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FOUNDER'S AT WORK

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PROJECT REPORT OF FOUNDERS AT WORK

WRITTEN BY: JESSICA LIVINGSTON

INTRODUCTION:



Jessica Livingston (born February 5, 1972) is an American author and a founding partner of the seed stage venture firm Y Combinator. She also organizes Startup School. Previously, she was the VP of marketing at Adams Harkness Financial Group. She has a B.A. in English from Bucknell University. In early 2007, Livingston released “*Founders at Work: Stories of Startups' Early Days*” (published by Apress), a collection of interviews with famous startup founders, including: Steve Wozniak, Mitch Kapor, Ray Ozzie, and Max Levchin. In 2008, she

Married fellow Y Combinator co-founder **Paul Graham**. In December 2015, it was announced that Livingston is one of the financial backers of **Open AI**, a for profit company aimed at the safe development of **artificial general intelligence**.

What make founder succeed?

Some kind of magic happens in startups, especially at the very beginning, but the only people there to see it are the founders. The best way to understand what happens is to ask them, so that’s what I did.

In the book, you’ll hear the founders’ stories in their own words. Here I want to share some of the patterns I noticed. When you’re interviewing a series of famous startup founders, you can’t help trying to see if there is some special quality they all have in common that made them succeed.

What surprised me most was how unsure the founders seemed to be that they were actually on to something big. Some of these companies got started almost by accident. The world thinks of startup founders as having some kind of superhuman confidence, but a lot of them were uncertain at first about starting a company. What they weren’t uncertain about was making something good—or trying to fix something broken.

They all were determined to build things that worked. In fact, I’d say determination was the single most important quality in a startup founder. If the founders I spoke with were superhuman in any way, it was in their perseverance. That came up over

and over in the interviews.

Perseverance is important because in a startup nothing goes according to plan. Founders live day to day with a sense of uncertainty, isolation, and sometimes lack of progress. Plus startups, by their nature, are doing new things, and when you do new things people often reject you.

That was the second most surprising thing I learned from these interviews: how often the founders were rejected early on. By investors, journalists, established companies—they got the Heisman from everyone. People like the idea of innovation in the abstract, but when you present them with any specific innovation, they tend to reject it, because it doesn't fit with what they already know.

Innovations seem inevitable in retrospect, but at the time it's an uphill battle. It's curious to think that technology we take for granted now, like web-based email, was once dismissed as unpromising. As Howard Aiken said: "Don't worry about people stealing your ideas. If your ideas are any good, you'll have to ram them down people's throats."

In addition to perseverance, founders need to be **adaptable**. Not only because it takes a certain level of mental **flexibility** to understand what users want, but because the plan will probably change. People think startups grow out of some brilliant initial idea like a plant from a seed. But almost all the founders I interviewed changed their idea as they developed it. PayPal started out writing encryption software, Excite started as a database search company, and Flickr grew out of an online game.

Starting a **startup is a process of trial and error**. What guided the founders through this process was their empathy for the users. They never lost sight of making things that people would want.

Successful startup founders typically get rich from the process, but the ones I interviewed weren't in it just for the money. They had a lot of pride in craftsmanship. And they wanted to change the world. That's why most have gone on to new projects that are just as ambitious. Sure, they're pleased to have more financial freedom, but the way they choose to use it is to keep building more things. Startups are different from established companies—almost astonishingly so when they are first getting started. It would be good if people paid more attention to this important but often misunderstood niche of the business world, because it's here you see the essence of productivity. In its plain form, productivity looks so weird that it seems to a lot of people to be "un businesslike." But if early stage startups are un businesslike, the corporate world might be more productive if it was less businesslike.

My goal with these interviews was to establish a fund of experience that everyone can learn from. You'll notice certain classes of problems that constantly bit people. All the founders had things they wished they'd known when they were getting started.

Now these are captured for future founders.

I'm especially hoping this book inspires people who want to start startups. The fame that comes with success makes startup founders seem like they're a breed apart.

Perhaps if people can see how these companies actually started, it will be less daunting for them to envision starting something of their own. I hope a lot of the people who read these stories will think, "Hey, these guys were once just like me. Maybe I could do it too."

I often get asked if I'll write another volume. Most likely yes, but I'm not sure when. With 2 kids and over 900 investments, I just don't have the long, beautiful stretches of time I used to.

Founders at Work took a lot of time. I prepared a lot before each interview. I transcribed the tapes (yes, tapes) myself, which helped me do a better job of editing. Each introduction, though only a few paragraphs, often took a day or two. I cared so much that this book be good. It wound up being the publisher's best-selling book the year it came out, and I still get people telling me that it inspired them. I don't want to write another one till I have the time to work as hard on it as I did on the first.

If I had the time though I'd start tomorrow. Often familiarity with something kills your excitement, but 900 startups later I'm still just as excited about them. Startups are fascinatingly complicated. I wrote in the introduction to *Founders at Work* that I wanted "to share some of the patterns I noticed." I'm still trying to find the patterns.

BRIEF INTRODUCTION TO FOUNDERS

CHAPTER # 01: Max Levchin Cofounder, PayPal



PHOTO: ANDREAS RENTZ/GETTY IMAGES

PayPal was founded in December 1998 by recent college graduate Max Levchin and hedge fund manager Peter Thiel. The company went through several ideas, including cryptography software and a service for transmitting money via PDAs, before finding its niche as a web-based payment system.

That service became wildly popular for online vendors, especially eBay sellers, who preferred it to traditional payment methods. PayPal went public in early 2002 and was acquired later that year by eBay for \$1.5 billion. PayPal was started during the Internet Bubble, but it was in no sense a Bubble startup. Its success was a direct reflection of the intelligence of the people who built it. PayPal won because they built a better mousetrap. With any new method of moving money come new forms of fraud. In large part, PayPal succeeded because it could deal with fraud—and its competitors couldn't. The software that Levchin and his team developed to combat fraud runs quietly and invisibly. To this day, PayPal doesn't talk much about it. But Levchin's software was just as much the reason for PayPal's success as a more visible product like the Apple II was for Apple.

