Founders at Work

Paypal
- didn't start out building the right thing
- solving the fraud problem while competitors didn't
- viral element of having to create an account to receive $
- listen to what people were asking for - ebayers Billpoint

Hotmail
- likewise didn't start off making web email, transitioned
- constantly just barely scaling hardware to meet need
- had a viral element - allowed them to get unscalable 6mo lea
- interesting first right of refusal predicament w/ VC - essentially exclusive

Apple
- importance of a complementary co-founder - just worked
- constantly trying to simplify/optimize - made cheaper and easi
- getting over fear of starting company - you can still be engineer
- lack of resources forced continual minimalism
- "Midnight Run" as Sloan Bros - CES vegas floppy overrun
- Mono weird delirious state where anything is possible

Excite
- Sotspot funder - Churchill event panel video

Venture Vale
- started with a group, knew they wanted to be company - didn't know pro
- bipolar nature of wake up "we're kicking ass" - "we're fucked"
- fallacy of adopting biz models prior mediums - CPM search / radio/TV

Visicalc
- persistence w/ Netscape button deal
- lessons - hire slowly, be cheap
- complete trust with your partner
- author publisher model of software
- locked up in litigation - law suits bad for both companies MBR block acq
- processing & memory constraints forced utter-teen system like Apple II
- Complementary founders

Lotus
- capitalized on hole in market - PCs better Kobit architecture + extra space
- capitalized on feud between

Greve
- Focus on the need not the technology
- theme of the bigger mission, people that embrace that to carry team through times uncertainty
- selling a new technology - hard to educate
- cannot accomplish something completely on your own - really need to develop network of people who win when you win

Ray Ozzie Venture Voice
- comfortable talking openly about the technology cause they know it's hard

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Blogger - guy who did Odeo & Twitter @ Evhead

- like Hotmail - another instance of an inadvertent project, personal tool used internally
- took a lot of flak - determination in face of adversity
- removed friction from a task and made just easy enough
- relied for awhile on goodwill of their user base to sustain
- raised money around team (not product) - here's $ - go do whatever
- what allowed him to continue in dark times? Feeling that blogger could change world

Yahoo

- Just started making a list
- if they didn't have search result, serve a competitor's page - serve visitor foo
- Stanford as incubator - sadly opposite of ASU philosophy - Donate

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Founders at Work

Yahoo - counter to the maxim "don't go into business w/ friends"
first 20 knew each other - ↑ level of trust early on
"we're a media company - not a search co"
search results from Yahoo first but competitors if none - serve customer
Stanford incubator - very Non-ASU like
"we're in the vortex of a pretty big storm - we knew we were going through it while it was happening. Added sense enjoyment + responsibility
"Do a lot of thinking up front about your breaking point so it never crosses your mind while you're in the game.

RIM - importance of the high school shop teacher - "open any box but you have to read manual first" Bridging the divide practical / theoretical
"we need to make sure we're exposing students to future tech and not limiting it to current (relevant) technology."
APRNA - mobile store
"how do you intercept a market trend?" skate to where puck will
- combination of vision and faith
"We disguised what later became Blackberry as a pager"

Marimba - started w/ 4 people and no idea. Started making Java swing tools
the Espresso machine - importance of culture - "It's not just business expenses you have to create an environment you like so people are happy and feel valued"
Morphed from consumer soft distribution to an enterprise - more $$
Advice for potential entrepreneurs - "don't take anything with you"

Google - Gmail and Adsense went against the grain
1st instance of a startup within a larger company
access to resources but encountered resistance because unfamiliar

WebTV - like the RIM guy, knowledge crossover from understanding how to make a non-interlaced image look good on TV was key
"I think a lot of [VCs] were like vultures waiting for us to fail ~~so they could~~ and then pick up the pieces for a bargain."
the "Midnight Run" like the Sloan Bros. w/ the CTO that flew 2.5 hrs
like the Excite guys that lost the NS button deal - persistance paid off in pursuing Sony and they lucked out didn't go exclusive (Phillip

Tivo - TiVo phone home - issued a firmware update that broke a few - catch early
raised half a billion dollars in funding
Press ate up the idea of a small startup turning media companies upside down
"Pause like TV" "Season Pass" - knowing how to package features for mass consumption
let Replay take heat for being bad guy w/ auto commercial skip

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Viaweb - "I was pretty excited because it meant we could start a company w/o having to learn Windows."
- Overlapping windows of schedule like B7s [ ] betw Paul & Robert Morris
- case of mistaken target thinking catalog sellers were customers
- "e-commerce was really about graphic design, not x-action processing, unless you have a site that could convince people to buy, you didn't have a trans to process
"I think investors like to be bossed around, like horses. It reassures them when you're in control."
- Fake computers in their apartment to seem bigger
- "Another advantage of telling the truth is that you don't have to remember what you said. You don't have to keep any state in your head."

