



STARTUP LAND



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

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WITH CARLYE ADLER

Foreword by Alexia Tsotsis,
co-editor of TechCrunch

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Startupland

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

**Mikkel Svane
Carlye Adler**

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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 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.

Chapter 1

The Honeymoon

Believing that what you're doing is great and knowing nothing of what's to come

In March 2014, most of the publicly listed high-growth technology and Software-as-a-Service (SaaS) companies started to experience large pricing corrections. Some stocks lost 25 percent in value in a matter of weeks. Some lost 50 percent. The media was reporting “Valuations Will Be Cut in Half”¹ and calling it the “Twilight Zone of SaaS.” *Mad Money* and *Squawk on the Street* host Jim Cramer famously yelled, “The software-as-a-disservice to your portfolio days are upon us.”² In Silicon Valley, people were drawing parallels to Sequoia Capital's famous “R.I.P. Good Times” milestone presentation from October 2008.³ All of the analyst's models were ripped apart. Things were messy for tech startups and SaaS companies.

At the exact same time we were in the final stages of preparing Zendesk for going public on the New York Stock Exchange. Once again, our timing was not the greatest.

But let's start with the start.

The IPO and everything that came with it were all vastly different from everything that had started less than seven years before, working in Alex's tiny loft in Copenhagen, arguing about everything, and trying to turn an idea into a reality. The fact is, most of the time my entrepreneurial adventures hadn't gone very well, or at least they hadn't gone according to plan.

I'm not just talking about Zendesk. I'm not a big fan of being called a serial entrepreneur. Call me old-fashioned, but nobody brags about how many broken marriages they have behind them. However, for better or for worse, I was no stranger to startups. For most of my working life, I never had a real corporate job. Although Copenhagen—a city of about a million people, in a country with the smallest private sector in Europe—isn't exactly the epicenter of the startup world, it was what I knew.

Beautifully Simple, Round One

After I graduated from business school in the early 1990s, right when a recession hit, job opportunities were scarce. I hardly even looked for employment. Instead, I pursued something I was interested in—making things on computers—and started a small graphic desktop publishing company. At the time, I was fresh out of school, and 3D Magic Eye books, with illusions that allow you to see 3D images by focusing on 2D patterns, were the fad. I created an algorithm to create these types of 3D images or visual illusions called stereograms. I had serious headaches while working on this, but I loved being able to adjust my eyes to see the 3D element instantly. Then I turned that into a computer software program that made it easy for users to make these complex illusions.

This was my first formal foray into software, but the “software industry” was in such a different state then and had little in common with what we know today. Consumers and businesses had not begun to use the Internet, and software was kept on disks and used on desktop computers. There weren't any best practices for how to distribute software, and I was a one-man software shop figuring it out along the way. I took the packages to little computer shops to stock and sell. Customers sent me orders, and I shipped out the disks myself. I worked out of a teeny office space in downtown Copenhagen. It had low ceilings and crazy crooked floors. There were parts of the office where I couldn't stand upright. There was barely any room for me, let alone space to navigate large piles of inventory.

This effort didn't make me rich, but I didn't lose money. And although it was a terrible business in that it was very labor intensive, without much monetary payoff, I also found it was very satisfying to build a product. I loved creating something and having people use it. I was eager to read the reviews and talk to users. Most of all, I loved that I had taken something that was hard and made it easy for people.

This work led me to write a book that taught people how to create these complicated images.⁴ The book, which was released only in Danish, was sold in bookstores. People bought it and learned how to make these seemingly complicated images rather simply and quickly. I designed the cover for the book: it was

a computer monitor with two eyeballs poking out (you know, 3D!). I rendered everything in a pirated version of Strata Studio Pro, and I scanned the iris from the cover of The Cure's *Kiss Me, Kiss Me, Kiss Me* album (I was a big fan of the album).

Importing the Internet from America

Although I was fascinated by computers and grew up using first a Lambda 8300, a ZX-81 clone with 2 KB of memory, and later an Amstrad CPC464 (with a built-in cassette tape!), no one would call Copenhagen a technology haven at that time. In the early nineties there were only metered, very expensive dial-up connections and only one internet provider. And there were very few people on the Internet.

This was the early days of Netscape Navigator, and the Web was just becoming searchable, but I certainly didn't know where the Internet was headed. However, a trip to San Francisco in 1995 made everything more clear—it was going to change everything.

In San Francisco, everything related to the Internet was being totally embraced. Everything was about the Web. Billboards advertised companies with “[www](#)” addresses. My San Franciscan friends ordered food and DVDs online. The Internet was a part of their daily lives. Everyone communicated saying, “Send me an email,” and everybody had an email address. I experienced emailing between Copenhagen and San Francisco and having these messages arrive instantly. I couldn't believe how much smaller the world was, now that it was connected by the Internet. It was completely fascinating. And I couldn't help but notice the significant gap between how technology was adopted in San Francisco and how it was integrated into our lives back at home. (It wasn't.)

Mostly what I took home from San Francisco was the sense of being at the start of something big. Today, technology is so extremely refined that it often seems to work by pure magic—you look at your iPhone and it's hard to distinguish from the supernatural—but back then it was possible to understand the web protocols and learn how to write HTML and have an idea of how to participate. You could see the path to being a creator in this new world. I felt a little bit like I had found oil on a nearby property, and I understood there was immense value in drilling it out of the ground.

There were so many things to be inspired by in the United States that I wanted to take everything I saw and bring it back with me. And that's exactly what a lot of us did.

When I returned to Denmark I was obsessed with what I had experienced in California, and I wanted to recreate it. I built a portal, a website that brought information together from multiple diverse sources—this was all the craze back then—and called it [Forum.dk](#). Initially it was almost impossible to buy domain names for a new web service. The Danish system was extremely restrictive, requiring you to document that you owned the name already. It made everything slower and more complicated than I had anticipated. Further exacerbating matters was the fact that there were still so few people on the Internet in Denmark.

Still, we started toying around with the portal, researching how we could produce and gather content. We struck up a partnership with a source to distribute news for free. We also went outbound and created our own content: I had guys pick up flyers from dance parties and raves, and we put the events in a database so people could see where the best ones were happening. We added community elements and chat rooms (one of the first chat rooms in Denmark). The site gathered users, and although it was not our original intention, it became very popular with teenagers.

I kept a small office in the old part of Copenhagen, known for its cobblestone streets and little cafés and shops, and I worked with people who wanted to help out. They were not real employees. After all, there was no real way to pay them. It was hard to monetize this endeavor. Advertising hadn't really moved to the Internet in Denmark, so that wasn't an option.

Still, making money wasn't the main point; that was secondary. It was the potential that we were pursuing. (To deal with the more pedestrian matters of making money, I did a variety of unglamorous jobs, including waiting tables and cleaning houses. Living the dream!)

Though I had no clue how to make money off this project I loved, an opportunity came along and solved that problem for me. A newspaper offered to buy Forum. We sold off the actual service, and what we had left was the software. Now, instead of being a community portal that didn't charge anything for its services, we became a software company with products to sell.

The Danger in Riding Market Waves or Going Kaput

Soon I discovered that there was a real market for this software. Companies wanted to have their own websites and provide community services for their users and visitors online. We rebuilt the entire product portfolio in J2EE, the most interesting and forward-looking software framework at the time, but also the most expensive in terms of software stack. We sold it on top of BEA WebLogic and Oracle RDBMS and primarily into large media companies or web properties, but all kinds of organizations including financial institutions became customers. Soon this remnant of our original service turned into a real business.

We named the company Caput, which means “the head” in Latin. And of course it also sounds like kaput—or “no longer working,” which was kind of cute in the beginning (kind of), but in retrospect of course it's a terrible, *terrible* name. But we were growing this in the halcyon days of the Internet. Things were both promising and exciting—everything was working.

At the same time, I was always working. I had no personal life whatsoever. From the time I woke up in the morning until I went to bed, all I did was work. The company was financed by a few angel investors, but it was funded mostly by selling the software. The dot-com boom that had swept the United States had now hit Copenhagen. We benefited from the hyper-frothy interest in all things Internet-related. I saw something that had the potential to become something much bigger. It was a lot of work, and it was also a lot of fun.

And then, quite suddenly, it wasn't. The dot-com crash of 2001 came as fast as the crest had. Our software was sold primarily via value-added resellers (VARs), and these companies were hit hard by the change in the tides. Media companies, a big customer base, were also brutally affected. They couldn't pay their bills, including ours. We struggled and suffered for a year as customers fell by the wayside.

Relying on sales to grow our business, and without a reserve, we had no way to cushion the impact. We had to let a lot of people go. It was really tough to have to do that to people and to go on the next day as if things were normal. I had to let go of people whom I considered very good friends—people whom I felt had built the company with me. And decisions about whom to let go relied more on where we could save most, rather than on what made the most sense for the business. Ironically, one of the über-talented guys I had to let go was David Heinemeier Hansson—who later became the father of Ruby on Rails, the framework we later built Zendesk on, and a cofounder of 37signals (now Basecamp), which became an inspiration for a whole generation of software startups, including Zendesk.

Letting people go wasn't even the worst part. There were many tough things about being in charge of the business. One time, one of our employees didn't show up for work for several days and we couldn't understand why. This young guy had struggled with rheumatoid arthritis since his early childhood, and I later learned that the disease had somehow led to a stroke and his far-too-early death. I was too young and too inexperienced to know how to properly deal with the situation. Walking into his home with the police was awful. His parents lived at the other end of Denmark, and the local police there would have to visit them to properly deliver the terrible news in person. They couldn't arrive until the evening, and in the meantime I couldn't take the parents' many, many calls. It was terrible.

We all went to his funeral. Or rather, what remained of the staff went, and it was good for all of us to get together and come together for this. But the very next day, I had to let more people go.

Things like this—terrible things—happened. But we had to go on, and we did.

There were abysmal lows, and epic highs, and ultimately unrecoverable blows. At one point, we won a huge deal in Germany that we believed could turn everything around again. We felt hope. We were so far along. The transaction was complete, but before the reseller could pay us, he went into Chapter 11—another victim of the dot-com crash.

We were out of money and out of luck.

And at this point, a year after the bubble burst, we found that the business could no longer go on. We first had to wind down our activities. Eventually, we had to shut down completely. Caput was fulfilling the prophesy of its name.

I was devastated. I had just turned thirty, and for almost four years this was the only thing that I had done. I was not depressed about losing my livelihood; I was depressed about losing the only thing I had.

In Silicon Valley there's a lot of talk about failure—there's almost a celebration of failure. People recite mantras about “failing fast,” and successful people are always ready to tell you what they learned from their failures, claiming they wouldn't be where they are today without their previous spectacular mess-ups. To me, having experienced the disappointment that comes with failure, all this cheer is a little odd.

The truth is, in my experience, failure is a terrible thing. Not being able to pay your bills is a terrible thing. Letting people go and disappointing them and their families is a terrible thing. Not delivering on your promises to customers who believed in you is a terrible thing. Sure, you learn from these ordeals, but there is nothing positive about the failure that led you there.

I learned there is an important distinction between promoting a culture that doesn't make people afraid of making and admitting mistakes, and having a culture that says failure is great. Failure is not something to be proud of.

But failure *is* something you can recover from.

There Are Second Chances

My first failure was so tough because I had no perspective. I was ripped out of the reality I knew and thrown into a new reality. It was a reality I hadn't had a part in for many years.

But the human spirit, and its need to move forward, is amazing. After a little time, something interesting happened. I got involved in other projects. Soon I started to make money. And it was a lot easier than I had thought it would be. I had been so immersed in what I was doing that I was estranged from everything else, and anything other than what I already knew seemed scary. Now, with a few new opportunities, I slowly settled into my new post-Internet apocalypse life, and I found it was not actually the end of the world. In fact, it was the beginning of something else.

Shortly after closing Caput, I took a real job—my first real corporate job—as a general manager for a Scandinavian branch of a German consulting group called Materna. The company, which was named after its founder, had a great reputation, and one of its areas of business was help desks and customer service solutions. My job was to resell various customer service desk software products and deliver the consultants and services to properly implement the software, from a technical and business process perspective.

The German group had acquired a company in Denmark and then two additional companies, one in Finland and one in Sweden. When I joined I had to let a lot of people go and hire new people. It wasn't a terrific time for the local business.

We were at an interesting crossroads at Materna in Scandinavia. When you are trying to reboot an organization, you need certain kinds of people: athletes who can achieve many different feats and simultaneously wear multiple hats. They must have the deep intelligence necessary to solve deep problems by themselves, but they also need to be able to communicate effectively.

Morten Primdahl, once an intern and then a full-time software programmer at Caput, was a brilliant engineer who had demonstrated that he was also a great athlete, nimble and flexible. I needed his talent at Materna. The problem was that Morten wasn't so sure he wanted to do it.

“The whole setup was slightly boring,” he later told me.

I promised I'd make things happen. But I think ultimately it was something else that won him over. I offered him a company car.

I also asked Michael Hansen to join. Michael was an old friend, a big loud guy with a big heart who referred to himself as the king of Denmark. He had helped run sales at Caput, and I hired him to revive sales at Materna. Michael has a larger-than-life attitude that's hard not to fall in love with. People love to do business with Michael, and you can count on him to make things happen.

The problem was, we were selling something that was hard to make happen. The services we sold were expensive, the software we sold was expensive, and then it required expensive consultants to help deploy it and have people use it. Often the support and service reps were low on the organizational totem pole and not at all prepared to absorb or operate the software. Even with large organizations, we saw organ rejection and had to cut back on advanced functionality, one limb at a time. There was a lot more appetite to invest in technology than in organization—and service and support operations were

considered first and foremost a cost center. And hardly anyone really thought about the customer experience. It was very backward.

I saw that all of this effort was more for the benefit of management—or rather, *the institution*—than for the people using it. In fact, no one really knew what the software did or had any expectations of what it could or should do. That's because of the backward way the whole traditional enterprise software system worked.

So, pull up to the fireplace and let grandpa tell you about the old days of enterprise software sales before Software-as-a-Service.

In the old days, people bought software without seeing it or testing it. The people in charge of purchasing, *not* the people who would be using the software, were in charge of deciding what to buy—and all they ever experienced was a PowerPoint pitch or a demo at a conference resort. It wasn't until software was purchased and installed and a large number of people were using it that you actually knew what it could do. And when people finally started using it, they found that it was heavy and cumbersome and often not helpful at all.

An Ignored Idea

We knew the model we were pitching at Materna was incredibly ironic. Why would companies spend so much money and then ask the lowest-paid employees to deal with this giant unwieldy mess? How could you believe that putting your least sophisticated employees in front of maddeningly complicated screens, with almost no investment in user experience, could lead to great customer service?

It didn't make any sense. But at the time, customer support was a “check the box” exercise; companies spent money on it, but they didn't really mean it.

It wasn't just what we were selling; the entire industry was flawed. All of the systems on the market were terrible and complicated. It was impossible to do anything in less than six months, and usually it took as much as twelve to eighteen months. And it was very disruptive to the organization.

There was room and reason for a new generation of software. I knew this could be done in a way that was so much easier. Morten agreed. We both shared a healthy disdain for the traditional enterprise software sales model. The big platforms, the expensive salespeople with the expense accounts, the semireligious conferences, the PowerPoint software, the locked-in relationships—we despised the whole notion that an expensive sales process unnecessarily made the software both more expensive and more complicated. The whole notion that many people believed that complicated actually equals good was so disconcerting. We were motivated by the opportunity to disrupt the very core of the software model by making things easy, elegant, and inexpensive.

Morten, ever the engineer, saw it in concrete terms: “People pay a lot of money for this; we could give them 80 percent of that for 20 percent of the price and make it accessible to smaller companies, not just big ones.”

It made complete sense to us, but it was very evident that creating this kind of change within Materna would not be doable. I hadn't seen a corporate job as something I would pursue long term, and Morten didn't either. I left Materna in the summer of 2005 and started to do consulting work on my own, helping various organizations with their business and IT processes for customer service. Morten left to do security login work for banks. Later in 2005 we got together to sketch out what a new generation of customer service systems could be.

A simpler, less expensive system, delivered over the Web, could democratize software and make it easier for everyone to use and eliminate the software provider's need to hide behind complex mumbo jumbo. We were already experiencing that in the consumer world there was less distance between users and software—there people got to try the product and *then* decide if they wanted to buy it.

I reached out to another friend, Alexander Aghassipour, asking him to help us pursue this idea. I knew Alex from Copenhagen's startup scene, and we shared similar experiences. While I was running Caput, he had a web design agency called Araneum (which means “spider web” in Latin; we know how to pick catchy names in Denmark). When we ran our companies, we sometimes met for lunch, and we did a few projects together, but more important, we regularly hosted summer and Christmas parties together. The

parties worked well because Araneum was much better funded than Caput, but Caput had a lot more women on staff.

Araneum did beautiful work and grew to be the biggest web agency in Denmark. Alex could have taken it far, but in 2001, when the bubble burst, everybody suffered. Araneum's customers no longer had the budget for its services. Although it was a healthy company, it was not very well-financed, because in Scandinavia there was not a lot of venture money or any risk-friendly money. That made it impossible to survive a market crash.

Alex, sensitive and cerebral and fragile in some ways, had to fire a bunch of people within a very short time. He took it very hard. It was difficult to have a company that was worth a lot on paper, and then suddenly was worth very little in real life, and then almost ceased to exist. In many ways his identity went with that company. Alex had a lot of anxiety about being a has-been. He worried he was never going to be successful again.

I don't think I realized any of this when I tried to win Alex over. All I knew was that Alex was super smart and had a modern approach to software and a high aesthetic. He had a great sense of details, of user interface and user experience. He was able to distill disparate ideas into something fundamental. His insight would be invaluable in building a product that people loved.

We wanted Alex's insight on this idea, but he wasn't interested, and not even because he was burned out on startups. He just didn't want to pursue this endeavor, calling it "the most boring thing ever."

And there was that word again. The same one Morten had used. Of course, it's true that at the time making customer support and help desks better was not a very sexy idea. And although that's probably the best advice that Alex now has to offer to someone wanting to start a business—"Pick an area of an industry that is overlooked, pick something that might be perceived as boring"—it didn't make it easy to recruit him back then.

"It doesn't sound like the kind of thing I want to wake up every day and do," said Alex, who had a pointed perspective on what was cool and what wasn't. Post-Araneum, he had created a system that allowed indie labels and musicians to sell music singles for 99 cents. (It was very much like iTunes, but pre-iTunes, and when iTunes came out they were toast.) Despite his initial complaining, cantankerous Alex soon recognized the beauty of the opportunity to revolutionize the industry with clean design—and in that he found motivation and meaning.

"I'll help keep the software beautifully simple," he said. "We can take something terrible and have a field day and do something different and create something someone wants to use."

Exactly. Alex started exploring the idea with us and brought an innovative concept and new approach to building a modern-day customer service desk. He understood that it rested on leveraging the Internet and cloud computing as a delivery model. But he also challenged every single assumption or paradigm that existed in the customer service desk world. He wanted every feature and capability translated into something that made sense outside of the core industry lingo. He pushed us to build not just a beautifully simple system, but ultimately a system that people enjoyed using, something they felt helped them with their customer relationships rather than obstructing them. He pushed us to build something that users would care for. Passionately.

Boring Is Beautiful

Early on I always got the same reaction when I spoke about the idea for Zendesk: *Boring*. But while help desk and customer service software might not have seemed like the hottest of pursuits, helping build relationships with customers was a big opportunity. The Web enabled us to build an on-demand platform to help companies focus on customers and build relationships that are more personal, productive, and meaningful. And over time—and with companies and customers sharing good experiences and a little more joy and personality and fun—the once-boring idea became a beloved one.

Now, changing the world of customer service and enabling organizations to build new-generation relationships with their customers has become very sexy. But at its core Zendesk is very much about just making sure companies stay on top of their conversations. Here's the thing: sexy stuff sometimes happens when you make mundane things easy and accessible. Any aspect of democratization is a good thing.

Take a look at a few other companies that have made boring beautiful:

- Is file sharing really sexy? Does FTP excite you? Nevertheless, companies like Dropbox and Box suddenly made those tedious tasks very easy, social, interesting, and sexy.
- Accepting a credit card in-store is probably the most mundane task in the world, but Square democratized the world of taking credit cards and made it sexy.
- I doubt that it was super sexy selling books to nerds online when Jeff Bezos and Amazon started their adventure back in 1994. But that “bookstore” is currently changing the world of commerce.
- You can't really call space rockets boring, but with the determined goal of making space flight affordable—democratizing it—suddenly Elon Musk is making the industry sexy again.

All of these show us: boring *is* sexy. Or rather, sexy is not only about colored feathers, appearance, and glamour. Remember, Marilyn Monroe *did* marry Arthur Miller.