CHAPTER # 02: Sabeer Bhatia Cofounder, Hotmail



When coworkers Sabeer Bhatia and Jack Smith began working on their first startup idea—a web-based personal database they called Java Soft—they were frustrated because their employer's firewall prevented them from accessing their personal email accounts. To solve their problem, they came

up with the idea of email accounts that could be accessed anonymously through a web browser. This idea became the startup. In 1996, the first web-based email was born, offering people free email accounts that could be accessed from any computer with an Internet connection. Less than 2 years later, they had grown Hotmail's user base faster than any media company in history. On New Year's Eve, 1997, Microsoft acquired Hotmail for \$400 million.

CHAPTER # 03: Steve Wozniak Cofounder, Apple Computer



If any one person can be said to have set off the personal computer revolution, it might be Steve Wozniak. He designed the machine that crystallized what a desktop computer was: the Apple II. Wozniak and Steve Jobs founded Apple Computer in 1976. Between Wozniak's technical

ability and Jobs' mesmerizing energy, they were a powerful team. Woz first showed off his home-built computer, the Apple I, at Silicon Valley's Homebrew Computer Club in 1976. After Jobs landed a contract with the Byte Shop, a local computer store, for 100 preassembled machines, Apple was launched on a rapid ascent. Woz soon followed with the machine that made the company: the Apple II. He single-handedly designed all its hardware and software—an extraordinary feat even for the time. And what's more, he did it all while working at his day job at Hewlett-Packard. The Apple II was presented to the public at the first West Coast Computer Faire in 1977. Apple Computer went public in 1980 in the largest IPO since Ford in 1956, creating more instant millionaires than any other company up to that point. The Apple II was the machine that brought computers onto the desks of ordinary people. The reason it did was that it was so miraculously well designed. But when

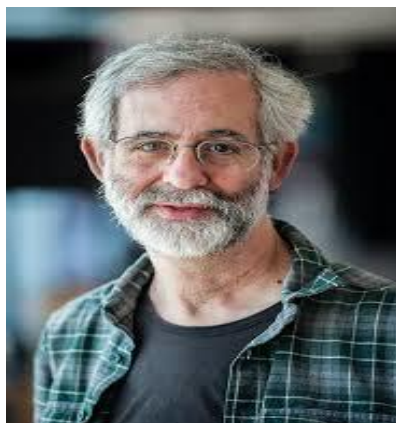
you meet Woz in person, you realize another equally miraculous aspect of his character. A programmer might describe it by saying he's good in hardware.

CHAPTER # 04: Joe Kraus Cofounder, Excite



Joe Kraus started Excite (originally called Architext) in 1993 with five Stanford classmates. Though they began by developing technology for information search and retrieval, their decision to go into web search ultimately made their site the fourth most popular site on the Web in the late 1990s. Excite got venture capital funding in 1994 and launched its web search engine into a market crowded with competitors. Excite went public in 1996 and in 1999 merged with high-speed Internet service @Home.com to become Excite@Home. In 2004, Kraus and Graham Spencer founded Jot Spot, an application wiki company.

CHAPTER # 05: Dan Bricklin Cofounder, Software Arts



Dan Bricklin and his friend Bob Frankston founded Software Arts in 1979 to produce VisiCalc, the first electronic spreadsheet. Spreadsheets used to be made on paper. As a student at Harvard Business School, Bricklin thought how convenient it would be if they could be made on desktop computers instead. He wrote a prototype in Basic over a weekend, and then he and Frankston set about turning it into a product. When their first release shipped in October 1979, it ignited the personal computer software revolution.

VisiCalc was the “killer app” for personal computers: businesses bought Apple IIs just to use it. Unfortunately, VisiCalc was not produced by a company organized like a modern startup. VisiCalc was developed by Software Arts, but distributed by Daniel Fylstra’s Personal Software (later renamed VisiCorp), which paid royalties to Software Arts. Friction between the two culminated in a lawsuit in September 1983—just as Lotus 1-2-3 hit the market. The distraction proved fatal. As a business, Software Art’s fall was as fast as its rise, but it had more influence than many longer-lived companies. Bricklin and Frankston’s ideas live on in all the software we use today.

CHAPTER # 06: Mitchell Kapor Co-founder, Lotus Development



Mitch Kapor founded Lotus Development with Jonathan Sachs in 1982. Their spreadsheet software, Lotus 1-2-3, quickly surpassed VisiCalc to become the new industry standard. VisiCalc had been the original “killer app” for personal computers. Kapor was a VisiCalc product manager at Personal Software when he wrote

VisiPlot and VisiTrend, companion products to VisiCalc. He left to found Lotus just as legal conflicts were distracting VisiCalc’s developers, and the arrival of the IBM PC opened a window of opportunity for a better spreadsheet. Lotus 1-2-3 could handle larger spreadsheets and added integrated charting, plotting, and database capabilities. It became the killer app killer. Lotus went public in 1983. Kapor served as president and CEO from 1982 to 1986 and as a director until 1987. IBM acquired Lotus in 1995 for \$3.5 billion. Kapor cofounded the Electronic Frontier Foundation (EFF) in 1990 and now leads the Open Source Applications

Foundation, a nonprofit that promotes the development and adoption of open source software.

CHAPTER # 07: Ray Ozzie Founder, Iris Associates, Groove Networks



At the University of Illinois, Ray Ozzie worked on PLATO Notes, one of the earliest collaboration applications. Later he wanted to develop collaboration software of his own, but couldn't find funding. After he led the development of Lotus Symphony, Mitch Kapor and Jonathan Sachs decided to invest in Ozzie's idea, which would become Lotus Notes. Instead of working as an employee, Ozzie founded Iris Associates in 1984 to develop the product for Lotus. It was an unusual form of startup, but it worked. Lotus Notes was the first widely used collaboration software. The first release shipped in 1989, and Iris was acquired by Lotus in 1994. In 1997, Ozzie founded Groove Networks, which built Internet-based workgroup collaboration software. Microsoft acquired Groove in 2005 and named Ozzie chief technical officer. In June 2006, he took over as chief software architect from Bill Gates.

CHAPTER # 08: Evan Williams Cofounder, Pyra Labs (Blogger.com)



Evan Williams cofounded Pyra Labs in 1999. Originally, Pyra intended to build a web-based project management tool. Williams developed Blogger to manage his personal weblog, and it quickly became an important mechanism for

sharing ideas internally at Pyra. Once launched publicly, Blogger grew rapidly, and Pyra Labs decided to focus on it full-time. But Blogger.com did not generate a lot of revenue at first, and as the Bubble deflated in 2001, Pyra seemed near death. Williams remained as the only employee and managed to bring the company back from the brink. By 2003, Blogger had one million registered users. That attracted the attention of Google, who made Pyra their first acquisition. Williams left Google in 2004 to cofound a podcasting company called Odeo.

