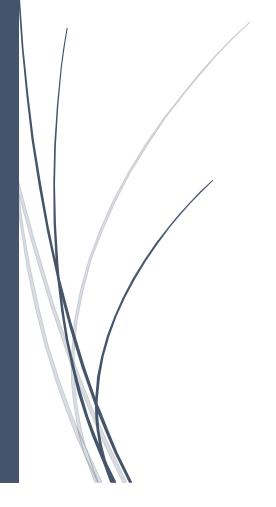# Stewart Butterfield

Tech. Entrepreneur

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WEB DEVELOPMENT – YEAR 4

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INTRODUCTION

> "Entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects to achieve objectives."
>
> - *European Parliament and Commission's definition of entrepreneurship*

Throughout the course of this document, I will explore the entrepreneurial history of Stewart Butterfield, the creator of the leading online collaboration platform Slack and, by drawing references to research and entrepreneurial theory, show how his personal characteristics and early life have contributed to his success today.

I chose to focus this document on Stewart as I found his entrepreneurial history and his personal characteristics reflected very well those I encountered during my research. I also found his approach to management and his demeanour to be very representative of today's young entrepreneurs.

Describe the background of the technology entrepreneur and how it influenced the venture that they created.

1 BACKGROUND

The background of an entrepreneur can have a distinct effect on their methods and motivation. This section will look at Stewart's family, early life and other factors which may have influenced his success today.

1.1 FAMILY

Stewart was born in 1973 to parents David and Norma Butterfield in Lund, British Columbia. (Wikipedia, 2016)

His father David, grew up in the late 60's and, like many at the time, was a social idealist, disillusioned with the society he grew up in (Honan, 2016). David dropped out of college and was promptly drafted into the army which he quickly deserted at his earliest opportunity. After becoming a wanted man for his desertion, David linked up with a commune where he met his future wife Norma who would soon give birth to Stewart. The couple travelled until they reached British Columbia where David built them a home from the remains of a log cabin they found, as labour of necessity and love which he then turned into a business by renovating and selling other homes for a profit.

While his father had idealistic views, and had shunned modern society, the necessity to provide for his family seemed to outweigh this somewhat, driving him to re-join the modern world and focus on providing for his family with his real estate business. It was this business that allowed David to buy his 7-year-old son Stewart a computer. (Honan, 2016)

1.2 EDUCATION

Stewart studied Philosophy at the University of Victoria (Honan, 2016) where he received his degree and went on to complete his masters in Cambridge. It was here that he first encountered the internet and became fascinated with online communication which was only in its infancy at the time. This fascination drove him to teach himself to code while still maintaining an interest in philosophy. Per Stewart today, "there will always be a demand for understanding human beings." (Eden, 2016)

1.3 WORK EXPERIENCE

Apart from buying prewrapped hot dogs as a child and selling them at the beach (VCPost, 2016), Stewart's first real job, and the only job outside of his entrepreneurial ventures I could find reference to, was working for a dot-com where he was exposed to the IT industry at an early stage.

1.4 ENTREPRENEURIAL HISTORY

It was while working for this dot-com that he met and later married Caterina Fake with whom he founded his first company Ludicorp and began working on an online game called "Never Ending", a game with no beginning or end, no winning or losing.

Sadly, this game was a failure and Stewart and his colleagues voted to go in another direction. This direction was what was eventually become Flickr which was a roaring success and was soon bought out by Yahoo.

After leaving yahoo, Stewart again tried to create a game and founded the company Tiny Speck in 2009 to work on a new game "Glitch". It was while working on this, again doomed to failure, game that Stewart and his colleagues encountered a problem in that email was quickly becoming an insufficient tool for collaborating with colleagues all over the world. It is from this problem that they created the collaboration software that would eventually become Slack.

In 2013 Slack, the cloud based collaboration platform, was released to the world and continues to be a resounding success to this day.

