



STARTUP LAND

How Three Guys Risked Everything to
Turn an Idea Into a Global Business

MIKKEL SVANE

FOUNDER & CEO, ZENDESK, INC.

WITH CARLYE ADLER

Foreword by Alexia Tsotsis,
co-editor of TechCrunch

JOSSEY-BASS™
A Wiley Brand

Table of Contents

[Title Page](#)

[Copyright](#)

[Dedication](#)

[Foreword By Alexia Tsotsis](#)

[Introduction: The Pursuit of Happiness](#)

[Notes](#)

[Chapter 1: The Honeymoon: Believing that what you're doing is great and knowing nothing of what's to come](#)

[Beautifully Simple, Round One](#)

[Importing the Internet from America](#)

[The Danger in Riding Market Waves or Going Kaput](#)

[There Are Second Chances](#)

[An Ignored Idea](#)

[Boring Is Beautiful](#)

[Timing Is Everything](#)

[Notes](#)

[Chapter 2: The Salad Days: Keeping it together when things should be falling apart](#)

[Working from Home and Actually Working](#)

[Money Isn't Only in Your Bank Account; It's Also in Your Head](#)

[Startups Are Fragile](#)

[What's in a Name?](#)

[You Lose Some, You Win Some](#)

[Going Live](#)

[Making Sales Self-Service](#)

[Finding Customers When You Have No Idea Where to Find Them](#)

[Instantly Iterating the Idea](#)

[Chapter 3: Going for Broke: How to turn down money and keep your company \(and your soul\)](#)

[Hat in Hand](#)

[How to Ask Your Friends for Money—And Stay Friends](#)

[Eleventh-Hour Surprise](#)

[Making Irrevocable Mistakes with People Who Matter](#)
[Notes](#)

[Chapter 4: The Bubble Redux: Battling circumstances beyond your control](#)

[More Business 101: Hire People You Know!](#)

[When Things Go Wrong](#)

[Curbing Anxiety: Unexpected business advice! How to get over a fear of flying and make business travel semi-palatable](#)

[Notes](#)

[Chapter 5: The Game Is Not Over: Getting investors and getting along with your partners](#)

[Second Chances Again!](#)

[Jamaica Plain, or Things Are Not as Good as They Sound](#)

[Learning What Makes a Great VC](#)

[Fostering Your VC Relationship](#)

[Entrepreneurship Is Filled with Paranoia](#)

[Chapter 6: Coming to America: Chasing the dream—and dealing with the reality](#)

[Building the Home Team](#)

[Picking Your First Employees](#)

[Customer Support from the Inside](#)

[Customer Support Secrets](#)

[Becoming the Shiny New Thing](#)

[Settling In](#)

[Moving Again](#)

[Notes](#)

[Chapter 7: Go West: Leveraging location and upending our lives](#)

[Office Space: Real Estate Lessons Learned the Hard Way](#)

[Starting Over, Again](#)

[Scaling Snafus](#)

[Hiring: American Style](#)

[Hiring. Our Unconventional \(Possibly Illegal\) Hiring Checklist](#)

[Home at Last \(Or Location Matters\).](#)

[Chapter 8: Growing Up: Going from building a product to building a company—and messing up along the way.](#)

[Onboarding Talent and Trying to Look Like a Pro](#)

[Some Tricks on How to Hire People Who Can Do What You Can't](#)

[Every Little Thing You Do Matters](#)

[Treat Customers with Love and Respect](#)

[Mo Money, Mo Problems](#)

[Sorry. We Messed Up](#)

[Chapter 9: Innocence Lost: From idealist to realist, and the uncomfortable journey in between](#)

[Shifting Your Strategy and Feeling Fine about It](#)

[Moving Up, Moving Out, Making Different Choices...](#)

[... And Sometimes Pissing Off Your Friends and Alienating Your Best Employees](#)

[Learning to Edit the Authentic Self](#)

[The Most Important Management Secret I Only Just Learned](#)

[Some Final Thoughts on How We Changed](#)

[Chapter 10: Going to the Show: Becoming a public company and remembering where we came from](#)

[Ignoring Conventional Wisdom](#)

[Road Warriors: How to Survive an IPO Road Show](#)

[Determining How Much You're Worth](#)

[Showtime!](#)

[The More Things Change...](#)

[Notes](#)

[Epilogue](#)

[A Few More Thoughts: It's all about relationships](#)

[Acknowledgments](#)

[About the Authors](#)

[More from Wiley](#)

[Index](#)

[End User License Agreement](#)

Startupland

HOW THREE GUYS RISKED EVERYTHING TO TURN AN IDEA INTO A GLOBAL BUSINESS

Mikkel Svane
Carlye Adler

 **JOSSEY-BASS™**
A Wiley Brand

Cover design by Jesse Harding, Bob Galmarini, Toke Nygaard, Paul Capili, and Jeanie Mordukhay

Copyright © 2015 by Zendesk, Inc. All rights reserved.

