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Six young Stanford grads and entrepreneurs — Steven Garrity, Clara Shih, Kimber Lockhart, Jeff Seibert, Josh Reeves, and Tristan Harris — share their experiences starting companies and raising capital. While being in their 20s may seem to be an obstacle to outsiders, they said they “flipped” this liability into an asset — focusing instead on their raw ability to bring innovative ideas to life. They advise all young entrepreneurs to be persistent, opportunistic, and scrappy.



Transcript

Today is actually a very, very special session of ETL because we have here sitting next to me six recent alumni of the Stanford Technology Ventures Program.. And all of these students have started really interesting ventures.. So, today we're going to get a sense of all the things they have done, the trials and tribulations and the exciting milestones that they've had in the time that they've started these ventures.. What I thought I'd do is start with them and ask each one to introduce themselves very quickly so we get a sense of who's in the room.. My name is Tristan and I started a company called Apture.. Our company re-imagines the way that you access information on the Web.. And I graduated in 2006, majored in Computer Science, and also did the Mayfield Fellows Program here at Stanford and Patina.. I'm Jeff Siebert.. I was a Stanford '08 graduate in Computer Science.. I started a company called Increo Solutions with Kimber..

And it's basically focused around helping companies innovate, document, collaboration, etc.. So, I'm Kimber Lockhart.. I was also Stanford CS '08 and also co-founded with Jeff the company Increo Solutions.. For context for our talk today, Increo Solutions was acquired by the company Box.net back in August of 2009.. Hi, my name is Josh Reeves.. I was Stanford '05, Electrical Engineering, and I was also a Mayfield fellow.. And I started a company about two years ago called Unwrap, Inc.. Our main product, Buzzeo, is an online marketing platform for small businesses.. And I guess one anecdote would be the three of us used to run this seminar when we were undergrads on campus at different points in time.. So, this is very much a full circle for us to come back and speak..

Hi, everyone.. My name is Clara Shih and I'm the CEO and founder of Hearsay Labs.. We do have social media and CRM solutions.. And as Lee mentioned earlier, I'm also the author of "The Facebook Era", which is a book about using Facebook, Twitter and other social media for social marketing.. I'm Steve Garrity.. I was Stanford CS '04 and '05 along with Clara.. And also along with Clara co-founded the Hearsay Labs about six or seven months ago.. Terrific.. I don't think I need that mic.. I have a question..

Now here's the plan.. The plan is to try to make this feel as though you are sitting here eavesdropping on a dynamic dinner table conversation, OK? Because I know all of these folks really well, they will tell me things that they might not tell the rest of the world.. So, let's pretend that no one else is here and they're going to reveal all of their secrets.. And hopefully, everyone will just chime in with their ideas.. I want to throw out the first question which is; a lot of people start companies for different reasons.. Some have some brand-new exciting technology that they can't wait to bring to the world.. Some have a fabulous team like, "Oh gosh, I can't wait to work with you.. Let's figure out what we're going to do." And some people start with a big problem they want to solve.. And I'm curious for each of you and your ventures, what was the major motivation for you starting your ventures in the first place? OK, I guess I have the mic which I managed to turn off.. So, I actually have four motivations I wanted to start off with..

I wanted to start a company.. I was a Mayfield fellow and just really enjoyed entrepreneurship and thought it would be fun.. And so, I wanted to start a company and that was goal number one.. But then I went off and tried to figure what that was.. And goal number two became starting a company with Clara, who had been a good friend for five or 10 years at that point.. And then the rest solved itself.. Yes, and like Steve, the reason I came to Stanford in the first place was because when I was in high school, I was 18 years old, I was given this copy of BusinessWeek that talked about Silicon Valley.. And my eyes lit up and I felt like, what a wonderful and magical place where anyone with a good idea with a little bit of luck and a lot of hard

work can change the world.. And so, I've always wanted to start a company.. And what caused us to really look at social media was seeing all the changes that companies like Facebook and Twitter have caused us to have in our daily lives..

And we felt like there was a huge opportunity to bring those same transformations into the business realm.. I definitely agree with the points that Clara and Steve made.. I guess one I would add is, in my view a startup is really one of the best possible environments in the world to learn a ton of information, a ton of new experiences, mostly because you are thrown into a situation where you either have to learn how to do it or you're not going to be successful.. And I really had the ambition to try to learn as much as I could.. I had just left a startup where I had worked for about three years.. It was doing really well but I was ready to be in a position where I was a bit more uncomfortable, a bit more chaotic and also a bit more challenged.. And so, that's why I left Zazzle, which is the company I had been on previously, to start a new company.. And the first thing I think, again, what Steve mentioned was who am I going to work with.. And the funny thing I thought I would mention for Stanford students was my co-founder actually I met in IHUM freshman year.. So, for all the techies in the room, there's actually a benefit to IHUM..

You might even meet your co-founder there.. For reference, I also met Jeff in IHUM.. IHUM is a humanities class.. It's a requirement for all the engineering students to take a humanities class.. It starts with people.. Wayne and I were really the foundation.. He had been in Google for three years.. And then from there, we started focusing on a couple of different product areas that we're excited about.. So, Jeff and Kimber, what motivated you? Well, I don't know if I can really say that it was, "Oh my gosh, I want to start a company," or "Oh, this is a huge problem." It's very much a process.. I remember Jeff and I were walking - actually just after ETL one day - and being inspired by all these speakers, thinking, "Wow, it'd be really cool to actually do this." And as time went on, we started thinking together with that being our motivation..

We wouldn't have started a company unless there was a big problem, a big thing that really interests us.. So, I can't say that wasn't a huge part of it as well.. And I think to go into my personal motivation for why would I go out and do this, I'm very interested in building products and in building something that people find useful and really helps them.. And so, Kimber and I started meeting and talking and having these brainstorming sessions, like what problems could there be and more specifically what product can we build that someone would really fall in love with and find that it helped them on a day-to-day basis.. And then, the other aspect was I wanted to do a vast variety of things.. I had done a number of internships where I was just coding, where I was just an engineer.. And it was great, I enjoyed it, but you're stuck in that one role.. And you have to code all day, eight hours a day or 10 hours a day or whatever it is.. And I wanted to expand beyond that.. And I wanted to do some of the business-side things and be in meetings and talk with customers..