1.5 BRINGING IT ALL TOGETHER

Being given a computer at a young age and coming from a life of few luxuries must have seemed magical to Stewart, even more so than a child that grew up with modern utilities. This fascination, which again is seen when he first encounters the internet, paired with his father's entrepreneurial nature and social non-conformity may well have planted the seed that would someday push Stewart to become a tech entrepreneur.

This can be seen in his approach in both the inception and management of Slack, a venture created out of necessity and released with the lofty claim that they are going to "kill email" and change the world of the internet.

Identify and describe an "entrepreneur type" that best describes the technology entrepreneur that you have selected and discuss why you think they are this type?

2 DEFINING THE ENTREPRENEURIAL TYPE

There has been a lot of research done defining and categorising types of entrepreneurs to differentiate and identify the motivation of the entrepreneurs and the stages their ventures are at. This section will focus on the category my research indicates matches that of Stewart and his venture Slack.

2.1 THE HABITUAL ENTREPRENEUR

A habitual entrepreneur (also known as experienced) is defined as having had a stake in two or more businesses, frequently leaving on business before moving on to the next (Deniz Ucbasaran, 2016). Within the classification of a habitual entrepreneur we find that of a serial entrepreneur. This type is classified as one that have been involved in multiple major businesses, they are very adaptable to change and recover very well from failure.

2.2 THE SERIAL ENTREPRENEUR

Per my research, Stewart is a habitual entrepreneur in that he has founded 2 major businesses, Flickr and Slack, at the time of writing, one of which he sold for a large profit. He can further be categorised as a serial entrepreneur as this is one that may exit once company before starting on the next, this can be seen in the sale of Flickr before moving on to found Tiny Spark. The serial entrepreneur also is said to recover very well from failure which we can see in Stewart's ability to handle, and recover from, the failure of 2 separate online game ventures.

2.3 THE BUSINESS OWNER

The 2013 GEM report (Donna Kelley, 2016) categorises entrepreneurs based on the status of their current past and future ventures and would define Stewart as a new business owner as he is managing a business that is between 4 and 42 months old.

Per Joe Abraham (Abraham, 2011), entrepreneurs can be categorized based on their motivation, behaviour and business strategy, two of which that I found applicable to Stewart are described below and thus categorise him as a Social Innovator entrepreneur.

The Social Entrepreneur is one that is motivated to improve or change the world or the environment they are in. Growing up "off the grid" with hippie parents may have instilled Stewart with a desire to change the world as he perceives for the better. This can be seen in his creation of Slack to solve a problem he and his team were having and "change the world" of online collaboration.

The innovator type is one that is very hands on, drives innovation and generally does not enjoy the corporate tasks involved in the life of a CEO. This can be seen in Stewart he was not just the CEO of his companies but was also a developer and driving innovation through the creation of Flickr and Slack out of necessity. He also famously dislikes the corporate life which his Twitter bio aptly displays as it is includes the "Shruggie" emoticon ¯_(ツ)_/¯ and the words "I'm trying my hardest" (Fortune.com, 2016)

Identify and describe which of the main venture types best describes the venture that the technology entrepreneur that you have selected has developed and discuss why?

3 VENTURE TYPES

In 1981, David Birch linked job creation to firm characteristics. His study showed that smaller firms, with twenty or fewer employees, created two thirds of new jobs in the industry. It is for this reason that these firms are referred to as "High Impact" firms.

Per a 2012 Endeavour report, in a year the average high impact entrepreneur will generate 30 more jobs than the average comparable company making them extremely important for the economy.

3.1 GAZELLES

Birch and Medoff defines high impact ventures as Gazelles (Medoff, 1994) which is an apt comparison, suggesting that of a grazing gazelle (small company) suddenly breaking into an amazing sprint (explosive growth) when alerted (opportunity). These high impact ventures are ones that are increasing their revenues by at least 20% annually for 4 or more years (Investopedia, Gazelle Company, 2016). Since this means that their growth would double over a 4-year period it is certainly applicable to Tiny Spark due to the explosive and continued growth of Slack.