We spent six months sketching out this product while we kept our consulting gigs on the side. It wasn't intense work. We were just toying with ideas. When we got too bogged down with work that paid, we didn't do any work on the help desk idea at all.

We initially worked in my apartment, sometimes together and sometimes apart. But we quickly moved our work to Alex's loft, simply because Alex felt more comfortable there and my budding family wasn't a distraction.

(Yes, that too had happened in 2005. I had met my future wife, Mie, at a wedding on a farm. We made out in the old cow barn. She already had a young boy from a previous relationship, and less than a year later we had our first beautiful baby girl.)

But back to work. As a team, we worked well. Morten and I were used to working a certain way—he was accustomed to being in a role in which he took instructions from me—and Alex came in and introduced a different viewpoint. It was a new dynamic. I think it was helpful for getting us to expand the way we saw things. By constantly asking questions and distilling capabilities down to their core, Alex not only helped us build a new-generation customer service system, but also ultimately helped guide us to our mission of helping organizations and their customers have a better relationship.

The three of us were very un-company-minded during this period. Our goal was to build not a big company, but a great product. This was partly influenced by our previous experiences. We didn't want to build something ambitious just to see it crumble before our eyes again. In an interview with a Danish technology blog, I proudly proclaimed that our ambition was to serve a global audience through the Internet, but to keep only a very small team on staff.

We didn't give much thought to titles, but when we had to incorporate Zendesk in Denmark, we had to appoint a CEO/president—the person formally representing the company. We sat at the table and looked at each other. None of us wanted to take on that role. We knew the responsibility and didn't really want it. I somehow ended up with the CEO title; Alex became the chief product officer, and Morten took chief

technology officer. Initially it felt like I had ended up with the short end of the stick. But I'm probably also the kind of guy who likes to make stuff happen quickly, and therefore, on some level, I was not totally unhappy with the setup.

Alex was a PC guy, entrenched in the world of Microsoft. Morten was from the Apple and Java world. And they built the software entirely on Ruby on Rails, which was new, and which they taught themselves. It was a big learning experience. As Morten and Alex got more and more entrenched in coding, my role became more about being a sounding board and partner in the product management process and preparing for the product's launch and go-to-market strategy.

This is a difficult phase for many startups. And I think it was for us too. Founders' contributions can be very asymmetric in different phases of a startup's lifetime. This is especially true for bootstrapped startups like ours. Morten and Alex could work their asses off in periods when I could make very little difference. And even Alex and Morten had periods where one was way busier than the other.

The tension rarely showed its face in our case. But I have no doubt that it was latent the entire time. And we were probably lucky it didn't get to us. Appreciating and embracing the fact that people contribute different things at different times, and that everybody will have their opportunity to shine in a startup's lifetime, is easier said than done.

Timing Is Everything

Working in this on-and-off manner, it took us a long time to build the product, but maybe that was a blessing. The software industry was shifting, and we felt more and more supported in our original beliefs. The provisioning of software was becoming simpler and less expensive. The trends in the consumer world were starting to sweep through enterprises. [Salesforce.com](https://www.salesforce.com) was built on a new delivery model, and founder Marc Benioff was evangelizing “the End of Software” as we knew it.

37signals in Chicago was lean and small, another company blazing the trail. As mentioned earlier, it's ironic that one of its key people, Danish programmer David Heinemeier Hansson, had been let go at Caput. (It was assuredly not one of the most joyful times of his career; he had started working for us right before the issues and the problems.) Although we couldn't keep him, we knew he was incredibly talented, and it was exhilarating to see him create Ruby on Rails as a free web application framework and use it to create 37signals' first product, Basecamp (now the company name)—transforming the company from a web design firm to a software company. 37signals was almost like a religion; it established a new school focused on placing user experience above fussy features. We were disciples of this school and followed the company with great interest.

But we were in customer support—an industry in which these exciting new ideas were totally foreign. We were changing the existing offerings and industry on a philosophical level. We used terms like “love your help desk” and “tender loving customer care.” No one else was putting those things together. Customer support software was an option only for very large and very established companies with deep pockets. And it was supposed to be boring! They were all the same and marketed with stock images of people with headsets. (Stock image banks: where photographers go to die.) We were doing something different. But of course we had no idea whether it would work.

However here's the crazy thing. Despite the hours we put in, the money we invested, the expectations we had, we didn't set out to build a company. We were driven by a desire to build a product that was lean and self-explanatory and offered a new option. We wanted to create something people loved to use. That was our aspiration.

The one thing I learned from the little games I made on my home computer when I was twelve; or from building the stereogram software when I graduated business school; or from building [Forum.dk](https://www.forum.dk); or from my time at Caput, building community sites, was that there was nothing so satisfying as building something that people used. We all have the urge to build and create something. And the amazing thing about the Web was that there was the potential for it to reach a global audience—for it to make a big difference.

In the earliest months—those days in my apartment, the initial time in Alex's loft—it was all about innovation and inspiration. Everything was a blank slate. Anything was possible. It was a pretty great time.

But soon the honeymoon ends. The idea becomes a reality, and you discover that even though you never really wanted to build a company, all of a sudden you are doing just that. And the reality is that building a company is hard—it's no longer about just pursuing an idea. The idea has taken off, and it becomes all about executing and scaling.

Before you know it, you have all these real customers who need real attention, and you need to start building the beginnings of an organization. With all the bureaucracy and management that comes with it. And the realities of your own life creep in. No one tells you in advance how little you get paid to get there. How in the early days you are constantly running out of money. How much credit card debt you accumulate. How many fights you have with your cofounders. How you have to live with their weaknesses and oddities. How there's the constant temptation of flashy objects and shiny new things. How much you keep from your spouse. How you overleverage your life. It quickly becomes very complicated.

We didn't know anything about this. We didn't know anything about anything.

Notes

- ¹ David Cummings, "SaaS Company Valuations Will Be Cut in Half," March 18, 2014, <http://davidcummings.org/2014/03/18/saas-company-valuations-will-be-cut-in-half/>
- ² Jim Cramer, "We Reach the Twilight Zone." *Real Money*, April 25, 2014, <http://www.thestreet.com/story/12683473/1/jim-cramer-we-reach-the-twilight-zone.html>
- ³ Eric Eldon, "Sequoia Capital on Startups and the Economic Downturn," October 10, 2008, <http://www.slideshare.net/eldon/sequoia-capital-on-startups-and-the-economic-downturn-presentation>
- ⁴ Mikkel Asger Svane, *Stereogram interaktiv*, Høst, 1995, <http://www.adlibris.com/se/bok/stereogram-interaktiv-9788714293383>

Chapter 2

The Salad Days

Keeping it together when things should be falling apart

By 2006 we were all pretty serious about the “love your help desk” idea, but we were still keeping our consulting gigs as a way to pay our bills and fund this idea. I was doing some business and IT process consultancy on the side. Alex was involved in a bunch of different projects. And Morten was still doing a lot of security work.

We had officially moved “headquarters” from my apartment, which was being taken over by my kids and family life, to Alex's loft, a sunny space with carefully curated pieces. Alex was more comfortable in his own cave, and, like most Danes, took great care in creating his space. It was an old loft that had been remodeled just a few years earlier. New, fabulous windows framed views over the old roofs of Copenhagen. But it was also very much a bachelor pad. It had a semi-functional kitchen with more drinks and condiments than actual food.

The loft was in the old part of Copenhagen, which was turning hip but still had a pregentrified feel. A gay S&M bar was across the street. Every day I'd walk up five flights of rickety uneven stairs to get to work. And though it was a beautiful apartment, you wouldn't ever call it ideal office conditions.

Although Alex had selected Scandinavian furniture that looked clean and modern, it was definitely a setup for one guy only. There was only one real work chair. Whoever got in first (Alex) took it. The others sat on old kitchen chairs. The desk we worked at was an old door on sawhorses. (I'm not sure why. I know Amazon and [salesforce.com](https://www.salesforce.com) started with desks built out of doors, but we were unaware that this was a trend happening across the pond; it was more of a utilitarian decision.)

Working together in the small loft, we quickly learned each other's quirks and foibles. It's so intimate to be working in someone's home. You see everything.

Alex, a complete workaholic and night owl, frequently stayed up until after 2 a.m. working. I would ring the bell the next morning with my coffee in hand, ready to start the workday at 9 a.m. I had little kids, so I'd already been up for several hours. Often Alex answered the door in his underwear, hair disheveled. Sometimes he'd go back to bed. Later, we had keys and let ourselves in, only to find Alex still in the bathtub. He'd emerge into the “office” in his robe, his head wrapped in a towel.

We had a lot of respect for one other, but spending eight or more hours a day together, you do get annoyed by each other's mannerisms—you find you need a break. Alex was always pointing out the way I moved my chair or the way I tapped my fingers. He chastised me for clearing my throat. And it sometimes seemed that Morten was annoyed by everything.

Copenhagen is amazing in the summer—the sun stays up all night—but the winters are abysmal. It is still dark when you wake up, and the sun disappears again in the afternoon. And in between, it's gray, windy, and wet. A lot of people in Scandinavia struggle with winter depression. Of the three of us, Morten was probably the most sensitive to these winters, and the uncertainty of our pursuit, in combination with this bleakness, sometimes got to him. There were periods when he disappeared, distancing himself from the stress of building this company, tuning us out. It became his way of recharging.

I knew from years of working with Morten that he was his own worst critic, always being too hard on himself, and always trying to make everything perfect. Anyone who meets Morten recognizes him as good-looking and charming. Women love him. He's had so many great girlfriends, nice girls, beautiful women—I've probably had a crush on every single one of them—but he's never decided to commit to taking the next step. No one is ever perfect.

But while I see this as a challenge in his personal life—the obsession over perfection, finding the right apartment, the perfect girlfriend, what car to buy—it was an incredible benefit for our software. From the very beginning, Morten led the effort to build the infrastructure and tech stack in a way that obsessed over every detail and considered every possibility. Our stack is pristine. It's perfect, and that is what has enabled us to scale. In some ways Morten's nose-down personal journey toward perfection translated into our strength.

Working from Home and Actually Working

There's a relatively renowned Danish entrepreneur and angel investor, Morten Lund, who once proudly proclaimed that he was great at working from home, as he has “a sick self-discipline,” but that most cannot figure it out. “They sit and eat toast and masturbate instead.”

Many people want to work from home. Or at least they *think* they want to work from home. At Zendesk we introduced “No Meeting Wednesdays.” And for the engineering team, that quickly turned into “Working from Home Wednesdays.” For some it works well. For some it just becomes an excuse to go out drinking on Tuesday nights.

We have people in our organization who are great at working from home. And we have some who are great at working remotely. Working from home is really hard, especially when you have a family. It takes a lot of self-discipline and focus. Some people are good at it. Some aren't. If you want to be good at it, you need to:

- Have a proper home office that both you and your family consider more “office” than “home.”
- Let go of the fact that the garage needs to be cleaned up, even though you look at it all day. It's harder than you think.
- Make Skype your friend. You have to check in with your team members, peers, and boss *all the time*. Out of sight, out of mind.

It's remarkable that we live in a time when we can work from anywhere. But the bigger challenge is whether or not you have the personality to be productive at it. I could never do it again. When I'm working, you'll find me in our new offices at 1019 Market Street.

Money Isn't Only in Your Bank Account; It's Also in Your Head

We were all on different schedules, and there were times we were together only on nights and weekends, but on the weekdays only if we happened to be off our other jobs at the same time. This made for a slow way to launch a company. We worked on building the product for eighteen months.

Amazingly, no larger industry innovation happened at all in that time. That was mainly a testament to the state of the customer support industry. No one was interested in it. It actually made us paranoid, because no one cared. We wondered if we were missing something.

Because it took us so long to build the service, it took us equally long to make any revenue. We financed our lives and the development of the product through our individual consultancy gigs. The result: we were running out of money all the time (both personally and at the company).

This was trying for all of us. I had a burgeoning family—Mie was pregnant again, and I would soon have three kids and little income. It was expensive to set up a family. I maxed out credit cards and spent my retirement money to finance this period of my life. (I did not tell Mie.) To finance initial operations, I also took out a \$50,000 line of credit for which I was personally liable. (Again, I didn't tell Mie.) There was a point when I was going to be out of cash in two weeks. (Definitely did not tell Mie.)

Alex had his own financial woes, due to taxes owed on estimated income that was never realized from his previous company, Araneum, which had folded and therefore never earned what he expected. Morten, caught up in the real estate bubble, also had monetary concerns. He had left a high-income job for one with no pay and at the same time was trying to pay a mortgage on an apartment that was under water thanks to the housing crisis. He talked with urgency about the importance of paying off this mortgage as fast as possible. It may have been self-imposed pressure, but to him it was very real and very pressing.

We had initially agreed that we would forgo any sort of salary while we were building the product, but at a certain point Morten decided he couldn't continue this way. He needed the certainty of having a regular salary, and although it was an extremely modest salary, it was still a lot for a company with no money. We weren't crazy about Morten's attitude. After all, we were all in the same position. Alex, who was always focused on things being equitable, was probably especially perturbed. I didn't want to think

about it too much. It was an annoying discussion to have, and impossibly untimely, considering we didn't have any cash flow, but I knew we had to deal with it to keep Morten focused and undistracted.

The thing about money is, it's happening in your head. Everyone processes it differently. People can live with different risk profiles. You have to accept that and not let that come between you. You have to be realistic.

When you are building something, ultimately you have to make all sorts of sacrifices to accommodate people's needs. Morten needed certainty about a salary; he had an apartment he wanted to pay off. I needed to balance work and home life, and I'm sure that at times my absence was more tolerated than appreciated. Alex needed artistic freedom and to feel there was a good upside for him, which required patience on our part as he meandered through his process of determining that everything was fair and square.

But because of our different personalities and approaches, we were able to contribute different pieces that were all of value. We needed each other: Morten on the back end, with his talent for engineering and drive for perfection; Alex on the front end, with his sixth sense for product and attention to detail; and me with my understanding of the customer support domain and an impatience to get things done. We were different, but in a way we were like the three necessary legs of a tripod—dependent on one another and strong only if we were together.

Startups Are Fragile

It was difficult to stay committed to working together for no pay when there were so many temptations along the way. At one particularly precarious point I was offered a consulting gig that paid well. It was safe, and it was even interesting, but it would have taken six months out of my life. I couldn't do that. I wasn't ready to go back to the old way of working forever and turn my back on this opportunity—maybe my last one before it was too late. My personal responsibilities were only growing. And I was turning thirty-six. It felt like it was now or never.

I passed on that job, and though I tend not to regret things, and I never look back, I had to admit it made things hard in the moment. I had to continue balancing gigs to make money and pursue this company. It was challenging to be supporting a family with this precariousness. There was no predictability at all.

Mie was always supportive, but the truth is I was never super transparent about the state of our finances. I tried to keep the family sheltered so they wouldn't feel the impact. Admittedly, it was easier to do this in Denmark, which has a huge social welfare system; daycare and school are free. There's a safety net that cushions you and gives you the opportunity to live closer to the edge than you might feel comfortable with in a different economy. Denmark is not like the United States, where you can quickly go from living a decent life to destitution. There are no homeless people in Denmark. Jobless, but not homeless.

So although I knew we would never be on the street, I was always aware of our finances and always thinking ahead, trying to figure out how to make ends meet. My life was like a chess match; I was always mapping out the next consultancy move to enable me to survive another round.

An unpredictable financial state is not really something you talk about when you get together with friends for a social evening, so I mostly kept quiet about this, but with Alex and Morten I could be open. I remember telling them I had only a few more weeks before I'd have to go out and make some money. "Let me know if you hear about anything," I told them.

They were in the same situation. And both Alex and Morten had plenty of opportunities to consider, including some that offered them ownership and real money. One of Morten's offers would pay \$30,000 a month, solving his financial woes. With so many temptations—and such a difficult reality—keeping everyone committed was a nightmare. This was the biggest challenge of doing a startup—and, I later learned, the point where most of them fail.

Truly, it is a miracle that we stayed together and remained focused on an effort where everything was an unknown and there was no stability and no salary. Somehow I think it's luck that we all loved our baby enough to not give up. But it could just as well have gone south so many times.

What's in a Name?

Although we had built businesses before, that didn't make it any easier in terms of coming up with a formula to do it right. There was no formula. Our first focus was on the product—and on thinking about how to do it differently. All we knew was that it had to be lean and elegant.

Curiously enough, we didn't think about much else—even the basics that would have been in an instruction manual. (There was no instruction manual!) We never thought about “call center systems.” We never thought about a “target market.” We never thought about competition. All we thought about was trying a different approach to existing customer service software. There was no business plan. There was no plan.

For a long time, we didn't have a name for our project. Morten had originally baptized it “Project Eisenhut,” which is German for Iron Hat. A truly terrible name, and none of us remember its genesis. Later we talked about Help Desk Factory, which Alex hated very deeply. One of the smarter names we came up with was Tagtix. We wanted to convey how we had replaced traditional categorization with tagging. And it was all about tickets. Get it? Tagging tickets. Tagtix. Too smart and too lame.

Finally we settled on Thank You Machine. It was Morten's invention, and we all agreed it was super cool. We originally used it together with a famous Internet meme photo that is a mashup of President's Truman's visit to a nuclear submarine and a lot of old-school IT equipment. It was so hipster smart.

About one month before launch, Alex said, “Let's find a real name. Thank You Machine will not work. It's too weird. We need something clean and simple.” Alex forced us to consider other options, which started yet another discussion.

We argued forever. We needed alternatives. At the same time, we had had so many alternatives! The real problem was making a decision. Every name sounded weird. It's like thinking of a name for your child—you don't know what kind of person she will be, and a person's name carries such weight.

Ultimately, we wanted something that showed we were a customer service desk but that also signaled something different. Our philosophy was to be elegant and bring peace of mind to customer support in an enlightened way. Zen was enlightenment—Zendesk.

Of course, the first time I heard it I thought it was awful. Again, we argued forever. Then we just made a decision and went with it. Later we discovered we could build a whole story and universe around the name, and it started to make sense. The fact that the domain name could be acquired for \$1,000 was also a factor—we were on tight budget. (The domain name had previously belonged to a website in Korea. We never learned what the original Zendesk in Korea did, but we did receive a lot of its mail.)

We understood how important it was to build a brand identity around the name. Back when we were still Thank You Machine, Alex had asked Toke Nygaard, a former Araneum employee and an epically talented designer, for help with the logo. Toke worked with a Swedish designer, and they created the first version over the weekend. It looked like a cog in a wheel, a nod to the machine in Thank You Machine, with a heart in the center. It conveyed what we needed.

The logo made perfect sense when we were Thank You Machine, but now we needed to make it more Zen. We reshaped the cog in the wheel to be a heart in a lotus, to better fit our name. With that, we really started to establish our identity. Everything began to come together.

At a later point Alex talked to Toke about having an illustration for Zendesk. The last thing he wanted was the traditional image of a smiling woman with a headset. Toke came up with this fantastic image that we still use today. Inspired by the Laughing Buddha (or Budai, if you want to be technical), he created something that we call the Mentor. He's a big, bright, fun-loving, smiling character in a yoga pose—wearing a headset!

You Lose Some, You Win Some

Right before we launched in late 2007, we applied online to be part of the TechCrunch20. This award, which became the TechCrunch40, and later the TechCrunch50, identified the hottest startups worldwide with unreleased products ready to launch.

Amazingly, we made the top one hundred. We were ecstatic. Some seven hundred companies had applied, and now we were among the final one hundred selected for additional interviews and due diligence.

We couldn't believe it. We read TechCrunch religiously and saw it as the gravitational center of the startup world. We were intimidated by its influence; we had this impression of a large, well-oiled, and super-professional organization. (Of course, we were still working in a kitchen and still subsisting on Alex's only recipe—for spaghetti.)

We tried to schedule meetings with the contest judges, only to have it degenerate into confusion. TechCrunch scheduled our interview during a two-hour window in the middle of the night in Copenhagen. We stayed up (easier for nocturnal Alex than it was for me) and called in to the conference bridge, only to find no one there. We rescheduled, and the same thing happened again.

And then, one night, a night when no time had been blocked on the calendar, TechCrunch called us without any warning. We were available, although that is not to say we were ready. Jason Calacanis—founder of Weblogs, Inc. (which was acquired by AOL), a cofounder of the TechCrunch50 conference, and an entrepreneur extraordinaire—was on the line, firing away questions. He was very polite, but not what I would call passionate about our product. The conversation was relatively short. And in the end, Jason summed it up like this:

“Well, so basically you've built a help desk with a blog and some RSS.”