And I wanted to participate in the design of the product as well.. And so, tying those together, having a product, I wanted to basically be able to influence all the different aspects of putting a product together that would help people.. That's great.. Let's see.. When we started Apture, I was actually an undergrad.. And the story behind Apture was that we spent the last six months of my senior year developing a prototype for what we thought the future of online news would be.. In 2005 or 2006, we were seeing the publishing industry collapsed.. And so, our story was I think different from these guys in the sense that it wasn't so much about company motivation.. It was more about this problem of what do we do if we don't have really rich good news experiences on the Web.. And so, we actually started pulling together this group of Knight fellows who are still on campus, this program that brings senior journalists to this school..

And we started having these round-table conversations, talking about what the future of online news would be.. This started getting really exciting towards the end of my senior year.. And at the age of 21, 22, I dropped out of the Master's program in computer science and decided after about nine months of deliberation and developing ideas that we should actually go off and do this.. When we first started the company, we didn't have a co-founder.. So, I actually had to pull together our founding team.. So, one of the guys was my Bunny World partner, if any of you are CS majors.. So, we spent a lot of late nights programming until three in the morning.. And we knew we could count on each other.. It's a great way of knowing who would make a good co-founder.. And then, the third guy that we brought in was Jessie, who was known as one of the most talented guys in the CS department..

And we literally approached him.. He was not one of in our friend network, and just convinced him this is something that's going to change the world.. You really have to join in on this and he agreed.. And that's how we got started.. And actually, I moved to Argentina for the first four months of the start-up.. I'm not going to talk all about that now.. But what's interesting about that part of the story is that we put together our founding team and then right after that, we had to convince these guys that we were still going to go off and do this.. I'm just going to move to Argentina for four months.. And so, there are different ways in which people start companies and the commitment levels and how you know if you're committing all the way or partly.. Some people drop off..

First it was four co-founders then it was two co-founders.. For those, there's hopefully more conversations about that.. Great.. Well, several of you started your companies while you were students.. Is this a good idea? A bad idea? Would you do it again? I mean, I'm imagining there's a little bit of tension there.. I know I have students come to my office all the time, saying, "I've got a good idea.. Should I drop out of school? Should I finish?" How does that work? Yes, Kimber and I started talking about the ideas that became Inereo actually halfway through our junior year and built the first prototype for the company in the CS software project class.. It's a senior project class for the CS department.. You have to come in with a group together

and something you want to write.. And you have the 10 weeks to do it..

And so, we came in with this idea.. And we're like, "OK, we're going to try this out in these 10 weeks." And we did put together a solid prototype.. It wasn't superfunctional but it had some basic attributes.. And to our actually great surprise, we ended up winning the competition in that class.. And so, that made us step back and think, "Well, OK.. Maybe this is more interesting than just a prototype.. Maybe we should spend more time on this." So, we spent that summer thinking about the idea and more of the business side of it.. OK, how can we take this and turn it into a business? How can we actually monetize this? What need are we really solving for people? And so, we kept brainstorming through senior year and by about winter quarter of our senior year, we were working probably most days on it.. Spring quarter senior year, we worked full time on Inereo and our classes.. You can imagine what happened to each and every one of our grades, our GPAs, last quarter senior year..

There's pros and cons to doing something while you're still in school.. One of the huge pros is that you have so many resources at your fingertips right now.. Any of the ETL speakers that come in here every single week - you could have into that network.. But there's negatives.. Some of these guys we're talking about, they were Mayfield fellows their junior or senior years here at Stanford.. And because I started Inereo, I had to give up that very wonderful opportunity.. So, is there a right time to start your company? As far as going through school, you want to make sure that you get as much out of just doing school as a student as you can.. But also, if the time is right for your opportunity and the time is right for your team, I say go for it.. But an interesting anecdote is that these guys started Inereo for their senior project and they won the award.. I did what was then our news project for our senior project..

But we didn't get recognized at all.. I thought it would be interesting to bring that up because that could have been interpreted as a failure.... like why isn't this interesting enough.. If it's going to be a combination, it would be interesting enough for you.. It would receive some sort of recognition during this final project fair.. And we got none.. And I remember thinking, "But this is so cool.. This is really so important," like, "Why isn't this being recognized?" And it took persistence basically to keep thinking about the idea.. That was the end of spring quarter 2006.. And so, over the summer of 2007, we talked about the ideas more..

I was talking to the Knight fellows.. I was actually still a Mayfield fellow.. I still had the last quarter of Mayfield left and the first quarter of my Master's.. And I had to continue on to that.. But I was doing both at once.. I was living life as a Mayfield fellow, doing an internship at the time and going to classes with Tom and Tina.. At the same time, I lived in a different life and I was working with our co-founders and trying to develop the idea so that it could be so clearly a business idea, something that we felt so comfortable with that we could actually make the leap.. And it wasn't until one of the Knight fellows flew me out to Dallas, Texas, to meet the executive team of the Dallas Morning News just as she started randomly and convinced her boss to do this.. And through that meeting came another meeting with the former editor of Newsweek.. And then, through that meeting came flying out to DC to meet with the Washington Post..

And then, through that meeting came basically enough feedback.. And we saw something really interesting that in the first quarter into my Master's degree with the full year and a half left, it was like, "Well, I've got enough feedback.. I've got enough potential here that now I feel comfortable dropping out and doing it." And also, it felt right at the time.. It felt like I wasn't as excited about the Master's degree.. And this felt like something that needed to exist, that could exist right now and like, "What are we waiting for?" Cool.. So, I wanted just to ask Steve and Clara because you guys are a perfect example.. You met each other.. You said, "You know what? We're in the right place at the right time.. And we both want to go do this." And you made a point of having a partnership.. And all of you have teams that have partners..