Del.icio.us - scratch his own itch substitute for long text file
- people ask for features akin to what they know - key is to dig to the root cause of what they are trying to do
- challenging value prop to get across "you can remember more things this way"
- "It's not like I had no choice, but everything I did was the only choice because it was the only thing that made sense at the time"
- echoes the B7s rule of "less is more" -
"Reduce. Do as little as possible to get what you have to get done"

Bloglines (eGroups) - Mark Fletcher's blog ~~Office 2.0 conf Toolbit~~
- still don't understand how Bloglines makes $$
- scratched his own itch - didn't want to do SPAM biz (Truistic) because everyone hates you (either block too much or not enough) able to get acquired after taking only $200k
- "you had all these people looking for the next big thing. A lot of reporters used Bloglines so they naturally talked about it"
- "one of the struggles we had w/ Bloglines [was] trying to explain these concepts to normal people. Syndication, RSS, aggregation? What are these goofy things?"
- how changing:
  - VC's losing secretive power - opening up - lots of blogs/info
  - costs way less to start a company
- "It's critical to get something out quickly... 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."
- the virtuous cycle of responding to your users and earning their loyalty
- devalue the importance of MBA early on - either stand or fail on your own. Biz dev skills are only important later once there's deal flow.
- importance of investment banker middleman for driving up sale price
- the value of outsourcing (eLance) for discreet tasks

Founders at Work Notes

Craigslist - Craig Newmark's title = Customer Service Rep & Founder
- '95 Email list "Pine as a database" - perl to convert → db
- "charge people who would otherwise be paying more $ for less effective ads"
- SBN pageviews/mo - 170 cities
- Turned down a bunch of money - made enough. Wanted to do something important
- Self-policing site - "Flagging"
- Found first contractors via site
- Customer-driven feature dev like Bloglines + others - "it's the 'job... of customer service to figure out how they can do their jobs better and then to tell tech what they need"
- "Moral Compass" stressed repeatedly - but they walked the walk...

~~Caterina F~~

Flickr - started as IM game feature to "Game Never-ending"

"One of the things that enabled us to innovate within this space was that we hadn't done our research... our naivete was what made the whole thing possible."
- naturally intersected w/ this trend of people taking more photos (digital) and needing a way to organize & share them. Convergence of social network camera phones, blogging, ubiquity of network access, broadband

Alexa Internet Archive - pick the right environment - Thinking Machines was like a park in Boston
- "go some place where people don't think you're crazy"
- "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."
- "the best way to get Microsoft to do something was to get a competitor to do something
- Every year try to do something you can point at. Otherwise a couple years go by and you say "what really happened?"

Adobe - Business plan called for producing a printer - DigitalEquip & Apple both said "just sell me the software." Customers telling you what product should be
- Illustrator was just a graphical IDE for generating the PostScript code
- "If you want to shoot a duck, you have to shoot where the duck is going to be, not where the duck is."
- panel last day of Seybold conf when Apple and MS announced alliance to put Adobe out of business - "thing that was most important as a startup... was the relationship we had built w/ our customers"
- "did you create the products to purposely encourage good design?" - "if you're in the hammer business you can't require that the person who buys a hammer [illegible] good carpenter."

Open Systems - on being a VC: "your challenge is how to teach and not tell. Because you want people to figure it out. You want to make sure you can grab them by the coattails if they are falling off a cliff, but you want them to discover the edges by themselves."

37 signals - scratched their own itch w/ Basecamp (internal tool) like Hotmail guys
"It wasn't even necessarily that we were great programmers and designers, but because we embraced the constraints that forced that upon us."
if we took the same people and put them in an environment where we had all the money and time we wanted, we couldn't even make Basecamp again"
"I'm building Rails while I'm building Basecamp - rather, I'm building Basecamp and every step of the way, I'm extracting Rails."
"for us one of the secrets about how we market the product is to make sure that the launch is not the end."
80% sweet spot and ignore the 20 - "we aren't producing more lines of software than everybody else, we're just making each line count for so much more
CEO Getting Real PDF
7-hr time differential to Copenhagen leads to "alone" time