CHAPTER # 09: Tim Brady First Non-Founding Employee, Yahoo



Yahoo began in 1994 as a collection of links to research papers maintained by two Stanford grad students, Jerry Yang and David Filo. They gradually added links to new types of information, and the site grew rapidly in popularity. By the end of 1994, Yang and Filo were considering turning the site into a startup, and they asked Tim Brady to write a business plan for it. Brady had been Yang's college roommate and was by this time getting his MBA at Harvard Business School. Brady initially expected to be able to finish the semester, but as Yahoo's potential grew, it became clear that he couldn't wait. He turned in the company's business plan as his final assignment in the courses he still needed to pass, and jumped on a plane west to become Yahoo's first actual employee. Brady's title during his 8 years at Yahoo was VP of Production. His responsibility, as he puts it, was "product." He was effectively the editor of Yahoo's site. Yahoo went public in April 1996, and for nearly all the period since has been the most popular network of websites in the world. Ultimately, Yahoo won the

portal wars because it was a better site, and it was the site it was largely because of Tim Brady.

CHAPTER # 10: Mike Lazaridis Cofounder, Research In Motion



Mike Lazaridis founded Research in Motion (RIM) with his friend Doug Foreign in 1984 while still an undergraduate at the University of Waterloo. One of their first projects was a local area network that ran industrial displays. Near the end of Lazaridis's senior year, they landed a \$600,000 contract to build a similar network for General Motors. A few weeks shy of his graduation, Lazaridis left school to focus full-time on the company. RIM was one of the first companies to appreciate the importance of wireless networks. In the early 1990s, when email was still largely unknown in corporate America, Lazaridis foresaw the potential of mobile email. A series of projects in this area culminated in 1999 in the BlackBerry, now the dominant product in this market. The BlackBerry was one of those innovations that not only became popular, but changed the way organizations operate. Some of the most powerful people in business and politics run their lives with this device. RIM went public in 1997, and is one of Canada's most admired technology companies.

CHAPTER # 11: Arthur van Hoff Cofounder, Marimba



Arthur van Hoff was part of the Java development team at Sun Microsystems when he left in 1996 to found Marimba, a software distribution company. Joining him as cofounders were two fellow developers from the Java team, Sami Shaio and

Jonathan Payne, and Kim Polese, Java's product manager. Marimba received lots of attention from the press and venture capitalists early on. The company grew from a 4-person startup to a company with more than 300 employees at the time of its IPO in 1999. van Hoff left the company in 2002 to start another startup, Strange berry. Marimba was acquired by BMC Software in 2004.

CHAPTER # 12: Paul Buchheit Creator, Gmail



Paul Buchheit was Google's 23rd employee. He was the creator and lead developer of Gmail, Google's web-based email system, which anticipated most aspects of what is now called Web 2.0. As part of his work on Gmail, Buchheit developed the first prototype of AdSense, Google's program for running ads on other websites. He also suggested the company's now-famous motto, "Don't be evil," at a 2000 meeting on company values. Although not a founder, Buchheit probably contributed more to Google than many founders do their startups. Gmail was in effect a startup within Google—a dramatically novel project on the margins of the company, initiated by a small group and brought to fruition against a good deal of resistance.

CHAPTER # 13: Steve Perlman Cofounder, WebTV



One weekend in 1995, Steve Perlman tested his theory that the Web could look as good on a TV screen as it did on a computer monitor. In 3 days of round the-clock effort, he built a thin client for surfing the Web, using a television as a display. He invited his friend Bruce Leak over to see what he'd

built, and they knew right away it was a big enough idea for a startup. It was a natural project for Perlman, by then one of the leading experts on display technology. At Apple, he helped bring color to the Mac. Later, at his first startup, Catapult Entertainment, he built one of the first systems for network games. Now he wanted to bring the Web into people's living rooms. A little over a year after that first prototype, Sony and Philips sold the first WebTV set-top boxes to the public. In 1997, WebTV (now called MSNTV) was acquired by Microsoft for over \$500 million.

CHAPTER # 14: Mike Ramsay Cofounder, TiVo



Mike Ramsay and Jim Barton founded TiVo in 1997. Their original plan was to create a network server for homes. Realizing it would be hard to explain to consumers why they needed one; they narrowed the idea down to one component of the original plan: the digital video recorder (DVR). The first version was launched in 1999. TiVo was ground-breaking in that it took all the information that existed on television and gave the viewers the power to manipulate it. With TiVo, you could skip commercials, pause live TV, schedule the recording of every episode of a series—the entire things one might expect to be able to do with data. But these new features sparked controversy in Hollywood. Networks worried about losing control over how people watched TV. By skillfully navigating the border between what's possible with technology and what television executives would tolerate, TiVo brought about a revolution in the way people watch TV. Like Google, its name became a verb. TiVo went public in 1999. Ramsay stepped down as CEO in 2003, but remained as chairman.

CHAPTER # 15: Paul Graham Cofounder, Viaweb



Paul Graham and his friend Robert Morris started via web in 1995 to make software for building online stores. A few days into writing the first prototype, they had a crazy idea: why not have the software run on the server and let the user control it through their browser? Within weeks, they had a web-based online store builder they could demo to investors.

They launched at the beginning of 1996. Via web was one of the first companies to deliver on the Web's promise of creating a level playing field. Using Via web's software, small businesses could make online stores as good as those built by big catalog companies. And many did: by 1998, Via web Store was the most popular e-commerce software. Via web was acquired by Yahoo in June 1998 and renamed Yahoo Store. In 2005, Graham cofounded Y Combinator, a seed-stage investment firm.

CHAPTER # 16: Joshua Schachter Founder, del.icio.us



Joshua Schachter started the collaborative bookmarking site del.icio.us in 2003. As often happens with startups, del.icio.us began as something Schachter built for himself. He needed a way of organizing his collection of 20,000 bookmarks, and he hit on the idea of “tagging” them with brief text phrases to help him find links later. He put del.icio.us on a server and opened it up to other people, and it began to spread by word of mouth. For the first several years, Schachter worked on del.icio.us and other projects, like Meme pool and GeoURL, while working as a quantitative analyst at Morgan Stanley. But all the while, del.icio.us was

growing. By November 2004, a year after its release, it had 30,000 users. In early 2005, Schachter decided to turn del.icio.us from a hobby into a company. In March of 2005, he left his job to “found” del.icio.us and focus on it full-time, raising \$1 million in funding. In December of that year, Yahoo acquired del.icio.us for an amount rumored to be about \$30 million.