And I wanted to start with you with the question of how important is it to have a partner and how do you divide the roles and how those roles change.. Is it always a good thing to have someone that you have to get by and from? That was a great question.. One thing just to add to the previous conversation is that even though the rest of us may not have started our companies while we were at Stanford, it's those relationships that we've warmed early on, whether it was in IHUM or in Mayfield Fellows or whatever, that really served us well in this partnership in finding the person that you can really trust to start a company with.. And so, the timing worked out for Steve and I.. But we also had talked early on about who would do what.. And after college, although we were both undergrad masters, CS here, I went more of the business route and Steve stayed more technical.. So, we decided that Steve would own all the technology and I would own all the sales and marketing.. It's helpful because we can both do everything.. And so, we like to run a lot of things past each other.. But it's nice to have that focus and know that I can always count on Steve to get that product done..

And he can always count on me hopefully, knock on wood, to get the sales done.. Well, I think an important thing to bring up here for people who don't know you is that you spent several years at Salesforce.. Yes.. And Steve, you spent a bunch of years at Microsoft.. So, you got out of school and went to these big companies.. And I think you both knew that at some point you wanted to start your own venture but wanted to go learn on someone else's nickel and wait until you had the right idea or the right time and felt the right confidence to go start something.. Is that right? Yeah, I would say so.. Yeah, after college I spent a couple of years at Google.. Then, I was at Salesforce.com.. And both are incredible companies..

Lot of entrepreneurs within those companies.. And I think I'm actually pretty risk-averse as entrepreneurs go.. And for me,

the path of entrepreneurship was pretty indirect.. So for me, three years into working at Salesforce., I created this side project.. It was an integration between Facebook and Salesforce.. And it was a piece of technology that became really popular.. It was just a little weekend project that I worked on over the course of a month.. And that actually led to my book because it was the first business allocation on Facebook and there was a lot of buzz about that.. And so, through the course of writing the book, I realized that this is a huge opportunity with this being social media and marketing and business.. And it was through the book and getting connected with a lot of big companies, which have now become our customers, that I think I got the courage to really leave and start my own thing..

I think that's totally true.. And like Clara said earlier, in terms of being able to count on her to bring in the sales and marketing, she's actually selling faster than I can build a product.. And so, I hesitate to tell her to stop selling.. But at the same time, I'm like, "Slow down, slow down." So, one of the things that we thought really funny over the course of raising.... We started the company, working with our attorneys, raising money, and everything else.. So, Clara and I have known each other for a long time.. And evidently, we just felt very comfortable with each other.. Every single one of our investors and potential investors, our attorney, a couple of production employees or employers have asked us if we're dating or if we're married.. It's not even usually "Are you?"; it's usually "You are, right?" And we're not.. And we never have..

And Clara has a boyfriend who's a good friend of mine.. So, the question is particularly awkward when it's asked in front of him.. But I think it's a testament to our partnership or I'd like to think it is, that we appear that comfortable and we can trust each other that much.. And we do bicker like a married couple all the time.. And I think it works really well because we can play off each other.. And we can also do this interesting thing where we have very opposite tendencies in certain cases.. And so, we do run a lot of decisions past each other even in the areas that we normally are responsible for because it turns out that our instincts when we meet in the middle are usually right.. If it's just one of us or just the other one, we'll sometimes be off one way or the another.. When we talk about both, we end up in a really nice place.. Great..

So, you picked each other because you knew you had complementary skills and complementary temperaments and complementary points of view? Or did that just work out that way? I'll be honest.. I picked Steve because we were programming partners in a bunch of classes, including compilers.. And I've never seen anyone who could code like him.. So, let's just go on to the other group or teams to hear about their partnerships.. Can I say something nice about Clara first? I'd say, OK.. Well, I picked Clara because she had the book and it's absolutely fantastic idea I couldn't wait to work on.. And I've never seen anybody sell quite like Clara does.. Right.. Mutual admiration, wonderful.. Yes..

I can add one thing.. So, my co-founder is a guy.. So, we don't get as much of that question.. No.. He's a great person.. But he also has a serious girlfriend.. But are you available? I recently started dating.... Exactly, OK.. Moving on.... What I would say is we never have actually talked quite a bit about the analogies of our relationship, too, like a married couple..

And we always say the foundation of us working together is trust and transparency.. And what that means for us is that if there's any issue or problem, we can always talk about it.. We can always ask, "So, you said this.. What do you actually mean by that?" And you really want to look at the relationship almost at the same way as you look at like marrying someone.. It's really important for the co-founders to be able to communicate really well, to also to trust each other, because you're going to be relying on each other and expecting them to do certain things that you'd want to do yourself.. Especially if you're the typical Stanford student that thinks you can do everything on your own.. That's one of the biggest and most important things for a startup.. It's that you have to be able to trust each other to get it done and also to accept whatever approach they might take.. So, yeah, I can't overemphasize how much you want to make sure you choose a good co-founder.. So, the interesting thing here is that it means that picking a co-founder or identifying people who might be potential co-founders when you are a student is actually a huge advantage because you get to see people in the wild..

You get to see how they react, how they learn, how they present in a situation that isn't a typical interview situation.. So, Jeff and Kimber, how do you guys work as partners? I was just going to add, one of the interesting side effects of picking a co-founder is that you're forever linked.. At Box, people ask me where Jeff is.. I have no idea where he is.. I don't follow him around.. But in all seriousness, the dating question came up a lot for us, too.. And it's actually really important to communicate that correctly to investors.. It can be an advantage, it can be a liability to start a company with someone you're involved with.. Fortunately, Jeff and I never had to deal with it because we never were involved.. Right..

