurs want to make money."
  - "They want to make a mark in the world."

- **About entrepreneurs**

  "The biggest roadblock to the entrepreneur are liabilities in your life. It's not whether or not you can be a good entrepreneur, it's whether you have to make a mortgage payment or support other people."

Born in 1978

then
UCB

cofounder:
Jim Young

- **About risk**

  "Most techies would dream of that, are you kidding? People in Silicon Valley are entrepreneurs, they're not the risk-averse types that would think I was wasting my education. I was the first among my MBA classmates that made it into the Wall Street Journal."

- **About uncertainty**

  "It's like Hewlett-Packard. Do you know what their first product was? A bowling foul line indicator. The point is, they decided that they were going to be entrepreneurs before they knew exactly what they were going to do."

- **About success and experience**

  "It's ironic that I have an MBA and also started a company before that had raised venture capital, but the one idea that worked was all an accident."

- **Advice**

  - One, do it while you're young.

  - Two, there's no right path. There is no one plan that fits every business; you have to figure it out yourself.

  - Three, even if you raise money, spend it as if it's your own and you have none. Be cheap.

  - Four, there's no such thing as easy entrepreneurship. It's going to be painful, it's going to be emotionally unstable, you're going to feel insecure. If you're not already bipolar, you will feel like you are.

Born in 1966

Princeton

GTE New Ventures
STAR TV (HK)
Battery Ventures (1994)

HBS (1999)

- **About ideas**

  "There's a balance between thinking that you have this fantastic idea that you don't want anyone else to know about and the need to talk about it and get broad-ranging opinions so that you make as few mistakes as possible. I was really paranoid because I thought this idea was incredibly obvious."

- **About stress**

  "What didn't HBS teach you about this?" And I said, "Pain." I only remember one class that came close: the professor walked out of the class with tears in his eyes, having recounted the story of his friend who had started a cable company, and it destroyed his life, destroyed his family, and moved him to a place where his life was a waste of time. That was the only indication I had at HBS about how painful this is.

  "How painful it was. I woke up on October 3, 1999, at around 4 a.m. with my chest burning from fear and pain about not knowing what to do, and worrying that I had taken my friends' and mentors' money. I had realized that what I was trying to do was not working, and that I didn't know how to fix it and I was in way over my head."

- **About strategy and luck**

  "We had the anxiety test; the parenting, relationship, and communication tests. And no one came… So I thought, "We should make a fun test. Let's do a test for what kind of breed of dog are you." … We put it online, and 8 days later we had a million people trying to enter our site."

Tickle – 1999

Born in 1966

Princeton

GTE New Ventures
STAR TV (HK)
Battery Ventures (1994)

HBS (1999)

- **About VCs**
  - Met 43…and a lengthy process
  - Then once you've received a term sheet, then the VCs get interested, and then acquirers get interested.
  - They all told me $18 million wasn't interesting. And I'd say, "But most people will tell you $50 million, and you know they're lying. I'm already discounting it because I'm a venture guy just like you are." And they'd say, "Yeah, but $18 million just isn't interesting." So I changed my spreadsheet to say $50 million. And they said, "OK, that's pretty interesting."

- **About the intensity**

  If you care about it and if you have any chance of succeeding, you will stop being present for the softer things in life like your family, friends, or dating life. And when you are there with them, you're not really there with them; you're thinking about this thing because you're creating it, and it takes that amount of passion to make it work.
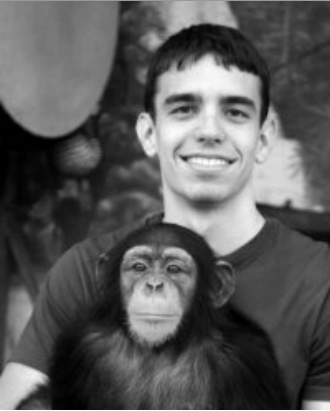
Born in 1985

Miami, FL

then

Netscape

Stanford

Mozilla

cofounder:

Dave Hyatt

- **Not a business initially**

  "So we started Firefox as a way to work on the browser that we knew we could make if we weren't being controlled by marketing, sales, and all these other influences inside Netscape."

  "Companies usually worry about competition for financial reasons, but when we did Firefox, money was just always sort of there. There were donations, seed money from AOL; we eventually got this Google deal."

- **The motivation / ambition**

  "It was an outlet for those frustrations. We wanted people to use it, but we weren't going to kill ourselves if it failed. We defined success in terms of users, not competitors. In any case, the IE team had been disbanded, and Netscape had bowed out, so the market was wide open. We didn't crunch numbers or conduct market analysis; we relaxed and followed our gut."

  "We weren't trying to strike it rich with Firefox. It's open source and it's free. We weren't trying to take over the world; we had kind of modest goals, and it was OK if it failed. We were a lot freer to make risky decisions."