Ouch! That hurt. While that *was* one of our capabilities—you could subscribe to articles and tickets via RSS—that was definitely not the whole story. I knew what we were doing was not sexy. I understood that the help desk industry wasn't exactly hot. I got it; it was *boring*. But although we thought there was room and reason for change in this tired area, TechCrunch didn't see the potential of our offering the way we did: as the must-have, cost-effective, and convenient help desk alternative for thousands of organizations all over the world.

In truth, we probably did a poor job conveying the big idea. We found it hard to pitch our customer support system. We thought that it was great, but we weren't ready to say it would change the world. How could we? Of course it wasn't changing the world! (In Silicon Valley everything is about changing the world; at the time I did not know this.)

If you weren't using the service—and customers weren't using it yet, as this was prelaunch—it was hard to make someone imagine the kind of success that could be had on it. We thought that in order to appreciate it you really needed to experience the pain we were trying to solve for. And admittedly, for an outsider who had zero interest in help desk improvement, this was not the most compelling company in technology. This was not Twitter, something we could all use and relate to, and it was not Google, which so obviously makes life easier. We just didn't have that same kind of broad appeal. It took many years before enterprise software became sexy again, but it did ultimately enjoy a comeback, and, ironically, in 2013 we won the TechCrunch award for sexiest enterprise startup.

It wasn't that surprising when, some time shortly after that middle-of-the-night interview, we received an email informing us that we had not made the final cut. Though we didn't think Jason Calacanis “got us” during that awkward call, we also had to admit that we would have to hone our pitch. We were not naturally great at promoting our product. Our plan was to let the product speak for itself. Now we had to hope that it would be much better at selling itself than we were at selling it. And we would also have to improve our story, just to be safe.

We learned something important from that nixing, and even though we might have made a costly mistake, this contest was an incredible coup for us. It created an initial bit of awareness about us. It was our first interaction with TechCrunch—maker of all startups—and now we knew its key players: Jason Calacanis, CEO Heather Harde, and founder and editor-in-chief Michael Arrington. We lost, but at the same time we sort of felt as if we had won.

Going Live

After much discussion, and number crunching, we decided that once we launched the service we would quit our other gigs and focus on Zendesk full time. We would go all in.

And finally, eighteen months after starting to work on this idea, it happened.

On October 1, 2007, Morten sent me a note: “We're live.”

I immediately sent it out to hundreds of people.

“I meant to say, check this out,” said Morten, a bit taken aback that the site was now out of our control.

“Welcome to the rest of your life,” I said.

I don't think he found it funny.

Making Sales Self-Service

We needed to create use cases to demonstrate how the software worked, and we built product demo sites and presentations that potential customers could see on the website. We took it seriously; we wanted it to show what we could do. But we didn't take it too seriously.

In one example, we named the “demo” company Talladega, and all of its employees were characters from the Will Ferrell movie *Talladega Nights: The Ballad of Ricky Bobby*. (Relatively inappropriate.) Another company demo site was called Glengarry. (From the *Glengarry Glen Ross* movie; I guess we were subconsciously focused on sales.) We needed pictures of people to go with these names, so we used random photos we found on the Internet to represent these pretend users, with names inspired by the respective movies. I picked up these photos online, and I no idea who these people were. But sometimes others did. In one case, someone wrote us, “Why do you have a picture of Georgina Beyer, the transsexual mayor of Carterton, New Zealand, on your website?” And whoa, that was a good question. I don't think he ever got an answer from me. I couldn't really tell him that Georgina Beyer was a female version of George Aaronow, a character from *Glengarry Glen Ross*, and that it was just a photo that came up first on a Google Images search for that name.

Whereas enterprise software was sold through a tedious process that was extremely costly and complicated, our model was extremely basic, functioning just like the consumer software model. The idea was to make it as seamless as possible—we would deliver a service that immediately provided 80 percent of what a support person needed to do (in contrast to traditional software—out of the gate, it would not do *anything* they needed), tailoring it to their needs and immediately getting them hooked on the product.

In what was an unusual model at the time, everything was self-service; there were no salespeople. Prospective customers went to the website, signed up, did a free trial, and, if they wanted it, bought the product with their credit card. It was like downloading an app from the App Store (although that didn't arrive until 2008). It was so straightforward and provided instant gratification.

By now you have heard of this model; it is a routine practice today. But when we started it was not common for enterprise software. I didn't know it was a real business model. In fact, I didn't think we had a business model!

Today these ideas of cloud computing and Software-as-a-Service have emerged as proven business models—*preferred* business models—but at the time I never knew how we'd keep customers from one day to the next. The metrics that SaaS companies use to track retention and expansion didn't exist yet. With nothing to reference, it felt like we were charting new territory, which was fascinating and terrifying at the same time.

Finding Customers When You Have No Idea Where to Find Them

Our customer acquisition “plan” went something like this: “Just make customers happy.” It was all about just giving our customers and prospects a great, smooth experience trying and using the product. Unlike the situation many new businesses encounter, we weren't moving customers away from an existing vendor in most of the cases. We may originally have thought differently about the market, but most of our initial customers were greenfield opportunities. Simply by existing and by introducing a new easy model, we became their tool of preference.

And for these folks, there was no existing vendor. There wasn't anything to replace. No one served the customers we were going after. A lot of them were online businesses, web apps, e-commerce sites, or just forward-looking businesses that saw Zendesk as a much easier way of organizing support.

We won quite a few customers almost immediately, and they found us from all over the world. The very first was an Irish company, Cubic Telecom. (It is still a customer. It just got acquired, and it is still using Zendesk.) The second customer was a chain of gas and convenience stores in Texas. We also had a content management company in New Zealand. And of course we had Laughing Squid, the founder of which later became our good friend and introduced us in San Francisco.

These businesses needed a service like ours, and although we originally didn't see it this way, we soon realized that we were part of a new generation of tools for a new generation of businesses on the Internet.

We didn't have to think about landing the traditional enterprise customer. There was no need to think about the “top five customers to target and win” as the established players did. Instead, we could focus on this low-hanging fruit all over the world.

Customers were everywhere and involved in everything. The question therefore became: how do you suddenly get the attention of a new, widely scattered audience? It certainly wasn't the same way we'd go after a traditional enterprise audience. We had no experience with this, though, and we had to try all sorts of experimental ways to kick up dust on the Internet.

We thought we had a great idea: our aim was to democratize customer service software and make it easy and straightforward by offering it as a subscription. There was no large up-front fee, and using the service was inexpensive and risk-free. It was far less than the many thousands of dollars the traditional products cost, and it didn't require installation or maintenance. We thought everyone would want this.

And they did. But figuring out how to let them know about our service was sometimes an enigma.

The toughest problem was that there wasn't a natural place online that attracted an audience interested in buying a customer support service. It wasn't that the industry didn't exist—there were experts and thought leaders on customer service theory, and there were Gartner reports on the state of the industry—but there was no real community for customer service. At least there wasn't anything that didn't smell like old carpets and cigars. And based on our early customers, we weren't so sure that was the audience we should really target!

With no clue, we took a creative approach and tried a bit of everything. We started buying AdWords. It might have been popular in the United States at that time, but it was a relatively unexplored strategy in Denmark, and we were figuring it all out on our own.

Alex convinced us that we should get space on a specialized niche blog called The Deck (decknetwork.net). It's more commercial now, promoting itself as the ad network for web, design, and creative professionals, but at the time it was a network of all the really great blogs out there, which attracted a creative audience. There was only one little tiny place on each blog post for an ad, which made it look very clean and attractive, and there were all of these interesting blogs attracting viewers. We created artwork and display banners that looked different from traditional help desk promotions, with very simple messaging.

We spent \$5,000 for exposure on this network for one month, and we posted a small ad with a different message, like “Help Desk 2.0” or “Love your help desk.”

Within a few weeks of promoting our ads on the Deck we had thousands of people sign-up to try the product. It was a crazy experience. We received so much feedback, and we discovered many different audiences.

Some of our experiments, like The Deck, worked out well. Others did not. At that time, nobody was strategically thinking about search engine optimization (SEO). Perhaps as a result, for a long time the number one search result for “help desk” on Google was a comic strip called *The Help Desk*.

Boom. Let's go to the top result, we decided. We wanted to win some of that traffic. We figured out the terrible system that allowed us to buy ads on the comic strip site, and we were up and running. We received immense traffic to our website—yet we never converted those clicks to trials or customers. Not one. Luckily that flop didn't cost much money, and we changed our approach, from creating a presence on the most trafficked site to focusing on finding an audience of people interested enough in a customer service support system that they might actually go to our website and use the service.

We tried all sorts of guerilla marketing tactics. I'm not exactly sure how, but in his travels, Alex stumbled upon something called a Buddha Machine. It was a small plastic box the size of a pack of cigarettes. It had a small speaker, a play button, a track selector, and took two AA batteries. It contained eight soothing instrumental tracks that looped perfectly. If you had more than one Buddha Machine and played them alongside each other, the tracks would complement each other in perfect harmony and create new music.

For Zendesk this was the perfect idea for swag. Soothing instrumental music for your customer service operations. Just add Zen and calm and enlightenment to your customer engagement. And it was also

somewhat crazy. It was hard to understand and gave tons of ambiguous signals. It turned out the two artists behind the Buddha Machine lived in Hong Kong. We got in touch with them, and they agreed to a Zendesk-branded version of the Buddha Machine that we could hand out at events and to customers.

For a long time that was our only piece of swag. And we built quite an operation out of Hong Kong, from where we would send out the machines to customers and friends all over the world. People either totally loved the concept or were completely perplexed by it. In any case, the folks in Hong Kong spent a lot of time with the swag and with our brand.

It was tricky to navigate this uncharted terrain with undefined customers, but we were lucky to sell to a segment that hadn't been defined up front. There was no obvious way to target this underserved market, but we met this challenge by going very broad. And in that, we found ample, unexpected opportunity.

Although the site launched in English and attracted customers in the United States, Australia, Ireland, Canada, and the United Kingdom, it was not bound only to English speakers. Customers in Brazil, Turkey, and other countries all over the world and spanning all industries were registering at the site. The only thing they had in common was a modern approach to business: they were thinking differently about how they should be interacting with customers and how they could leverage the Internet to do it better and increase customer engagement. These web-based businesses wanted to have a relationship with their customers, but they didn't have the right tools for reaching them.

The existing world of customer service systems was all call center–based and telephony oriented. Everything was done on the phone. But this new generation of companies did not conduct the majority of their interactions on the phone. They didn't want to outsource to a call center and bury customers there. They wanted to chat with them where they lived—on the Web—or get in touch with them by email, but the then-current generation of software just wasn't built to do that.

Our new software helped them set up a multichannel tracking system and also build a community with users. It opened the door to take emails and make sure the senders got a reply. Nothing fell through the cracks. That was different from the way things were at the time: a customer could send an email with an inquiry but could not expect to hear back. We helped make companies all over the world more accessible and responsive.

Soon the service made its way to Silicon Valley—the startup and software epicenter of the world. Scribd started using it. Twitter followed. At the time, Twitter had fewer than twenty employees. It was almost like a little family, which signed on because Crystal, an early Twitter employee, believed we had a shared design and brand philosophy and we thought similarly about how to build an application. It was validating to sign up these companies we read about on TechCrunch. Slowly but surely, things were going in the right direction. We soon had three hundred customers—a number that we were impressed by in 2008. We took bets on when we would have a thousand customers. I thought it would happen soon.

“That is completely ludicrous,” said Morten. When that happened, he promised, “I will run down the streets of Copenhagen naked.” (Today, over fifty thousand customers later, we're still waiting for Morten to streak the streets of Copenhagen.)

Instantly Iterating the Idea

We had kept our product under wraps during development—there was no beta testing—so we really didn't know what to expect, but customers pretty instantly showed us that they liked the software. And, even better, now that we were live we started to get a lot of feedback on how to improve it. Users had so many great ideas and comments.

For example, in the very first version we released, customers had to be registered already before they received service. We were influenced by what we had previously experienced. That was how banks and most other organizations worked; you couldn't receive help or advice from a bank without being a customer already. The business relationship had to precede the customer service relationship. But we soon discovered that was not how customer relationships worked for websites and web apps. Often there wasn't any kind of established or existing business relationship at the time someone contacted customer support. The lines between visitor, user, prospect, and customer were blurred.

We realized that the initial relationship had to be created spontaneously. Instead of having a preregistered user, we had to create the user in the system at the first point of contact. Although that

sounds pretty basic, it was a big distinction, and it would turn the traditional experience with customer support completely upside down. The delivery, discovery, and learning model was completely different. On the Web, everything was driven at a faster pace.

I look back on this time as the “teenage years,” not just because we were in a young and awkward stage, but also because we really acted like young teenagers. We were opinionated. We believed that we were the center of the universe and that everything we did was unique. Though I didn't know it at the time, I now understand that if we hadn't also had the other, more charming characteristics of teenagers—we were sort of interesting, and fun, and passionate—we would have been unbearable.

During this launch period I thought everything that we did was unique and precious. Only much later did I realize that I was just following in the footsteps of many people before us. Maybe it would have been easier if I had known that all along. Or maybe it would have made it impossible.

Chapter 3

Going for Broke

How to turn down money and keep your company (and your soul)

When it comes to money, there's often a mismatch between perception and reality—and then there are different spheres of reality.

While the \$50,000 line of credit that I took to start Zendesk was a sizable personal liability for me, it wasn't a sizable amount of money to build a company. It covered some of the hardware and the costs associated with running the service, as well as the ads. We were very frugal, and we were earning modest revenue right after launch, but what we were bringing in wasn't keeping pace with what was going out. There was Morten's token salary and the paychecks we had to give to the freelancers who were now helping us build and maintain the site. We wouldn't be able to subsist on this for long.

Almost as soon as we launched, we started to approach investors. We were very much under the impression that, given that we were three hard-working guys with lots of relevant experience who had invested a massive amount of time in building a next-generation product for a big global market, it should be pretty easy to raise venture money. That was what we read on TechCrunch, and there were also plenty of reports on the great state of the Danish venture market.

I reached out to everyone I knew. I reached out to people I didn't know. Everyone gave me the impression that there was money to invest, but locating it was a lot harder. We spent plenty of time with Danish seed funds and venture capitalists, but that proved to be a waste of time. They were nice and acted professionally, and I think many of them wanted to invest, but they didn't have any significant capital. The Danish VC market was not very established back then; almost all of it was government-subsidized initiatives—nothing that could really go to our venture. The investment “industry” was almost a joke.

There were individual investors, but nothing like what there is in Silicon Valley. I got nowhere with something called the Danish Angel Network; they didn't even reply to my email. Denmark has such a small economy, and there really wasn't any risk capital at the time.

Things were looking dire. We were rapidly running out of money at Zendesk, and I was rapidly running out of money personally. I did not want to go back to consulting and neither did Alex or Morten, but soon we would have to look for some better-compensated alternatives. Part of me wondered if that was the more responsible thing to do. I had another infant daughter at home. Baby Erna was born two months after we launched, and I needed to provide more stability for my growing family. Mie was supportive of my chasing this idea, but living without a paycheck had its limitations. Diapers are expensive.

I wasn't alone in feeling torn between choosing to have this completely break apart or committing everything to finding a way forward. Alex, Morten, and I all shared an understanding that maybe this was only temporary, that maybe it would last only a bit longer, but at the same time we weren't ready to let it go. I always found myself saying, “Let's give this another month and then we can think about alternatives.” They always agreed.

But it was a very borderline time for all of us. You are balancing two extremes: one, you are completely invested and narrowly focused and wholly dedicated; the other, you are hyperaware that there is very little chance you will make it. You are at odds with yourself,

consumed by both ecstasy and fear. You have no balance, but you have found meaning. This is the every day, every moment dilemma of a startup.

And, then, suddenly, it looked like our problems could be solved. A friend of Alex's introduced us to an experienced Danish angel investor who was very interested in funding us. This was the real deal—an investor with an apparently good track record and many connections. He gave us the impression that he wanted to invest up to \$500,000.

“Let's not make this complicated; let's make it easy,” he said.

It seemed too good to be true.

And then it became clear that it was.

It's customary for prospective investors and VCs—both professional and amateur—to ask for materials to validate your business. After all, they are giving you money that, statistically speaking, they will likely never see a return on, and that they might lose entirely.¹ This investor was no different. He was not shy about asking us to produce copious documentation: details on how we fit into the competitive market, addressable market, go-to-market plan, and so on and so forth. He wanted a lot of the usual stuff that is purely fantasy so early in a startup's life.

I produced all of these materials, some of which we had and some of which we had to create or make up, working diligently to appear professional. Still, he kept on coming back, requesting more. At some point I became really confused. I thought we had produced everything he needed, and I was very unclear about what he really wanted. I wondered if *he* even knew what he wanted.

One evening, he called while I was out shopping for groceries. I was in the dairy aisle picking up milk and not entirely prepared to be grilled.

“I'm very disappointed you can't do the basic things that I am asking for,” he said.

He was making it clear that he felt I was not capable of doing my job. I don't remember the point of the call or what information he asked for, other than his trying to question my abilities and make *me* question my abilities.

It was a tense conversation, and on the way home from the market I really started to doubt myself. I felt that I was letting Morten and Alex down because I was failing to manage the investment situation. And in many ways I felt that investor had deemed me dispensable from the founding team.

But during a relatively sleepless night my confusion gave way to clarity. With each of the unnecessary demands, it became increasingly obvious he was exploiting the situation—trying to weaken us to gain more negotiation power. He knew we were running out of money, and he aimed to stretch us and tire us out as much as possible. I felt like he was messing with my mind and trying to take advantage of us. And it made me super uncomfortable.

We were facing a huge conundrum. Do we continue with this charade and do the deal with him—someone we didn't trust—to keep afloat? Or do we turn away from the deal and face sinking on our own?

The next morning I approached Morten and Alex: “We can't do this. It is going to be all wrong.”

They agreed. They also felt his vise-like grip exerting too much pressure. Alex, who had the original relationship, agreed that he would tell him that we weren't ready to take investments.

The investor was offended; he took it personally. And in a way it was personal. We did not want to be controlled by someone who was aligned with what was best for him but not best for us, for the company.

I learned an important lesson in this experience—one that influenced all of the investor decisions we've made since then. There is a vast spectrum of investors. Professional investors are extremely aware of the fact that they will be successful only if everyone else is successful. Great investors have unique relationships with founders, and they are dedicated to growing the company the right way. Mediocre and bad investors work around founders, and the company ends in disaster. The problem is, early on many startups have few options, and they have to deal with amateur investors who are shortsighted and concerned only with optimizing their own position.

As so many startup founders know, it's really hard saying no to money, but sometimes it's the right thing to do. Taking money comes with a price, and it can take you in directions that aren't always healthy. We dodged a bullet by saying no to that money, though it wasn't an easy decision. We had no cash, we were back where we started, but we didn't look back. Rejecting the offer carried the same relief you feel when you break off a bad relationship. We were free and ready to move on. Poor, but happy.

Hat in Hand

So, without any other options, we did something I never originally wanted to do, but what so many founders find themselves doing. We went to friends and family and asked them to invest. I now realize it was a last desperate action. Truthfully, I didn't realize how desperate it was at the time. But think about what a terrible thing this is to do! There was a greater chance we would fail than succeed. And here I was asking my friends for money that could be lost, that would likely turn into nothing, that almost assuredly (statistically at least) would be wasted. Why was I risking this? What would become of these relationships if things deteriorated?

I wasn't taking the long view. But I didn't try to sell anyone either.

“You are going to lose this money,” I said to these potential funders. “Think about it like a lottery ticket. There's a much better chance that you'll get nothing out of it.”

Still, we made this friends-and-family fundraising round a formal process, working with a lawyer to draft the documents and creating a presentation in which we pitched the idea. I invited potential investors in to meet with us. In these discussions I made it clear that they would have no control or influence over how we ran the business. (They had no experience with what we were doing, so giving them any power could only bite us in the ass.) They would be completely blind as to what was going on.

And yet, despite all of this, these people, family, friends—maybe fools—wanted to invest anyway. I was surprised by the level of interest but also so heartened. They wanted to invest because they believed in us. They believed in the crazy idea that we could make something out of nothing.

It's also just as true that we were really lucky with the timing. The climate for individual investors was perfect. We were still months away from the credit crunch in 2008. Real estate in Denmark was crazy hot. People had equity in their houses, and they had disposable money. They saw this as another opportunity.

My old friend Michael Hansen, the big-hearted, big-mouthed so-called king of Denmark, invested a bit. My friend Joachim, a television producer, invested and told his boss, who also invested. In fact, his boss wanted to invest more than our round allowed. Word spread, and it was fun to see so much interest. Most people put in around \$10,000 to \$15,000; the biggest investment was around \$30,000.