I would say most investors at least from our experience were afraid of the possibility.. They take it as a huge liability for the company because then, let's say you break up or something, then what's going to happen to the company? And so, most of them won't invest if that's the case.. So, how do you work together? How complementary are you? I think it's amazing, the similarities.. I think it's the same way.. We both have the tendencies where we talk about everything to the point that even if we're trying to send out a really important email to a partner.. One of us will draft the email, the other one will finish it and send it.. So it's between, it's a balance.. And I think it has worked out amazingly well.. We always seem to end up with something better than either of us had originally.. And so, I think it is important no matter who your co-founder is, pick someone that complements your skill set..

Let's say you're extremely analytical, maybe pick someone who thinks a bit bigger or broader picture and more trends.. Again, the technology versus the business side works very well.. We have the same, where I did most of technology, Kimber

did most of the business stuff.. And so, yeah.. Do you sign all of your emails with both names? We found that emerging.. Yeah, we've done that quite a bit.. I always sign my emails Clara and Steve.. Clara also signs her emails Steve and Clara as well.. We ended up moving away from that just a little bit for appearance's sake at the end.. So, one or the other takes ownership of the email..

But you can bet if it came out of my inbox, generally he took a look at it.. Great.. So, Tristan, you had three founders of your company.. Now, that's got to be interesting.. Three is often a challenging number, especially with decision making.. How did that work? Well, it's interesting.. There were two original core founders that were involved in these early conversations with the Knight fellows.. And then, we brought on our third co-founder a little bit later.. So, he was a co-founder but he came on like about six months to nine later than the original other co-founders.. But I think we complemented ourselves well..

What's interesting about Apture and the co-founders is that we were actually all technical.. So, all of us were computer science majors.. Not one of us had a ton of experience in, say, business or marketing or sales.. All of us were fundamentally technical.. But we did have diverse skill sets.. For example, when we were starting the company, a lot of what we were doing had to do with the online advertising industry.. And as naive as it sounds, none of us had any clue how the online ad industry worked.. But one interesting strength that we leveraged is my co-founder John Sar was our CTO and he was at PhD at Stanford in delivering systems.. He's a voracious reader.. He's the fastest reader I have ever met in my entire life..

He can consume information faster than anybody.. So, if you want to know a lot about something you don't understand, I delegated some of that.. We all as a group, we delegated some of that, those real tasks about business planning and technical planning and actually all my advertising planning, doing spreadsheets was actually John, who's a CTO in distributed systems PhD.. And then, I focused more on UI design and core technology, how we're going to sell it and starting to do more networking with our publishing partners like the Washington Post.. And then, Jessie, who's our third co-founder, is really, I would say hardcore, rock-solid great engineer, like the best engineer we've ever met.. And so, it's interesting because I think our company DNA is very much technical.. But we also knew at the time that we're building a technology company.. But we still found a way to complement our skill sets I think in that line.. One point I'd like to add.. I think it's very important that, and this has come out with everyone..

Yes, we're going back and forth and running things by people.. But the importance is that with everyone in your team, you have to trust 100%.. And so, if you're not able to review something, like say, you're on a plane or there off on a business trip or whatever, that the whole team trusts the entire rest of the team to do it correctly.. And so, you want to find the very best people you can and ideally that you've worked with before so that you can trust them.. The other important notion on co-founders is it's fluid.. They talked about how there were co-founders and then there were three.. For us, we've had anywhere between two and five co-founders over the course of Inereo.. And so, people will come and go and maybe they'll join the team.. And you'll decide later that they're splitting a huge amount of the responsibility and should be a co-founder.. It's OK, it happens..

Sometimes, a co-founder is nice to be able to bring good people to your team.. Say, "Hey, join us.. You can be a co-founder." Just don't get too wrapped up in what's a co-founder, what's not.. What really matters is people's contributions.. So, all of you have decided to take venture capital money.. Now, here we are in Silicon Valley where that's very common and that's sort of the script to follow.. But if you look at statistics, most companies are not founded with VC money.. I think in the US it's like 2%.. And I think probably a lot of people who are in this area will be shocked that only 2% of companies that get founded actually take venture capital money.. All of you chose to go this route as opposed to bootstrapping and using customer money to fund your businesses..

Why did you do that? Who wants to jump in? Yeah, actually if I can correct you slightly.. So, we're actually fully bootstrapped still.. And we did that for very specific reasons.. Everyone should know what bootstrap means: Basically using money from operations, cash flow and/or savings to found a company.. So, we're in a position where our product was actually making money almost from day one.. And so, we actually didn't really need to raise capital.. And we really appreciated that flexibility.. So, I think one lesson for everyone to learn is you really need to go into the fundraising process with why you want to raise money and what you hope to do with it.. And a lot of times companies will go and raise money right off the bat with the expectation that that's a really big success metric to feel like you're going in the right direction.. And sometimes, it will be too soon..

So, for us having six months at the very beginning of really just pure incubation, trying lots of projects, trying this, trying that, seeing what worked, building it, launching it the next day, improving it based on feedback, that flexibility we might not have had if we had raised money from investors with the specific idea.. And then, if we were like going to change it, they would freak out about that.. So, there's a balance there in terms of how long you want to stay bootstrapped.. And we really appreciated that flexibility early on.. In our view, when you want to raise money, it's really around how to scale the company.. You have a good idea of how companies work and you have some profit hopefully.. And you want to really expand and reach the next level, not just in a growth cycle but also in a step change jump.. In that sense, money is really good to come from that process.. Great point of view.. So, let's hear our counterpoint..

Well, I couldn't agree more with Josh.. Never mind.. Well, Steve and I went in six months before we even thought about

raising money.. And Josh is right, in the beginning you don't know exactly what you're going to do.. You come up with a million ideas.. And then, you end up going with one.. And then, you end up changing it a few weeks later or a few months later.. And so, for us we did a lot of prototyping.. We did a lot of talking to who our potential users would be.. And we finally came up with a product and we said, "OK." We don't look someone in the eye and ask them to write us a check until we know that this thing works and we know that this is something that people will actually want and that they'll pay for and that they'll use..