CHAPTER # 17: Mark Fletcher Founder, ONElist, Bloglines



Mark Fletcher was a senior software engineer for Sun Microsystems when he started ONE list, a free Internet email list service, in 1997. He ran ONE list as a side project until he received venture funding a year later. Yahoo acquired ONE list (later renamed eGroups) in June 2000. In 2003, Fletcher created Blog lines, a web-based news aggregation service. He originally wrote the program to manage his own bookmark list, but once he launched it publicly, Blog lines was fast on its way to becoming the most popular news aggregator on the Internet. It was acquired by AskJeeves in February, 2005. Fletcher’s startups typify many of the Web 2.0 aspects that we value today: building inexpensive web-based companies that grow fast. ONE list got to one million users before it took outside investment, and Blog lines took only \$200,000 of investment before its acquisition.

CHAPTER # 18: Craig Newmark Founder, craigslist



In 1995, Craig Newmark started an email list to publicize events in San Francisco. As “Craig’s List” grew in popularity, he switched from a mailing list to a website and added categories. Without consciously realizing it, he was about to take a big bite out of the classified ad business. In 1999, Newmark decided it was time to morph craigslist.org from a hobby into a real business. Jim Buckmaster joined on as lead programmer and CTO in early 2000, and was promoted to CEO later that year. Dedicated to his mission of building a community on the Internet, Newmark has held fast to his plan to keep craigslist as free as possible. All listings are free, except help wanted ads in select cities and broker apartment listings in New York City. There are no banner ads. Despite many opportunities to increase revenues, craigslist never compromised the experience of its users. And because it is able to operate cheaply and let users do much of the work, craigslist has only about 20 employees—several orders of magnitude less than other top-ten sites. Though eBay purchased a 25 percent stake in the company from a former craigslist employee in 2004, craigslist remains a privately held company. It continues to expand, and now has sites for over 300 cities worldwide.

CHAPTER # 19: Caterina Fake Cofounder, Flickr



Caterina Fake started Ludicorp in the summer of 2002 with Stewart Butterfield and Jason Classon. The company's first product, Game Never-ending, was a massively multiplayer online game with real-time interaction through instant messaging (IM). In 2004, they added a new feature—a chat environment with photo sharing—which quickly surpassed Game Never-ending itself in popularity. The team knew they were onto something big and put Game never ending on hold to develop a new photo-sharing community site called Flickr. Flickr became extremely popular and was acquired by Yahoo in March 2005. With its emphasis on user-generated content and its devoted online community, Flickr is one of the most commonly cited examples of Web 2.0 companies.

CHAPTER # 20: Brewster Kahle Founder, WAIS, Internet Archive, Alexa Internet



Brewster Kahle started WAIS (Wide Area Information Servers) in the late '80s while an employee of Thinking Machines. He left in 1993 to found WAIS; Inc. WAIS was one of the earliest forms of Internet search software. Developed before the Web, it was in some ways predecessor to web search engines. Kahle sold WAIS to AOL in 1995. The next year, Kahle founded Alexa Internet with Bruce Gilliat. The Alexa toolbar tracked user browsing behavior and suggested related links using collaborative filtering. Once captured, pages visited by users would then be “donated” to the related nonprofit Internet Archive, to

help build a history of the Web. Alexa was acquired by Amazon in 1999. Kahle continues to run the Internet Archive.

CHAPTER # 21: Charles Geschke Cofounder, Adobe Systems



At Xerox PARC, Chuck Geschke and John Warnock developed a language called Interpress that would allow any computer to talk to any printer. When Xerox seemed slow to commercialize this technology, Geschke and Warnock started their own company, Adobe, to produce a successor of Interpress called

PostScript. PostScript made it possible to describe complex documents in a simple form. In 1983, Adobe partnered with Apple Computer to create Apple's new LaserWriter printer. When it was introduced in 1985 it created the "desktop publishing" industry. Adobe went public in 1986 and is the recognized industry leader in graphics and desktop publishing software through its typefaces and its popular Photoshop, Illustrator, and Acrobat applications.

CHAPTER # 22: Ann Winblad Cofounder, Open Systems, Hummer Winblad



In 1976, Ann Winblad started Open Systems, an accounting software company, with the help of \$500 she borrowed from her brother. The advent of the microprocessor and the first affordable PCs created a new opportunity for programmers. Winblad was one of the first generation of entrepreneurs who figured out by

trial and error what a software startup was. Six years later, she and her cofounders sold the company for over \$15 million. In 1989, she cofounded Hummer Winblad Venture Partners, the first venture firm to focus exclusively on software. In the years since, 45 of its portfolio companies have been acquired or gone public. Now Winblad is probably the most powerful woman in venture capital.

CHAPTER # 23: David Heinemeier Hansson Partner, 37signals



David Heinemeier Hansson helped transform 37signals from a consulting company to a product company in early 2004. He wrote the company's first product, Basecamp, an online project management tool. He also wrote companion products Backpack, Ta-da List, and Campfire. In July 2004, he released the layer of software that underlies these applications as an open source web development framework. Ruby on Rails has since become one of the most popular tools among web developers and won Heinemeier Hansson the Hacker of the Year award at OSCON in 2005. In July 2006 (after this interview), 37signals president Jason Fried announced on the company's blog that Jeff Bezos had made a minority private equity investment.

CHAPTER # 24: Philip Greenspun Cofounder, ArsDigita



Philip Greenspun founded ArsDigita in 1997. Though the company lasted only a few years, ArsDigita is famous in the startup world both as the embodiment of a new model for software consulting and as an all-too-colorful example of the dangers of venture capital. ArsDigita grew out of the software that Greenspun wrote for

managing photo.net, a popular photography site. He released the software under an open source license and was soon deluged by requests from big companies for custom features. He and some friends founded ArsDigita in 1997 to take on such consulting projects. Greenspun and his cofounders fostered a great sense of loyalty among users and employees. Like Google later, ArsDigita created an environment in which programmers reigned supreme. The company grew fast, and by 2000 was generating about \$20 million in annual revenue from its monthly service contracts. That same year, ArsDigita took \$38 million from venture capitalists. Within weeks of the deal closing, conflict arose between the new investors and the founders. They marginalized and then fired most of the founders, who responded by retaking control of the company using a loophole the VCs had overlooked. The legal battle culminated in Greenspun's being bought out, and a few months later the company crashed. ArsDigita was dissolved in 2002, but not before establishing an important new model for the consulting business.