We even turned away some people. Some of our family members really had no idea what we were talking about; they just wanted to help and be supportive. We couldn't accept that kind of money. And we had what we needed.

How to Ask Your Friends for Money—And Stay Friends

The first rule of asking your friends for money is never to ask your friends for money.

The second rule of asking your friends for money is never to ask your friends for money.

OK, got it: You should never ask friends for money. That is, unless they have way too much money. In that case, knock yourself out.

If you really are so desperate that you need to raise money from friends and family, make it clear that they will never get it back.

- Set expectations low. Make it like a lottery ticket. Don't use the Zendesk case as an example. We're the exception. Make it into a Scratchcard lotto game—something that is fun, but most likely just a waste of money.
- Don't give any influence in return. People are unsophisticated in this area. They don't know how to run a business, invest aggressively, or take risks. They may not realize that a big portion of the investment basically goes to your own salaries. Don't provide insight into the business. If you succeed, the last thing you want on your cap table (or roster of major shareholders) is a bunch of unsophisticated investors with influence.
- Prepare yourself mentally for disappointing a lot of people. Even if you have succeeded in setting expectations low, you will still disappoint people. Even though they believe they can afford to lose the money when they invest, their financial situation may be very different twelve or twenty-four months out. And you may ruin a lot of relationships. Prepare yourself for that—and don't do it if you cannot live with that.

Eleventh-Hour Surprise

We were officially closing this round, and relieved that it was over, when something completely unexpected happened. A German angel investor named Christoph Janz sent an email exploring an opportunity to invest. After our months of chasing investors and getting absolutely nowhere, this was rather surprising.

Christoph was very professional and clearly an experienced and dedicated investor. He had been a founder of Pageflakes, a personal web portal (think My Yahoo!), which was acquired by LiveUniverse; Alex had used the Pageflakes product. Christoph was involved in a few great startups, and unlike the rest of the investment community, he had money to invest—and wanted to invest in us. He emphasized that he saw the role of an investor as someone who not only gave money but also gave expert assistance and advice. He wanted to put money into Zendesk and introduce us to key players in the investment industry. But we thought this was coming too late. So at first, we politely declined. “We don't need your money.” However, we had to admit we were intrigued by what he could offer.

Christoph didn't travel a lot, so he and I met in Hamburg, halfway between Copenhagen and Stuttgart, for a casual lunch, and we had a great discussion. He wasn't combative and didn't put me through an ordeal, but instead demonstrated that we had a mutual respect for each other. There was a good vibe between us, even though we were extremely different. Christoph was very German—very deliberate and very precise. I was the opposite, more nonchalant and impulsive and always thinking more about the big picture than the tiny details. Ultimately, I think we recognized that we were a good balance for one another.

I left Germany excited, and after Morten and Alex spoke with Christoph they agreed it would be valuable to have him be a part of what we were doing. Maybe we could extend the seed round and include him? It would have to be at a higher price, though. Amazingly, he agreed.

With a total of \$500,000, everything looked different. We'd gone so far on one-tenth of that. We'd gone so far on zero. Now we could do so much. It was not as if we were going to take big salaries, but with some seed capital we are able to take a modest paycheck and reduce some of the financial pressure. I started paying off my credit cards. There was a path forward that wasn't filled entirely with fear.

We now had a new direction. The investment from this seed round inspired a new mindset and created a big change in pace. Christoph helped us with a business plan and helped us build out what would be the first attempt at describing the financial model of our business and ultimately our business model. There was lots of work in Excel at this stage, and that turned out to be where Christoph really felt at home. He helped us think about scale—and about the possibilities.

For so long we had been just trying to survive. Now we had the luxury of time to think about ideas. We were able to see beyond the bleak bank account and recognize that we had all of these users all over the world on the service and offering feedback. The big personal sacrifices we had made started to make complete sense.

We had declined the more common alternative: working in a cubicle or corner office, being a cog in a corporate wheel. We were building something for a greater good, and it was growing bigger than ourselves. It had the possibility to become real, to have a life of its own, and we wished for it the wonderful things you wish for your child. It's so rare to have that opportunity. Knowing that we had this chance is what had kept us going—even when we were too mired in the muck of day-to-day combat to see the beauty of it.

Making Irrevocable Mistakes with People Who Matter

After we closed the seed round, we publicly celebrated with a press release, which Christoph sent to his network in Silicon Valley and San Francisco. He pitched it to various tech blogs, most notably GigaOM and TechCrunch.

GigaOM got back to us pretty quickly and asked for an exclusive. We were thrilled. Om Malik did the interview himself. Then, right before it ran, TechCrunch reached out.

“We want to run this story. Give us the details.”

Christoph wrote back, “You didn't respond, so we gave the story to Om Malik.”

That kick-started an exchange with Michael Arrington that had me shaking in my sneakers.

“Don't ever email me again,” Arrington wrote.

I tried to step in and smooth things over between Christoph and Arrington, emailing some funny remarks. They were no better received.

“Take me off your email list,” Arrington responded. “This is not a joke. Don't ever call me again.”

I was profoundly worried. TechCrunch was the mother ship of everything startup—I needed for us to be anointed by it, not annihilated! I was not well prepared for this game. Sitting in Alex's kitchen, I had to admit that I had no idea what I was doing.

“Oh my god, Michael Arrington just blackballed us from Silicon Valley,” I announced.

The only consolation was that later, Om Malik did publish a nice post. “It's not sexy, like some social networks, but it is useful and fully featured,” he wrote of us. “Zendesk would fall into our

‘small really is beautiful’ category of startups.”²

It wasn't a total disaster.

Notes

¹ Carmen Noble, “Why Companies Fail—and How Their Founders Can Bounce Back.” HBS Working Knowledge, March 7, 2011, p. 1. “Shikhar Ghosh, a Senior Lecturer at the Harvard Business School, looks at startups that take in outside money and finds that 30 to 40 percent fail (he defines failure as liquidating all assets, with investors losing most or all the money they put into the company). If failure is defined by not realizing the projected return on investment, then the failure rate is 70 to 80 percent.”

<http://hbswk.hbs.edu/item/6591.html>

² Om Malik, “Zendesk for Help Gets Seed Funding,” GigaOm, June 18, 2008,

<http://gigaom.com/2008/06/18/zendesk-for-help-gets-seed-funding/>

Chapter 4

The Bubble Redux

Battling circumstances beyond your control

In response to “TechCrunch-gate,” worried I would never again be in the good graces of Silicon Valley kingpin Michael Arrington, and completely cognizant that I had no clue what I was doing with the press, we hired a marketing pro in San Francisco to help us with introductions and advice. He was a very helpful guy, and the next time I saw him in San Francisco he scored me a ticket to the TechCrunch August Capital Summer Party.

The event, which had become legendary, had been held for several years in Michael Arrington's backyard in Atherton, California. I had read the over-the-top stories on the blogs—how this was the event where deals were made, where companies were founded, invested in, and acquired. I'd also read about how people passed out and how the police were called. It sounded like fun.

The party had grown so big that it was now held on VC firm August Capital's giant outdoor deck on Sand Hill Road in Menlo Park. I had never been to Sand Hill Road. I knew it was renowned, but didn't know what to expect. By this point I did know that I didn't know anything about how the Valley worked.

I had been in the city a few days for meetings and drove down to Sand Hill Road. This was the first time I really experienced the climate difference between San Francisco and Silicon Valley. San Francisco had been cold and foggy, but thirty minutes south on 280 it was 20 degrees warmer, and in the gardens, hummingbirds flew around. When I arrived, the event organizers gave out name tags, and on mine I just wrote ZENDESK in giant letters. As I waited in line, I ran into a VC I had met earlier that day, and we went into the reception together. The minute I walked in, before I made it to the bar or ate an hors d'oeuvre, people started coming up to me.

“You are at Zendesk?”

“I use your product!”

“We love your product.”

“Great product, man.”

Completely unbelievable. (The VC I was with asked me if I had rigged it.) This was such a new experience for me. All of these very cool companies knew about us, and a bunch of them were using our product—and liked it. We were having a different kind of conversation about product from the one I was accustomed to having. I felt like they could relate to me and I could relate to them. I was amazed that here was a group of people taking us seriously and giving us real recognition that we were doing something right. It was the first time I felt we were making an actual impact.

For me, the TechCrunch August Capital party was like the classic ending of a storybook. I felt like the beautiful sister who never knew she was beautiful! Or the ugly duckling that grew up and realized it was a beautiful swan. I never had high hopes, but then suddenly, I received all of this validation from the right people, and it changed everything.

In Copenhagen we were always the odd men out; now I had found so many like-minded people. I felt like this was family. I felt like I was coming home. I was so in love with San Francisco. And I started to think about it as the place where we needed to build our business—and the place we needed to call our home.

More Business 101: Hire People You Know!

We used some of the seed money proceeds to recruit an initial team—although it was very much on the cheap. We invested primarily in the product. We scouted some engineering help from freelancers, including a few guys in Argentina and Ukraine. Two of these guys are still with us today: Mick, who now works out of the San Francisco office, and Anibal out of Córdoba in Argentina. In many ways our hiring was very random. We have people working for us in Argentina because Morten had spent a few weeks there on vacation. He liked the local talent and persuaded us to hire there.

I was in touch with my friends and former colleagues and let them know what was happening at Zendesk, what we were working on, and how things were going. Michael Hansen, the good friend who had worked at Caput until it imploded—and then still invested in Zendesk

and helped us with the Buddha Machine—was now living in Hong Kong. Post-Caput he served in the Danish army, ran a diving business, and did some work building sales for me at Materna. He never really liked that work, though; he was not a big company guy at all. For Michael, work has to be fun and “a good environment” or he quits. Literally. Early on I had tried to get him to pursue the startup idea with me. But instead of joining me, ever the traveler, he moved to Australia.

Now he was in Hong Kong for his wife's job. She works in education quality control and as he says, keeps them “in the green.” Although he really enjoyed Hong Kong, the local job opportunities didn't include what he wanted to do. Michael was bored. And that was lucky for us. Michael asked what he could do to help. He's always been good at building teams and building a customer-centric culture. As you grow your business, it can become very easy to forget to be customer-centric. Michael always said that the more time you spend internally with a company, sitting around a meeting table facing each other—discussing, arguing, or agreeing with each other—the more time you spend showing your rear ends to your customers. It's simple, but there's a big degree of truth to it.

We needed somebody like Michael to stay true to our customers. And we needed somebody to get shit done. At this point we needed to reach our customers; we needed to be able to respond to them quickly. But even more important, we needed to be proactive and reach out to them during the product trial process and give them a great experience. We needed to help onboard them and then make them feel cared for and loved. Michael could do that. He hired a team of local guys, primarily students in Hong Kong, who helped onboard customers. We didn't have enough cash to give him a salary, but we covered his expenses.

The crew in Hong Kong were the first of what later became Zendesk's advocate group, helping customers pre- and post- the trial period. We called them customer advocates because they were supposed to be the advocate for the customers. They were on the customers' side. Today this is a very common practice amongst startups. If you engage early and personally with your trial customers, you will experience much better conversion rates. And this isn't just our best practice—it's our business; in many ways this is what we help our customers do themselves.

Another old friend from Copenhagen, Thomas Pedersen, had just quit his job in Atlanta, Georgia, and was now working as a consultant. We had a bunch of inbound requests from U.S. companies, where about two-thirds of the traffic came from, and we needed somebody on the ground in the right time zone to handle a lot of these requests. Thomas had a well-rounded background in everything from engineering to product marketing and sales, so he was ideal for managing a broad range of conversations that included everything from partner opportunities to sales calls and good old product support. We had worked in the same building when I was at Materna, and Thomas was one of the few people I had talked to about the Zendesk idea very early on and had kept in the loop on how it was developing. He provided solid advice along the way, which included telling us that Thank You Machine was a terrible name. Thomas had moved to the United States during this time, and we kept in touch on the company's progress until things got very busy and I went pretty dark. But when we needed help, Thomas was there for us.

When Things Go Wrong

Even after the seed round with Christoph Janz, we were still looking for investors. If you've never been in a startup this may seem odd, but when you're a startup founder you're basically always fund-raising. Building a company costs money, and the faster you grow, the more cash it requires. Of course, that's not the case for all startups—there are definitely examples of companies that have come a long way on their own positive cash flow—but the general rule is that if you optimize for profitability, you sacrifice growth. And for a startup, it's all about growth.

Being a SaaS company, and therefore technically a subscription business, makes the need for cash even more urgent. A good small-business customer would pay us something like \$500 a month. Considering the expansion and upgrade profile of our customer base and our churn rate, we can calculate the lifetime value of this customer as something around \$50,000. That's a significant amount and a good value customer, but the problem is that it will take us years—maybe many years—to see that total amount. The first month we'll see only \$500, and that won't pay many salaries. So for a SaaS company it's all about reaching scale, and until you get there, you need cash.

We knew we needed money. But initially, we were pretty leery of American venture capitalists. Alex believed VCs would “eat us up and spit us out.” We didn't have any experience with them, so I too was concerned we might not be sophisticated enough for this system. But at the same time, in order to really take it to the next level, we needed to raise more capital. Of course there was still no investment industry in Denmark, so I started to meet with people in the United States.

I frequently flew out to California and the rest of the United States to meet our budding customer base, have business development conversations with potential partners, and meet with potential investors. It wasn't long before things really began to progress with one VC firm in San Francisco. We were close to constructing a deal.

I had just arrived back in Copenhagen when about a week later, in September, they asked if I could fly back to California to meet with them again. I was not excited. Another trip back was expensive, and it wasn't as if we were swimming in money. And there was another factor: I struggled with a fear of flying. I didn't feel the charm of traveling thousands of miles within hours and being above it all. Instead, I was always much more grounded in my own dread and anxiety. Of course, back then I always flew coach and chose the cheapest flights, bad connections and all, to save money. I'm not a small guy, and I hated being squeezed into that tiny tin can in the sky. I needed to sit by the window, and every bit of commotion disturbed me. I always turned to Channel 9, where you could hear the communication with the flight controllers, and I listened to this dialogue with rapt attention, feeding my own paranoia. I fought small panic attacks the whole way. Twelve hours proved a long time to be tense, and I arrived at the other end exhausted.

But of course, I got over myself and got on the plane to finish this deal. I was sure it was just a formality, and I was eager to get the papers signed and return home.

Now, in the very nice conference room of the quintessential brick-and-timber San Francisco office, the vibe was different from what I had expected. And the attitude was different from what I had experienced with the partnership before. There was more noise. Partners were squabbling around the table.

In the short time between visits, the world had changed. Mortgage lenders were closing, Lehman Brothers had collapsed, Merrill Lynch

had failed. The air was charged with fear and uncertainty.

I gave my presentation, outlined the updated metrics they requested, and waited. There were no papers presented, no agreement determined. The partners said they would call me, and someone escorted me out.

I went back to the Phoenix, my favorite Tenderloin hotel with the affordable hipster rock 'n' roll attitude and free WiFi. And I waited in my room. Several hours passed. I knew they were not going to call. I went to bed.

I never called Alex or Morten to tell them. I didn't know what to tell them. And I couldn't let my own confusion and uncertainty get to them. I wanted to protect them and not disappoint them. My way of thinking had always been not to involve them before they needed to be involved. I didn't want to give them higher hopes. And I probably didn't want to make it more complicated than necessary.

Perhaps I should have shared more with them. But determination is always easier to share than doubt. When you're in the middle of it, it's not always clear what happens and therefore not always so easy to share.

I didn't talk to Mie either. I didn't talk to anyone. When these things happen you can't talk to anyone. People have all these questions, and you don't have any of the answers.

The next day I flew home, wracked with even more anxiety than usual. It was one of the worst flights of my life. I missed my connection in Seattle and was reluctantly rebooked on a middle seat in a packed Lufthansa 747 on a turbulent flight via Frankfurt.

As a startup founder, I blamed myself for things imploding. Something was wrong with the presentation. I should have done it differently.

Many years later I got the full story from the principal I interacted with at the VC firm, and who later became a good friend of mine. The partnership had had an epic fight following our meeting over whether or not they could make an investment in Zendesk. At some point my friend had stormed out of the conference room and printed out his resignation. They persuaded him to stay and later promoted him to partner. Unfortunately, he never got around to investing in Zendesk, but I know that he did buy stock in the IPO.

At the time, I didn't know it was all about the market and the craziness in the firm's portfolios. I didn't know that the VCs couldn't make new investments. I hadn't read the "R.I.P. Good Times" manifesto from Sequoia Capital. I didn't realize the impact.

Looking back, it's better that I didn't know. The economic crisis would continue throughout the following year, and if I had known, I would have been further terrified that it could destroy us just as the dot-com disaster had destroyed our previous companies.

At the time, all I knew was that we were starting all over again. And that was something I was still getting used to.

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

Fear of flying is real. And it affects a lot of people. One study shows that one in three Americans are afflicted with it; another says that 50 percent of adults are frightened some of the time on commercial airline flights.¹ Don't ignore it. You may never lose your fear of flying, but good routines can make it better. Here's what I did to curb my anxieties:

- Own it. Get good seats. It's all about the seat. A middle seat with no easy access to the aisle and no eyesight to a window will kill you. Use seatguru.com to scout the best seats. Ignore the people around you. Make it *your* flight.²
- Create your own little zone. Don't depend on airline entertainment or food. It can surprise you, but mostly it doesn't. Get some really good movies on the iPad. Invest in some good noise-cancelling headphones.
- It's absolutely not a crime to have a few drinks and immerse yourself in some good music or a good e-book.
- Sleep as much as you can, and drink plenty of water.
- Sleeping pills are no crime either. Need to switch nine time zones and be efficient? Good luck without a little chemical help. Time zone switching is all about getting into it on that first day/night.
- You don't have to talk to other people on the flight. It's totally okay to be an asshole if that makes your flight better. (Even though my mom will probably complain about you as a terrible seat neighbor.)
- Accumulate points with one airline/network for better seats and upgrades. Go all in. Remember, it's all about the seat.
- Embrace flying. Discover the beauty of what you're seeing out the window. Imagine yourself as the pilot doing a low descent

over San Francisco on a beautiful crisp day where you can see every hill and every distinct neighborhood. Watch YouTube videos with pilots explaining a flight and what turbulence really means.

- Remember, it is very safe. You won't crash. #fingerscrossed

Notes

¹ “What Is Fear of Flying?” [Airsafe.com](http://www.airsafe.com/),
<http://www.airsafe.com/issues/fear.htm>

² <http://www.seatguru.com/>

Chapter 5

The Game Is Not Over

Getting investors and getting along with your partners

In late 2008—late one evening, out of the blue—Devdutt Yellurkar, a partner at the venture capital firm Charles River Ventures (CRV), called me on my cell phone. My phone was listed on the Zendesk website, and I was accustomed to getting weird calls at odd hours, so it wasn't that unusual. People were usually offering to sell me something or pretending they were anything from customers to investors and everything in between. On one occasion I'd even had somebody pretending to be a reporter contacting me in the middle of the night with “unsettling news”; I finally realized he was trying to get a referral to one of our customers.

But this one was different. Devdutt wanted to know more about Zendesk, and he already knew quite a bit. CRV already had a company in its portfolio in a related industry. While doing research on whether or not it should reinvest in another round, Devdutt somehow stumbled on us. He was a brand-new partner at CRV—he had just joined that year—and he was a relatively new VC. He had an investment in only one other company. He was previously an entrepreneur, having cofounded technology company Yantra, which was acquired by AT&T.

Devdutt explained that he was interested in SaaS companies and interested in learning more about us. His background was compelling. He kind of *got* us, even over the phone, and although we spent the beginning of the conversation feeling each other out, by the end I got the feeling he was a genuinely good guy.

After our conversation, Devdutt completed more due diligence and spoke with several of the companies that were using our product; then he offered to fly out and visit. We immediately said yes. We still didn't have a real office, so we were forced to invite him to Alex's apartment with the “colorful” bars across the street, where he'd have to climb the crooked steps all the way up to the fifth-floor loft.

It turned out that Devdutt was even scrappier than we were. On Halloween 2008, he flew in from Boston and took a cab from the airport directly to Alex's place, worked with us in the kitchen the entire day, and flew back home that night. He worked as hard, and as weird, as we did.

It was an intimate experience to be hosting a prospective VC in Alex's home, but it somehow felt right. Devdutt believed that what we were doing could be game changing. We continued the dialogue with Devdutt and met the whole CRV partnership in Boston. We let them do their due diligence, which also involved understanding Danish tax laws and identifying an immigration path for the three of us. And, ultimately, CRV sent us the fabled term sheet—our very first.

Now, just a short time after that awful trip to California that had led to nothing, things were coming together. CRV was a solid firm with a good track record. And I appreciated the leap of faith it was taking in backing us—three Danish guys who spoke broken English with funny accents and had no real business plan.