And so, our criteria really was about having paying customers and real market knowledge before we would even pitch to even an angel, much less a VC.. And ultimately, we talked about, is this lifestyle business? Can this just be a single or double or triple? Or would we be happy having that? And we realize that we could but this is actually a much bigger opportunity.. And we have stumbled upon something that people would really love to use.. It's something that's really changing people's businesses and their lives.. And so, I think the primary motivator for us ultimately to raise money was that our customers demanded these features.. They wanted these things to be built.. They told us that they would pay.. They were already paying us.. And so, we knew that we needed to accelerate the problem solving cycle to give them what they wanted to achieve their business goals.. But why did you take VC money? You could have taken out a loan..

You could have borrowed more money.. I mean, you did make the decision, though, to go the VC route.. Yeah.. I would say that in terms of the amount of money we raised, we really wanted to put all eggs in one basket and put a big bet on this.. We've gotten enough validation that we felt comfortable doing that.. The other thing was that we found the venture partner that we went with that provided a lot of value.. They've done this before.. They're really experienced.. They have a lot of great connections.. And a lot of the areas where Steve and I didn't necessarily have experience or connections..

They have really been able to step up even in the few short weeks we've started working with them.. Anyone want to chime in with a different point of view? Yeah? One really quick tangent would be is if you guys are focused or interested in the Web space, a big shift in the last several years, is that you actually don't really need a lot of capital to prototype something.. So, if you think about productivity tools like Google apps or Gmail, all the different things that are available now through open-source technologies.. The actual cost barrier to go build something and test an idea is much lower than it was like in the last couple cycles of the Web boom, which means you actually don't need to go through that process of fundraising because fundraising does take time away from necessary product development.. And so, you want to make sure if you're focused on the Web that you can make the most of that.. So, we ended up raising money actually before we graduated our senior year.. And so, you could say it was both very early but it also wasn't really because we had been working on projects that I said for about a year before that.. And so, at that point we had a very solid idea of what we wanted to do and what we were pitching to them.. It was early, though, in the sense that we didn't have paying customers at that point.. One of the reasons we did decide to go raise money from VC, and we actually raised money from Draper Fisher Jurvetson, who sponsors this, is that we had a lot of solid connections to VC through ETL itself and then also through the Mayfield Program..

And we felt because we were actually targeting companies, we wanted to do basically enterprise innovation software.. But in order to approach them and sell that, we wanted to have someone behind us, someone backing us to give us some level of credibility in the space.. I don't know if this is true or not, but we felt that a VC firm would provide a bit more name recognition than would an angel.. And so, that definitely helped us in one case for sure but who knows if it would have been the same, otherwise.. Yeah.. In the end, was it helpful to have that name behind us? Certainly.. Was it instrumental in being able to negotiate the deals for purchase with the companies we're negotiating with when we were considering being acquired? Absolutely.. Was it necessarily critical for us to have gotten business customers? I can't tell you that.. We raised \$500,000 of basic angel money.. One thing that's interesting about who we raised from is it actually came from the father of a friend of mine from Stanford, who is an angel investor and had done a number of companies himself..

He was an entrepreneur.. He was a VP at SGI and was a VC of a large private equity firm.. I think that speaks the credibility of the Stanford network - where his daughter thought very highly of our team.. And that basically gave him what he needed to invest in the company and trust us early on and let us raise the amount of money that we raised.. It took us a month.. Josh has pointed out it takes time to fund raise.. When we started, it took about a month to set up all the meetings.. And Bo, who is our angel investor, actually set up meetings with the president of AMD, the CEO of VMware, who actually invested in the company.. Paul Moritz, the family behind the Boston Globe, the Taylor family, they invest in the money.. It took a month to set up all those meetings..

In one week we just like phone call after phone call after phone call.. It was just nothing but phone calls for a week.. And we raised our angel round on a convertible note.. We can talk more about those financial instruments if you guys are interested.. And then, that was enough credibility.. We felt we needed that because we really needed to be more a technology company.. So, we had a lot of technology to build.. We needed to hire more engineers.. We needed to pay our interns.. We actually brought on our founding interns under the promise that we would pay them, having absolutely no idea if we actually would be able to do so..

So, for the first three weeks we actually paid them with or loaned them money from our own bank accounts.. And then, we actually happened to raise our angel money after that.. And then, after the first year we accumulated the Washington Post and New York Times and Reuters as customers.. And that was enough basis to raise our series A of \$3.5 million from

Clearstone Venture Partners.. I wish I could tell you about that.. And I can talk more about the financials.. Yeah.. Well, what I think is interesting here is, Tristan, you're basically saying, "We needed money at the beginning to pay our employees," right? Yeah.. And, Kimber and Jeff, you're saying, "We got money because we felt that it was going to give us credibility with the customers you wanted." And then, Steve and Clara, you're saying, "We raised money because we basically felt we needed that investment of cash to be able to put all these resources so we could hit the ball out of the park." Yeah, that's exactly right.. I would just going to echo what Josh said, which is there aren't a lot of resources required to get going up to whatever..

Our OpEx was in the order of \$40 a month for our service.. And then, we had active customers and paying customers and everything.. So, we were cash flow positive in a way.. We are paying ourselves so it's hard to say we're really cash flow positive.. But we're certainly covering OpEx and everything else.. So, you don't need a lot to prototype it.. If the sources are a lot easy and you got the team, then you're ready to go.. And I think the fuss was very strategic and it was hitting the gas on the growth and saying like this is the real place we need to be in.. There's a huge advantage to growing fast.. And so, lets pour some gas in on the fire and it's going to go boom..

And we hope it'd go boom in the right direction.. So, I have tons more questions.. But I am going to ask just one more or maybe two if I get inspired.. But I am going to open up to the audience.. And so, I want you to think about the questions that you might want to ask these folks.. So, one of the issues when you get big investors like this is that they then have the power later to maybe replace you.. And I am curious how you would feel if down the line, I mean these are your babies, your companies, if the venture capitalists, the big investors came in and said, "You know what? We'd like to bring in a professional CEO." How you would feel about that? We talked about this a lot during our round and basically came to the conclusion that they would only do that if we weren't doing well.. And so, we just need to do well.. I mean, we met at that.. We talked about it and it was a conscious decision..