CHAPTER # 25: Joel Spolsky Cofounder, Fog Creek Software



Joel Spolsky founded Fog Creek Software with his friend Michael Pryor in 2000. They didn't have a specific product in mind, but were motivated to start the kind of software company where they would want to work—one where programmers were the stars. Around the same time, Spolsky began writing Joel on Software—now one of the most widely read programming blogs—to share his thoughts about software development, management, business, and the Internet. Joel on Software was one of the first examples of a now common (though rarely achievable) strategy for software startups: create a popular blog to get attention. With its popular software, including FogBugz and Fog Creek Copilot, Fog Creek Software has doubled its sales every year, even during the post-Bubble meltdown. The company never took any outside investment, and continues to operate as a profitable, privately held company.

CHAPTER # 26: Stephen Kaufer Cofounder, TripAdvisor



Steve Kaufer, Langley Steinert, Nick Shanny, and Thomas Palka started Trip Advisor, an online travel site, in 2000. Frustrated by the lack of unbiased, useful information for travelers, they created a site that, in addition to searching relevant content already on the Web, let users contribute personal reviews of destinations, hotels, and attractions. The online travel forum was pioneers in the now common practice of having users pick the winners, instead of leaving the choices up to human editors. Trip Advisor became the largest online travel community in the world, and was acquired in 2004 by Barry Diller's InterActiveCorp (IAC). As of July 2006, Trip Advisor had amassed more than five million user reviews and opinions, covering 220,000-plus hotels and attractions.

CHAPTER # 27: James Hong Cofounder, HOT or NOT



While looking for a job in 2000, James Hong launched a website with his friend Jim Young just for fun. HOT or NOT lets users submit photos of them and have others vote on their “hotness” on a scale of 1 to 10. The site spread virally, and within hours their server was swamped. Hong and Young sensed there was a business in it, and worked frantically to scale the site to handle the load. A few months after launching, they found the way to generate revenue from the site: they added dating for a monthly fee. Despite many acquisition offers, HOT or NOT continues to thrive as

a stand-alone company. As of July 2006, HOT or NOT had counted about 13 billion votes.

CHAPTER # 28: James Currier Founder, Tickle



James Currier came up with the idea for Tickle (founded in 1999 and originally called Emode) after taking a personality test in one of his Harvard Business School classes. A former venture capitalist with a passion for digital media and social sciences, Currier believed that the Internet could be used to help people learn more about themselves. People could visit www.tickle.com to take several different kinds of personality and self-assessment tests, most backed by scientific research, to understand areas of human behavior (and also to find out what breed of dog they most closely resembled). Tickle was acquired by Monster in 2004 for about \$100 million. Shortly after this interview, Currier founded Ooga Labs, a digital media studio that develops consumer Internet applications.

CHAPTER # 29: Blake Ross Creator, Firefox



Blake Ross and Dave Hyatt started Firefox as a side project while working at the Mozilla Foundation. They were working to revive the struggling Netscape browser, but became frustrated by the constraints imposed on them. So Ross and Hyatt decided to build a browser that they would actually want to use. Working in their spare time, they began developing a new browser that was fast, simple, and reliable. In 2002, they launched the initial version, called Phoenix, and in 2004 they released

Firefox 1.0, which was an instant hit. Like a lot of things described in this book, Firefox was something new. It was an open source project run like a startup, both in the concern for the end user and in the attention paid to marketing. The results were impressive: Firefox has cut into the formerly overwhelming market share of Internet Explorer, and dominates among technical users. In 2005, Ross took a leave from Stanford University to start a startup with fellow Firefox developer Joe Hewitt.

CHAPTER # 30: Mena Trott Cofounder, Six Apart



Husband-and-wife cofounders Mena and Ben Trott started Six Apart (named for the number of days between their birthdays) in their apartment in 2001. Trott's personal blog, Dollar short, was growing in popularity, and she was dissatisfied with the blogging software available at the time.

So she and Ben decided to develop their own and share it with some friends. Movable Type became popular almost immediately on its launch in October 2001. In April 2003, Six Apart received funding from Joi Ito's Neoteny. They launched their hosted service, Type Pad, later that fall. In January 2005, the company announced the acquisition of Danga Interactive, the makers of Live Journal. Six Apart launched Vox (formerly known as Comet), a hosted blogging platform with a social networking component, in 2006.

CHAPTER # 31: Bob Davis Founder, Lycos



Lycos was started in 1995 when CMGI's investment group, @Ventures, bought a search engine developed by Michael Mauldin at Carnegie Mellon University and Bob Davis signed on as CEO. The company grew rapidly over the next several years as Internet usage exploded. By the peak of the Internet Bubble, it was the fourth most popular site on the Web. In 2000, Lycos was acquired for \$5.4 billion by Terra Networks, a subsidiary of the Spanish telephone company, Telefonica. Davis is currently a managing general partner at venture capital firm Highland Capital.

CHAPTER # 32: Ron Gruner Cofounder, Alliant Computer Systems; Founder, Shareholder.com



In 1982, Ron Gruner, Craig Mundie, and Rich McAndrew founded Alliant Computer Systems to build parallel supercomputers. Their goal was to build a machine that used multiprocessing to achieve better performance than the fastest single-CPU machines, but in a way that was transparent to developers. In 1985, after 3 years of work, they'd done it, and for the next several years Alliant was one of the leading players in the turbulent parallel computer industry. But the company lost its way; Gruner left in 1991 after disagreement about the company's direction; and a year later Alliant filed for bankruptcy. Looking for something to do next, Gruner started a new company at the opposite end of the spectrum: a web-based service business. His experience as CEO of Alliant had taught him the importance of investor relations. In 1992, he founded Shareholder.com

with the goal of using technology to automate the process. Shareholder.com pioneered a new, broader approach toward investor relations. Shareholder.com grew steadily, and in February 2006 was acquired by NASDAQ.