Published by Jossey-Bass

A Wiley Brand

One Montgomery Street, Suite 1200, San Francisco, CA 94104-4594—
www.josseybass.com

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, 978-750-8400, fax 978-646-8600, or on the Web at www.copyright.com. Requests to the publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, 201-748-6011, fax 201-748-6008, or online at www.wiley.com/go/permissions.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages. Readers should be aware that Internet Web sites offered as citations and/or sources for further information may have changed or disappeared between the time this was written and when it is read.

Jossey-Bass books and products are available through most bookstores. To contact Jossey-Bass directly call our Customer Care Department within the U.S. at 800-956-7739, outside the U.S. at 317-572-3986, or fax 317-572-4002.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Library of Congress Cataloging-in-Publication Data is on file.
ISBN 978-1-118-98081-1 (hardcover),

ISBN 978-1-118-98085-9 (epdf),
ISBN 978-1-118-98086-6 (epub)

For the citizens of Startupland.

Foreword

By Alexia Tsotsis

For the citizens of today's Startupland, anything is possible: You can order a car, a sandwich, and even a drone from your phone. You can even subscribe to an on-demand service that manages all of your other on-demand services.

As incumbent companies across all sectors continue to value immediate financial returns over innovation, our VC-backed pocket of the universe continues to throw money at small startups trying to solve big problems, or small problems. Silicon Valley can at times seem like an entirely different planet: Startupland.

While the back of the napkin statistic is that 90 percent of startups never make it out of Startupland, we're all struggling in overpriced housing and office buildings hoping to be in the narrow part of the bell curve. "It's only a bubble if it bursts," we whisper to ourselves while we click away at our keyboards.

Chronicling his entrepreneurial journey from the first Internet bubble to the current period of exuberance, Mikkel Svane's *Startupland* is a unique tale of a Dane who just wanted to demystify enterprise software with his accessible, design-savvy help desk in the cloud.

I most likely met Svane at one of the multitudes of startup launch parties or at a ubiquitous conference cocktail hour. But I got to know him the best as the subject of an onstage interview I conducted at Le Web 2012, a full year after I had written a post describing the \$3.4 billion SAP/SuccessFactors acquisition as "boring."

What impressed me the most about Svane was his reluctance to show fear when asked about Salesforce's 'Assistly' buy, which within a month would be turned into the Salesforce Zendesk competitor Desk.com. He also indicated in the interview that Zendesk had had an acquisition offer for 100 million dollars, which he turned down. Bold. Svane later told me that he believed I was "the voice of a generation" when I called the SAP acquisition by SuccessFactors "boring." Ha!

But in a way it makes sense. Svane is a big proponent of adjusting the branding of enterprise software when you're selling direct to consumers. Also, he understood what I was getting at artistically in that pretty controversial post: You cannot build a successful next-generation enterprise company without appealing to the people doing the buying nowadays, the *normals*. Zendesk was a vanguard company in this regard.

Starting out in Copenhagen, Denmark, Svane has gone from running a 3D Magic Eye software startup to a forums company called Caput (yeah) to Thank You Machine, the company that eventually became Zendesk, to taking Zendesk public with its elegant NYSE symbol \$ZEN.

Svane and his cofounder Morten Primdahl came up with the idea for "a help desk that you'd love" while working at the big German corporate conglomerate Materna. Like my characterization of the SAP SuccessFactors' buy, "boring" was Morten's initial response to being offered a job at the huge company. Later, when Svane tried to enlist Alexander Aghassipour along for his Zendesk idea—essentially a more streamlined version of Materna's offerings—he got a similar response: "The most boring thing ever."

Svane distills these reactions as an actual green light for a good startup idea—pick an overlooked industry, something that someone else would find mundane, and go all out.

After all, that specific boring idea, Zendesk, is now valued at over \$1 billion.

For Svane, the mundane is sexy if you can make something that looks hard seem easy. He and Box's Aaron Levie are the co-captains of the sexy enterprise.

Svane sprinkles his chronological narrative with unexpected business advice for founders, a user's guide to Startupland. He will teach you how to get over a fear of flying by watching YouTube videos on turbulence or explain why you shouldn't party hard on your IPO road show. (A pro-tip given to him by Twitter CEO Dick Costolo.)

And, as a model startup citizen, Svane has been through every gritty aspect of entrepreneurship. And entrepreneurs just starting out would be wise to study his journey.