And we just made a bet that we could do it.. Yeah.. It's always a risk that you take.. But I think going through the incorporation process, we have really great lawyers working with Patrick Cohen at Leetham and Walkins.. He helped us understand that when you start a company, it's a separate entity.. And although it is your baby, it's going to grow up.. And it might go on and do its own thing and it might not like you.. Hopefully, that doesn't happen.. But we're very early and we're just closing this round.. And we have a number of advisers and investors in the round..

And it's my personal goal as the CEO to make sure that we have really clear lines of communication and that when something goes wrong, they're not finding out about it six months after the fact or learning about it for the first time.. And if we're meeting, I want to be able to tell them right away in real time hopefully work with them and grow into that role.. Actually, I wanted to make one quick statement on people that make up the company.. Through the Mayfield Fellows Program and even being at Stanford, you get a lot of exposure to startups.. I was always surprised by how many startups I felt failed because of, even if they had great products and were in an interesting market, people issues around egos or land grabs as the company grows, who's responsible for what, what you're going to control, what you're going to own.. And that really bothered me because you would think everyone would be aligning around, wanting to make the company successful.. So, a lot of this question goes to how you connect what's best for the company versus what might be your personal bias like, "I want to be the CEO for the entire growth of this organization." And so, as long as you can really connect with people in the company and also maintain that thought that you're here to make this product, which is solving a problem in the world as successfully as possible and to solve it for as many people as possible, I think you don't face that issue quite as much.. And it's something you have to remind yourself about because your bias might be to make it personal like, "Why am I not doing it personally myself?" Getting acquired is not unlike bringing in someone over you as CEO.. At Inereo, we had the full range of decision making.. And when we became part of Box, we became part of a much significantly larger organization..

Box has about 70 people right now, where decisions go through more than just when you co-founder.. But what we really wanted for Inereo was just like what any parent wants for their child, for it to have every possible chance at success that it could.. And for me at least, bringing Inereo under the wing of Box was the best thing we could have done to achieve those big, hairy, audacious goals that we had for this company.. Another thing I would touch on is the reputation of the firm you choose money from because if you don't take outside investment, then there's really no one who can kick you out of your own company.. So, it's really that process that brings about this problem.. And so, to take us back, I would say also that again, it's probably not a problem because you should be interested in the company succeeding, not yourself running it forever.. But just to think about that aspect of it, there are investors who have different reputations regarding they invest in the team themselves versus they're investing in the idea.. And they're going to do whatever it takes, with whoever they need to in order to make that idea successful.. And so, DFJ was fantastic with us.. We changed directions quite a bit as I'm sure most of the startups here have and will..

And they were always very supportive.. And they really wanted to see what we could figure out.. And so, that was fantastic but, yeah, I think if you just talk with other startups who have raised money from that same firm and see what their opinion of the firm is and how hands-on or hands-off or flexible the different firms are.. Yeah, I agree with that.. There's a website called TheFunded where if you are looking for funding from venture capitalists.. Basically, it's like Yelp for venture capitalists.. So, it basically has reviews for each individual partner, the firm, what their reputation is.. Sequoia is known for investing more in the market.. RBC has backed teams.. In our case, it was interesting, at least in my personal case being CEO of the company..

I remember when we were first raising funding, again, we were invested in by the father of a friend of mine from Stanford.. So, that credibility went a long way.. Being 22 years old, are you going to trust a person who's 22, who doesn't have business experience to be the CEO of a company? It's a really important question.. And there were people that, when we first started pitching series A investors, I think were apprehensive about that.. How do you know that the person you're investing in is mature enough and has the knowledge and has the self-awareness to know when they don't have the information they don't know, they just go get it.. There's a lot of really important questions for that.. Again, I think in our case twice it came down to reputation because when we finally got our series A funding from Clearstone, that investment happened and the success in our minds came from that VC.. Our VC had invested in another company where one of my friends from Stanford, who is one year before me, JT Batson, had made a really strong recommendation again, saying, "This team is really great and you don't want to regret missing out on this deal." And that's what he told our VC.. And that's I think what led to the investment.. That said, I think I agree with everything these guys have said, that it's about making the company successful..

That's the thing that matters most.. If you're not best equipped to make that happen, that should be pretty obvious after a while.. I think also in our case, the type of the company that you're building really matters.. Could Apple Computer build the iPhone without Steve Jobs? In some cases, I think the innovation-driven companies that are product companies, the type of CEO and sometimes the CEO that can be the one making it possible to develop that kind of innovative product.. I don't want to claim that in any egotistical way.. But I think in the kind of venture that we're creating, it's all about a very innovative new way of accessing information.. It's something no one has ever done before.. It takes a design that has never been designed.. I think the VCs and our board believes that that exists within our founding team.. So, in this specific example, you can't just swap out the person who's responsible for the fundamental idea to go out and build it in this specific type of company..

In different types of companies, it's a little bit different.. There's really an exciting flip side to that, too.. That flip side is what if you don't want to be CEO of this company with this great new technology that you came up with.. You don't necessarily have to be.. Yes, maybe you're the driving force moving the company forward.. Maybe you assembled a great team of people to get started.. But the Valley is so full of these wonderful resources that as you build your team, it's up to you to determine what structure it takes.. Keep in mind - there were days when I was CEO of Inereo that the last thing I wanted to be at that very moment was CEO of Inereo.. That would wear off after a while.. You finally got the big deal closed..