I thought it was a huge victory. But my excitement was soon tempered when I discovered that Morten and Alex were not as pleased. Alex was fixated on reading the fine print through a lens of skepticism, and he thought the deal wasn't good enough. He said he had a different idea about the valuation and the amount the company should raise.

“Just read TechCrunch,” Alex said, highlighting deals that were much bigger and much more impressive than what we were being offered.

Of course I had read about those deals too, but I didn't think such a deal was realistic for us. He was alluding to the outlier companies—the companies that had a Series A, or first significant round of venture funding, that got written about with frothy fanfare. Their story lines read like a fairy tale—the little company received a huge valuation, and the founders became rich overnight and lived happily ever after. I agreed that from the outside it seemed like these rounds were fantastic. But that was not the whole story, and it certainly wasn't the typical story.

In reality, most Series A rounds are not that fantastic. Founders do not see any money themselves, investments are rarely more than a few million dollars, and 30- to 40-percent dilution, or giving away a big part of the founders' percentage ownership to the VCs, is very standard. Our deal was not very different.

I thought something else was happening with Alex's lack of enthusiasm, and it wasn't really a money game, but a mental one. Getting your term sheet is scary, and I thought it was the psychological aspect of the deal—not the terms themselves—that was intimidating him. Working with a VC is almost like entering into a marriage. It's a long-term proposition, and you lose the complete control you once had over your own destiny. In any leery founder's defense, the standard practice is strange and intimidating: you give your shares to the VC—they will vest over a four-year period, so you can get them back, but there are many ways you can lose the shares. (For example, getting fired by the board! That was something we suddenly had to realize could happen—at least in theory.)

Although I wanted the deal, I understood that there was a lot of risk, and it was overwhelming. After all, you don't know these VCs. You don't trust them completely. And yet you are supposed to give them everything you've been working for? It's unsettling.

Alex pored over the contract, reading and rereading the fine print, and becoming even more paranoid. Morten was not unaffected. The realization that dilution would make us minority shareholders over time was a harsh awakening. I wanted to rely on a team of advisors to help explain that this was typical, but I didn't have the right network of experts to call upon. We were represented by one of the biggest law firms in Copenhagen, but it had very little experience with these type of investments. We had no real data that would be helpful in determining the right thing to do.

Still, from my experience trying to raise money for the past six months and meeting with myriad VCs, I thought the deal was okay. I saw it as a good first step—and one we needed to take soon. And though we hadn't known Devdutt for very long, I believed his initiative and approach thus far demonstrated that he would fight for us.

Alex was deeply concerned that I wasn't looking at it critically, that I was moving too fast.

“You are being a twelve-year-old,” he told me.

I accused him of getting carried away by his anxieties. I told him he was thinking small and not being visionary.

Alex could not be persuaded. I would not cave. Morten was somewhere in the middle, but more inclined toward Alex's position than mine. Tensions reached a boiling point. Fights erupted, and I couldn't take it anymore. Fully frustrated, one day I stormed out, yelling, “Let's forget all about all this shit!” I drove home very upset and spent yet another night with little sleep and lots of irritation.

Obviously that was ridiculous. We couldn't just forget about it; we had a business to run and decisions to make. The next day I showed up for work, as did Morten and Alex, and we did what had to get done to take care of the company and our customers. During this time I felt as if Alex, Morten, and I, friends and cofounders, were more like parents engaged in an ongoing disagreement—not speaking during the day, sending snarky emails, walking out angry, and lying on opposite sides of the bed at night. That was the awkward undercurrent, but we didn't let that get in the way of what was most important. The priority remained ensuring that our kid

felt good, even if we didn't. Our baby united us—even if we didn't like parenting with one another.

Ultimately, we had to give CRV an answer, and although I wanted to accept the deal, I did not succeed at convincing Alex and Morten, and I couldn't do it alone. A good friendship and strong partnership is very powerful for a founding team. But it can also make things harder. You have to work in agreement, and no single team member can have the final say.

I thought we would be making a mistake in turning down CRV, and that Morten and Alex were overestimating the leverage we had in negotiating the deal. But we all had to feel good about the deal, and that just wasn't the case. We rejected the term sheet from CRV.

I was so disappointed and so tired. But incredibly, Devdutt, who had invested so much time in us—and gone to bat for us with his partners—showed he was understanding. He was sensitive to the issues we were struggling with as cofounders. He appreciated the difficulties and the dynamics. Maybe it's because he was an entrepreneur himself and likely had experienced similar problems of his own, but more likely it's his personality.

“It's not an easy process,” he said, almost trying to provide some comfort. “Don't worry about it.” He left the door open and told us to come back at any time. No bridge was burned.

Friends should never work together—so goes the adage. But who would you want to build a startup with, if not your friends? Even Facebook recognizes that when it comes to relationships, sometimes “It's complicated.”

Second Chances Again!

We weren't desperate for money at this point, but we did want capital to grow the business, and we didn't have a lot of choices. Denmark still didn't have any real investment scene, U.S. venture capital firms weren't routinely investing in small Danish startups, and the credit crunch was still casting a shadow—making it even less likely to get funding.

It was just before the New Year. I had spent so much of 2008 on the road trying to get money. Now we would enter 2009 without anything to show for it.

Devdutt had graciously left the door open, and now going back to CRV looked like the best option—the only option. Devdutt had been so stable all along; even with all of the turbulence in the markets, he remained dedicated and committed. Maybe he would still be interested; maybe he could improve the terms.

We knew that accepting funding from CRV meant we would move to Boston, where the VC firm was based. It was even part of the funding agreement; CRV was not interested in investing if we stayed in Copenhagen, and if we moved back there the deal would be over. That was acceptable; we were interested in moving to the United States, and the conditions made sense: we could leverage the network and the expertise of CRV, and they needed us located in a place where they could actually be helpful.

Copenhagen was separated from Boston by approximately ten hours of travel and 3,659 miles, via a connection in London. We didn't really have any relationships there or any idea of what it meant to build a business in Boston. We had even less of an idea of what it meant to live in Boston. We knew *nothing* about Boston.

I don't think we were particularly excited about moving to Boston, but you could easily argue how it made sense. I approached Morten and Alex and begged: “Don't think about this as the rest of your life; think about this as the first step. We just have to get the fuck out of Copenhagen.”

They knew the investment climate was now freezing, they were aware the nonstop traveling back and forth was unsustainable, and most important, they also understood that the mental

distance between Denmark and the United States was too great. If we moved, we would have an easier time growing Zendesk outside of Denmark's small community, which was very limiting. We all wanted a better chance.

I called Devdutt. “Can we reconfigure the deal somewhat?”

CRV changed the terms and made it better. Truthfully, the difference was minor. The dilution was somewhat smaller, but it wasn't significant. I felt it was like scraping pennies or saving the change you get when you make a purchase. And though I felt that this incremental addition would never make a material difference, and it hadn't been worth fighting for, it was massively significant in that it made it palatable enough for us to close the deal. Alex and Morten appreciated the new terms, and most of all I think they appreciated the loyalty Devdutt demonstrated to us.

The clean term sheet from CRV finally arrived when I was on Christmas vacation. We were at Mie's parents' farm in Jutland, at the opposite end of Denmark from Copenhagen. It's at the top of the peninsula, where the wind careens through the flat lands bordered by two seas. It's where my in-laws raise chickens, ducks, geese, and turkeys.

As a family, we go to Jutland for summer and holidays—and curiously enough, many of Zendesk's pivotal moments happened while we were at the chicken farm. Our first big customer, MSNBC, had signed a deal earlier that year while I was visiting Mie's parents. I remember being up in the middle of the night, when it was still daylight in New York, and desperately trying to get an internet connection.

Now, once again, I received important paperwork in the middle of the night due to the time difference with the States. Again, I sat on the porch with my laptop struggling to find an internet connection (the 3G connection is actually pretty good because the land is so flat). I fielded calls with people in meeting rooms starting their days. I felt disconnected. (Maybe because they were in an office building and I was in a house with a duck in the parlor.)

But the agreement came in as promised, signed by the partners at CRV. I countersigned it, sent it back, and went to bed. We had a deal. And even though this giant feat had been accomplished, life didn't change one bit.

Back home in Copenhagen, Mie was studying for an exam, so I was with the kids. I took them to the park in the rain. I snapped a picture of the girls standing in the rain in a big muddy pool, stomping through the mud, and sent it Morten, Alex, and Devdutt: “Celebrating our Series A!”

Getting money was a relief, but it did not bring elation the way I had expected. Suddenly having a few million dollars transferred to your bank account is a weird thing. It becomes very real, and it's a bit unexpectedly uncomfortable in many ways. It's transactional.

Until this point, everything was *aspirational*—we had all these big ideas; we wanted to do all of these big things. And now it was anticlimactic. It's great to see a big number in your account, but at the same time you ask yourself, *Is that it? I just went through all of that for this amount of money?*

And suddenly you feel a little dirty.

Jamaica Plain, or Things Are Not as Good as They Sound

We determined that Morten, Alex, and I would go for a week or two every month to work in the United States, close to our new VCs, but we couldn't make it permanent until our work visa situation was in place. In January 2009 we decided to get everybody on the founding team together, which meant the founders, plus Michael from Hong Kong, and Thomas Pedersen, who now lived in Los Angeles and who had been ramping up his work with us, helping us with anything from business development and sales to customer support. We needed a place where

we could work and live for a few weeks, and where we could be relatively close to CRV as we were finalizing the due diligence prior to formally closing the funding.

We searched on the Internet and found a house in a neighborhood called Jamaica Plain, which sounded great. It turned out it was nothing like its name.

In Jamaica Plain in January, it is very very cold. Copenhagen, although it is at a more northerly latitude than Boston, is warmed by the Gulf Stream, and we were not used to these frigid temperatures. We wore big puffy down jackets and wool sweaters, but these layers did nothing to protect us from the frigid temperatures, and we all had to go buy boots and hats and winter underwear. We couldn't figure out how to properly regulate the heating in the house we were renting, and we ended up huddling around the single fireplace.

We worked in the kitchen with hundreds of sticky notes and ideas posted everywhere. We were making progress. We tried to lay the groundwork for the next phase of the company, and for us it always started with product. We definitely had more ideas and visions than we had resources and capacity. But that's the charm of an early startup. There's no ceiling for your ambitions. A lot of the product capabilities we laid out back then didn't get properly implemented until many years later. Priorities, priorities.

Learning What Makes a Great VC

We were having fun together, although of course we also argued a lot. But we always ended the evening by going to one of the little bars in the neighborhood. And the neighborhood really grew on us, even though we sometimes had to fight our way through eight feet of snow to get anywhere.

In that same period, January 2009, a lot of milestone events and fun things happened. Twitter posted a blog post about its switch to Zendesk, and that gave us some good attention. We signed a very interesting customer that later became our first customer with more than a thousand seats on Zendesk. And we also turned down one of our first big enterprise opportunities, as its product requirements would have sent us down a path we were not willing to take.

But the due diligence phase with CRV was less fun. Moving the company was an intellectual-property and tax challenge. Additionally, it was incredibly costly to get the details of the deal closed. We each had a law firm in the United States and a law firm in Denmark, so four law firms were involved—and the language and cultural barriers didn't make things easier. There were accountants and auditors. The bills piled high and ate up a solid chunk of the investment. I wasn't the most experienced negotiator, and I had no clue about the amount of legal work associated with doing business in the United States. I probably had a very Danish “we'll figure it out” attitude and was unprepared for how much work and documentation must go into properly assessing liabilities and everything else. It's a very intrusive experience, having lawyers dissect what at that point is less of a business and more of a love child. It puts you in an oddly defensive position, fearing that the mess they uncover may jeopardize the deal.

I often lost my patience during this period. It took me many years to fully appreciate and embrace the work of lawyers in the United States. Today, I couldn't live without it. I've learned to love and live with lawyers.

It was sheer willpower that drove the Series A deal and our relocation to America to completion. What if we didn't get visas? We were taking a big risk, but the VCs were taking a giant leap of faith.

I credit Devdutt, for his belief in us and for his ability to remain a stable force when everything around us was often crumbling. I learned just how deep his loyalty ran when one day, while waiting to meet with the partners, I could hear through the air ducts a conversation they were having about our deal. Devdutt fought hard on our behalf. And his courage and conviction led everyone through.

This knowledge gave me even greater confidence in Devdutt, and it also taught me a lot about what makes a great VC. Particularly in the past, some VCs have had a reputation for routinely replacing founders with “professional” CEOs with more big company experience. Good investors understand that the founding team often is what carries the spirit of a company and makes it what it is. Most of all, they understand that the inspiration that comes from helping people grow is much more valuable than the experience you could buy by replacing them. The investment made in a founder and in helping him or her develop leadership skills is the difference between really good investors and mediocre ones.

Fostering Your VC Relationship

A relationship with a VC is a marriage. You want to be able to expose yourself 100 percent to them, and you will. And you want to be able to do that without fear of retaliation.

Have them look you in the eye and tell you they love you—and say it so you believe them. Or rather, figure out a way to build that trust. It's often a two-way game; maybe you will have to expose yourself to have them expose themselves. Often it has nothing to do with business. But you need to figure out whether you share the same values—because ultimately, that is what defines a business.

You will have a baby together. They need to live up to that responsibility. You both need to be in it for the long haul. It can be worthwhile to understand their fund structure, need for showing returns, and historical exit strategy. But none of these things may mean anything for the relationship you're building.

Each stage of your life has different VC needs. Your teenage life needs a different investor than you golden years does. But that's okay. A good VC will understand up to what point they add value. And you may even get VCs that won't show their real value until further down the line.

Entrepreneurship Is Filled with Paranoia

Although we believed in Devdutt and we had come a long way in our understanding of working with investors, we were still very green. It was our first time working with VCs—and we were paranoid.

What if they took our stuff and kicked us out? The Danish VCs didn't help to curb our concerns. Though they had not been interested in us before, now they were vying for our business. Their new angle: *We will control these venture guys for you; we can protect you from the American VCs!* We were told all of these stories about the big guy screwing someone over, running them over, taking their businesses from them. Maybe it stemmed in part from our culture, from being from a small country that was accustomed to being threatened by a bigger player, but the paranoia didn't serve us well.

It was really absurd that we were always worrying. It made Alex's beard turn gray, and it wasted all of our time and sucked up too much energy. Looking back, I can see that it was kind of crazy of us—and very amateurish—to think that our company and technology were so valuable that the investor wouldn't also need the people who had created all of it. The venture guys didn't want to do this work themselves—and who could blame them? But this was just one more lesson we had to learn for ourselves.

Chapter 6

Coming to America

Chasing the dream—and dealing with the reality

With a few million in the account and Devdutt on our board, we slowly began to set up shop in Boston. Alex and Morten weren't terribly excited about settling in Boston. Alex stressed that he would rather go to New York. Squabbles ensued.

“Don't worry; in six months' time we'll be off to somewhere else,” I told them.

And I believed that.

I had talked with Mie about the concept of a move to the United States, at least in theory, and now that it was a reality, she was on board immediately. She had traveled extensively and was very much up for the adventure. I had shared my American dream with her when we originally met. Back then, I didn't know how much I could predict our future. I knew I was very inspired by San Francisco and Silicon Valley, and I somehow felt a tie to the United States. My dad grew up in Bronxville, New York, during World War II, where my grandfather represented the interests of Greenland, which came under U.S. protection after the Nazis invaded Denmark.

Somewhat unconsciously, I've always traced the footsteps of my family that came before me. My grandfather was the first man to travel around the world on a motorcycle, back in 1912, and I've always kept a photo hanging in my kitchen of him and his friend and travel partner, Svend Heiberg, arriving in New York City on their Harley Davidson (without the sidecar; that fell off in Turkey after they were chased by highwaymen and crashed in a cactus field).

The first time I went to New York I visited all the places where my dad had grown up and my grandfather had worked. When a lottery drafted me into the military in the late eighties, I served in Greenland and had an opportunity to not only see the house where my dad was born in Nuuk but also visit some of the places he had visited when he did *his* service in the North Atlantic. Today we have small pieces of furniture and pictures that I know have followed my grandfather and father on their many journeys across the Atlantic—in some cases closely followed by Nazi submarines—and I wonder how much of that journey has formed my own yearning for traveling and adventure. Though my adventure is so different; today there's a direct SAS flight between San Francisco and Copenhagen, which makes traveling much easier and more convenient. And it definitely beats having your entire family sitting ready in life vests on the deck of the ship, just waiting for a torpedo to hit.

So when I finally asked Mie about moving to America for real, she simply replied, “Yeah, let's do it. We'll figure it out.”

But that's not to say that the move would be easy. Mie, who is deaf, didn't read lips in English. She had a son from a prior relationship, and moving him far away from his father would be complicated. He was then almost seven, and we had two daughters, ages three and two. None of the kids spoke English. And we would be leaving a pretty good setup: we had a great apartment in central Copenhagen with both a great school and daycare around the corner. Now we would be starting from scratch. I don't think I really shared this with Mie, but I was terrified about moving our budding family and afraid of all the unknowns to which I would subject them. Living an entrepreneurial life doesn't necessarily always match your desire for your children to grow up in a safe cocoon.

Building the Home Team

We didn't return to Jamaica Plain, but instead set up our new office in Boston's Leather District, squeezed in between Chinatown and the Financial District. It was one of the only parts of the very groomed Boston that we felt had the gritty and chaotic city vibe that we liked.

The company was thriving in its new environment. Zendesk got more and more popular by the day. And we were not keeping up with the demand. We started to hire people in Boston, and we soon created a different kind of family. Rick Rigoli—a marvelous mashup of the lead in television's *Columbo* and Robert De Niro—came on initially just as a contractor, to help us establish the business in the United States. As

he said, we “needed a lot of help.” Rick was a former colleague of Devdutt's and was serendipitously between jobs when CRV invested.

There was so much to do, and Rick was a giant help—we couldn't have done any of it without him. Basically, as soon as we got Rick signed on I handed him my checkbook as well as a manila folder with receipts, invoices, and bank statements in Danish. Rick had to translate them. He did all of the accounting and payroll on cloud-based systems, even though that wasn't the obvious mainstream choice yet. He was bent on setting up QuickBooks Online and building everything in a proper, beautifully simple way. That was a lot of work, but just a small part of what Rick did. We had to get a grip on a big-picture strategy as well. We needed to determine the revenue model and the metrics behind it and decide on the right growth plans. Rick talked to investors, auditors, and lawyers about things I knew nothing about, and he started to take a big burden off of my shoulders.

The software was a relatively simple help desk ticket tracking system, and people were buying it using credit cards. It was so easy to do. You didn't need permissions from higher-ups to buy it, and you didn't have to wait months to get it. Rick, who came from the world of traditional enterprise software, had never seen this volume of transactions. There were thousands of sales and transactions every month, whereas he was used to being able to count the number of deals on one hand with old-school enterprise software. The charges were all small amounts, and Rick had to make sure they would show up in the bank account and properly on our P&L. (He did.)

Picking Your First Employees

We had to hire people to help with customer support locally. The first of these was Matthew Latkiewicz, a young hipster who was working as a web designer and blogging about wine in his free time. Matthew had previously owned a café, but he'd never had a real corporate job before, and he didn't have much of a tech background. (He had majored in philosophy at a liberal arts school in western Massachusetts.) He found us on a job board, and we wanted to interview him because—well, because he applied.

At that point Zendesk had nine people, if we truly counted *every single body*; Matthew thought this was an impressive number. He showed up formally dressed for what he must have anticipated to be a formal interview—he probably wore a tie clip or some other hipster-at-work ensemble.

His perception of us was deflated when he met with Alex in an otherwise empty work/live space, which we called our office, and they had what was less of an interview and more of an unprofessional chat. When Alex offered Matthew something to drink, Alex discovered that we had only Vitaminwater in the fridge and was horrified. He went on a rant about how “everything in America is made of sugar!”

Matthew stayed in the meeting even though Alex also told him that he wasn't right for the web role. When Alex suggested he meet Michael Hansen, who was looking to hire people in customer support, Matthew agreed to stick around.

“I need a job; sure, I'll talk to him,” said Matthew.

Alex must have seen something special in Matthew, and Michael had his own unique way of sizing up potential hires—some of them rather unconventional.

When it came to talking salary, we were all pretty clueless. Michael asked Matthew how much he wanted to make. Matthew was currently making \$42,000. What did he want from Zendesk?

“Anywhere from \$50,000 to \$60,000,” he said.

We gave Matthew an offer letter for \$60,000 to be a customer support advocate, which meant he would engage with trial customers and help customers onboard. Matthew was thrilled.