No moment is too humbling in startup life: Taking out a \$50,000 line of credit with no savings in order to make payroll and lying to your family through economic instability, startups, even when successful, are not pretty.

And it's often hard to separate press-driven mythology from the reality: Many startups constantly compare their turbulent story to the success parade often featured on our blog, TechCrunch. Bootstrapped in the beginning, Zendesk gets rejected from the TechCrunch20 conference and even has my former boss Michael Arrington personally telling Svane to never email us again.

The startup eventually wins a Crunchie for sexiest enterprise startup. Long story short, they eventually get covered on TC, although not exactly in the way they had hoped. "Zendesk raises prices, pisses off customers," reads one headline.

(And an aside: Svane once had a great time at the TechCrunch August Capital Party, so we're not that bad!)

Despite what you read on TechCrunch, an entrepreneur's journey is tumultuous, heartbreaking, and at times hilarious, and when you do meet a VC who likes you, well, no money, no problems. This book is a poignant recounting of the founders' kismet interspersed with off-beat advice like, "unless you are Steve Jobs, CEOs are not supposed to allude to recreational drug use." *Startupland* is your passport to our silly and serious startup microcosm.

Enjoy your trip.

"Let us be lovers, we'll marry our fortunes together.
I've got some real estate here in my bag"
So we bought a pack of cigarettes and Mrs. Wagner's
pies
And walked off to look for America

"Kathy," I said, as we boarded a Greyhound in Pittsburgh
"Michigan seems like a dream to me now
It took me four days to hitch-hike from Saginaw
I've come to look for America."

Laughing on the bus
Playing games with the faces
She said the man in the gabardine suit was a spy
I said, "Be careful, His bow tie is really a camera"

"Toss me a cigarette, I think there's one in my raincoat"
"We smoked the last one an hour ago"
So I looked at the scenery, she read her magazine
And the moon rose over an open field

"Kathy, I'm lost," I said, though I knew she was sleeping.
"I'm empty and aching and I don't know why"
Counting the cars on the New Jersey Turnpike
They've all come to look for America
All come to look for America
All come to look for America

— *Paul Simon, “America”*

Introduction

The Pursuit of Happiness

Less than a decade ago, my friends Alexander Aghassipour and Morten Primdahl and I were gainfully (ish) employed—and unfulfilled.

Though life in Copenhagen was good—everything was taken care of in the place with the happiest people in the world—we wanted to do something else with our lives. Perhaps we were each experiencing a mid-life crisis of sorts. We were all in our mid- to late thirties, and concerned that time was running out to do something we really wanted to do.

We felt that we needed to make a change before it was too late. We all know that people grow more risk-averse over time. As we start to have houses and mortgages, and kids and cars, and schools and institutions, we start to settle. We invest a lot of time in relationships with friends and neighbors, and making big moves becomes harder. We become less and less willing to just flush everything down the drain and start all over.

“If we don't do this now, we'll end up as ‘butt cheek consultants,’” said Morten. He's probably the only person in the world to use that term—an allusion to the common scalloped curtains called “butt-cheek curtains” that hung in ordinary Danish homes. Morten didn't want to be ordinary or pedestrian; he had a fear of forever being a hired gun on projects rather than somebody who builds something and defines his own destiny. “That is not where happiness comes from,” he said.

He was right.

And so, in the pursuit of happiness, we turned an overlooked idea into an opportunity. In the process, we figured out how to chase—and ultimately catch—the American Dream.

For me, it was tough to try to preserve that little cocoon I had established for my family while moving them across the world. I feared that if we didn't succeed it would be so much work to move back and start over. But along the way that fear subsided. I saw how willingly Americans take on risk and accept starting all over. There's much more mobility in the United States than in Europe, and there's less nostalgia in terms of where you are and what you have. Sometimes it's almost beautiful in its brutality, the American willingness to slash everything and start over again. But that is how big things are built and great things are done. Kill your darlings. Clean slate. Rinse. Reboot.

Maybe it's because the United States is a younger country and most people here are well connected to its brief history. They celebrate the independence and entrepreneurialism and grit on which this country was built. And they imbibe it. They know that if something has to be done it will have to be done by the person in the mirror. There's nobody else.

Sometimes, in thinking about our own discoveries and what we found in America, I think about one little story of Christopher Columbus as I learned it in school in Denmark.

According to the legend, Columbus was back after discovering the Americas and having a meal with his friends, or maybe his enemies. One of these haters dissed his achievements, commenting that it wasn't so exceptional—after all, Spain had a lot of “great men knowledgeable in cosmography and literature,” and with time, anyone could have gone on a similar adventure and accomplished what he did. Or so the hater said.