You finally got the product out by the deadline.. But being CEO of a tiny, little startup company is a job that some people are going to like and some people aren't.. But no matter how you feel, you can play a huge role in getting those companies off the ground.. Good point of view.. As many of you know in the audience, there's a course that wraps around this course.. It's called the Spirit of Entrepreneurship.. And those students get the chance to ask the first question from the audience.. Steve Blank is not here so he sent me questions.. So, I have them here on my iPhone.. You probably thought I was reading my email during this talk but I'm not..

I was looking up Steve Blank's questions.. And the first question that I wanted to ask for him and then I'm going to open it to the audience is, "What's the biggest obstacle that you faced as young entrepreneurs that older, more experienced entrepreneurs might not have faced?" So, who wants to chime in? I can start.. So, one really clear response that comes to mind, I think it all goes down to what you learn on campus versus what you learn while working.. So, I had worked at a company for three years after graduating and before starting the new company.. So, the answer to me would be focus.. How you prioritize, how you're going to spend your time to go achieve the business opportunity you've identified.. And I think as someone that's younger, I'm leveraging mostly my experience at Zazzle in making that decision, mentors I've talked to, advisers that I've talked to.. But I can also very clearly see how more experience that I have, let's say ten years in the future, I'll have so much more of a wealth in knowledge to do that prioritization, to have that focus because that's the biggest challenge that I identified with my startup.. We have so many ideas, so many things to do.. It's constant and it's fun, a daily challenge to figure out..

Given these many hours, what are we going to go do to have the most impact with our time, because we have limited resources.. And I just want to get better at that.. I know I'm going to get better at it.. And I see people that are older than me that are really good in it.. And that's what I would say.. I would flip the question and say, I think there's tremendous advantages to being younger.. Both in terms of where we are in our lives and how much time we can spend in a company all the way to the way that we think.. I think we think out of the box because we haven't been indoctrinated for that long, not for some of these guys at all.. And I think that can be really powerful when you're an entrepreneur because you are creating something that no one else has ever thought of before.. And you're able to do that because you haven't studied as much or you haven't been told that this is the way that things are..

I was going to do exactly the same thing and flip it.. One word that I'm going to add to Clara's list, which has turned out to be an interesting negotiating strategy.. It lets you open a lot of questions that you couldn't otherwise, which is, "Hey, this is my first time.. Can you explain these terms to me?" That sounds wrong, like, "Why do you need that?" And it becomes a very easy way to have conversations.. It's only reasonable.. You're not giving anything away.. They know you're young.. They know you're a first-time entrepreneur.. And you can say, "Hey, I just think we should rethink this from fresh principles." And it often leads to a very interesting different discussion.. I think obviously Josh's point is totally the truth, that you're missing a lot of the experience..

There's value in that.. We've been lucky enough to find some really great advisers that have added a lot of that.. A few months into Inereo, when I was learning accounting and insurance and all of these other fun things that you need to know in order to run a company that as a Computer Science major at Stanford, albeit one that took a lot of business classes, you don't know.. It was right in there that I heard and I can't remember who exactly told me this, but somebody said, "You know, there's a lot of skills that you don't necessarily have that are necessary in becoming an entrepreneur.. But do you think that those people that are older than you, that are quitting the job that they have to become an entrepreneur have done all of those different things necessary to start a company in any of their roles in the past?" No.. Nobody except entrepreneurs do the full set of things required to start a company.. Nobody has that full skill set.. So, yes, you may be learning things you don't know.. You may be forced to pull out Quickbooks and figure out how to do month-by-month subscription-based accounting in two hours.. But I can bet you that anybody else who is getting into that industry or that field for the first time is going to have similar challenges..

Do you want to add something? I'm going to open up since we only have 10 more minutes left to some questions.. So, do you have a question.. Yeah.. Actually, all of you are techies, if I remember, 5 CS and 1 double-E.. And so, do you have any experiences or could you maybe compare or contrast doing computer science major versus doing maybe economics or MS&E or even going out and getting an MBA? So, I'm going to repeat it for the audience.. All of you are CS are EE majors.. Do you think that was a great path or would you have recommended something else to get you set up, like economics or some other area to prepare you for this? I would look at it from two different ways.. If you are definitely more interested or you think are better or particularly poor at engineering, then I would let that guide your judgment rather than what would be the best in order to do a startup.. But if you're truthfully trying to decide between the two, personally of course, my view is biased, I would tend towards engineering only because a lot of friends of mine also are trying to do startups and they weren't engineers.. And they're not as able to get quite as far because they're not able to prototype it without bringing in someone..

And so, if you really are choosing between the two areas, the benefit to engineering is that you can prototype your own ideas and quickly discard, and as I think Tina likes to say, fail very rapidly.. Try it out and decide, "OK, this is terrible.. No one is ever going to use that," before you start bringing in other people and making it a much bigger deal.. So, I'd say that's one thing to consider.. So, coupled to that one is you don't have to choose.. I actually studied both CS and e-commerce as an undergrad here.. And then, I ended up co-terming in CS.. And I really enjoyed the perspective that both provided me.. After Stanford and after working at Google, I actually went to Oxford and got another Master's degree in technology policy.. I think that helped me, too because it helped me be less of a geek and think more like normal people, which is who we're selling to right now..

And I could explain really technical terms and really knew technologies in a way that something my mother could understand.. And I think that for a lot of startups, depends on who your audience or who you're selling to, that can be tremendously valuable.. But what I will say is, I agree with Jeff.. A little secret when you're starting a company is that it's extraordinarily difficult to hire engineers because they're in extremely high demand.. So, if you're an engineer yourself, then you can just hire yourself and just start working on things right away.. Nothing is holding you back.. And a quick interjection that one of my mentors joining me for the program told me, that an engineering degree is a great way to call BS.. And so, it's really hard.. It's hard to hire engineers regardless.. It's double hard to hire engineers if you're not an engineer because you have no way of deciding if they're any good or not..