“This is amazing. I love this company. This Internet thing is so awesome! The tech world is so cool,” he said.

And we were thrilled too. Though he never would have fit the kind of “check the box” list we probably should have had, he was exactly what we needed. He was a hard worker and a creative thinker, and he reflected our voice and brand. We have found that the first few hires are the most important ones you will ever make. They may not all stick around, but those who do not only will set the initial path for the company but will also help establish the initial voice and style of the company. They will become the platform for the company culture.

All employees in Zendesk are granted employee options. This was not something that we as founders knew a lot about before moving to the United States, but we quickly embraced it, and we were proud to invite all employees to take part in the upside of the company's future. Your annual option pool is relatively constant year over year, but each year, as your hiring increases, you have to distribute those options to more and more people. Getting into a startup early can therefore be a very good idea. And it makes sense to get your early employees well invested in the company's future. It aligns your destinies.

Customer Support from the Inside

We were selling a customer support service, so clearly we had to be pretty good at customer support ourselves or no one would want what we were selling.

Everyone worked hard to “touch” every customer and create a truly frictionless and intuitive online experience. We created rules about when in a trial customer's lifecycle we would be in contact with them and how we would interact. We called every company that signed up for a new trial and asked how they were doing. We prided ourselves on being casual, not trying to sell, but trying to build a relationship. We experimented with the format and structure of these interactions all the time. And we still do.

We were really committed. Michael Hansen gave his personal phone number to at least ten thousand trial customers. Matthew proactively called customers and potential customers—before there was a problem—to ask how they were doing. Thomas Pedersen did three thousand support tickets in his first year with Zendesk. He responded over the weekend and during weird hours. But he was convinced this was the right path: “Response time corresponds with conversion rates.”

There was no sales team and no marketing team, so this was the approach we took to do those jobs. It wasn't as if we had a manual; we used the resources we had, and we learned a lot of unconventional best practices that we still use today.

Customer Support Secrets

You want to hear back from customers? Here are the most unlikely tricks from the trade.

Make It Personal

Our fancy, perfectly crafted emails didn't get responses. Then we made them simpler, added one handcrafted sentence, and added spelling errors—and they got a higher response rate. People realized it wasn't an automated email but a message from a real person—and they responded to that.

Women Get More Responses

Most IT people are male, so Michael Hansen took on a new persona and called himself Josephine, after a girl he had once fancied long ago in the UK. It worked. The response rate increased exponentially. We've since changed the alter ego to Jennifer but kept Michael's last name. And we use that name in almost all automated communication from Zendesk. So almost all customers of Zendesk will at some point during their trial meet Jennifer Hansen. She's very convincing, and we still have people telling our sales team that they already have negotiated special terms with Jennifer Hansen.

It's All about the Conversation

It doesn't really matter what you actually interact about with the trial customer. The fact that you interact is what matters. We could quickly see a direct correlation between response rates to our emails and conversions to customers.

Becoming the Shiny New Thing

We circulated a press release about the Series A with CRV in the spring of 2009, and things went bananas. All of a sudden, Zendesk was super hot. We started to get new Silicon Valley customers. We

weren't even looking for more capital, but VCs starting calling us, wanting to invest in the company, and hoping to preempt the next round.

It was a huge shift for us, to be chased. Of course, our sudden popularity wasn't exclusively due to anything new that we had done. It was somewhat reflective of the crazy flock mentality that sometimes also characterizes Silicon Valley. However, it definitely helped that we had built up quite a portfolio of customers in San Francisco and Silicon Valley. That increased our exposure to VCs as they heard our name from their portfolio companies. Whatever the reasons, it was certainly more fun to be on this new side of the equation.

Amazing firms showed interest in us. Several top Silicon Valley firms wanted to meet with us, and three flew to Copenhagen over a period of ten days, to meet us on our home turf. Benchmark—which invested in OpenTable, Yelp, and Twitter, and many more—knew us from some of their portfolio companies. But Christoph Janz had, at an earlier point, also introduced us to Benchmark's newest partner, Matt Cohler, and without our really realizing it, the partnership had been following our progress closely.

One fine spring day Matt Cohler, who looked all of eighteen, flew to Copenhagen to meet us. Alex was in Boston in those days, so I didn't want to take Matt to the loft; instead, I rode my bicycle to Matt's hotel to meet with him there.

Although we had completed our Series A with CRV, we were still wary of VCs—we had been burned before, and the lonely night I had spent waiting by the phone in that Phoenix hotel room was just a few months behind us and still fresh in my mind. Devdutt felt more like an exception. I saw him as almost a member of our team. Therefore the bar was quite high for another VC. We wanted a partner, not just an investor, and we now had a much better idea of what that looked like. It was no longer a question of our persuading the investor about the potential of Zendesk. Now it was about our feeling that the investor got it—got us. We needed to understand that they subscribed to the core concept of what we were building and could help us shape and scale it.

I didn't know exactly what to expect with this round, and I didn't know what to expect from these firms or individual VCs. Matt Cohler was such a straightforward and nice guy that not only could you talk business with him, but you could have an even better conversation with him about music or T-shirt design. And he had an impressive resume. For example, he was very involved early on in building both LinkedIn and Facebook. But all of that seemed so abstract, and I didn't really know anything about him.

However, I liked him. He was quick on his feet and sharp on our model—sharp on the opportunity and sharp on the premise. It was very clear that he wanted to invest; he just needed to get his head around the metrics of the business. And us.

So even though I initially thought it would be too cozy to have him to the loft where we worked, I wound up inviting him home for a dinner with Mie and the kids and our friends Joachim and Nikki and their kids. It was a pivotal evening, but I wasn't aware of that at the time. It just felt natural and easy to have him around. Matt sat on the sofa in the living room and watched *Pippi Longstocking* (in Danish) with the kids and fired off notes from his BlackBerry. It oddly felt very natural and very right.

I later asked Joachim—who's a journalist, an entrepreneur himself, and first and foremost a good friend with great instincts—for his take on Matt. He said he liked him a lot, but mentioned that they had had one very awkward moment. They were both bitching about trans-Atlantic flights, and connecting over this, until Joachim realized that Matt was complaining about the declining quality of first class service on Lufthansa. Welcome to Silicon Valley! (But I'm getting ahead of myself.)

Settling In

We planned to relocate to Boston as a family right around Fourth of July, 2009, and I had searched for a little house for us to call home, but I couldn't find anything that could work. Houses in Boston meant posh brownstones in Back Bay, and there was nothing to rent under \$8,000 to \$10,000 a month. Finding something in our price range meant driving at least an hour out of the city, and I simply couldn't live with that. We weren't going to move around the world just for me to be stuck in traffic for two hours every day. And I couldn't do that to the family—remove them from me and from the city like that. I pivoted away from the little house ideal and rented a slightly unpolished four-thousand-square-foot loft right around the corner from the office and across the street from a Chinese supermarket. It was one giant room with direct elevator access (this became a constant point of panic when we moved in, as it of

course became way too interesting to the kids for them not to consider it a fun new toy). But the place was huge; there was enough room for a playground, and I set up swings in one corner.

Rick very generously managed the assembly of our IKEA instant home furniture so it would be ready in our loft before my family arrived. He hired the guys to do it, and he got rid of all the cardboard and mess that IKEA furniture leaves. Thanks to Rick, my family could just move into a place with all of the furniture and none of the frustration. There were even dolls on the girls' beds. Rick went above and beyond for us. Beyond what you could expect from an employee; more of what a good friend might do for you. We may have been leaving Denmark, the country with the happiest people in the world, but we were meeting some of the most thoughtful and loyal people I have ever met in my life.

But this new home would be temporary. The deal with San Francisco–based Benchmark progressed, and before the end of the summer we were ready to close a Series B round of around \$6 million, led by Benchmark and with participation by CRV. The terms were clean, and at this point we were more experienced and more prepared for the way the venture world worked. And more important, this time we had Rick guiding the three of us through the process.

Once again, the final negotiations happened while I was at the chicken farm. All of the paperwork was expected to go through before midnight, but it got delayed and the conversations dragged out the whole night.

I didn't sleep, but it didn't matter. The next day we drove down to the beach at the western side of the peninsula for a barbeque lunch. The weather was fantastic, we were eating Danish new potatoes directly off the grill, and the kids were running around naked playing on the shoreline.

My father-in-law asked me about what had happened the night before. I tried to explain the \$6 million investment, but I couldn't make it make sense to him.

“How much again?” he asked. He was clearly excited about the big number, but also completely perplexed by the nature of the deal.

To him, it was so abstract. The world of the Internet is surreal to someone whose work is so grounded in the practical arts of keeping animals. All of his life he had gotten up at 5 a.m. and gone to bed at 11 p.m. and worked every hour in between. To him, there was a fixed correlation between how hard you worked and how much money you made. And it was very physical.

My work was so different. We worked from anywhere, on our laptops, and connected to people all over the world. There was no physical product to hold or ship, but people, smart people, just invested crazy amounts of money into it. Perhaps the only thing that made sense about it was that it didn't make a whole lot of sense.

Moving Again

Mie and the three kids finally moved to Boston, even though we knew we would not be there for long. We soon discovered that although the place was flush with space and now functionally furnished, it was devoid of some comforts. There was no air conditioner. Though it had been so freezing just months before, it was now unusually hot—and incredibly sticky. For two months we wore only our underwear inside the house. The kids were in nothing but diapers.

None of us got settled quickly. Erna, going on two, was walking around the loft with her bottle and making the sign for home. She wanted to go home.

Mie wasn't super excited either. She was working on her final thesis as a teacher, and her computer hard drive got corrupted. We paid specialists to recover the data, but no one could retrieve it. She spent almost the entire two months in Boston recreating all of her work.

Even though we had a tough time acclimating to Boston, we still look back at it now and consider it a good time. We became regulars at Figs and brought our pizza over to the Commons, where the kids fed the ducks and the squirrels. This was still vacation time, and the kids spent almost every single day in the Tadpole Playground and the Frog Pond.

We always knew that there was much more startup action on the West Coast—and we always saw ourselves ending up there. (Except perhaps Alex; he still hoped for New York.) With the investment from Benchmark, there was also a real reason to move to San Francisco. Peter Fenton, a general partner at

Benchmark who was later called “the most productive venture capitalist”¹ by *Forbes* and was named a “rock star” partner by TechCrunch² just as Benchmark was investing in Zendesk, would join our board and would help us deftly navigate Silicon Valley.

During the summer, on one of our many trips to San Francisco, Rick and I met up with Peter and Devdutt at the Benchmark offices. We agreed to have a closing dinner and met at the restaurant RN74. The mood was great. And I succumbed to the first of many Jedi mind trick dinners, orchestrated by Peter's fantastic taste in Burgundy wines, which opened my mind like a book and made me forget where I stopped thinking and Peter started talking.

At this particular dinner Peter also addressed his newly minted rock star VC status. He compared anybody's career to the hours in the day: although no two lives are the same, we will all experience dawn, noon, dusk, and midnight. Peter was appreciative of the fact that success and the stardom that comes with it are something you experience temporarily. It comes and it goes. So, as with all things that will be taken away from you, there's no reason to get used to it. I was impressed with how Peter showcased an extreme humility while living a life that very few of us can relate to. And I benefited from the fact that he preferred the silent life behind the scenes, where he can influence a company, its founders, and its management. (The same year that Zendesk got awarded the Sexiest Enterprise Startup by TechCrunch,³ Peter was awarded VC of the Year.⁴ And in typical Peter style, he didn't show up.)

I've since had many dinners with Peter at RN74 and have come to appreciate the gentle mind games that have made me think bigger and set me up for the right long-term thinking. Peter was the one who made me believe that the tiny product coming out of Alex's loft could be the foundation for a next-generation enterprise software company, and that I could be the CEO who led that journey.

But for now, our choices and decisions were much more mundane. Where would we go? Initially, we thought about keeping two offices—we had an office, furniture, and most of all talent working in Boston. But it just didn't seem like the most sustainable option.

I was tired of traversing the country one out of every three days. I didn't want to continue flying, and I didn't want to be apart from the family anymore. Alex and Morten were pleased to get out of Boston.

The only one who wanted to stay in Boston was Rick, who was very surprised and felt betrayed that we would leave for San Francisco. We asked him to come with us, but he refused. Rick was a workaholic, but he always put his family first, and felt he couldn't move with his kids or away from his aging parents. Philosophically, he was staunchly opposed to moving from his home for a job.

Alex pulled Rick aside and asked him to stay on and work remotely. He told him we needed him. It was true, and I think Alex's more sensitive and empathetic approach meant something to Rick. He agreed to stay with Zendesk and work remotely. Matthew wasn't ready to move either, but he also agreed to work out of San Francisco for a week or two each month. I knew in time I could persuade him to make it permanent.

So, just two months after I had relocated my family thousands and thousands of miles away from home to Boston, I put all of the IKEA furniture on Craigslist and got all of us ready to go West. Left alone in Boston, and a penny-pincher by nature, Rick had an open house and dedicated a crazy amount of time to selling everything we had bought.

It was hard say goodbye, even temporarily, and it was harder to let go of some of the staff in Boston. But it was the right thing to do, and Devdutt also supported it, realizing that our ecosystem had its gravitational center in San Francisco, not in Boston.

We were doing the right thing for the company. And by this point all of us had, by necessity, become experts at embracing change. This is not necessarily something that has come naturally to us, and it can be hard to sustain the extremely open mind that's needed when building something like this.

But when you don't have a frame of reference for things you're about to do, you sometimes have to do them based on blind trust, or according to your intuition. Or, maybe more important, sometimes you have to go completely *against* your intuition—and you have to trust that what you see in front of you is right, even though it's terrifying and you don't know where it will lead you.

Notes

- ¹ The Midas List: Tech's Top Investors: Peter Fenton #4. *Forbes*, 2011, <http://www.forbes.com/lists/midas/2011/profile/peter-fenton.html>
- ² Michael Arrington, "Benchmark Capital's Big Day." *TechCrunch*, August 10, 2009, <http://techcrunch.com/2009/08/10/benchmark-capitals-big-day/>; Erick Schonfeld, "Zendesk Raises \$6 Million In B Round, Benchmark's Peter Fenton Joins Board." *TechCrunch*, August 17, 2009, <http://techcrunch.com/2009/08/17/zendesk-raises-6-million-in-b-round-benchmarks-peter-fenton-joins-board/>
- ³ "Sexiest Enterprise Startup Zendesk | Crunchies Awards 2013." *TechCrunch*, February 10, 2014, <http://techcrunch.com/video/sexiest-enterprise-startup-zendesk-crunchies-awards-2013/518118954/>
- ⁴ Anthony Ha, "Peter Fenton Named 'VC of the Year' at the Crunchies." *TechCrunch*, February 10, 2014, <http://techcrunch.com/2014/02/10/peter-fenton-crunchies/>

Chapter 7

Go West

Leveraging location and upending our lives

Like so many before us, we went West in pursuit of a gold rush—this modern day one fueled by the Internet and a severe case of being bitten by the TechCrunch bug. After so many visits to the West Coast, we were sure San Francisco was the right place: being part of a startup *industry*, the early adopter first-mover customers, the investors, the talent (and talent with *actual relevant experience*), the sheer density of startups and startup people, and of course the sunshine. And then came the less obvious part—we had to decide where exactly to set up shop. As usual, there was a difference of opinion.

I flew out to San Francisco, toured a few office spaces, and selected what I thought to be a solid choice, 410 Townsend Street, in the South of Market (SoMa) neighborhood, which was home to so many software companies including Airbnb, Dropbox, [salesforce.com](https://www.salesforce.com), Twitter, and many more.

The four-story building I found was a true SoMa building. It looked like it was previously an industrial warehouse or something and consisted of lots of brick and wooden beams. Later we found out it had previously been home to a Buddhist center! It was seismically retrofitted, and the previous tenant was Razorfish, which had been acquired by Microsoft in the dot-com days. It was as if these guys had cleaned it up and left it overnight. It was very ready for us to move in immediately. The building was situated in front of a painting studio at the Academy of Art, and often they would bring a pony into the studio (to model), which could be heard clomping around in the back alley. But despite these unusual details, the neighborhood was really startup central—two brand new internet companies, Eventbrite and Yammer, had just moved in and shared an office.

I wanted to move us right in. It would be so easy: the office was a block from the Caltrain station. It was built out, furnished with Aeron chairs and cubicles, cabled and ready for business. And it had an okay vibe. There were the aforementioned exposed brick walls and beams—it was everything a growing American startup needed.

“We could just move in and start working here tomorrow!” I gleefully told Alex and Morten in an email, attaching some photos. “Let's do it!”

They quickly quelled my enthusiasm. Unlike me, they did not think that the space was perfect; they didn't even think it was okay.

“This is not how we saw it,” they explained.

Both of them envisioned something that they could have more influence over. They wanted to work with designers and create their own space—they did not want to take something finished. Cubicles and corporate-colored carpet are not very Danish. And although I fully understood that, I was completely focused on just getting it done and moving on.

I told them that the pictures I had sent didn't do the space justice, so Morten and Alex flew out to see the office for themselves. I was convinced that would turn things in my favor, but they only reconfirmed that they didn't like it. Back in Boston, there was more yelling and storming out. There was no consensus. They flew to Copenhagen with us still sparring over selecting a space.

Unlike other times when we did not have a unanimous decision and I had acquiesced, this time I did not. This was an easy and fast solution, and an obvious one. We could customize the office later; right now we just needed a place to set up shop. Sometimes finding perfection is finding the perfect middle ground.

To that end, Rick helped play mediator and ensured that Morten and Alex could live with the decision. We made some concessions; we decided to rip out some of the cubicles and put in some benches for the engineering team. Having Rick on the team forced Alex, Morten, and me to have more constructive grown-up conversations, although he probably also heard us argue like an old married couple a few times.

One of the great things about building a smart team is that it forces you to grow yourself. It's like having a marriage counselor: it forces the conversation to be more civil, it forces everybody to be more grown-up, and it dissuades you from being snarky or cruel.

It wasn't until years later, when we moved into the historic "Furniture and Carpets" building on 1019 Market Street, that we actually built out and spent real money on an office space that we designed. And wow, what a distraction that was! The amount of money and resources spent on setting up and maintaining offices and the layer of complexity that adds to our business makes the old days of just moving into an outfitted space seem so attractive.

I've learned that when you're a startup you spend a disproportional amount of time talking about office space and building out office space. This is partly because you spend so much time there and partly because you want to relay your values as a startup. It also becomes a recruiting factor.

It is complex because it is so hard to balance ego and humility, to balance a desire for quality with a desire for simplicity, and balance modesty with the needs for attracting talent. It can become so consuming, and so emotional.

Interestingly, a lot of startups also break their necks on overinvesting in office space. In San Francisco currently some startups have ten-year, \$100M commitments for office space on their balance sheet. And everyone thinks space is important—TechCrunch has a "cribs" show showcasing the digs of new startups.

Office Space: Real Estate Lessons Learned the Hard Way

- Don't ever spend more than 10 percent of your revenue run rate on building out your offices. Try to keep it to 5 percent. Or, really, 1 percent. (See the last point below.)
- Define a basic philosophy for the space, don't overdo it, and make sure you leave enough room on the canvas for your employees to paint their own pictures.
- Kill your darlings. Don't let your ego and your pet peeves get in the way of the bigger picture. Don't make it a democratic process either, but do make sure you elicit feedback and properly accommodate the needs of every department.
- Watch out for “startup style”:

In its early days, Facebook thought it was cool to have graffiti on every wall. Facebook is still here. The graffiti is not. (Kind of like the eighties.)

Do you *really* want to install a giant slide to show how startup crazy you are and then have guests sign a waiver to ride it?

Table tennis or table football is super fun—until it's not, and you're super annoyed by the constant noise of it all.

Office dogs are super cute, except for the ones that aren't because they smell or bark or pee or are slightly aggressive. And they're never appreciated by the people who don't really like dogs or are intimidated by them.

- And finally, kiss your office space goodbye. You'll move within a few years.

Starting Over, Again

We signed a lease on an office at 410 Townsend in August, and by September 2009 all of us had officially moved to San Francisco. After a beastly summer in Boston, we were looking forward to a cool fall in the Fog City, but of course we soon learned that in San Francisco the summers are chilly with fog, but the fall days are warm. When we first flew into SFO there was an unusual heat wave, which made the first couple of nights in San Francisco—again, with no air conditioning—warm and sticky.

Before moving over, I had found a nice little house for my family. Unlike in Boston, in San Francisco we could actually find a house that we could afford and that wasn't hours outside of the city. We rented a small house in Noe Valley right off 24th Street for only \$4,000 a month. Although not cheap compared to other U.S. cities, it pales in comparison to 2014 prices: the same house would rent for at least twice that. It was a small house, and technically only two bedrooms, although it had extra playrooms and an office, as well as a cozy kitchen and a nice little backyard. It came unfurnished, save for a giant old upright piano and a small couch left in the basement that all three kids fit onto together. Again, it was IKEA to the rescue for the beginner-family-in-a-box basics.

