URL: https://stvp.stanford.edu/blog/videos/no-exit-strategy-for-your-lifes-work-entire-talk

Thoughts and influences from early life continue to shape how Evernote CEO Phil Libin embraces his work. In this wide-ranging presentation, Libin shares key beliefs and provocative insights on startups, acquisitions and company exits. Based on his experiences leading multiple ventures from startup to commercial success, Libin urges entrepreneurs to chase dreams they would actually want to spend their life pursuing.

Transcript

Let's welcome Phil Libin.. Thank you so much.. One of the things we made Evernote for was a - as an easy way to capture all of the most memorable moments in your life, so if you guys just hold on here a sec.. And now I remember this which is pretty cool.. I actually did this little bit with taking a picture of a crowd with a cell phone.. It kind of was a gag for the first time it was my very first press conference.. We were in Japan and we had a new press conference before, but I guess in Japan, they still do them and there were hundreds of hundreds of reporters that showed up and I got up on stage and there was literally like just a wall of flashes because I guess this is what they will do in Japan and I was kind of taking it back and I just took up my phone and took a picture of the crowd and the way back and I kind of broke the ice and got everyone laughing and I just - I happened to do it at Evernote, because that's the app that I had one at the time.. And so it kind of started as a joke, but then it actually turned out to be something I do all the time now because it's actually really cool where you have this memory of what you all look like before I bored you for the next hour with this talk.. So I was asked to come in and talk about being an entrepreneur and I figured okay, well that's Phil Libin's standard talk number 17/B.. I don't really have to think much about how to do that..

And my original plan was to just come in here and basically say the same stuff that I've said to a bunch of audiences interested about entrepreneurship, you know, stay in school and follow your dream and embrace failure and now is the best time in the history of the world to start a company and all that stuff.. But somehow I couldn't quite bring myself to do it, because in the past week, I think like most of you or like many of you, I've spent a lot of time thinking about Steve Jobs and all of a sudden I realize that the general platitude how to be an entrepreneur speech, it's very hard to add anything to what he has already said.. I went back and I watched Steve Jobs' Stanford address from 2005, which again all of you have probably seen in the past few days and that is just an extraordinary speech, right.. It is the Apple of commencement addresses.. Most of the ideas in it actually aren't the first time we ever heard those, right.. There is a lot of things in that speech that almost everyone's probably heard before, but the execution is just flawless, right.. It's just perfectly put together, perfectly expressed.. Flawless and it just carried so much weight because of it, but it was the follow your dream speech and I thought there is no way - I can't add to that.. It can't be better than that, because that's already been done as perfectly as it's ever going to - as it's ever going to be done.. So it made me think that I should kind of throw my standard entrepreneurship talk out of the window and try to do something that maybe expands on this topic a little bit more and the more I started thinking about it, the more I realized that well, the only thing that I can think of to maybe add to it is, this whole follow your dream, like that's all built well and good and it's very profound and was very well stated but it really doesn't answer the question of well what's the right dream..

How do you dream the right thing.. Because obviously the world is extremely lucky that Steve Jobs followed his dream and that Martin Luther King followed his dream and that Beethoven followed this dream, but those people also have pretty good dreams, Snooki is probably also following her dream and so I don't know if that's self sufficient.. And it's actually something I realized I've been thinking about for my whole life is what is the goal? What is the meaning of it? What is the dream to have? Like, yeah, once I figure out what's my dream, once I have a suitably epic dream, then I think it's all well and good to say I'm just going to follow it to its logical conclusion and have a great time and hopefully put a dent in the universe, but I couldn't for a very long time figure out what a suitably epic dream would be and so I wanted to share kind of before we get to the standard entrepreneurship stuff, the thought process that led me to this very specific vision of what I wanted to accomplish and why I think being an entrepreneur is the most direct path to accomplishing it.. So I started out - this is kind of a

philosophical question right, what is a suitable dream to have in your life, a suitable goal.. And it makes me think of the very first philosophical thought that I was aware of ever having like I kind of distinctively have this memory from when I was a little kid and it was the first time that I probably thought - had an abstract thought and I forget how old I was but I was in Russia, I was born in Russia and I was probably five or may be six or something and we had gone on some trip with my family and I really loved it and I think maybe we were like two weeks away in some nice place and I was really having a great time.. And then it was time to leave, it was the last day, it was time to go back and I remember talking to my mom saying, I don't want to leave.. This is really great.. I don't want to go back home.. I want this - I just want to stay here.. And she said, well, you can't, our vacation is over..

And I said, well, why does it - why does it have to end? Why does it have to be over? And she said, well everything, everything ends.. And I remember being struck by that when I was five.. Remember that idea that well everything ends is what something that was kind of non-trivial to me.. I never thought of it that way before.. And I thought well, what do you mean? You mean really everything? And she said, yeah, everything.. This vacation will end.. The summer will end, the year will end.. Everything ends.. And I remember thinking like well, obviously I made the next logical leap for a five-year old, I said, well, is the world going to end? And she said, yeah, at some point probably the world will end.. And this is what really fascinated me..

I was a little five-year old nerd and I immediately filled up with the idea of the world ending.. Probably because it would mean that like I wouldn't have to keep playing soccer in the soccer club that I hated and they tried to enroll me into something.. And I spent the next several years thinking about that and wondering and kind of obsessing in a creepy little kid obsessed way about the end of the world.. And I - of course, I had no idea how it would happen, but I remember one of the first movies I saw was this horror movie about dinosaurs and there was a dinosaurs that somehow woken up and started eating people.. And that point I figured okay, well, the world will probably end from dinosaurs.. Dinosaurs will probably come and eat all of us and I kind of became an expert on the end of the world through dinosaurs.. And then I went to my parents, and I said, well do you think it's going to be dinosaurs? Like what are you talking about? Well, the end of the world, that's what I'm always talking about.. Do you think it's going to be dinosaurs? They said no, it's not going to be - probably not going to be dinosaurs.. What's it going to be? And I think at that point I was probably seven or eight and I was just old enough where they felt they should just tell me the truth which was again, this was in the late 70s, early 80s and they said, no, it's probably going to be nuclear war.. Realistically, back then just about everyone thought that the world would end in 10 years, 20 years, but either us and that point the Soviet Union or the U.S..

would initiate a nuclear war and that would probably be the end of the world.. So that was kind of my first realistic thought about it.. And then we emigrated to the U.S.. and so I got this kind of see it from the other side, but even in the U.S.. most people in the early 80s I think thought that the missiles were imminent.. The world was going to end.. And I was really kind of - I was really focused on that.. And to learn English, I did a lot of reading.. I came here when I was eight years old and I learned English basically by reading comic books.. I read a lot of Thor comic books and I just - I read all sorts of geek, sci-fi and fantasy stuff and I kept seeing these stories about superheroes and Gods and monsters and the end of the world and Norse Mythology and Thor and Geek Mythology and how they thought it would happen..