Ars Digita - rolled his own toolkit for managing a photo blog site for a road trip
companies ended up wanting the software and needing customizations
'we pushed the profit-and-loss responsibility down to individual teams.'
- Lewis was great turning point because they didn't think to demand rights to the IP created for their system. Able to resell
- 'Almost all of our marketing and sales was educational' - free seminars
- eating their own dogfood the whole time running the CMS on photo.net
- 'companies like Microsoft were still developing software for the Web as if the Web didn't exist'
- Karl Marx factory v. craftsmanship - alienation from customer
- apprentices & mentor program internally
- had profits but got pressured towards IPO and VCs (attempt to shortcut the underwriting proc
- attracted rockstar programmers but not great business people
- went bad bringing in new CEO + management team - knew nothing of the bu
- one thing you wish you could do different? limit growth
(a lot like Clayton Christensen "be patient for growth, impatient prof

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Fog Creek - Joel was inspired by ArsDigita and wanted to change some things
- FogBugz = internal app for tracking bugs
- perceptive enough to recognize the collapse of the consulting market while companies like ArsDigita, Razorfish, Scient, iXL, March First hemorrhag
- Consulting side of FC was means to build software company - cash flow
- Tricks: Affiliate program, finder's fee, automated 'act now' coupons - "These were marginally good marketing ideas. Unfortunately we spent a lot o time chasing them. The one thing we learned over 5 yrs is that nothing works better than just improving your product."
  Biggest Mistake they made ↗
- Mantra - "Listen to your customers, not your competitors"
  Joel's blog - BDUF - disagree on spec writing
- parting advice - most people never fully take the leap. Quit your job and do like Cortez "burn your ships" because it forces success as the only option instead of having a dayjob as fall back.

Trip Advisor - own itch - searching for info on island vacation w/ wife - no good sources
- manually indexed a bunch of travel-related articles in the way yahoo was a human-moderated directory. Yielded highly relevant search experience was so useful became destination and user reviews dwarfed articles soo
- Travel industry collapsed w 9/11 and they were dead in water w 3rd roun funding.
- Figured out could deep link to travel booking site Expedia and sell leads
- Finding the model that worked was key - zero$ → break even in 4 mos.
- was getting pitched and had a suitor that wanted to acquire them but became obvious they were just going to strip mine the IP. Advice = stall in that situation - don't say yes or no. Wait till picture becomes clearer
- would either reject or post reviews but would never edit - avoided libel laws falling under communications act about being conduit for consumer talko on the web (ie AT$T can't be sued for hate speech on phone line)
- became this equalizer forcing crappy hotel owners to shape up
- most surprising thing → how much people voluntarily share
- 2 pieces advice 1) iron out the imaginary org chart up front
  2) don't get too attached to the initial plan
- on the Web, cost of mistakes is small - don't be afraid to experiment and make a ton of little mistakes rather than speculating to death
- on hiring, echoes JotSpot founder's advice from Churchill dinner - "Getting the right people - especially in that first dozen - is so much more important than getting the req. filled."
- TAC let them run standalone after acquisition just like Amazon let Alexa alon

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Hot or Not - threw it up for fun and quickly killed the server from load
'We weren't trying to figure out what kind of boat we needed to build, we were trying to keep from drowning."
'Midnight run" to put a celeron box up at Berkeley hidden in corner
community flagging a la Craig's List to combat porn prob
- developed the "meet" system to keep spammers out - was never built to make $$ but with falling ad rates they needed to charge for someth
- The move from losing $ on hosting photos - to mitigating to free w/ Yahoo Geocities to making $ on Ophoto affiliate deal. Not planned - survival
- James Hong - 'My job was to make a bottleneck and [Jim's] job was to clear the bottleneck, technically."
- '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."
'Experience will come when you face certain problems and live through them. And the best way to do that is to put yourself squarely in the path of those problems."
'There's no such thing as easy entrepreneurship. It's going to be painful it's going to be painful, it's going to be emotionally unstable and you're going to feel insecure. If you're not already bipolar, you will feel like you are'

Tickle - started after taking Meyers Briggs personality assessment in class at Harvard. Generated 2wks worth of discussion from participants
- convinced that we are our own favorite subjects
'All the other media technologies allow us to learn only about people we'll never know. Tom Cruise, Tom Brokaw - we know a ton about these people and yet we'll never know them."
- true "spark points" were in getting term sheets from VC's - suddenly everybody wants to work with you
- Silliness of having to exaggerate spreadsheet financials to close investment - VC's wouldn't give time of day at $18MM in yr4 but inflated to $50MM interes
- "To move to step 2 people have to believe you're already at step 2 so there's no risk for them"
- Monster acquired and allowed Tickle to run independently