We were in the house for only a few nights when the kids were playing on the second floor prior to going to bed, and somehow they managed to lock us all out of the bathroom. I had already had a pretty long day and needed to prepare my very first board meeting with the new investors the next morning, so this was the last thing I needed. Although we had

another bathroom, we had all our stuff in the locked one, so we had to figure out how to get it open.

Mie had bigger problems; she was sick as a dog and had almost fainted. She was completely overwhelmed by everything. We had health insurance, but no family doctor, and we didn't even know where to go for the care she needed. So solving the lock problem was all on me.

Unlocking a bathroom lock from the outside may be a trivial task for somebody who's grown up in the United States and knows how bathroom locks work in this country. But I had no clue whatsoever. I could only see the doorknob from the outside, and there was no keyhole or any hint of what was happening on the other side. I had no idea where to start. After almost two hours of improvised jerry-rigging with whatever scraps from the nearly empty house I could use for tools, I finally got it open. Now I could get back to my work preparing for my board meeting.

But I was exhausted! When you're alone in a foreign country, you have to learn so many basic things all over from the beginning. That evening I felt so stressed and spent that having to deal with that stupid door lock almost made me sit down and cry. It should have been so simple, but I simply couldn't figure it out, and I had a million other things I had to get done.

Mie could feel how stressed and preoccupied I was, and I was the only one she had to lean on. We had no nearby family. No network. She was tasked with setting up a new life so far from home and taking care of our three children. At the time I was pretending everything was cool, but it was a crazy period. The company was growing like weeds, and we were starting all over for the second time in three months. We were in a whole new place and dealing with situations that would be so simple to deal with at home, but here were complex and confusing. We really were starting over and it was the *most* stressful time in my life. Effing bathroom lock!

Scaling Snafus

I wasn't the only one who was finding the move to the Land of Opportunity challenging. Things were especially rough for Morten. Traffic to the website spiked just when we moved to San Francisco, and the infrastructure wasn't ready. That weight was carried on his shoulders.

In April of 2009, Evan Williams, the cofounder and then CEO of Twitter (a Zendesk customer), went on *Oprah*, and over the next couple of months Twitter quickly became a household name. Traffic to its site grew a hundred-fold, and its support team got overrun. We had one server at the time, and Twitter consumed all the resources—we could see from the inside how it was growing exponentially. And from the outside everyone else could see that our infrastructure couldn't handle it. Things were close to breaking apart.

Morten was holding things together almost physically. His days and nights were super intense. Twitter was just the first of a series of high-volume, high-profile startups that started to use Zendesk. For six months, he had his head down; he did nothing other than work. He barely knew he was in a new city, as he saw only his home and the office. He had moved into a new place, but he didn't have anything more than a mattress on his floor.

But during this very intense time we figured out many things we needed to understand—things that would serve us very well later. For example, the problems led us to adopt solid-state drives in all our data centers very early on, which enabled us to scale much faster. Of course, that did introduce another issue. It turned out that the MySQL database distribution we were using carried a bug when running on solid-state drives.

One night our databases started crashing, one after the other. The underlying issue was super technical, and we had a hard time figuring out what was happening. As we let database slaves take over for their masters, they also started crashing, until at some point we had only a single slave database left. If that crashed, it would have taken us hours, almost days, to warm up a new database. We wouldn't have survived that as a company.

In all of this chaos, Morten isolated the root cause and without really understanding why we were seeing the bug, he changed the code live in the production system. All of this happened in the middle of the night, and our solution broke every rule for how to commit code changes. But there was no way around it. It was a matter of survival—and as he had in so many previous instances, Morten saved our asses.

Alex—ironically the one who would have still favored New York and still fought for it—turned out to be the happiest of all of us on the West Coast. He just arrived with a small suitcase and found a tiny place with no light and spent his first days in complete darkness on a mattress on the floor because he became ill. (His landlord brought him two cans of Campbell's soup; San Franciscans are nice.) He found all of it to be a great change and “exciting.”

“We were onto something,” he later told us. “It's a fantastic thing when things are going like this. You are a very ungrateful person if you don't feel good and happy.”

Alex's attitude was right. We gained some battle scars from dealing with the sudden Twitter success. But the experience later came in handy for us when massively fast-growing companies like Airbnb, Uber, Dropbox, and Groupon became Zendesk customers.

Hiring: American Style

As we grew, the product was making greater demands on the hardware. It was hard to keep it up. Luckily, our move West attracted some of the people who previously worked with us and knew exactly what we needed—like Mick, a great engineer who had worked in Copenhagen as a contractor three days a week. He had wanted to come to the United States to pursue his American dream, but he had had no interest in moving to Boston, complaining that it was “boring and colder than Denmark.”

Now Morten and Alex Skyped him from San Francisco: “Guess where we are,” they taunted. And then, “Want to come?”

“Absolutely,” Mick replied. He sold his house—none of us had done that—packed up his family in time for the kids to start school at the beginning of the year, and was in our office ready to take on our scaling challenges.

But we constantly needed more people. There was so much pressure on Morten, and he couldn't onboard people fast enough. All of us had a lot to learn about hiring.

Truthfully, there was a very steep learning curve. There was so much we didn't know: *How do you do salary negotiation? How come salaries are so much more in San Francisco than in Boston? How is it that recruiters take 25 percent of the first year of an engineer's salary? What the hell is going on?!*

There was also something else we were up against. We suffered from the “Law of Jante,” a Scandinavian mentality that urges people to be modest. From a young age, Danes are taught, “Don't be more than you are; don't think you are better than anyone.” Unlike American culture, Danish culture does not prize being exceptional—instead, it promotes a mindset that it's better to be like everyone else and not to stick out. With this pervasive message, no one is incented to be boastful; that attitude is discouraged.

Coming to America and experiencing the American bravado, especially during the hiring process, was quite the culture shock. We were not used to people touting their skills and abilities, so when this happened during interviews, we took these grand statements very literally. We thought everyone sounded absolutely amazing! Upon seeing one candidate's stellar resume, Morten said he should quit and give the candidate *his* job.

The reality, which we learned after some experience, is that Americans are just much better at selling themselves. In fact, we learned that some of them oversold themselves. This doesn't really happen in Denmark, where people understate their abilities, but here it was a routine practice. We had to learn to expect it—and to determine other ways to measure skills and screen for talent. It took us a while, and basically we had to hire people who could help us hire people and put the right processes in place.

We grew the staff quickly. Michael Hansen, who had moved to San Francisco with us and was now in charge of the customer advocates and sales, developed some new hiring strategies to build the San Francisco office. He took recruits on a walk to Philz Coffee shop or The Creamery. He walked very, *very* fast to see if they could keep up with him. (He also wanted to make sure they were physically fit—maybe a remnant of his army training.) He would see if they let him order first, and who paid. The whole way, he used foul language and swore, just to see how they would react—and that reaction would help him determine if they were right for a startup culture. (There's a lot of cursing at startups, or at least at Zendesk.) On the way back from a walk, he asked their salary requirements.

Michael ignored other more traditional methods of screening candidates, like asking where they went to school or what they studied. He didn't care where they went to school or what they studied, finding it irrelevant. To him, relevant information included details of how they liked to travel and how they responded to difficult situations.

Weirdly, his unconventional practices worked. Somehow he was able to find what we were looking for: people who could interact in a semi-crazy environment and have fun. We didn't want new hires to come with lots of demands because we didn't know if we could meet them. We never had the mentality that we were going to make it and things were going to be easy—simply because they never had been.

Today “Hire for Attitude, Train the Skills” has become a Silicon Valley practice, and Michael was having a field day with it back then in 2009.

Hiring. Our Unconventional (Possibly Illegal) Hiring Checklist

Hire Athletes

We learned not to hire people who were too fixed on a specific role, because it changes so fast. We look for people who are multitasking athletes, who enjoy doing many disparate things and have the stamina to stick with it. At Zendesk, people have an array of talents—there's the illustrator and someone who does improv, a guy in New Zealand was a juggler, and we have another circus artist in the mix.

Hire Travelers

We ask people, “Have you traveled?” Trips to Tijuana and Toronto don't always count. We love people who have explored, who have moved around, who love adventure, and who are good at figuring stuff out. That shows curiosity and open-mindedness. And that was what we needed.

Hire Women

At the risk of this getting me in legal trouble, I'll tell you that Michael liked to hire as many women as possible. “They are better workers,” he says. “Mothers are even better workers because they are used to multitasking.” (Note: Being a father of four kids, I know that dads can be okay at multitasking too.)

Hire People Who Are Not Offended by Swearing

There's a lot of swearing when building a company—and there's a lot worse that happens too. People who get ruffled by bad language will probably have trouble rolling with all of the other less than perfectly pristine moments.

Hire for Attitude

Having people be humble—never cocky—sets the standard for employees. You have to hire for attitude. All the other stuff people can learn. Attitude is something you can't learn.

Hire for Authenticity

We look for this in everyone we hire. I love salty Danish licorice. While this tongue-numbing treat is popular in Nordic countries, I admit it is an acquired taste. In our process of recruiting for one important position, each time I met a candidate I would offer one of these candies, which were out on my table.

One prospective employee took the tiniest bite of this already tiny hard piece of licorice and then said, “Oh, that's delicate,” and saved the rest for later! She tried to be very polite, but it was obvious she thought it was the worst thing she had ever tasted. We couldn't hire someone like that. People need to be honest. I needed her to say, “Good Lord, that is terrible!” Or something that would have revealed what she was really thinking. You have to look for people who possess a combination of being real without being mean and offending people.

Hire for Differences, Not Similarities

Try to have as many cultures and backgrounds as possible. Tech companies can become a posse of young white men in jeans and hoodies. But having diverse backgrounds creates a much better culture. There is a tendency to think that everyone needs some common ground, but that's a myth. It's much better to be like the United Nations, made of different cultures and backgrounds, and to be forced to make it work and to find a common language. A diverse workforce enables the company to make sure no predominant group sets the tone. Instead, the company finds its own common tone.

Home at Last (Or Location Matters)

After several months in Startupland, things were—finally—going well. Customer acquisition grew: in early 2009 we reached our first one thousand customers, and the number was growing quickly. (Morten did not deliver on his promise to run naked down the street.) Our building on Townsend had created an early debate, but now it turned out to be a great choice.

Both Yammer and Eventbrite quickly became hot Silicon Valley companies, growing through the roof. Another promising company, OpenDNS, moved into the building. Another tenant, Playdom, a new-generation gaming company, was still in the building when it got acquired by Disney. And TechCrunch, the company that had influenced a large part of our early development, moved in on the first floor. We were suddenly at the epicenter of Startupland.

We also built networks and made friends—something that was much easier in San Francisco, where there were many more foreigners and out-of-towners than there had been in Boston. When Michael Arrington sold TechCrunch to AOL, we bought him a bottle of whisky. Adam Pisoni, the cofounder and CTO of Yammer, turned forty around the same time that Michael Hansen was leaving California to go back to Australia. We brought our keg upstairs to the building's rooftop and celebrated together. We shared a similar perspective with these companies and felt an instant kinship and acceptance.

Customers were very loyal and dedicated to us. It was like a movement. We were a breath of fresh air for a lot of customers who had been trapped in terrible software. And the world of customer service turned in our direction too. Customer service had within a few years become a very public experience due to the Internet and social media. Customer service no longer happened in a vacuum; it was something customers shared online, with the whole world. That worked well for businesses when the experience was great, but when an awful customer service experience suddenly began making noise all over the Internet, it hurt their brand and their reputation. More and more, companies started to realize how a great product and service experience helped turn customers into their greatest promoters and ultimately into an extension of the sales and marketing activities. In a few years, what we had experienced ourselves had become a world trend.

Soon San Francisco became my entire world. It was a fantastic place to build a tech startup—the best place in the world. And it was a beautiful place to live, too. Within six months our kids were speaking English with heavy American accents and were blissfully happy with the California sunshine.

Things at home were getting easier for me. I traveled a lot less. Literally, I did not step into an airport for almost two years. With San Francisco as the center of the tech scene, everybody was coming here anyway. My life was about staying close to home. I dropped the kids off at school and came home in time for dinner at 6 p.m. I didn't go to a single

networking event or dinner for a very long time. It was all about building the product, building the team, and investing in the family. Startupland had become home.

Chapter 8

Growing Up

Going from building a product to building a company—and messing up along the way

As we started hiring in San Francisco, we probably felt more comfortable hiring engineers and technical people than we did for other roles. The technical side was our turf; for that, we mostly knew what we were looking for. But when it came to other roles, we didn't know what we were doing. Design and marketing were areas that we cared about profoundly. But we had very little experience hiring product designers or marketers, and we had a hard time framing what we needed. The world of product management was an issue in itself. I think we didn't intrinsically understand that the people spec'ing and defining the product were a separate species from the people building it. Denmark is probably the leading country in the world with the least established tradition for "product management," primarily because there are so few companies building software on a larger scale.

In hindsight, it was impressive how little we knew about building up an organization—and how forgiving the people that we met were with this fact. Building a product is so different from building an organization and a company. We relied a bunch on recruiters and consultants and on their advice, but in truth most of our hires were completely hit or miss.

Onboarding Talent and Trying to Look Like a Pro

We recruited Amanda Kleha, who had worked at Google after the Postini acquisition but was looking for a smaller startup where she could have more impact. She was an all-around marketing person and came highly recommended. Alex said, "I don't understand why we need marketing right now," and I'm not sure I knew why either, but I was still managing our AdWords account myself, and that alone was becoming a full-time job.

My interview skills were weak. I knew we needed to build a marketing team, but I didn't know what to ask a potential head of marketing. I had such a chaotic interview with Amanda that I cannot fathom why she signed on. She also met Michael, and she passed his test. I think we were all a little scared of Amanda. She was so professional.

Then, after Amanda accepted our offer, we demonstrated that we had no idea how to onboard a new team member. We were still in startup mode and acting not all that differently from when we were working in the loft.

When Amanda showed up her first day, I was surprised to see her empty-handed. "Did you bring your computer?" I asked.

"What? I thought you'd have one," she said.

"Fuck!" She was right. We were supposed to provide computers for our employees. "Can you go to the Apple store and buy one?" I asked.

She went out in the rain and came back with a computer.

"Guess I just joined a startup," she said.

She handled it pretty well, but we needed to put a process in place to get people off to the right start. For a long time we expected people to hit the ground running and "figure it out." We did, however, do one thing right: we expected everybody to spend the first week in support with our customer advocates. That way, understanding our product and spending time with our

customers became most employees' introduction to the company. I still believe it's the best way for anybody to understand what we're doing.

But onboarding people was not my forte. Our first HR person was employee number fifty, and that was probably the first time somebody in the organization thought about building a structured onboarding process. To the previous forty-nine: I'm sorry.

Some Tricks on How to Hire People Who Can Do What You Can't

Things weren't easy, and Peter Fenton quickly convinced me that a lot of the pain of running the organization would go away with a professional and experienced VP of engineering. He said we needed somebody who was used to building out engineering teams and driving efficiency and—not least—shipping. We needed this expertise, but when you haven't hired for this role before, it's hard. And it was even harder because Morten and Alex technically would have to report to that role. We needed someone who could manage that relationship properly.

We had a long search, working with Riviera Partners, an executive search firm for VC-backed companies, which did a fantastic job. I also enlisted Nancy Connery, an HR and recruiting professional who was an early hire at [salesforce.com](https://www.salesforce.com) and worked closely with Marc Benioff to help me with the interviews and assess the candidates.

Our finalist was Adrian McDermott, who was the first engineer on the original Plumtree Software team and worked there through the IPO and the acquisition by BEA, before it was sold to Oracle. Adrian had passed all the tests—which mostly meant having conversations with Alex and Morten about random things—and people really liked him. But in what was becoming an annoyingly familiar story, he wasn't completely sold on joining us.

We agreed to meet for (another) dinner, and it became a very late evening where Adrian introduced me to a number of San Francisco bars I didn't know existed. I got so drunk that when I finally made it home I couldn't get my shoes off. But I did remember that the last thing we had done before separating was to shake hands and agree on Adrian's joining Zendesk.

I happily informed our recruiter, and the very same morning he sent an email to Adrian saying, “Congratulations on your new job.”

I don't think Adrian really remembered that much from the evening, as he responded, “I beg your pardon?”

Clearly, negotiations weren't really over, and Adrian probably hadn't involved his wife Cindy in the decision. Peter stepped in and helped us get to the finish line. Very fittingly, he sat in his car outside RN74 in the pouring rain and convinced Adrian that his current job trapped not only him, but all of the people who had pledged their loyalty to him. Ultimately we did formally agree, and Adrian joined our team. Today Adrian runs all of engineering, product, and technical operations—a team of more than three hundred people distributed all over the world.

Adrian was a very significant hire not only because of his much-needed expertise but also because he was the first person we hired who gave me the feeling that this was really truly a person who was both way smarter and way more experienced than me. And that left me with a new kind of role and relationship. I realized that I wasn't supposed to *manage* a guy like Adrian. This would be teamwork, and Adrian wouldn't just run his organization but would also have an impact on the entire strategy and ultimately the destiny of the company.

Hiring people who are way smarter than you and who have a lot more experience is actually really hard. And it's something you have to learn. You don't really have a frame of reference for evaluating them, and you have to perform intense back channeling to truly understand how they operate and what kind of people they are. Ideally, you will want to spend quality time with them

and get them into situations where they're uncomfortable in order to learn everything you can about them. It's not that different from dating.

But when you get it right, it's transformative for the business. We would never have gotten to where we are today without Adrian. Not only with regard to getting our processes straight, our recruiting efficient, and our platform in place, but also and especially with regard to building a team. Adrian is to a great extent a self-made man. He grew up in a small village in Northern England before teaching himself to code and taking on increasingly bigger tasks with increasingly bigger companies all around the world. He sees and appreciates that “eye of the tiger” in people that defines whether they can figure things out and get shit done. We needed that spirit.

And somehow, he does it all so nicely that his team loves him—so much so that they also let him win the annual soccer tournament, his true passion.

Every Little Thing You Do Matters

We might have seemed a little disorganized in some areas, and the truth is we really were. When it came to something as core as the customer experience, we were of course all about providing a great and smooth experience, but we realized that's also really hard to scale properly.

We learned this the hard way—by messing up on multiple occasions.

Our business was built as a self-service subscription service, so we didn't think about ourselves as “selling” anything. Our customers bought from us on their own initiative. They could stop using the service whenever they liked, and they wouldn't be charged any further. Based on that, we didn't offer refunds. Additionally, we didn't really have the flexibility in our billing backend to provide refunds; it was always our goal to keep things simple.

But of course, from time to time, customers did ask for refunds. And normally we were good at explaining that we didn't do them. But on one occasion a new employee was a little too blunt in the response to a customer's request. He said something like “Sorry. No can do,” and he didn't give the impression of trying to understand the customer's situation. Of course the customer got upset. And his fury knew no limit. Even as we escalated the situation internally and tried to save it, the customer was long gone and hell-bent on revenge and retaliation.

Less than six months later that same person joined a competing startup on a mission to disrupt our business. We had probably made an enemy for life.

He didn't prevail in that goal—we're still here and doing well—but he did teach us an invaluable lesson. I learned that even if your intentions are the best and you are trying to make things simple, you can still destroy everything with a single wrong interaction in which you forget the basic principle for any type of personal interaction: empathy.

We still abide by our no-refunds principle, but we no longer approach the policy in the same way. Our execution varies depending on the situation. It is more mindful of the customer's unique circumstances.

In some ways the customer relationship is just like any other relationship. You have to consistently put in effort and not rely on the past. The moment you take anything for granted and stop investing in the relationship is the moment you start messing things up. For many businesses, building customer loyalty means creating loyalty programs that reward repeat behavior: Buy our coffee ten times and your eleventh cup is free. But are your customers loyal because they want that free cup of joe, or are they loyal because they truly enjoy your product and their interactions with you?

Companies need to face the new realities of the customer economy. Customer relationships matter more than ever, because your future revenue depends on those relationships lasting well beyond a single transaction. The voice of the customer has never been louder; your customers

have the power to bring you more business—or drive it away—via recommendations or rants that are amplified by social channels like Yelp. Customer service interactions are becoming your primary means of creating true customer relationships. To be a successful business today, you must understand how relationships actually work and how to build them.

Treat Customers with Love and Respect

Don't Overestimate Your Importance in the Customer's Life

You are not the center of the universe; you must listen to and consider the other person. The same is true of your organization. It is a privilege for you to be in their life, not the other way around.