And then I read something which was kind of the second thing that stuck with me, which was - it's from Genesis from the Bible, but I'm pretty sure you didn't read it in the Bible and probably read it in Spiderman or something.. But it was this idea that God created us in his image right.. This line that everyone thought, God made us and made people in his image and I remember thinking now that's a really interesting idea like what does that mean, like whether you believe in it or not that didn't really matter, I thought what is this - it sort of - it's kind of an interesting thing, God made us in his image.. What does that mean? Does that mean that God is kind of a fat guy with a beard? Probably.. But this probably also means something else, something else that's more interesting and so I started thinking well what could it mean? What is maybe something that is more inherently and essentially part of people's idea of God and maybe it's that essential quality that mankind is made in the image.. So maybe it's not a physical resemblance, maybe it's some kind of a - some kind of an inherent quality that people ascribe to God and that's the part that we have, that's in our image.. And some point later probably in high school, I came upon this idea of transcendence and that this was actually the central thing that many religions and many philosophies subscribed to God was this idea of transcendence that God was there before the beginning, and God will be there after the end that He sort of transcends whatever bubble of reality we live in.. And that, of course, dovetailed perfectly with my whole sick end-of-the-world fixation and I thought, okay, that's something deep at least, you know, for what passed for deep in high school, you know, was also listening to Wham! or whatever.. Actually, Dio probably; I was more of a metalhead back then.. And, I thought this is interesting, right? This is maybe the central idea is transcendence, right? This is what God means..

And, I wasn't saying this in a religious way.. I wasn't ever particularly religious, but I thought the idea of transcendence is a really fascinating one.. The idea that you - yes, every - there is a start and an end to everything but some things transcend that.. And, I was really fixated on this idea of transcendence and this got me beaten up a lot in school because it wasn't a particular - particularly popular topic of conversation.. Basically, I was such a giant nerd that - I am not kidding - in high school, the chess team would not hang out with me.. Like, literally, the chess team would not hang out with me.. The computer club hung out with me but I was not nearly cool enough for the chess team.. So, when I got to thinking about how the world actually would end for real after it became hopefully clear that it wasn't really going to be in the next five years because of dinosaurs and nuclear war, I thought, okay, well, but really it will end at some point.. So, how is that going to

happen, right? So, I started reading basically everyone I could on the subject, right? Gould and Dawkins and everyone else, right? There is lots of theories about how things are going to go down, right? So, an asteroid impact, right? There was Carl Sagan who was writing about this where there is actually mathematically extremely high percentage that we will have an asteroid impact that will destroy the entire planet or all life on it and, you know, it happens every couple of hundred thousand years and just because it doesn't happen in mankind's memory was exactly because mankind came around after the last time it happened but that doesn't mean it won't happen again.. And, of course, there is, you know - there is viruses..

There's all sorts of stuff.. At some point, the sun will burn out.. At some point after that, the whole galaxy will collapse.. So, there are actually interesting ways to think about how the world will end.. We're probably - hopefully, we're not talking about decades, maybe talking about thousands or ten thousands of hundreds of thousands of years and I combined that with this idea of transcendence and I thought, well, this is actually kind of cool, right? Maybe the way in which humans are made in God's image, in this image of transcendence, is maybe we have the spark that we have a chance to actually transcend the natural way that otherwise the world would end, all life would be destroyed, and so on.. So, if we didn't do anything, obviously, there is a very good chance that whatever the end is, people would have brought it about ourselves.. We would kill ourselves off through pollution or overpopulation or something.. And so, there was a goal of not doing that and for a while that was - kind of became my goal in life, it was.. I said, okay, I'm going to be basically an environmentalist, right? I am going to try to prevent mankind destroying the planet.. But, then I realized, well, even if we don't do anything, it's still going to end..

It's just a matter of time, like if we were - if there were basically no people; if, you know, chimpanzees were the highest organism, very similar to ours, and you can argue that the same kind of emotion and a very similar intelligence but there was no pollution or anything that wouldn't save all life on the planet.. It would still all get wiped out the next meteor impact or something.. In fact, the only way that it was even a slight likelihood of that - of the planet or life on it transcending that event was people, was if we actually got our acts together enough to do something about it.. So, we - mankind would have to actually organize and get our act together in such a way that we advanced forward in technology but did in a way that didn't cause the end of all life prematurely by us just being stupid and nuking ourselves or polluting the planet.. But, at the same time, we got advanced enough quickly enough where we actually had the wherewithal to avert or transcend or live through an ever-increasing series of mathematically likely threats, going - spanning thousands and even millions of years into the future.. It's kind of an egghead idea but I thought that's like a good definition to me of what it means to be in God's image, right, to be transcendent.. And of course, we wouldn't - it wouldn't just be about saving us.. There is a great scene in Futurama, right, where Bender, it's the robot and he's in a van with the rest of the characters and the van goes over a - goes over the cliff and they are plummeting and everyone is yelling and Bender goes, "I'll save me!" and he, like, stretches his arms out to save himself.. So, this isn't just about saving us, saving humanity, right.. But, it is very much about saving the whales, like they did on Star Trek IV, right..

Like, if the whales are going to survive, we have to do it.. They are not going to get by on their own, right? The only way they can actually survive in the long term is through people.. And so, I thought - this was around high school; I put these things together and I said, okay, that's a big enough dream for me.. Like, I want to work towards getting humanity to the point where we can survive and guarantee the survival of us and of life and of intelligence for millions of years, right? Like that was sufficiently epoch and I thought okay, now I've got something.. But, it wasn't exactly actionable.. I couldn't quite figure out a way to actually do that in a meaningful way.. So, I just continued, you know, kind of being a nerd and reading a lot of sci-fi and fantasy and when I got my - after college, I got a job and I was working with a few friends of mine in Boston as a software engineer.. So, I am a programmer by training and I got a job at a company in Boston called ATG, the Art Technology Group.. That's what it was called at the time.. I think it has since been bought by Oracle a couple of years ago..