FireFox – 2004
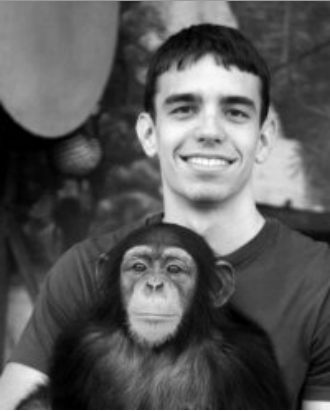
Born in 1985
Miami, FL

then
Netscape
Stanford
Mozilla

cofounder:
Dave Hyatt

- About Uncertainty

  "We'd been hearing forever that nobody downloads a client anymore, and browsers are dead, and Mozilla can't make it. It's never going to go anywhere; the market has been monopolized. We just ignored all that and did it anyway, and it worked. It's a bit harder to take analysts and other "industry insiders" seriously now, because Firefox proved them wrong."

- About challenges

  "One thing is just time. Whenever I'm doing something now, I feel like I should be doing something else instead… It's a nonstop state of stress… Now we realize that time is our most valuable resource, and every minute we spend in one of these meetings just sitting there is time wasted."

- About paranoia

  "We're also overly paranoid because the first thing we did when we started the company was talk to a bunch of entrepreneurs who told us, "Don't tell anyone what you are doing. VCs are sharks." Meanwhile, you hear from the VCs, "You're too paranoid." So it's hard to find the right balance and be human, because you don't know who's genuine and who's not."

SixApart – 2001

Born in 1977

cofounder:

Benjamin Trott

- **The beginnings**

  "As we got more and more involved, we became more ambitious, but I don't think we ever would have woken up and said, "Let's start a company." ... Luckily, it was all kind of accidental... I think having customers from day one was the thing that really forced us to be a company."

- **The analogy to a baby**

  "It's funny when I tell these stories. It seemed like a different world. It's kind of like when people have babies and they say they can't remember how painful it was and they say, "Let's have another baby." I think there's a chemical in my brain that forces me to forget how painful the time was."

- **About mentoring**

  "The best board member [...] not only did he help us figure out the business strategy, [not just] an investor who would give us money and check on us every quarter... He did allow us to make mistakes, however. For example, he let us not ramp up as fast as we could because we had to learn for ourselves that that was not the best idea."

SixApart – 2001

Born in 1977

cofounder:

Benjamin Trott

- **About expectations**

  "When we went to Japan for that trip, we said that if nothing ever came out of this company other than this trip to Japan, we've accomplished a lot. We never thought we'd go to Japan, let alone on somebody else's dime. What we have to realize is that we've had so many good opportunities and we've learned so much that, if everything failed tomorrow, we would still have gotten so much out of it."

- **About women in start-ups**

  "I think one of the reasons happens to be that women aren't always necessarily that motivated to prove themselves in the way that men are…you can't do something like that without wanting to be exposed… I've always identified more with guys at school and I've always been competitive with them."

  Many women are in marketing or design. I think marketing and design are a lot harder to learn than engineering.

Born in 1956

Boston

then

Babson

cofounder:

Michael Mauldin

(1959)

About the beginnings: a VC

CMGI licensed Carnegie Mellon technology, the professor remained in academia, CMGI had 80%, CMU, 10% and the professor 10%, there were also cash payments. Lycos had up to 300 people in Pittsburgh

Davis joined as CEO hired by the CMGI

Davis was employee # 1

What were the initial challenges

"What weren't they? Hiring people, firing people, understanding our business model, getting customers, servicing the customers, finding office space, scaling the company, staring down competitors, going public, raising money, satisfying shareholders. That's all in the first 9 months."

About uncertainty

"Some said "This will never be a people-intensive business." But when I finally left the company, we had 3,500 employees. We also joke about the fact that we once said, "At some point, if we're lucky, maybe we'll get up to a million users of Lycos." I think at the time, we had maybe 50,000 or 100,000. When I left the company, we had about 110 to 120 million, monthly."

About teams

We always needed to focus on hiring good people. People are the foundation of any company. Machiavelli said you judge a leader by the strength of his generals, and it's so true. The team that we put in place would determine how successful Lycos would become over time,

Born in 1956

Boston

then

Babson

cofounder:

Michael Mauldin

(1959)

▪ About pressure

"So you're dealing with emergencies du jour while you're trying to build a business. But that's the nature of the entrepreneur and that's the nature of a young business. We'd be hard-pressed to find a company in the history of business that has laid out a blueprint and been able to follow that blueprint chapter and verse throughout its life. It just doesn't happen. It's a changing environment out there."

▪ About start-ups being fashionable

"Well, startups have been around forever, but working for a startup didn't have the euphoria that it had a few months later. But there have always been entrepreneurs and people willing to take risks. The Internet wasn't cool, for sure, and Lycos was unheard of when we started the business."

▪ About risk and reward

"I think the life of an entrepreneur is a life of setbacks, challenges, disappointments, and failures. It's not how you celebrate the successes, it's how you overcome the adversity and the hardship that determines how the business succeeds. And I think that's what we were able to do well."