3.2 TINY SPARK – SLACK

While Stewart's first successful venture, Flickr, may not be classified as a high impact venture, I feel that Slack qualifies for the category due to its small beginnings of 14 employees at launch in February 2014 (Kim, 2016) to its current count at the time of writing of 385 (Carson, 2016) as well over 2 billion messages are sent using Slack every day.

Slack has certainly shown explosive growth and, due to the leadership of Stewart continues to gain momentum today, becoming the primary choice for online collaboration in many companies.

(Kim, 2016) A section of the user growth between 2014 and 2015.

3.3 THE DIAMOND

Of the venture types I researched, the Diamond is the type that I find most fits Slack and Stewart.

Diamond ventures are defined by the characteristics of the entrepreneurs that create them and are described as "Brilliant dreamers staring bold, disruptive ventures" (Rottenberg, 2016). Notable Diamond entrepreneurs are Mark Zuckerberg and Ted Turner.

With his hippie upbringing and desire to change the world, even if it is only online, Stewart embodies this definition perfectly and Slack, with its mission statement of killing email (Hamburger, 2016), certainly qualifies as disruptive.

Identify and describe the character traits that have enabled your identified entrepreneur to establish and develop a business venture? Do the character traits of technology entrepreneurs differ from the general population of entrepreneurs?

4 CHARACTER TRAITS

Per Ernst & Young (Young, 2011) and other articles I read throughout my research, the character traits most important and defining of an entrepreneur are control, risk tolerance, dealing with failure and the ability to spot opportunities.

4.1 THE LOCUS OF CONTROL

Control, or the Locus of Control, refers to the ability to attribute your own success or failure to things that you have control over or to forced outside your influence (MindTools, 2016). The entrepreneurial mind-set would lean towards the former in that they would take responsibility and learn from success and failure and not put it down to "luck" bad or good.

4.2 RISK TOLERANCE

Risk tolerance is the degree of variability in investment returns that an investor is willing to withstand. This refers to their ability to accept a certain amount of risk where necessary (Investopedia, Risk Tolerance, 2016).

4.3 LEARNING FROM FAILURE

Another desirable trait for an entrepreneur is the ability to accept and learn from failure and this is arguably the most important trait or all and is highly valued in certain cultures (US). The ability to pick yourself back up and try again separates the successful from the unsuccessful as you can't be successful if you give up and don't learn from your mistakes.

4.4 IDENTIFY AND EXPLOIT OPPORTUNITY

Finally, these traits would be useless without the ability to stop that initial opportunity and exploit it. An entrepreneur will see a problem as an opportunity for change and not as a roadblock or something to work around.

4.5 COMMON TRAITS OF TECHNOLOGY ENTREPRENEURS

Along with all the above traits, it seems clear that there are some more common and, perhaps, more important, for technology entrepreneurs.

The Ability to deal with risk, loss, uncertainty as these are inherent in technology ventures as we saw in the Dot Com crash in the early 2000s (Beattie, 2016). More so in recent years as creating the next hot app is easier and easier, opening opportunities for anyone to come along with a better version of be faster to market leaving your venture obsolete.

The ability to communicate and manage employees is somewhat more important in IT as, quite often and especially in Silicon Valley, employees will be as eccentric as they are brilliant and the better ones will be much sought after. This is such a well-known fact that it is perfectly illustrated on TV (Silicon Valley, 2014).

4.6 APPLICATION OF TRAITS

These traits are displayed by Stewart almost completely.

His locus of control is that of personal responsibility, in the interviews watched during my research he did not once blame anything other than himself when discussing his failed ventures (Butterfield, 2015) and, when referring to his failed online game venture states, "we just made bad games".

The trait of risk tolerance, is one that applies to anyone starting a business, there is always the chance that nobody will like it or buy it. However, when they do buy it, they buy it for millions as can be seen in Yahoo's acquisition of Flickr. There was even greater risk than usual involved in creating Flickr as it required the entire Ludicorp to shift their focus and abandon the game they had all been working on for years.