Firefox - started working for Netscape when he was 14!
- appalled by the resistance to things like pop-up blocker (no consideration to users)
formed a spinoff project called Phoenix (born from the ashes of NS)
hardcore Mozilla geeks shunned Firefox initially b/c focused on "Mom & Dad"
did a double-truck ad in NY Times on launch - 10k people donated betw $10-3
"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"
"I thought Marketing was something that required a degree and formal experience. It turns out that Marketing is just making the product good enough that people spread it on their own, and giving them ways to do that."
- with all the attention from investors on Firefox they figured it was good opportunity to go and do a real startup (Parakey)
- realized time is their most valuable asset - felt some compulsion to take meetings with all potential investors. now don't let dictate time
- learned how to create right kind of buzz by reaching influential bloggers
"In short, I'm nervous about everything. If you're doing a startup and you're relaxed, you should be very worried."

Six Apart - idea of a full-fledged company was daunting - "what we did was just jump in with no desire to do anything more than create something we love."
- desks back to back in an apartment - there was a 2yr period where we didn't spend more than six hours apart"
- "The lack of experience made us think "why can't this just be done?"
- Petrified of the Bubble extravagant spending - didn't ramp up quick enough
- Moveable Type built first, TypePad a more WYSIWYG, Live Journal
- Licensing was hairy - had they attitude that ISP's shouldn't be able to resell a free product and make $$ off of it. Personal users freaked in retrospect should not have been across the board.
Freaking out under the pressure - like teenage years freaking out over not going to a dance. Only seems bad when you're in the midst of it.
- if there's one single thing to pin their success on it was Mena & Ben's competitiveness with each other
"Don't want to go to work tomorrow b/c I want to finish watching Lost" :)

Lycos – research program by prof at Carnegie Mellon - Tech Transfer VC = CMGI
had 3500 employees when he left the company
3 customers :: Employees Advertisers Users
"We tried to be this safe, comfortable environment for folks that were just trying to figure out the Internet." "We weren't the Maserati nor the cramped Beetle – we were the Ford Taurus. Not the sexiest out there but very purposeful
- Fastest IPO in the NASDAQ ever
- getting the "powered by Lycos" links was key from licensees
"Picture the Internet as this giant card catalog in the Library of Congress, all of a sudden the card catalog tips over and all the papers are on the floor and you can't find anything. Search is your order to that chaos, and so people came to us in big big numbers."
- Growing 200-300% every year - massive growing pains
"Everything would crumble and you needed to be one step ahead of that all the time"
(Accounting system, data center, computers, facilities)
- Sold to Terra for $5.4 BN – a 300x return!

Alliant
Shareholder.com – Background at Data General. Interesting notion of Darwinian evolution within a company between two competing teams
Parallel processing to outperform largest Vax super computer
drew analogies w Tandem computer and what they did w/ redundancy when talking w/ Kleiner Perkins
took 3 yrs and $30MM in funding
Hit a wall because high performance computers are ultimate commodity – if you miss a release and competitor outdoes you - all or nothing like buying gas – zero loyalty to your brand.
VC's don't want to manage what they call "the living dead"
left the board – couldn't live w/ strategy to roll dice
- Criteria for next one: 1) Not have to negotiate at 5pm on last day of quarter
2) want to spend 98% on customer and 2% on admin overhead
- Not do a 5yr biz plan but manage quarter to quarter
- Wanted to be sole owner
- "Individual shareholder = underserved" - always strived for transparency
Raised $276k in seed capital from FFF – 2 yrs to profitability
- 3 SEC breaks = comfort letter, Regulation FD, Sarbanes-Oxley
- Hiring process: Chemistry, Mechanics, Religion
* Midnight Run = pager situation in Dallas, Pharma company misprinted 800 number on annual reports

Anytime we had a client situation that blew up - an those happened in the business, things go wrong - we would always say "How do we take this and turn this into a big opportunity, where the client comes back even more loyal than they were before?"

- Function at Shareholder.com during SOX and Reg FD was take the stress out of people's lives. Interpreting regulations and giving advice
  Had numerous offers for acquisition that just weren't quite right
  "We didn't want to sell the company to somebody that was going to disembowel it."
  "Companies are bought, not sold" "We just waited for the right opportunity"
- too attached to idea of not taking $$ - could have raised some VC and grown at 3x as fast
- Single word key to your success: "Persistence"