And, ATG was this amazing company.. I joined them right before they IPOed and we built - we just built all this awesome technology.. We invented a lot of the stuff that you just sort of take for granted on the Internet, like dynamic web pages and stuff like that.. This was in the late '90s.. And, I had this phenomenal experience at ATG, which is for - up to now at every point in my life, I was sort of used to feeling like I was the smartest person in the room, totally not, just to fight obviously.. But that was the feeling I had, right? I was this kind of the snotty, nerdish kid and I always felt that, like, I was always the smartest person in the room pretty much all the time.. Yeah, yeah, sure, the other kids had girlfriends and were good at sports.. But, I always got the sense that I was the smartest person.. And, at ATG that was the first time where that was patently not true, where like even somebody like me could look around and be like man, I suck, I am below average here.. Like, this is a brilliant group of people, a brilliant group of developers and engineers, and they are getting stuff done in an amazing way, and I am like I am in awe of this team, and I frankly was below average..

Like, I kind of got the feeling that, like, they were putting up with me because I was, like, I was just worth it to put up with.. But, I certainly wasn't one of the star developers, one of the star programmers.. Their other people were.. And, I had this - when I first realized this, first, it really troubled me, you know, greatly.. But, then I realized this is awesome.. This is like the first time I'm ever really enjoying myself.. This is the first time where I felt like the environment that I was in that I lucked into by joining this company, and it wasn't the first company I worked at, right? I had worked at tons of places where I did feel like I was the smartest person in the room.. But, in this environment where I clearly wasn't, where there was everyone around me or almost everyone was much smarter than I was, was the first time that I was actually happy and comfortable and not stressed out and not thinking about the end of the world for some strange reason.. And, I thought this is great.. This is how I'm going to structure my life..

I want to structure my life so that I am never the smartest person in the room.. I want to go to other rooms.. I want to make friends.. I want to create a bubble around me where everyone else is just so much better, you know, smarter, more productive, more capable because that's how stuff actually happens and that's how I get to feel good about things and that's how I learned things and learning is actually really fun when you are learning things that you care about.. And, I kind of resolved to actually structure my life that way and that meant not working in places that were going to be stupid, not doing things that I didn't have any respect for, not associating with people when I could have avoided that I felt we thought was - weren't going to add to this but actively cultivating friends and relationships in work environments where I felt almost everyone else was smarter than I am.. And, I've managed to hold on to that up until now.. That's been one of the fundamental things that I have done that I think has worked really well.. In fact, it's clearly the case here, right? Just me being in this room, I think, is an example of that.. Like, I couldn't get into Stanford, right? By definition, you guys are all smarter than I am.. This is me and if being here is very much part and parcel of that lifetime experiment of trying to surround myself with the most interesting, the best possible people and then just kind of seeing what happens..

So, I had this realization at ATG and all of a sudden, it kind of made sense.. I kind of went back to my whole end-of-the-world, whole transcendence, whole like general goal of saving humanity and life and intelligence and everything from total extinction and I thought, now, I kind of connected the dots; it makes sense to me because what's going to prevent us? What's going to prevent humanity from achieving that level? Well, it's stupidity.. That's what's going to prevent us from happening.. It's every time you turn on the news and there is a politician saying something jaw-droppingly stupid.. It's the amazing power of the torch-wielding mob to just destroy things to get in the way.. It's going to be stupidity, it's going to be stupid people and assholes that are going to prevent us from doing this and then I thought, okay now that's becoming actionable, so now my dream became - I am going to spend my life trying to reduce the amount of stupidity on this planet.. And that was something I felt I could do.. I felt - like I am not going to get rid of all of it but I can get started, I can have an impact and that became my dream.. My dream became to change the world for the better by reducing the amount of stupidity, reducing the number of assholes in proportion, they still grows the population in several different ways and I said that's what I wanted to do.. So the first thing we did, when I had this realization is I got a few of my friends together from college and at the company we decided to start our own company..

So we started our own company called Engine 5 in 1997 and we did - we were all geeks, we did software, we didn't know anything about business.. We didn't care about business.. We didn't know anything about money.. We didn't even know literally.. We did not know that there was a thing called investors.. We didn't know that what you were supposed to do when you start a company is get other people's money and spend it though, we didn't know, we never read a business book.. And this was in Boston where things aren't going to bread - entrepreneurship is not bread into the culture like it is here.. And so, we're just three engineers.. We started the company, called it Engine 5, because there was going to be five of us, but two chickened out.. They know who they are and they deeply regret it..

And we just showed up and we started writing software and we've got very lucky because '97 was just right as the first dotcom phase was really starting to expand and so there was infinite demand for good programmers.. We started building ecommerce systems and stuff like that and we just did it.. We did it with no money.. We never put any money in.. We never took a penny of investor money.. A couple years later, our accountant actually made us put $100 in each because he said, like, you have to put some money in otherwise I can't do the books, we said, books.. And out entire company was structured around this one idea; they say that the most successful companies have a big idea, right? Our big idea was no assholes.. We didn't know what we were going to do.. We knew that had to do with computers, because that's we were, we were computer guys but we thought, okay.. Here is the experience, so we had very often including this other company that had brilliant people, you would sit there, you sit at your desk and you look over at somebody, I don't want to point anyone particular, you look over at someone and you'd go, that guy over there, that guy is an asshole..

Why is he here? When they interviewed him? Didn't they know? Couldn't they tell? Why did the hire him anyway? We couldn't figure it out, so we thought this was our big idea.. We are going to start a company and when we interview people for a job and they come in and we interview them, and if we think, that's very nice you're real qualified but you kind of an asshole, we are not going to hire that guy.. And we thought is it feasible to do that? Can we have a company like that? Obviously it's hard because it's never been done before.. But we thought we'd give it a try and we did.. And that actually worked really well.. And so, that - with that as the focus, that as our strategic vision, plus the fact that we got ridiculously lucky and the timing, we sold our company a few years later, I think we grew to like 12 people and we sold the company for something like $25 million, $26 million, which was a lot of money back then in the '90s, especially since there were zero investor dollars in it, because again like, that was when the accountant had made us put $300 in, because he's like okay, I need a base price for something.. And the way we sold our company is we wound up doing a - we wound up doing this project, we did ecommerce sites.. Back then, ecommerce wasn't really - it was just getting started and we build shopping carts and websites where you can buy stuff.. And we did a really big project for - I think it was Nokia, so one of the major companies at the time.. They wanted to sell stuff online..