▪ About growth and speed

I think how much we grew so fast surprised me. We were growing 200 percent to 300 percent a year, every year. People don't realize that a rapidly growing company is crumbling within and feels pain every hour of every day because nothing works the way it was designed as little as a year before.
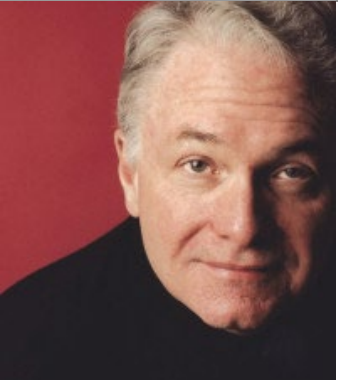
Born in 1948?
Oklahoma?

then
GE
Data General

cofounder:
Craig Mundie
Rich McAndrew

- **Had been at Data General for many years**
  - Left with a colleague and joined a 3rd ex-colleague to found Alliant, a parallel computer company
  - Data General was very entrepreneurial and Gruner's mentors were DG's founders.

- **Spent 6 months to write a business plan**
  - Wanted to create a sense of exclusivity and a sense of urgency to the VCs they contacted.
  - KP, H&Q and Venrock invested $4.7M and invested a total of $30M

- **Then it took 3 years to build product**
  - Revenues were $5M in 85, $30M in 86 (year of IPO)
  - then there were disagreements on strategy, Gruner left, Alliant went bankrupt in 1991

- **Founded shareholder.com in 1991**
  - raised $250k with friends, kept control until sale in 1996
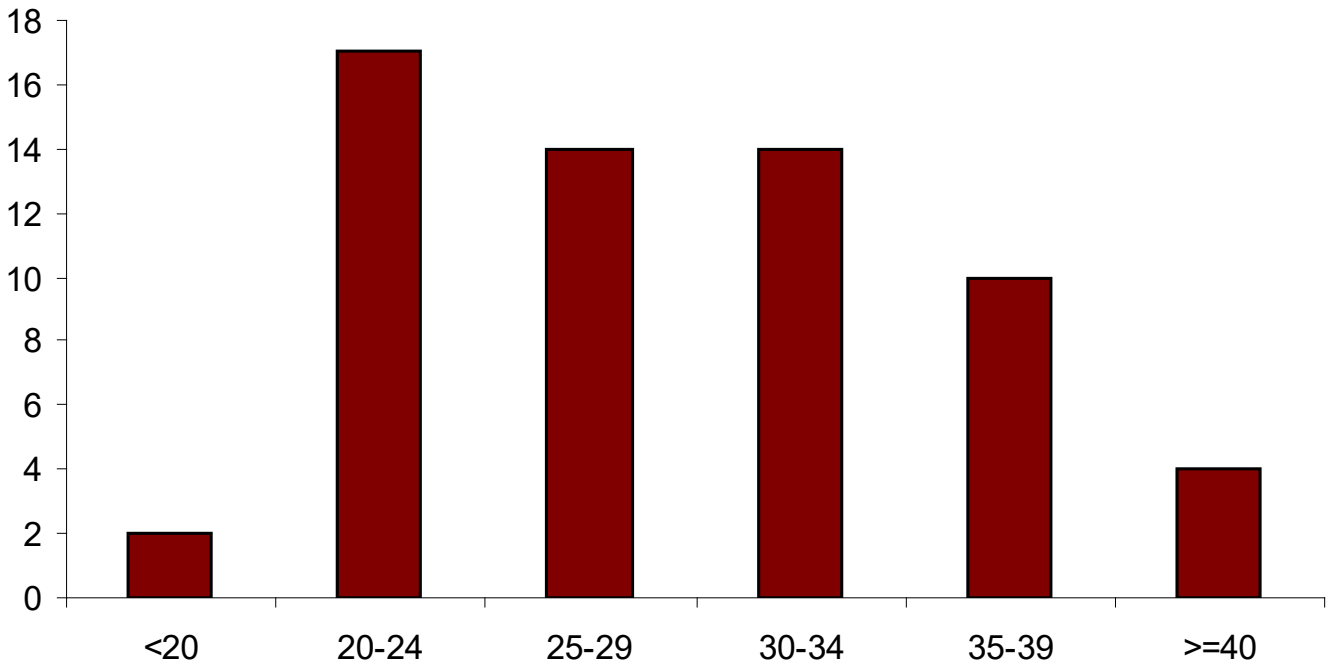
- **About VCs**
  - Within venture capital, you don't want to manage what they call the "living dead." Their rules of thumb were: typically one out of ten companies is a really big hit; roughly three out of ten go belly up pretty quickly, and you get rid of them. The other five to six are what they call the "living dead." They grow nicely, organically, but don't generate spectacular returns, and they take management time and energy.

- **Advice: Persistence** (things never work out the 1st time)

Some stats

Ages (of founders and co-founders)

Average: 29