But you can do reference checks.. But it's really hard to ask those questions.. So, do I think you have an advantage as an engineer? Yes.. But can you add a lot of value and do interesting stuff or do it with - I shouldn't use the word 'just' here - with an economics degree? Of course, right.. And so, I always like to give the example of Clara who has two computer science degrees and still does almost entirely non-technical work for a company and has brought in all of our revenues so far, easily half of the value of that we've created as a company.. Now, obviously it's really nice to have somebody technical to bounce ideas off of, when I want to talk about it, or pitching the company and saying we have two technical co-founders.. But there's a whole bunch of value to be added outside of the technology.. It's just that I do think you need engineers to bring on more engineers.. And how many of you got an email from a business school student saying, "I have this great idea.. I just need to hire engineers..." There's a million of them..

And they're great.. And they probably do have really good ideas.. It's just really hard, like Clara said, to hire engineers.. One important thing to keep in mind is that if you're an entirely engineering team from the get-go, you need someone to specialize in not engineering stuff.. Otherwise, you will build products and more products and more products and maybe drive them by a few customers.. But you do not have the opportunity to do real customer-driven development cycle.. You do not have the opportunity to focus on sales and support and all of the other aspects.. So, one of the things we did reasonably early on, probably not early on enough, was take me out of engineering and make me totally on the business side.. So, if you have a team of engineers, make sure that you have at least someone who can come off and start to take care of the business aspects and really getting things done.. Great..

Do we have another question? So, about custom development in a Web-based company, how do you interview the customers? I mean, do you go to chat rooms or you go to blogs or you go talk to people in restaurants and bars? How do you meet real people as opposed to just someone...? So, the question is, how do you find customers? Do you go meet them in bars? So, our customers are publishers.. So, we have big brands like New York Times, Washington Post.. And our customers are

simultaneously end-users, people who just browse the Internet.. So, I think we do two things.. We do user tests regularly.. So, we try to bring in users from Craigslist.. We invite people in.. We pay them.. We give them Jamba Juice cards.. And we get feedback on the product..

And then, in terms of publishers, I'd say we don't do as much as we would like, in part because during our particle development cycles, we are a little bit more secretive about what we're doing until we're ready to go out the door.. But we actually recently hired a community manager whose full-time job it is to seed our early beta users with our products, early beta publishers, not the New York Times but small blocks, and seed them with the software, give them basically some period of time to use it.. And we have these surveys that determine product market fit.. And we assign one person to do that full time.. But if you ask me that as an entrepreneur starting the company, we didn't do anything like that.. We literally developed a thing in a vacuum.. And three months after we started the company, flew out to the Washington Post and showed it to the folks there.. And then, we had an ongoing cycle for about six months before we launched, where during the time that they were configuring their servers to run our software, we actually just communicated with them about once every two weeks and got feedback on developing the product as we were preparing to ship it.. It's very odd actually, because we basically sold the product and they agreed to buy before it was actually ready.. So, for the next six months we co-developed it and got feedback on what to make it..

But I think we have unique strategies.. I think the first step is ask specifically as possible to find exactly who your customer is.. And a lot of more consumer-y Internet startups face that challenge.. I mean, specific.. Feel free to give them a name, give them a job, give them every attribute you can come up with for them.. And then, figure out, "OK, where would Bob, my customer, hang out online and how I do find him there?" And so, we spent a lot of time because when we were just getting started, our customers were small businesses or freelancers, people who were, yes, using it in a business mind set but really not big businesses because we had no hopes of convincing them to use the product at that point.. So, they behave like consumers and they are also just on the Internet reading stuff.. So, we try to find where they hang out.. And it was a lot of posting in forums, trying to get the blogs that they might read to write about us.. We did a bit of Google AdWords simply to bring in people to the sites so we could look at where they were clicking around, what were they interested in, what were they reading..

And so, it's a long process.. It's very difficult.. And I don't think we learned any magical secrets through it.. It's just a lot of work posting everywhere you can online and trying to get people to come to your site.. Yes, I would definitely agree with everything they've said.. I would just add that the underlying philosophy here as a take-away is you want to be scrappy.. You want to be really opportunistic, you're going to have a strategy for how to get that customer.. And then, when you're randomly seeing someone in a coffee shop, you want to bring up the company and pitch them on your products as well.. Because as a startup, you again have limited amounts of time of the day and resources to go contacts or these potential customers.. And you'll never know where that conversation might lead..

So, it should always be in your mind.. It's a big part of your life.. Yeah, I couldn't agree more with Josh.. For us, it has probably been three things.. One is the book.. So, it turns out writing a book is a really great way to generate leads.. And it just so happened that the book came out just as Facebook was taking off.. And so, it has been really top-of-mind for a lot of businesses and people that we wanted to really target for our business.. So far, just about all of our customers and everyone in our pipeline has come through either the book or they heard me speak while I was on my book tour.. So, that has been great..

So, if any of you want to write a book, I highly recommend it.. And then, the second way has been, especially since our product is really geared toward social media, we've used Facebook and Twitter, and those technologies really reach out to people and find people who already talking about the things that you're selling.. They describe their problem on Twitter, anybody can search that, and you can respond with your solution.. Now, obviously, you don't want to go in with the hard sales pitch.. But if you can genuinely help them and I think many people, as we've seen, they're genuinely grateful.. And then, the third one, just like Josh said, anywhere and anyhow and anyway that you can.. One of our vertical groups that we're going after are real estate agents.. So, you better believe that every single realtor who has put up a sign with their phone number or their email address in my neighborhood, I contacted.. And so, when you're walking around, you'll see people who might be interested in what you have to sell or might be interested in giving you feedback.. And it's all about starting to talk to them and being genuinely curious on what their problems are..

And I also literally hug my customers in bars and on a ski lift in one case.. So, it's like Josh said, anywhere you are, you talk about your product because you're obsessed with it.. It turns out some people react well to that, some people don't.. We like the ones that react well to that.. This was an incredible experience.. I hope you found this as interesting as I did.. And this was particularly wonderful for me, bringing all these students back, and especially for the folks who ran this lecture series just a few years ago to find themselves now on the stage as the entrepreneurs.. So, I want to give them a big round of applause..