And the client had decided that they were going to give us this thing called Vignette Story Server, which was this giant content management package from a big company that has just gone public.. And we beg them not to use it, because we looked that and we said, like, this thing, the Story Server, like you paid $1 million for it, it doesn't do anything.. Like we know, we're technical guys; we were in charge of implementing it like I am telling you it doesn't do anything.. I mean it costs money

but it doesn't actually accomplish anything, so still need to customize it for a year but like we can do that year of customization, without that thing it will be - it will be just as good, please don't use it, just give us the $1 million instead, and they said no, no, a strategic decision, CEO played golf with somebody, we need to do it, we said alright.. So we had to build this very big complex site using this technology and it was impossible because the thing didn't do anything.. More than it didn't do anything, it kind of prevented you from doing anything and so we had to fight uphill to actually connect it.. We had to build all this plumbing to connect this Story Server thing to real things that actually did something, so you can have shopping carts and inventory and whatever, and it was really difficult, far harder than it would have been without it.. And - but it worked and we launched the product and then we were sitting around right afterwards we were just kind of joking around and one of my friends suggested, hey, we should send a letter to Vignette, we should say like, dear Vignette, just thought you would like to know that we had to do something with your copy of product and we managed to do it and it worked but like boy it was difficult, your product sucks.. And we were sort of laughing about that and then I thought why not, let's do that, so I wrote a letter to Vignette.. And I wasn't quite as rude about it but I based - that's what exactly what I told them..

And three weeks later they bought the company.. Because they immediately wrote back like, really? We would love to get it to do something and yeah we know that it's - back then everything was booming so fast, right, they didn't have time to - like to actually write a product, they were too busy selling it, they were too busy growing and they knew it.. And they were actually really good about it and they bought us pretty much immediately.. And then we helped kind of redo the architecture so that a couple of years later it actually did do something.. And so the lesson we apparently learnt from that is like hey this whole experiment of like just really trying to not tolerate stupidity and not have any assholes, that worked really well although we may have just gotten really lucky the first time around, and B, like we were just direct about what you want.. Like we had a thing that we thought we should - there will be useful information to tell this big public company and we did it, we told them.. And they did the right thing and they bought us and everyone - it kind of worked out well for everyone.. And then we spent about two years at Vignette and then we started our second company, second team of people right through college - from college.. We started our second company which we did on October 11 of 2001, so exactly a month after September 11.. And I think like everyone back then we sort of felt we need to do something more substantive..

It seemed like the stuff we were working on before, yeah it was interesting technology, we were doing ecommerce and collaborate filtering and dynamic recommendations but none of that seem to matter among that September 11, we wanted to do something more fundamental, more substantive.. So, we met this brilliant professor out of MIT who had this idea that would really revolutionize security and photography and smartcards and we did a startup out of MIT, a spin out of MIT called CoreStreet basically to productize this idea.. And we applied the same rules, no assholes except but at that point of course I was grandfathered in.. And small group of people and just build this technology and that worked well but what I learned from that is people don't get excited about security.. We were basically selling big systems to the government and it kind of became an expert of like DoD procurement schedules and it didn't want - I didn't want that in my head.. And even though we were doing interesting work and important work, work that actually today is used by millions of people and really I think did improve security worldwide, no one cares, like no one is excited about it.. Because in the security field what I realized is the best case scenario, the best case scenario in security is your customer resents you, because nothing bad happen then they feel like they wasted their time and money, they didn't need you, nothing bad happen.. That's best case scenario, it's all downhill from that.. And once this company started, kind of gotten at speed and got to the point where we were stable we thought okay we need to - it's time for adults to come in and take over and run this thing and it's time for us to do something consumer based.. We wanted to do something that people would fall in love with..

We wanted to take our plan of reducing the amount of stupidity in the world to the next level and say rather than just doing it based on example, like no stupidity in our company, let's actually - like let's actually make something that tries to make the world smarter or at least its user smarter.. What - but more importantly we said let's make something that a billion people - if we execute it well I want a billion people to wake up excited about in the morning.. We didn't know what, but that was the idea.. We said we probably want to move to California because it's going to have to be consumer based and consumer technology is really like we want to be in Silicon Valley and we were talking to Andrew, one of the guys in the team, one of the co-founders in these companies.. And I said to him, I said, Andrew, look I want to build something that a billion people will wake up in the morning excited about, what can we build? Then he said, Chinese breakfast.. And I said, no, it's not the answer I was looking for.. Let's think about it some more.. And then we realized that it should be Evernote, right? It should be something that this universe would demand for, because we thought - well, none of us are fully happy with our meat brands.. All of us wish we had better memory, that's - yeah, that's not an original idea, there's something new in that, right? People have been thinking - people have been creating technologies, you know, these to be rocks, for help you remembering stuff for tens of thousands of years.. But if we can execute it, if we can do it really well, if we can execute this idea of building something that will improve everyone's memory and we execute it, so that a billion people would use it, we'll have something..

And we took a gamble.. We took a bet.. The technology had just gotten to the point where that was feasible for the first time ever, that we can do something that was really, really mass market.. And that's how Evernote came about.. So we started working on this idea of human memory extension.. We immediately ran into another small team that was working on the exact same idea.. That team was led by a really brilliant Russian-American inventor and scientist named Stepan Pachikov.. We met.. We decided to actually combine the two teams together in 2007.. He said, rather than two small companies competing with each other, let's just join forces and so we did that in '07..

We formed the current entity called Evernote and it's been a lot of fun ever since.. And the main - the main goal of Evernote was to just take that mission of reducing the stupidity in the world and make it more direct, because we said, we're going to run the company using these principles.. We're going to talk about these principles and we're going to have a product that if you use it, it has a chance of actually just improving your memory of making you - of making you smarter so we decided to kind of do this more directly.. So this is - this is our dream.. This is what we're pursuing.. And I finally feel like it's a suitably epic dream that it's actually worth devoting my life to.. And so that was always the plan at Evernote.. There is no exit strategy at Evernote, and there never was.. It's our third company and this is the one we get to keep.. The first two, we didn't build for us, right..