FOUNDERS AT WORK TAUGHT US FOLLOWING KEY IDEA'S:

Founders at Work Key Idea #1:

Many startups, like PayPal and Blogger, didn't end up with the same idea they started out with.

In talking to the founders of numerous startups, the author found some interesting commonalities between some of the most successful of the past few decades. Among the most obvious is the fact that many big startups ended up with an idea or product very different than the one they started out with.

Take PayPal, for example. You know PayPal as one of the more popular ways to transfer money and make payments online, but co-founder Max Levchin didn't set out to help people do that.

In the late 1990s, Levchin was working on software for early handheld computer devices like the Palm Pilot. It all started when he created an emulator that generated single-use security passwords, which at the time, people had to buy bulky, expensive devices to do – or even several devices for different passwords and systems. Levchin's emulator software made all those devices obsolete, putting the technology right into your Palm Pilot.

But the market for this service wasn't that big around the turn of the millennium, so Levchin thought, what kind of information do people need to keep secure on their devices? The answer was credit card information, which then led to software that let you securely "beam" money from one Palm Pilot to another. Soon, Levchin and his co-founder Peter Thiel were gaining around 300 users a day, but they maxed out at around 12,000 users. Far more popular was the online money transfer demo on their website. This demo had attracted around 1.5 million users, so it was clear where PayPal's attention needed to be: web-based money transfers. And once

that shift was made, they were soon gaining 20,000 users a day, leading to Ebay eventually purchasing PayPal for \$1.5 billion in 2002.

Blogger.com is another example of success coming in a different way than expected. Evan Williams and his co-founders started Pyra Labs in 1999 to make project management software. The blog was just one tool with which they were working.

But in working on that tool, they made it super easy for any person, from any computer, to log in, write and instantly publish their work for all to see. It had nothing to do with project management, and Williams nearly went broke in the process, but thanks to his determination and the generous fans who loved the software, Blogger.com ended up a success story. It gained a million users, started generating revenue and was acquired by Google in 2003.

Founders at Work Key Idea #2:

Having an innovative idea can make it difficult for people to see the potential for success:

Another commonality among many early startups was that their ideas weren't always so well-received, at least not initially. Innovative ideas can seem confusing or too tricky to understand for people, which is problematic if your idea needs funding to develop.

This was the problem for Steve Perlman and his WebTV idea. In 1995, Perlman was already a respected figure in Silicon Valley, having helped Apple develop the first Mac with a color display. Yet Perlman had difficulty selling his idea for interactive TVs that involved more than just changing channels.

At the time, TVs didn't even have program guides, and Perlman was finding there was something of a catch-22 problem: TVs didn't have interactive content because there was no hardware for it, and there was no hardware for it because there was no interactive content to prove there was a market for it.

Many people Perlman approached had no confidence that customers would want to do anything more interactive with their TV than changing the channel. He proved them wrong: after being bought by Microsoft, WebTV became MSNTV. In its first eight years in the market, the product generated \$1.3 billion in revenue.

While interactive TV that you can pause, rewind and record may seem pretty basic nowadays, web-based email that you can access from any browser seems like a no-brainer. But in 1996, most everyone accessed their email from work, where internal networks and firewalls prevented you from accessing it anywhere else. In fact, before Hotmail was founded that year by Sabeer Bhatia and Jack Smith, many people believed that email accounts were always going to be something you got from your employer.

Bhatia knew, however, that there would be more people like him, who'd benefit from being able to check their email from any web browser. Nevertheless, many investors shot down Bhatia and Smith's business plan until one was finally willing to give them just enough money to prove that they could indeed make a web-based email service.

It wasn't long before the idea was proven worthwhile. Thanks in part to word of mouth, and the clever idea of putting a link to the Hotmail site at the bottom of each email, they were gaining up to 5,000 new users every day. By the end of their first year, Hotmail boasted 7 million subscribers, and not long afterward, they were acquired by Microsoft for \$400 million.

We read dozens of other great books like *Founders at Work*, and summarized their ideas in this article called *Life purpose*

Founders at Work Key Idea #3:

When launching a startup, a good team can be more important than a good idea:

Not all startups began with a great idea. Sometimes they didn't have any idea at all!

This was certainly the case for Joe Kraus, co-founder of Excite, an early web search tool. In 1993, Kraus teamed up with five friends from Stanford University, and they proved that sometimes having an idea isn't as important as having a good team.

In fact, Kraus and his classmates had no idea what their business would be, but Kraus wasn't worried because he knew his friends were all passionate and intelligent. It felt like just a matter of time before they found their way forward. Sure enough, during a brainstorming session at their favorite taco shop, they realized that with so much information being published in digital formats, people were going to need a new way to search that digital info to find what they were looking for.

At first, they focused on searching things like digital encyclopedias, but their attention soon turned to the web. After showing that their technology could scale to search massive databases, they got \$3 million in financing, and their new company, Excite, became the primary search tool for the dominant browser at the time: Netscape.

In 1996, another team was coming together without any idea. This one featured Arthur van Hoff and three others from the tech firm Sun Microsystems. They had all been involved in developing Sun's Java programming language and decided that

they should each put in \$25,000 and try their own startup business, despite a lack of ideas.

Van Hoff wasn't worried because he'd seen plenty of lousy ideas get funding, and he also knew that the first idea usually got scrapped in favor of a better second idea. In fact, having a team allowed them to pivot quickly from testing one idea to another before ending up with Marimba, a subscription-based software distribution model.

Nowadays, most software updates automatically, but at the time, it was pretty new to have a system that makes sure everyone receives their update at the same time. This is especially important for companies like the financial firm Morgan Stanley, with employees around the world. Imagine trying to contact 100,000 employees worldwide to make sure everyone installed their software update!

So, rather than starting out by fixating on one idea, instead, make sure you have a flexible team that can pivot and run with the perfect idea when it presents itself.

Founders at Work Key Idea #4:

Yahoo and deli.icio.us show how a personal project can become hugely valuable

The idea for Hotmail came when the founders were annoyed at not being able to access their email outside of the office firewall. Indeed, many startups began as solutions to personal problems, until the founders realized that millions of other people could also benefit from their idea.

The most famous example may be Yahoo, which started out as a collection of online footnotes in the form of web links for all the references being made in the PhD thesis papers of two Stanford grad students, Jerry Yang and David Filo. Quickly, the site grew, with new categories and links being added based on suggestions by enthusiastic fans.