Perhaps the most obviously applicable to Stewart is the ability to handle and learn from failure. As we have seen in earlier sections, Stewart has could deal with, and recover from the failure of his two online games ventures and, frequently turn these failures into successes by quickly shifting the focus of the business when things were going south. This can very clearly be seen with the shift from the game Glitch to a focus on Slack when he realised that the game would not be successful.

Finally, his ability to see and exploit opportunity. When the employees at Tiny Spark faced a problem, collaborating with colleagues in different time zones, Stewart saw the problem as an opportunity and ultimately created Slack to solve it.

Discuss the key issues and challenges that technology entrepreneurs face in relation to the early stages of enterprise creation?

5 CHALLENGES

Per young innovator there are 6 stages of early enterprise creation with the Sale and Maturity being the latter stages but that is not the focus of this document so have been omitted. (YoungInnovator, 2016). The stages this document will focus on are as follows and have been applied to technology ventures.

5.1 DISCOVERY AND OPPORTUNITY

An opportunity must be identified first or there may be no reason to continue with the venture. Why make a new Facebook if Facebook exists? If you are just copying what is already there then there is no opportunity, however, if you can improve on or market the idea to a different market then there may well be opportunity. Identifying an exploitable opportunity is core enterprise creation.

5.2 CONCEPT VALIDATION

The overall concept of the venture must be solid, the target market must be identified and their needs and habits must be identified to ensure that the initial idea will can exploit the opportunity identified in the previous stage.

5.3 PLANNING

Once an opportunity has been identified and a viable concept has been created, capital to fund the venture must be sourced. Most frequently this funding comes from investors, having been presented with the concept and seeing potential in the venture.

Hiring a team and securing office space is also required before a saleable product can be produced.

5.4 RELEASE AND SCALING

Producing a product or service, marketing it is the next stage which ultimately, if successful, will result in the need to scale the business. This is an extremely important factor for technology ventures especially in the scaling phase as a successful app can quickly scale beyond the capabilities of the server that is running it, though this is increasingly less of an issue with the trend to host in the cloud.

5.5 CHALLENGES FOR SLACK

As the rise of Slack was extremely fast and, somewhat unconventional, applying these challenges is difficult but they do still apply.

One might say that the opportunity (5.1) is not applicable as there was no intent to create a business and exploit an opportunity when Slack was created. While this may be the case, an opportunity was identified in that the existing solutions for online collaboration were insufficient and a need for something better was identified. It was merely the motivation for this stage that differs from conventional ventures. The same could be said about the concept validation (5.2) stage as this was initially just an internal tool.

It is only after Slack became the focus of the company and became an actual consumer product that the comparisons become easier to draw and we see the challenges that Stewart faced bringing it to market.

Selling the idea of Slack to investors (5.3) was a challenge with their lofty goal of "killing email" (Hamburger, 2016) since email has been the primary tool for online communication for decades and, almost certainly, is one that potential investors would be familiar with and rely on.

It was mainly due to the viral success of the platform as millions of users, disillusioned by email flocked to support and use Slack that both the marketing of the product and securing investments were overcome quite quickly (Hamburger, 2016).

In an interview given by Stewart following the success of Slack (Butterfield, 2015) where he discusses scaling both the infrastructure and the finances of the platform (5.4) he explains that scaling the infrastructure was much less of an issue due to cloud based technologies making it relatively cheap. He also goes on to say how the timing for securing further investment was right "It's not that we needed the money, it's that it was the cheapest time to get it".

CONCLUSION

Per this document and the research on the subject, there are many challenges faced by entrepreneurs of all types and it is the characteristics of the entrepreneur that enable them to thrive despite them. From their early life and influences to their previous businesses they have the skills they need to triumph where others fail, try again where others give up and flourish where others fail.

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