The first two, we built for somebody else.. Well, we built it to manipulate our environment so that we can have a fun place to work and to make some money, but ultimately we weren't - the products we were building weren't for us, because the first company built e-commerce products for retailers, but we weren't a retailer.. Then the second company built security products for big governments, but we're not a big government yet.. And we said, well the third time around, let's build something for us, let's build something that we want that we love and if you're doing that, why would you ever want to exit.. And so - there is no exit, there is no - there is no acquisition strategy.. We've turned down every acquisition offer.. We've structured the board.. We've structured our investment in such a way that we can build a 100-year company, because that's much more fun, that is much cooler.. It's much more interesting to come into work every day and think I'm pursuing my life stream and I'm doing it in a way that I intend to do in all seriousness for the rest of my life and I'm not taking any shortcuts about building the company in such a way that I can flip it, that I can sell it, that I can exit, because if you want to exit, if you want to sell your company, something is wrong, right? If you want to sell it, something is not - something isn't correct, right, because you are obviously not sufficiently in love with it.. You're obviously valuing it less than the acquirer, so why is that? I mean maybe there's a legitimate reason, maybe you think that your dream has a much better future if you combine forces with the acquirer, that makes sense..

But if you're just doing it to exit that doesn't make any sense to us.. So having exited two companies we explicitly said, no exit, at Evernote.. In fact, about a year ago, I kind of tired of having some of those conversation with the company where - people, in a small company, everyone just talks about, your executives, your staff will be like, hey, who do you think will buy us? You think Google will buy us, you think you know whatever.. And I finally said, okay, I have had it with this conversation, we just turned on a big offer for acquisition and I said we're not - we're no longer talking about who's going to buy us, no one is going to buy us, let's talk about who we're going to buy.. And let's do that seriously.. Let's seriously say, let us just shift gears, who do we want to buy? And people said okay, yeah, that's a more interesting question, that's actually more fun to think about that and we all said Skitch, because we all love this little product called Skitch and we actually thought that was a tip of the iceberg of what we could do with it and a few months later, we bought our first company and it was Skitch and that was actually awesomely fun to acquire this great - this great team, this great technology, a product that we had already been in love with, that is actively helps you to be smarter and more productive and a better communicator and we'll buy several more as well.. But the kind of companies that we're buying now, we have the same discussion.. We don't buy a company that somebody wants to sell to us.. You buy a company like Skitch that has founders who are fundamentally in love with this idea that getting out is the last thing in their minds.. And we have to convince them that the best way to reach that idea is to do it inside that we share the same passion, we share the same vision, you will get there together, you guys will actually wind up fulfilling your dream better, inside Evernote than outside of it..

And that worked really well and in one case we actually just purchased couple of more companies that we haven't announced yet, but hopefully, we will soon and we'll do that for the next 100 years and this 100-year plan is a hell of a lot better, a hell of a lot more fun than any of the previous things I've done.. But the secret is it's stuff that we're building for ourselves.. I do not think I would have the patience to spend 100 years building software for banks.. So, having said all that, I think that if we can get back to where this all started, right, the kind of standard entrepreneurial talk.. So, you want to be an entrepreneur.. Well, I don't, I never did.. The first time - I remember the first time somebody called me a serial entrepreneur, I think I just started my second company and I like Phil Libin, serial entrepreneur - serial entrepreneur like the Quaker Oats guys is a serial entrepreneur, right.. I just started a company; I don't remember - not really sure what that means.. My goal wasn't to create companies and sell them.. My goal was to do something meaningful and I thought that lacking any artistic skills, the best way to actually have this kind of impact is to make an entrepreneur and make some money for people because that - the universe lets you do more and more interesting things if you can actually demonstrate an ability to make money..

And that's how it's worked out.. So, if you want to be an entrepreneur, I think the first thing is to really ask yourself is why because there are many bad reasons.. There is only one good reason.. There're many bad reasons.. So, if you want to be an entrepreneur, and you've fallen into any of the most common bad reasons, don't do it.. I think the number one mistake; the number one bad reason for being an entrepreneur is because you want to make money.. If you are thinking of being an entrepreneur because you think it's a good way to make money, you are just bad at math because it isn't.. You just have to look at the statistics.. Thank you.. Right..

Depending on how you count, 95% or 99% of companies fail and if you are smart enough to be in this room and you are talented enough and you have driven enough just to be here and you want to optimize for your lifetime earnings, being an entrepreneur is stupid.. If you want to optimize for your lifetime earnings, having already got into this room at Stanford, you're much better off just getting a job.. Become a banker or something, you will make a lot more money.. The expected

case, there will be a lot more.. Some people get lucky and make significant amount.. But being entrepreneur is not a good idea if that's your main goal.. So if you want to make money, I would say that is a serious mistake.. If you are doing it because you have some sense of power, like you want to be the CEO because you're going to be at the top, there is this pyramid, right, this OR chart and you are at the top and there's all these people below you.. That's ridiculous, it doesn't work like that.. When you are the CEO of a startup company, everyone is your boss..

You are all the way at the bottom.. It is an inverted pyramid.. Like you are down here and it goes like that and all of your employees are your boss.. All of your investors are your bosses.. All of your customers are your bosses.. Everyone in the media is your boss.. I have never had more bosses than I have at Evernote.. So, if it's a power trip, if you want to be an entrepreneur because it's a power trip that's just a ridiculous idea.. I've had some people say that they want to do it because they want more flex time.. Oh, I've got this job and it's 9:00 to 5:00 and I really want more flexibility, so I would like to do something entrepreneurial so I can kind of control my own hours..

You do get flex time as an entrepreneur.. You get to work any 20 hours a day you want.. So lots of really bad reasons and if you are thinking of being an entrepreneur for one of those reasons, I would say really like, yeah, take this class, learn about it, it's all good, you can learn about art appreciation without becoming a professional artist, but don't do it.. If you want to be an entrepreneur because you want to change the world because you want to do something that has a fundamental impact on the universe and you have a decent idea of the direction of how you want to change or what that change is, then actually think it's an unparalleled time to do it.. And to wrap up where I started, now is the best time in the history of the universe to start a company because we are living in a geek meritocracy today or as close to a geek meritocracy as ever happened.. My first two companies, they're all software companies, we had to spend probably 70% of our time and resources, we spent 30% roughly on making the product, we spent 70% on all the other crap.. Marketing, logistics, channel partnerships, advertising, all of that stuff, 70%.. Now, especially if you are doing something for consumers, you can spend 95% or 99% of all your resources making great product and you get massive leverage and everything else.. And it's only happened two or three years ago, right, because of app stores, right, because I used to have to worry.. Well, if I release a new version, how are people - how are people in a different stage going to get it? Well, I better have a deal with a retailer that works in Tennessee..