It was growing so fast that Yang and Filo had to bring in their friend Tim Brady to help write a business plan so they could turn their hobby into the job it was clearly shaping up to be. Remarkably, as a business student, Brady was also able to submit this plan to some of his classes as a final project for graduation. Within a few months, Yahoo was indeed a real business, receiving an initial \$1 million in funding. A year later, in 1996, they went public and were on their way to becoming one of the web's pioneering empires.

The story of deli.icio.us is similar in many ways. This site began in the late 1990s as a private collection of online bookmarks made by Joshua Schachter, who was working as an analyst at Morgan Stanley at the time. By 2001, with the help of

some suggested links from others, he'd amassed around 20,000 bookmarks, which proved highly popular at a time when finding cool and interesting things on the web wasn't easy.

Naturally, a collection this size was a challenge to keep organized, so he started tagging the links with short categorical descriptions, like "math" or "food." He then put the database on a server for the public to see. Within a year, the service had 30,000 users. It was growing to be so popular that he received \$1 million in funding before the service was purchased by Yahoo in 2005 for \$30 million.

For Schechter, tagging was a simple solution to a personal organizational problem, yet it was one that became extremely popular in helping others find what they were looking for as well.

Founders at Work Key Idea #5:

Sometimes, as with Apple and ArsDigita, simpler is better.

Oftentimes, the best solution to a problem isn't going to be some complex tool that comes with a 500-page user manual. Like Joshua Schechter using descriptive tags to help organize his bookmarks, the best solution is often simple and easy to use. Simplicity has always been at the heart of Apple, even in its earliest days when engineer Steve Wozniak was working in his apartment, putting together the first Apple computers.

When Wozniak was studied at a high school and teaching himself how gadgets worked, he wouldn't just take things apart and put them back together again – he'd take them apart and then figure out how to make them work with fewer parts. This way, they could not only be made more cheaply, but they could also be made more elegantly and with fewer chances of things going wrong.

For Wozniak, doing more with less is what being an entrepreneur all is about. A true entrepreneur finds a way to create something with whatever limited resources they have while still striving to make it better than whatever is currently being sold.

A similar philosophy was in the mind of Philip Greens pun when he created the web design company ArsDigita in 1997. After creating a simple yet popular community site called Photo.net, he started getting requests from companies to help build their websites.

After working on a few sites, he published a free design framework called the ArsDigita Community System, which anyone could use. But the requests for design work didn't stop. After he published a book called Database backed Websites (1998), they increased further.

What greens pun built was a business that offered simple, quick and clean design solutions, with websites that didn't require the sort of fancy coding that took lots of time and created bugs. He was also trying to create a business that positioned programmers as problem solvers and not just human robots that kept quiet and wrote code all day.

ArsDigita had an annual growth of around 500 percent and was working for clients like Levis and Hearst Publications. But unfortunately, there is such a thing as growing too fast. When greens pun opened the door to venture capital, all but one of the founders got squeezed out, with new leadership wanting to turn the startup into a slow and expensive company like IBM. In the end, ArsDigita collapsed; becoming one of the more well-known examples of what can go wrong when venture capital enters the picture.

Founders at Work Key Idea #6:

Too much investor money can hurt a startup, so find other ways to generate revenue or stay cheap:

As Philip greens pun found out, venture capital often comes with strings attached, whether it's the addition of investor approved executives or handing over shares in the company or a percentage of the profits. So, if you're launching a startup and want to stay in control of your business, many founders recommend that you reduce costs or find a way to avoid bringing in new investors.

Joel Spolsky knew about Greens pun's dilemma with investors, and he founded Fog Creek Software with the aim of following ArsDigita's lead while avoiding their mistakes.

Like greens pun, Spolsky wanted to have a consulting company that attracted great programmers. To do that, he had to create an environment that treated programmers well. So he made sure every programmer would have their own office with comfortable chairs, be able to travel first class and get four weeks of vacation annually. These are all perks that investors don't like to see since they consider it all to be an unnecessary extravagance – they'd prefer to see programmers lined up at desks like a sweatshop.

So when they were just starting out, Spolsky had a plan to make sure he didn't need venture capital: he had a useful piece of bug-tracking software called FogBugz. He even discovered an interesting thing about software sales: sometimes a high price would make the software appear to be more valuable and therefore more appealing. So when he raised the price from \$199 to \$999, he actually sold more units!

The other way to avoid having to take on venture capital is to stay cheap, which a lot of startup founders advise, including Paul Graham, the co-founder of via web and the man behind the influential startup incubator, Y Combinator.

As Graham sees it, for every penny of investor money you take, the less autonomy you'll have and the more you'll be at the mercy of others. So spend as little as you can and embrace a minimalist, bohemian style rather than a lavish or luxurious one.

Founders at Work Key Idea #7:

As Paul Graham has discovered, it's best to be honest while making something people really need:

Of all the advice given by the founders with whom the author spoke, one of the most repeated was how important it is for entrepreneurs to listen to their customers. With this in mind, the emphasis should be on creating something of real value to others.

Certainly, this was what Paul Graham, of via web and Y Combinator, advises. In fact, "Make something people want," was the phrase printed on Y Combinator t-shirts. As Graham sees it, the very basis of a startup should be about creating a product or service that makes other people happy and then converting that happiness into money.

This may sound simple enough, but Graham has seen his fair share of people come up with an idea that they think will make people happy. This is why it's important to listen to your customer and know what they really want.

Graham also puts a high value on honesty. With via web, Graham and his co-founder Robert Morris created web-based software for setting up online stores. What's more, they set out to create the best e-commerce software available. And since they kept close tabs on their customers' satisfaction, as well as the quality of their competitors' product, they could say with all honesty that via web did indeed offer the best software. The added benefit of honesty is that when you, the entrepreneur, say your product is the best choice available, the client will be able to pick up on the fact that you're telling the truth. It's hard to put a value on truth and

honesty, but if being a salesperson doesn't come naturally to you, having the benefit of honesty can be a huge asset in winning over clients.

Paul Graham was always a tech-oriented guy and never comfortable in the role of a salesperson. Nevertheless, he found that with via web, he could be very persuasive thanks to the one simple trick of being honest. Other salespeople might suggest that you need to be eloquent and have tons of charm and finesse to sell your product, but Graham has found that honesty can indeed be a powerful tool for winning people over.