Instead of responding to the slight, Columbus gave a demo. He requested a whole egg, placed it on the table, and issued a challenge: “My lords, I will lay a wager with any of you that you are unable to make this egg stand on its end—as I will do without any kind of help or aid.”¹

Of course, all the Spanish nobles tried and failed. Then Columbus tapped the egg gently on the table to break it slightly and stood the egg on its end. And so he made his point: once you know—or are shown—how to do something, it's easy. The hard part is getting there.

We were not the first to build an internet company, or the first to discover California as Startupland, or the first to invent customer support—other pioneers did that before us and showed us a path. What we did at Zendesk was find a new way to do other things that hadn't been considered or tried before. Things that seem simple now but that simply weren't done. However, we didn't succeed only because it was a good idea—after all, anyone can have a good idea. We succeeded because we worked hard, we cracked some problems early, and we didn't give up when the weather changed, when the waters became choppy and the challenges became more daunting. We didn't wait for someone to show us how to navigate; we figured it out as we went. What we found was the joy that comes from doing something no one had thought about, from creating something out of nothing, and from making what's hard seem easy.

For me, finding true Zen in building a company has been the realization that almost everything is difficult. Most things are complicated. People are imperfect and don't always act rationally. Relationships are hard. If you want to make something look easy, you have to put a lot of effort into it. Only by embracing the fact that nothing is easy and that the most important things are so incredibly hard can

you approach work (and life) with the right humility that can set you up for success.

Looking back, I know that we worked hard, but most of all I recognize that really we were also so lucky. The first few years, the fact that things didn't break apart? That was more luck than anything else. Later, it was not just about luck but also about persistence. There are no shortcuts. You have to constantly take the hard route. I can't give a precise formula for how we built a product and then a company. After all, in some ways I still believe it's against the odds that we succeeded.

Startupland is the story of the unexpected difficulties, the unplanned occurrences, and the debates and decisions that happened in the earliest days of building Zendesk, now a global publicly traded company. It's also a story of inspiration and optimism—and an account of what you gain when you give up what you are expected to do and chart your own direction.

Living and working in San Francisco, I have the opportunity to meet with aspiring entrepreneurs, and I'm often asked the same questions: *How did you do it? How did you move the company from Denmark to the United States? How did you get a visa? How did you get a green card? How do you get VC introductions? How do you pitch to VCs? How do you balance optimism with reality?*

There are no *simple* answers to these questions. But there are many answers. I'll try to be as honest as possible. I'll attempt to answer these challenges by detailing our own meandering, up-and-down and back-and-forth journey to Startupland. I hope that our story inspires you on your journey.

I'll tell you about what led to the idea and why we left comfortable lives to take a risk and pursue it. I'll share with

you how we built a founding team, and how we stayed together, even though we didn't always get along. I'll share our mishaps with almost-investors, and our virginal fear of the venture capital model and how we overcame it. I'll write about our move across the Atlantic, our false starts, and the big event of becoming a public company, and how that just becomes the beginning of a new story. But that's just a small part; our mistakes get as much play as what we've mastered.

I hope that what I tell you here will also show you that it wasn't all bad and it wasn't all difficult, and that it was always worth it. I'll tell you about building a product that customers love, and how we connected with and won customers in the most unexpected corners of the world. I'll include how we built a team with friends—dear longtime friends—with whom we got to share time, a cold suburban house, and a fantastic opportunity. I'll tell you about how other friends invested in Zendesk—and saved us from nearly going broke. I'll tell you what we did to disrupt the entire customer service and support industry and how we ultimately transformed an idea into a global company that's traded on the New York Stock Exchange.

Along the way, I'll share the unconventional advice you learn only in the trenches. I am allergic to pat business advice that aims to give some formula for success. I've learned there is no formula for success; the world moves too fast for any formula to last, and people are far too creative—always iterating and finding a better way. A better mousetrap is always possible. But of course there are things we've learned through experience, unexpected things. Take the value of adding spelling errors to emails in increasing customer response rates, the important practice of cursing around job candidates, or the upside to using a woman's name instead of a man's in customer correspondence. I hope that what we have learned may

help you on your own path, or at the very least encourage you to think differently from the standard business-as-usual practices.

Most of all, I hope that you'll agree that this is a story about fostering fulfilling relationships. I'll share how our friendships survived as we changed, how our customers grew with us and motivated us, and how our families stuck with and supported this crazy adventure. Building something out of nothing is not easy, but nothing that is worthwhile is easy. And nothing is more fun. Being a part of a technology startup in San Francisco has been the most rewarding professional experience I've ever had. I wish for everyone to have that privilege of truly finding and trying what you're best at and succeeding.

Notes

- ¹ Girolamo Benzoni, *History of the New World*, vol. 21 (originally published 1565), <http://bit.ly/1uPsrzs>, p. 17.