Now, you make a great app, everyone in the planet can have it tomorrow, right.. Same thing for advertising, I used to worry about how do you reach people.. Well now you don't have to worry about how to reach people, what do you mean reach people, you make a great product, everyone is already having a different number of conversations in all their social networks, you just want to be the thing that they talk about.. So be great, people will talk about you, end of the story.. Smartphones, computers are everywhere.. Without smartphones, it wasn't possible.. Freemium economics, I have got lots of things to say about freemium in different talks but freemium economics works really well, if you know what you are doing, if you build a good consumer app.. These things put together, app stores, smartphones, open source infrastructure, network services, freemium economics; all of this is new in the past five years.. All of it together make this a geek meritocracy, make this the best possible time in the history of the universe to innovate and start a company and all of the depressing stuff you hear on TV about how it's a bad economy and it's a bad time to do it, it's complete nonsense.. All I ask about that is to say well, when would you rather be alive..

Is there any point that you think you would rather like - would just change your life today for - would you be back in 1992, would you go back to the '70s, would you go back to the 1500s like when, when was there ever a better time.. There hasn't been, there is always some feeling that kids today and there's malaise or whatever but the facts are, the verifiable facts is we've never been close to fair meritocracy and if you are a geek, pretty sure some of you are, now is the best time to be an entrepreneur, if you got the right reason to do it.. So, thank you very much.. Phil will you - when somebody asks a question, would you repeat it, so the online audience can hear the question? Sure, please just.... Over here I'll start.. Thank you, that was great.. Thank you so much.. The first question, so you never want to sell the company.. Yeah.. But you raised $50 million recently from people who generally like to get their money back and multiples thereof..

And also I think we read somewhere that when you raised it you sort of said you kind of didn't need it.. Yeah, yeah.. So can you rationalize those comments against what you just said about building a 100-year company, never selling it.. How do you actually make all those pieces fit? So the question is, I said I don't want to sell the company but we raised a bunch of money, close to $100 million from people who like to get their money back, how do we rationalize that.. Well, pretty easy.. So there has actually been this complete revolution, just in the past two years in the VC industry, which I think people here kind of know but the memo hasn't quite gotten out to the rest of the world yet.. But there is a total fundamental change of shifting - shift of thinking about this which is sophisticated investors like Sequoia and Morgenthaler are our main investors, have totally decoupled exit from liquidity.. Those two things used to be together, so you start a company and the investors want you to starve until you're done, until you exit and then everyone gets their money back and that's fundamentally stupid.. And like look in hindsight like obviously it's stupid, why - who does that benefit? Why would anyone want to put pressure on the founders of a company to potentially sell prematurely because yeah, they are kind of successful but they also got to put their kids through college and they have a lot of money on paper but they don't have any money really.. So this whole idea of coupling exit and liquidity which was 99% of the time before, it doesn't make any sense and it was people here that figured out, boy that's dumb..

What do you do when you see something that's dumb, well you just stop doing it.. So the secondary markets today provide

all the liquidity that you ever need, totally separate from an exit.. So when you do a round, especially any of the later rounds, it's usually not only possible but it's usually quite encouraged to allow existing shareholders to sell a certain portion of their shares.. The bigger funds like Sequoia, Sequoia is not a monolithic entity, right, they have many funds with different risk profiles, so they can actually - some of their funds that have more start up profiles can get out, some of their growth funds can get in, they can shuffle that through, there's tons of other investors that are happy to buy shares from founders, from employees, from shareholders and so you can have multiple liquidity events all the way through and then at some point you'll IPO and you have the liquidity that way but there is no exit.. There is no synchronized event where everyone is like we're done because why should there be.. That's not good for anyone.. So that's - the separation of liquidity from exit, I think, was like a profound shift that happened - really Facebook, I think, is probably the first company that really figured this out.. Facebook and investors like Sequoia, like DST, like Yuri Milner, they were kind of the few people to do it and it's like you're watching history happen right now and it's fantastic.. Like I go to Boston and like the Boston BCs didn't get that memo yet.. So they are still conflating those two things..

But it's only, you know, sooner or later, the next decade or two, that everyone will figure it out.. Please.. Can you talk a little bit more about when the team broke up when you were doing Engine 5 and how you have dealt through that change? When the team broke up? Yeah, you said there were going to be five founders and then two left.. Yeah, yeah, so there was - well, that happened right before we founded it.. So we basically got five coworkers together, you know, five friends and we said, let's make a company, call it Engine 5 and everyone said awesome and then, you know, when we got the name and got the domain name, because back then you could get domain names and just be like engine5.com, yay it's free.. And then two people just, you know, they just chickened out, appropriately so, right.. Because of everything that I just said, like why be an entrepreneur, like these were two people who - they didn't want to change the world.. They wanted some stability, they wanted to have a family, they were making good money, they made the perfectly rational decision to not join three crazy people that were leaving a good job to go do their own thing.. So - yeah, they just chickened out and we just said, okay, well, we'll do it without you.. And it has - could be a lot harder if that happens later on, of course..

But ultimately, you know, if you already have a company and you have a co-founder and it's just not working out, that's painful.. But there is a little mental tool that I thought of several years ago.. So a management tool, how to be a good CEO, there's this fundamental thing, which is most people conflate difficult decisions with unpleasant decisions.. Super common cognitive mistake made by everyone but particularly devastating if you are in management, then you make it.. If there is - there are decisions that are difficult in that you don't know what the right answer is and then there's decisions that are unpleasant in that the consequences of making them are deeply unpleasant and almost everyone thinks that those two things are the same.. In fact, when we say like that's a really hard decision, a lot of the time they mean like no it wasn't, it was easy to see what the right answer is; it's just really unpleasant.. Like when you have to fire someone, that is not a difficult decision.. Very, very rarely are you actually on the fence about like does this make sense, does it not make sense.. It's deeply unpleasant, especially if it's a friend of yours.. So one kind of central thing whenever you have any kind of disagreement is you got to separate those two things out, you got to be like what's obviously the right answer and you totally separate that out from whether or not it's fun, from whether or not it's emotionally pleasant or not and you make the decision based on what's correct and you deal with it and it's almost always better to do it sooner rather than later..