Founders at Work Key Idea #8:

With Flickr, the timing was right for photo sharing:

Sometimes the stars align, and your product comes out at just the right time to compliment all the other things that is going on in the zeitgeist. Certainly, this was the fortunate case for photo sharing software Flickr.

Caterina Fake and her husband Stuart Butterfield didn't plan on this timing, as Flickr is another case of a successful product not being the startup's original idea. In 2002, Fake and Butterfield began working on Game Never ending, a videogame partly inspired by the popular pet games like Tamagotchi, where a user takes care of a virtual pet and gives it toys while trading items with other users.

One of the planned features of Game never ending was to allow users to share photos with one another. As they were waiting for some work on the game to be finished, Fake worked on this photo sharing feature and eventually enabled users to post their photos on a web page – this is where Flickr really took off.

Looking back, Fake can see where all the pieces fell into place for Flickr. After all, there had been other photo sharing programs before, but by 2004, personal blogs and the first wave of social media, such as my space and Friendster, were making it much more appealing to share photos. Plus, digital photography was also making it increasingly easy for anyone to get their photos on the web.

Until then, most online photo services like Shutterfly made their revenue by getting people to pay for a printing service. And for this reason, Fake feels fortunate that Flickr didn't start out as the main project, since the research would have suggested that there was no market for photo sharing that didn't ultimately aim to get people to make prints.

But in 2004, people were realizing that photo sharing was one of the primary activities that made social media platforms like MySpace and Friendster fun. Plus, the recent rise in personal blogs made people a lot more comfortable with the idea

of sharing their personal photos with the public at large. Before blogs and social media, the standard practice was to keep any online photos private.

Founders at Work Analysis and Recommendation:

The points which we have extracted from the book founders at work are all applicable in Pakistan to realize that let us connect those points which we have extracted from book with real example of Pakistan. Firstly, before 2012 in Pakistan there is no startup which appeals to foreign countries for fund raising. Atif Awan convinced VC's of USA to invest in the startups of Pakistan. Then Markhor was the first startup which appeals for fund raising to Y-combinators. The first request was rejected but when they apply second time the request was approved by Y-combinators. So, that's how Markhor become the First startup which raise fund to keep their startup running.

Markhor

- Markhor co-founded by Sidra Qasim and Waqas Ali, it is an e-commerce platform which sells footwear and accessories inspired by simplicity and craftsmanship founded in 2012, Their Kick starter funding target by US\$92,000, with pledges coming from 508 people in 32 different countries.
- Markhor announced its acceptance into Y Combinator, becoming the first Pakistani startup to be granted admission into the prestigious startup accelerator.
- “Build something unique; don't try to replicate other ideas”

Startup's, fundraising and Growth After 2012:

In 1970's or 1980's was that time when USA gives the world most popular companies like Microsoft and Apple.

Today, the market value of these companies are going to touch 1 trillion dollar's and before few decades USA was a standalone country which produce best startups but now, scenario has been changed. There are a lot of other countries which are showing unexpected results in the startup world and Pakistan is one of them.

Startup Name	Zameen.com	Slide	Well	Finja	Beauty Hooked
Service	Property portal	Lock screen app	Retailer of medicines	Online transactions	Spa or saloon
Fund Raising	20 million \$	3.6 million \$	1 million \$	1 million \$	2,80,000
Rank in Pakistan	118	Not available	4,714	19,760	35,507

Recent Startup's in Pakistan

EASYPAlSA:



It is a mobile wallet solution for offline and bill payments. Telenor Pakistan in collaboration with Tameer Microfinance Bank launched Easypaisa. Easypaisa service either through over the counter transactions by visiting their nearest Easypaisa outlet or through their mobile phones using mobile accounts. The services offered include bill payment, sending or receiving money, purchasing airtime, salary disbursement, giving donations, disbursing, disbursing social cash transfers, insurance and savings, Inter-Bank Funds Transfer, online payments, handset lending and health insurance.

AUTOSAHULAT:



AutoSahulat is an online platform that connects drivers with automotive service providers. Enables users to find, compare, and schedule automotive services such as body works, wheel alignment & balancing, mechanical repairs, regular maintenance, towing, roadside assistance, etc. The app is available for Android devices.



MARHAM:

Marham offers appointment booking, a Q&A forum and a health blog for consumers to make better-informed health decisions. The app allows the user to find a Doctor over IOS, Android and Web platforms, and book an appointment after seeing doctor's qualification, degree, fee, availability and user reviews. The Marham Healthcare Community is a forum, setup to ask questions related to health.

which has over 13500 members out of which nearly 5000 are Doctors. Also offers Marham Connect for Doctors, which helps Doctors and Hospitals with a Smart Scheduler for scheduling management.



NEARPEER:

Nearpeer is an online courses platform which provides university courses and professional certification prep. Courses are in the form of downloadable video lectures with 24*7 doubt clearance support through email. Currently provides online courses in partnership with LSE and LSUM. Courses taught are financial accountancy, Economics, Marketing etc. Also provides certification prep for Chattered

Accountancy Final. The university courses can be bought at university campus stores through scratch cards. Partners include Shopistan, Sarg, and others.

CONCLUSION:

- 1- This is like a small time capsule that makes you aware of each and every person who has contributed to the growth of human experiences collectively. The book is about founders but it touches the lives of VC Mafias to sharks and pretty much everyone involved. Master of scale podcast by Reid H. will take you back to the stories of people you will find somewhere in this book.
- 2- Great read. An insightful look in to the experiences of successful founders. One thing we learned is that even best venture capitalist turns down unicorns.
- 3- If you think you are the entrepreneur kinds, you must have to read this book. If you have not started your company yet, it might just push you to do it, and for those who have started it and are getting completely sloshed by the experience, it shines a nice light bright light on you, letting you know that eventually everything will work out and even the biggest companies today went through the same trials and tribulations that you are going through now

FINAL SUMMARY:

Between the time when Apple made its first computers in the late 1970s and the early 2000s when blogs and user generated content were all the rage, startups revolutionized business in the United States. In talking to some of the founders of the most successful startups during this time, we can see some interesting commonalities among the many stories. These include the fact that many startups began without any initial idea; that often finding ways to do more with less can lead to success; that solving a personal problem can end up being a million dollar solution; and that often the initial business plan doesn't resemble the final one.

-----***End of Book report***-----