Please.. You said that you joined with another smaller company, how did that process go as far as managing ownership? Well, it was mixed, frankly.. On the one hand, it was really good in terms of the two companies meshed together and Stepan, the founder of the other one and I just got along fantastically well and he was just fantastic about kind of being extremely helpful but also not getting in the way because I was the CEO of the combined entity and sort of culturally it worked out.. So like the mix between the two people, that actually went great, or the two teams.. And there were some difficulties but for the most part, that was very good.. The main problem that we had which I totally didn't anticipate and why I do not recommend doing this at all is it made us un-fundable because it - what it turns out is investors especially here but really everywhere like they don't want to see creativity on the cap table, anything that doesn't start like a normal startup is like two friends in college and you get started and you get some founder shares and you do friends and family and then you do an angel, like that's normal.. As soon as you have something weird, you're like woah.. There's like two different companies and one had some investment and one had others and the cap table is like too long and there's like already multiple classes of stock, right, as soon as it looked different basically until we had enough traction to actually make it worthwhile for investors to look beyond that, no one would look beyond it.. So, we probably struggled for a year longer than we would have otherwise because of that and I had no idea.. I had no idea that investors were kind of, you know, were going to be like this but it was very difficult for us to raise money because we had an unconventional structure..

And that kind of taught me an important lesson which is startups - you know, people say that startups should be innovative, sort of the engines of innovation at a startup; completely wrong.. Startups must never innovate on anything at all whatsoever except your one thing.. So the thing that you're doing, your product, you pour all your innovation on that.. Everything else, it's got to be completely by the book, completely cookie cutter.. You do not want to be smart about anything else because it will just get in the way of it.. So when an engineer comes to you and says, hey, Phil - maybe he won't call you Phil, but this database we're using is really crappy.. I've got an idea for a totally better database that I can write myself and it will totally better for us.. I am going to write my database.. You say, no, we are going to use the boring database off the shelf because that's good enough.. If you are passionate about writing a better database, you go and start a database company and then you do that..

And if somebody else comes in and says, hey, I've got a totally clever way that we can figure out our stock options that are like not really how other people are doing stock options because the way other people are doing them isn't fair and I've got a better way of doing stock options.. You say, no, because that's going to make us un-fundable.. If you are passionate about a different way of doing stock options, you go and start - I don't know, well whatever, you're screwed, I guess.. So the mistake we made is we innovated in the initial structure of the company which is not something that I would repeat.. Please.. The question to you is, in a world that's accelerating so fast why would you not countenance or why would somebody like me who's giving away the money not countenance somebody who is innovating in a number of degrees, granted their main innovation is their concept.. Where I'm fascinated would be to bring me different kinds of structures, like say a flat structure? I love that.. You're up.. So the question is as someone who self-proclaimed has more money than God, which is a - that's great - oh, behind you, okay.. My motivation for having a thoughtful answer decreased all of a sudden..

Why wouldn't somebody want innovation in multiple areas including things like structuring the company? Well, you know, I think they would, right.. I think, obviously, if you are an investor, you want innovation everywhere you can get it, right.. Because there's always - every time you see it, there is always a very good chance that like, yeah, this could be the thing that's really big.. In fact, maybe it's the auxiliary innovation that turns out to be the much bigger idea than the actual company, absolutely.. If you are running the company and which is the position that I am in, then especially if you're running the company like I did with a whole bunch of brilliant people, then your number one enemy is distraction, right.. Because there is an infinite number of great ideas and an infinite number of things that they can improve and it's keeping that tight focus is super hard, especially super hard when you're working with people like I always am that are smarter than I am and it's tough but that's why, so it's basically a question of focus.. Please in the back.. I'm interested about your.... Sorry, so how about you first and then.... Me? Yes please..

I'm interested in your prior experiences with Evernote where at ATG and Engine 5 more consumer, was that a hard transition to make? So the question was, was it difficult to make the transition from Engine 5 and ATG and CoreStreet, which was an enterprise focus to Evernote, which was a consumer focus.. Yeah, yeah, it was - it's quite difficult, but it's a huge amount of fun and I wasn't - I wasn't - I was never really motivated by doing things that were easy.. I am extremely motivated by not doing anything boring, by not putting myself in environments where I'm bored, where I'm - I have to interact with people that I'd rather not interact with on a regular basis and you find a lot more of that when you are dealing with governments and banks and businesses than you do when you're - when you have smart investors and you're building consumer products because the test of fire right is are people using it and the gap between like somebody at Evernote has a great idea and they tell me about it and we're like oh yeah that's really exciting and we kind of work on it.. The time from that to a million people are in love with it, it's like - it's a few months and that's just - that is so personally gratifying that just that in and of itself makes all of the other difficulties worthwhile.. It's much harder to bullshit 100 million consumers than it is a giant federal agency.. So to me that's a lot - it's a lot more challenging but a lot more fun.. And also if you're concerned about making money, the valuation multiples you get are much higher, so I think you can actually - you're probably better off even if you are financially motivated to be doing consumer stuff.. Sorry, yeah.. I am a big fan of the product.. I have been using it about two years and I think my favorite thing about it is how it's evolved from a place for me to take notes to ever since people have gotten more tablets and smartphones a way to sync between all my devices..

Can you talk more about the product itself and its evolution over the few years and also what you see it moving towards in the future in terms of future technologies as well as the trends in social and the sharing space? So the question was about the future evolution of Evernote especially around social and tablets and other experiences.. Well, at a high level our goal with Evernote is to be 100% buzzword compliant.. So whenever the important new buzzwords come around, whether it's social or tablet or at some point it'll be olfactory, that's going to be a big thing, we'll be like, yes, we are there.. At a higher level, we got extreme - somebody actually asked me recently in an interview like, how did you guys predict the success of smartphones and tablets, because in 2007 actually it wasn't - it wasn't successful.. How did you guys predict it? And I said, well, we didn't predict it, we bet on it.. We made a fairly foolish gamble.. It's like how did you guys predict that it would come out 35 black if it did.. Well, we didn't.. We just bet on it.. And we got lucky..

We bet right.. We bet right that smartphones were going to be huge.. We didn't even know about app stores.. We just got really lucky on that.. We bet right on tablets.. As soon as we heard about the iPad we were like yeah we're on that - I think my official quote I got contacted at that point I think by, I forget which magazine, they wanted quotes from CEOs about whether or not you're thinking of supporting the new iPad, the new Apple tablet.. This was like when Apple first announced it but it was a few months before they launched it and they ran this article with quotes from other CEOs and the quotes were all like very nuanced, there was like a paragraph or two about well we think this and this and it will be exciting to see this.. And my quote was, I was quoted in print saying, "Yeah, we're going to support the hell out of it." In fact, like the day that they - Apple announced it, obviously couldn't get them ahead of time or anything but they published the physical dimensions and so we had cardboard.. We cut out cardboard into the perfect physical dimensions of an iPad and we like, we carried around these like cardboard iPads and that's how we built the whole interaction design, like we put them in and out of our bags, we carried them.. We like Photoshopped pieces of paper with like where new elements could go and we stuck it on there and we tried to figure out well do my thumbs go here or do they go there and like we just - we bet on this being huge and it paid out..

In fact, I didn't see Evernote running on the iPad until I stood in line with everyone else and got the first iPad and saw how it actually runs pretty well on it, better than it did on cardboard, although the cardboard was lighter and it had better battery

life.. And on social, we actually went the other way.. We went anti-social.. So our pitch in 2007 was, Evernote is anti-social, because everyone else at that point was doing Facebook, Facebook for dogs or something and we said - we said, no, no, Evernote doesn't care about your friends.. Evernote cares about you.. Evernote cares about what's in your head and we want users that have substantive things in their heads.. We don't care about how you - what your friend's dog feels, is it depressed today or not.. And that actually worked really well for us.. Now we've actually added a whole bunch of sharing and collaboration functionality into it and we are intending to do a lot more than that.. In terms of the future goal, it's a 100-year company and I only have the plans locked down for the next 20 or 30 years..

So there is still a lot of uncertainty but in a nutshell, we are going - we are making this very perilous transition right now from a single app to a family of products around your memories.. So by the end of the year, we'll actually have several products available that all work with your same account, your same memory, your same thoughts but that do different things with it.. And the main idea is to go from this unstructured mass of memory and then incrementally add intelligence and structure to it to actually let you do specific things.. But there is still obviously lots of ways that that can go but that's the high level picture of the long term direction.. Please.. So with Apple launching iCloud for the office use, it is going to be a very similar platform to what Evernote is.. How do you think that's going to affect your market in the future? Well, it's hard to say.. I think the rule of thumb is - I think the rule of thumb in Silicon Valley is if Apple features you 13 times in the keynote that they don't plan on putting you out of business for at least a year.. So, I think we have at least a year where we don't have to worry about it.. I actually think - so every time Apple releases anything, you never know, right..

You never know is it good for you or is it bad for you.. It's always been great for us.. So the - just the preponderance of evidence is every time Apple does something that gets more people using smartphones or tablets or into the cloud or with App Stores, it always works out great.. You never know how long that's going to hold up.. I actually don't think there is anything in iCloud that's actually similar to Evernote.. We don't really care about storage so much.. In fact we were thinking of - we have got some really nice ideas about how we're going to work with iCloud to make other iCloud apps a whole lot better and more interesting.. So I don't think there is a particular iCloud threat but that's not to say that there is not some threat somewhere, maybe by Apple, maybe by Google, more likely by someone we've never heard of.. But we do have a very specific philosophy about competition which is in all of my previous companies and in the companies that I've worked with or at in the past, we always had a list of our enemies, we always had like, oh, those guys, we always had like a list of people that like that's our nemesis right there.. And like we are going to crush those guys..

We've always had that, one or two companies and it turned out it never mattered, never, not once - not once did the people that we focused on in the competition actually significantly play a role in terms of the success or failure of our company a few years later.. It was always something else.. And so with Evernote we decided explicitly - again because we are not that smart, it takes us three times to actually figure this out, we said explicitly we aren't going to look at competition.. We're not going to look at it.. We are not going to pay attention to it.. Not because we are not threatened, of course we are threatened but because looking at it doesn't help you, it doesn't actually make your product better.. The only way that you can win, the only way to increase your chances of actually succeeding is just to make a great product and you don't do that by looking behind you.. You do that by typing and looking at a screen.. And so we don't look at it.. We don't think about things that might potentially disrupt us..

We do think a lot about partners and how we can work together and we have an API, we have about 7,000 partners.. Many of them started as competitors but then wound up working in the ecosystem but ultimately the competitive threat I don't think is in the top 20 threats to a company at this stage.. And especially for of you guys, if you are thinking of being entrepreneurs, I think if you sort of lay out the possible things that can go wrong, that can kill your company, just like write them out in order of probability.. The probability of your company failing because some competitor beats you is not in the top five.. It's probably not even in the top ten for early stage.. And anything that's not in the top five, like you don't have time to think about it.. So my advice is don't even bother.. Please, in the aisle.. My question is about switching over from kind of paper to electronic.. So as somebody who signed up for Evernote - well a long time ago but haven't used it very much because I really value having like my notes, my plan on paper..

What's your take on like switching those people over - like I use smartphones, I use my laptop, I just haven't been able to kind of sync those two so what are your thoughts on that? Phil, this will be the last question.. Okay, so last question.. Sorry and the question was about paper and how we switch people over from using paper to Evernote.. So that's a really great question.. So the short answer is what I recommend, what I do myself is I take a lot of notes on paper because I love my moleskin notebook and a nice pen, I kind of have a pen fetish and I'll take notes and I'll just take a picture of the page with my iPhone in Evernote and that's to me that's the best of both worlds because I get to take the notes, it's unobtrusive, I get the notebook but it's also in Evernote, it's synchronized, it's stored forever and it will actually find as long as I write like a title, the notes roll across, I can actually use Evernote to find those notes because of our handwriting recognition.. So to me that actually works really well.. In fact Mashable - no, not Mashable, Lifehacker does a survey every year where they ask people like what's your favorite note-taking tool.. And they did it like the first time like three years ago and it's like Evernote, Microsoft OneNote, a bunch of other stuff and paper and always, every single year it's like we are the most popular app like by far but paper always beat us, it's always like pen and paper is number one and then Evernote and then like everyone else is far behind and this has happened for years and for years we were like, oh paper, it's our nemesis.. But this year they just did it - they just did it a month ago and we beat paper...