Consider the Entire Customer Experience

Organizations, unlike people, tend to have terrible memories. The customer who buys a product in your store is the same one who writes about it when that product breaks. Those two moments are connected, and you must recognize this.

Recognize the Right Relationships and Adapt

Not everyone you meet will be your best friend. Some people are great dinner party guests, some are lifelong friends, and others just get a wave when you see them in the neighborhood. The goal is to have the right relationship with each individual. This requires becoming skilled at reading people. Figure out how to accept and improve the relationships you have, and say “no” when a relationship is unhealthy.

Be Something Actual Humans Can Relate To

Given the choice between a faceless monolith and an organization that communicates directly and simply, consumers will always choose the latter. It is not just okay for your organization to have personality—it is vital. When there is an incredible number of choices in the marketplace, personality helps people identify which organizations they want to interact with.

Be Transparent

People relate to organizations that are open and honest. Give your customers the information you have—good or bad. We are fighting against years of people feeling like companies are somehow screwing them over with hidden pricing and confusing return policies. The only way to establish trust and loyalty is to show your cards.

Empower Your People to Do What's Best

Allow and encourage your employees to act like people. We have been unwisely training customer service reps to act like machines—fake smiles, scripts, compulsory “have a nice day.” Little mistakes or inefficiencies will inevitably occur when you allow people to make their own decisions, but the business can embrace these as the very things that make the business easier for customers to relate to.

Put a Face on Your Customers

Your customer relationships are easy to ignore when they're considered solely the responsibility of your sales or support people. When you can put a face on the person who is truly frustrated, your employees realize that this could just as well be their neighbor. Make customer relationships a shared responsibility for your entire organization.

Relationships are not easy. Some will say that relationships can and should be managed. But unfortunately, in business, as in life, relationships cannot be managed. And while a business-customer relationship is not the same as a personal one, all relationships are personal on some level. When people buy a product, they are buying the product of a group of people; when they email the organization, it is a person who responds; and when they

decide whether to return to an organization again, they are individuals making a decision. Focus on that individual.

Mo Money, Mo Problems

May 2010. Overall, things were going really *really* well. Then, at the same time that we were releasing a major product update with what we considered innovative new capabilities, we planned a price plan reconfiguration that would raise prices for some of our customers, so that the customers that were the most expensive for us to serve would pay us more, while customers that caused our business less strain got a cheaper option and could pay us less. We felt that our pricing was out of step with the current market, and we thought customers would be understanding, especially because at the same time we introduced a whole slew of new features and capabilities.

At this moment, we were crossing the five-thousand-customer mark—a huge deal for us and cause for celebration. All of the engineers arrived at 6 a.m., and we had T-shirts made to celebrate the occasion. (T-shirts, the business card of San Francisco.)

But soon this went from a celebration to a slaughter. Customers were very upset about the price change—and they revolted. We had always prided ourselves in being transparent and accessible. That meant that customers and competitors could complain on the site without even logging in. Now they flooded the Zendesk forums and were not shy about how they felt about us. Hundreds of comments piled up on the site. And the competition had a field day exploiting the situation:

Anyone got any recommendations for someone considering dumping #zendesk after their crazy stupid level price increase

When you need to raise prices, there are two options: engage your user/customer base or alienate them. It's your choice. #zendesk

We were also getting tons of phone calls. Within hours there was a story on TechCrunch: “Zendesk raises prices, pisses off customers.” It included more comments from customers (“What are you playing at Zendesk?” and “Seriously????”) Worse, the story itself accused us of using a “bait and switch” tactic.

I didn't think that was true, or fair, and I replied to that story, explaining:

Yes, we are raising our prices on two of our plans. We now have three plans at three different price points (starting at \$9). This is the first time EVER that we have increased pricing. But we have added new functionality to the service for every week for the last two and a half years . . .

We will deliver on our promise. Are we the cheapest show in town? No. But we do think that we have an excellent offering for almost every budget starting at \$9 per agent seat. And we do offer to grandfather our existing customers for one additional year at their current price point with all of their current functionality grandfathered indefinitely.

The price per agent has gone up \$10 and \$20 on the Regular and Plus+ plans respectively. That's a 50% increase. Some customers may experience disproportional price hikes due to earlier introductory discounts, and we will look into these accounts on a case-by-case basis.

Let me finally point out that we have been completely open and transparent about the price changes. We don't try to sneak it in.

I tried hard to get all the facts into the response. The problem was, at this point it wasn't really about the facts anymore.

Customers were storming the castle. My phone would not stop ringing. Emails, tweets, and text messages came in at such a volume that I had absolutely no chance of replying properly to all of them. At one point we decided to route my email directly to our own Zendesk and have the advocate team reply to them.

This was our first major customer service issue, and we really didn't know how to handle it. For some customers the price increase made sense, but for others—a big and loud constituency—it didn't. We couldn't control the messages that were coming from them. There was no way of explaining our way out.

We realized we had taken the whole relationship for granted; we had fucked it up.

This was a wake-up call to the organization. But there was a lot of disagreement about what to do to correct the situation. We locked ourselves up in a conference room for the most of the day trying to figure out the correct way of responding.

Alex took it to heart. “We violated their trust and hurt the business very *very* badly,” he said. “We talk about being transparent and fair and honest, and we were not meaning to not be, but we didn't think it through.” He later called it “the single worst day of my life.” He talked about packing his suitcase and going back home.

Michael Hansen wasn't as perturbed. “If you take the daily crap and noise out, it's fantastic that we have customers who care so much to give feedback and show more passion for product. I've never felt so alive.”

Despite the different interpretations of the issue, everyone envisioned the same solution: go back to the old pricing. But I wasn't happy about it. I still felt that the new pricing made sense and was much better for both our business and our customers long term. I was afraid that the violent media reaction blurred our vision and made us overreact. We even performed a quick survey to get a feeling for how the silent majority of our customers really felt about the new changes. But nothing really gave us clarity. The truth was that for a lot of our customers, the actual price change didn't mean too much, but the way we had forced it on them made them doubt our motives—and ultimately undermined their trust in us.

It was tough to know the right next move. Suddenly you see the reaction and you feel, *if we were way smarter we could have foreseen this*. I had felt really good about the decision to raise the price, and I'd felt good about the way we made that decision as a team. It's hard to believe you are right and made a good decision, and then have to reverse it. It goes against every cell in your body.

But we needed to set the right precedent going forward. The only thing to do was go back and say sorry and reverse the decision: we'd grandfather in all existing customers into existing prices.

We officially responded. I bared my soul on the Internet.

Sorry. We Messed Up

By Mikkel Svane on May 20, 2010

We've spent the last two and a half years building this company by putting our customers first and meeting their needs. When we decided to make a change to the Zendesk pricing structure for our existing customers, we tried to be as thoughtful, transparent, and straightforward as possible. We failed. We let you down. And we apologize.

We have received a lot of feedback from our very passionate customers since these changes were first announced. We have spent the last 48 hours answering questions on our support forum, on the phone, and in person. We have also been reaching out to our customers to truly understand the heart of why you are upset.

As a result, we will be grandfathering pricing to all of our existing customers—without a time limit. For the same price you've always paid, you will receive the same functionality that you had in the past, in addition to the new community support and knowledge base features we announced on Tuesday. No further action is needed. Period.

And for those customers who took action this week to convert to an extended billing cycle, please contact us if you would like to revert back to the billing cycle that you held as of Monday.

When we made the pricing changes, our intent was truly to give you more features and functionality at a good price. This is particularly true for the new Starter plan, which we thought would be a great alternative to the smallest of our Regular plan customers and an opportunity to move to a lower price offering. We also believed our customers would look at the new community support and knowledge base features, which are the most requested features ever, and see it as a whole new product offering.

We missed the mark. Instead of our intended result, many of you read my Tuesday email and thought, "You want to send me a big bill for something that I didn't order and haven't agreed to? WTF?" Today, I hope to express that we hear you, we understand, and we will always listen to our customers. We will also continue to invest in product innovation over the years to come, and we will remain committed to offering both the best product and the best value for all of the additional functionality we roll out in the future.

Even though I wish I hadn't made so many of you angry, I am glad that we got to hear you. It's an important reminder. And let me reiterate: we will always listen to you. You are the reason we exist.

I will be heading off to New York for our customer meet up today (Thursday 5/20) at 6–8:30 pm EDT at SoHo Park Cafe. I'll be there with a few others from Zendesk, and we would love to discuss all of this with you. It would be great to see you there.

Thanks for taking the time to read this,

Mikkel

This was the biggest problem that company had faced, and the first big trauma we had felt as a team. However, it also put a real face on customers we normally never heard from. Michael Hansen was right about that. We learned in a short time that passionate users are a great help in selling the business, but if they feel mistreated, they will turn around and in no time be just as passionate about hating you. We were reminded of how important it is to listen to customers and the power of their voices to help make the right decisions.

Relationships are not about reasoning; they are about how people feel. It is not about who's right and who's wrong. It's about spending time listening to each other and respecting one another's viewpoint even when you think the other person is wrong.

When it comes to pricing, we also learned that you don't raise your price for an existing product for existing customers. That's the relationship of a subscription service. And this makes sense; things get cheaper over time as you democratize the product stack and make it more accessible to more people. And if the mission is to democratize software, that inherently means that it becomes cheaper and cheaper. That's what makes the model great for everybody. SaaS companies must show ingenuity to prove the value of new features and incentivize their customers to upgrade or buy add-ons to their products in a way that feels natural and organic.

Ultimately, by acknowledging our mistake and fixing it, we survived our first fiasco. And we tried to make it memorable: in typical Zendesk style, we made T-shirts printed with some of the hateful responses (“This is outrageous. Are you insane?” and “You guys are assholes stop justifying your bullshit”) that filled 405 pages of comments. A bunch of us still wear them today.

Chapter 9

Innocence Lost

From idealist to realist, and the uncomfortable journey in between

Living in San Francisco and growing a company there was fantastic. It was everything I had hoped it could be.

But my early innocence and naïve gratitude also received a few punches.

I very much considered San Francisco and Silicon Valley a meritocracy where the best product, the best technology, and the best people always won. As Zendesk grew and we saw more competition, I started to see how investor “families”—angel investor relationships across startups and “Barney agreements” (“I love you, you love me”)—changed the competitive landscape in a way we were too young and naïve to really understand.

It was a surprise for us when brand-new companies claimed they were a much better Zendesk alternative. And it was a bigger surprise when we found customers who would echo their claim. We weren't used to this, and it left us a little shell-shocked. As founders we obsessed over every single new startup in our space, sharing extensive paranoid emails on all the areas where they had smart solutions. Even Mie noticed and suffered from the FUD (fear, uncertainty, and doubt). She read tweets that mocked Zendesk and proclaimed our impending demise.

“Is that really true?” she would ask me. “Do we have to sell the house now?”

Some of it was very blunt, with rivals asking our customers, “Why are you using this piece of shit Zendesk product—use this grown-up product instead, these guys are killing it!” (There's a lot of “crushing it” and “killing it” and other aggressive verbiage in the local vernacular.)

You could argue that all this is just the nature of competition, or that success and failure rises and falls based on this kind of hype. Making it in Silicon Valley is not all about letting the best product win. Ultimately it is all about winning the order, closing the deal. It's about the money. Okay, not *all* about the money. But definitely a lot about the money.

I lost my innocence in Silicon Valley. Maybe we were just so out of touch before. Maybe we were cocky and naïve teenagers for longer than I thought—idealistic and in love with our own story. We thought success was entirely determined by building a great product. I came to realize it was not only about the product but also about the total execution, and that there seemed to be no wrong tactic when it comes to winning the customer.

Shifting Your Strategy and Feeling Fine about It

Until we reached about ten thousand customers, all of them were self-served. That meant they went to our website, signed up for a trial, kicked the tires, got help from our advocates, submitted their credit card, and became a paying customer.

Then we experienced one event that was an eye-opener for the constraints of that model. A great local company was considering using Zendesk, but when they reached out to us to set up a meeting and get some help, we basically told them that if they couldn't figure out setting up a trial themselves, we were probably not a solution for them. That was a little harsh, yes, but in many ways it was true, and it was also how we had defined our business all along.

But I started to wonder if just because it was the way we had done it so far, it was the right way—or the way we should do it in the future. After all, that local company was a company I truly respected and cared about, and I had to recognize that their behavior was probably very typical for a lot of companies.

So we changed the model. We set up sales. Initially, it was just quick inside sales for small and medium businesses and fast-growing companies, but over time we also added midmarket sales reps, sales development people, account managers, and ultimately field salespeople. None of this happened overnight; it was always one step at a time and always with a tight eye on the metrics.

But in some ways the hardest part of the process was the aspect of letting go. As founders of a company whose mission was to disrupt an industry by also disrupting the traditional sales model, we had a healthy portion of skepticism about going gung-ho on sales. But we were willing to make the change because not doing so in order to stick to some old ideal was wrong, and it's been rewarding to see us getting into large, interesting opportunities on a global scale because of a fantastic team of salespeople, which has taken our relationship with some of our key customers to new heights.

Having a product that is easy to discover, easy to understand, and easy to acquire on a self-service basis makes life easier for everybody, including your sales organization. And for us it's the foundation of how we think about ourselves and how we have built the company.

The thing is, the world is complicated. And businesses are complicated. And you can't always just take for granted that smart people are buying your software and are taking ownership of it. Businesses are organic creatures and processes; roles and priorities change all the time. Often companies need help in making the right decisions and anchoring products in their organizations, regardless of how easy you make software for your customers, and how smart they are. The point is that companies, especially as they get bigger, need help with more than just understanding and configuring the product. They need help with their business case, managing change, dealing with internal compliance and legalese, and many other things. For this they need people who care, and who are incentivized and motivated by caring. They need sales.

I believe that our new generation of enterprise software players will be companies that push the ultimate consumerization of their products while catering to the needs and requirements of the large, complex enterprises.

Moving Up, Moving Out, Making Different Choices...

In 2011 we were running out of space on Townsend Street. It was getting really cozy. All the meeting rooms were occupied with work desks. There was quite the staring contest going on between Yammer and Eventbrite about which one would grow out of its current spaces first and move out, and the rest of the building tenants were eager to see it happen and to take over the vacated space. But when Eventbrite moved out first, Yammer had dibs on its office, extending its time to grow in the building. Now there was no room left for *us* to grow there, and we would need a new home.

We started to look for a new space, but the market had become really expensive since we moved to San Francisco. We were hesitant to commit to some of the really longer-term deals we were being pitched. When we first negotiated our 410 Townsend lease, we were paying less than \$20/square foot a year—now prices were double that. (You can't imagine where they are today.)

One morning, our brokers called me and told me about a new space on the market; the neighborhood was a little sketchy, so they were a little hesitant about it. The building was on

the corner of Sixth and Market Street, and the moment I saw it I completely fell in love. The building itself was awesome: the facade had survived the 1906 earthquake and boasted big columns facing Market Street. The office space was also awesome: an architectural firm had formerly occupied it and had invested in some really nice features like a meeting room with a barn wall. And then there was the neighborhood. The Tenderloin—about fifty square blocks downtown. One legend has it that the name was a reference to the “soft underbelly” of the city, riddled with vice and corruption. Another says the name refers to the amount of bribery—this was where the police officers could afford tenderloin instead of chuck steaks. Although the neighborhood was once home to some of San Francisco's most ritzy hotels and theaters, the area took a blow during the catastrophic earthquake of 1906 and was slower to rebuild than other parts of the city. For a long period it was a seedy, dangerous area, known for fleabag hotels, poverty, and prostitution. Then Vietnamese refugees made this area home and brought more of a family character, along with some fantastic restaurants. But now there were efforts under way to revitalize it and stimulate an exciting upswing so it could experience a cultural renaissance and a tech boom.

I liked being at the crossroads of the neighborhood's history with its turn-of-the-twentieth-century architecture, its storied past, and its future. And I really liked the hustle and bustle of the streets. I liked our corner in the heart of it all, with the little offbeat restaurants like Tu Lan, Showdogs, and farmerbrown. I liked The Warfield, originally built as a vaudeville theater and still one of the coolest concert venues in the Bay Area. I liked the city vibe, and I liked that this was one of the up-and-coming neighborhoods, where rents were still relatively low and where there was a lot of legroom and “heartroom” for new creative businesses. Burning Man had set up headquarters in the area. I knew that technology businesses like Zendesk need creative businesses and inspiration around them in order to evolve. And placing ourselves at what I saw as literally a physical intersection between technology and creativity could only do the business good.

Also, I was used to the area. My favorite hotel in the days of traveling back and forth between Copenhagen and San Francisco had been the Phoenix on Eddy Street, and from my many stays I had come to appreciate the neighborhood.

Moving there was a little controversial, though. The neighborhood had a reputation for crime and drugs; the same weekend we moved in, a guy was shot at Sixth and Mission, just around the corner. But most of the crime in the neighborhood rarely involves “outsiders” or bystanders. It can be intimidating, with some of the loud or mentally ill people in the streets, but it's very rare that one is actually threatened. Nevertheless, we implemented procedures for how people should try to leave the office after dark (in pairs), we always compensated for taxi fare if people worked late, and we subsidized parking at the local parking lot over cheaper but more remote lots.

We have loved San Francisco since we arrived in 2009—its energy meshed with our own disruptive aspirations, and its signature quiriness was often in line with our own. This city was very good to us, and in return, we wanted to be good to it. We would be one of the first tech companies to move to the Mid-Market neighborhood. This was around the time the city introduced the so-called Twitter tax break—basically a deal that gave companies that moved to the longtime blighted area a reprieve from the San Francisco payroll tax and reduced taxes on stock options. The benefit required that companies enter into a Community Benefits Agreement (CBA) with the city that committed them to being good neighbors and investing in the neighborhood.

It became transformational for our business to focus our employees on the neighborhood and to have them take responsibility in being part of it. We have dedicated a small team to take care of our community responsibility efforts, and their work and dedication has been incredible and has massively affected the company. We believe in the concept of an urban campus: using the city for our pathways, with offices located within a block a two of each other,

connected at street level by the sidewalks, restaurants, and cafes that make up the neighborhood. And it's the many little things that make that work—such as our lunch policy. Many startups make free onsite meals one of their employee perks. We debated whether to follow suit but ultimately decided not to offer free lunch or meals designed to keep employees locked onsite, so that our employees would spend their lunch money locally instead, thereby supporting the many little ground-floor retail businesses that are so important for a neighborhood.

The concept of the CBA is something we have rolled out to our other offices. Not to gain a tax break, but to give our employees a better and more meaningful relationship with the community and neighborhood around them.

. . . And Sometimes Pissing Off Your Friends and Alienating Your Best Employees

In 2011, the idea of Zendesk becoming a public company started to take shape. I had to think about the team required for that. Rick was our CFO and was doing a fantastic job, but he was still based in Boston, and he didn't spend a lot of time with bankers. To even start actual planning of an IPO, Zendesk would need someone who had done it before—someone who had the network, and first and foremost someone who was local. I needed Rick to stay focused, and I needed the decision about a new CFO to be made without emotions. So I ran the process without involving Rick. And not until we had secured a final candidate, Alan Black, who had led an IPO before and who was based in California, did I let Rick know.

I wanted to tell him in person. I flew to Boston so we could have dinner together, but I didn't share with him why I was coming. I figured that we'd talk it through and I'd fly back the next morning.

Rick picked me up at the airport. “Why do you just have a backpack with you?” he asked.

“I'm just here for the night,” I said. I could tell he sensed something was wrong, which made the car ride a bit awkward.

We arrived at the restaurant, and before we got our appetizers I told him what was going on: “We've hired someone to be our new CFO,” I said.

Rick was devastated. He didn't know we were talking to anyone else about his job. He didn't think we were close to going public. We had just raised a big round of funding, \$19 million from Matrix Partners, and Rick had been fully focused on that. He said he felt ambushed and backstabbed.

“It was like my wife saying she is having an affair. I can't believe after all we had gone through together, I can't believe you'd transition like this,” he said. “I don't know if I could ever trust you again.”

He was especially unhappy with the way the situation had unfolded; he felt it was unexpected and that there was no reason for him to have been left in the dark about what was happening.

I don't think there's a good way of doing these things. It's always going to be painful, so I tend to just get them done and over with.

But I realize that my resistance to sharing the bad news with Rick sooner stemmed in large part from his having been such a tremendous personal help to my family in Boston. In hindsight, it was probably a mistake that I didn't involve Rick in the process, and I was probably way too blunt when I finally delivered the message. It left him completely unprepared, and that put a dent in our relationship. I'm sorry, Rick.

Learning to Edit the Authentic Self

There are so many things I have had to change, to curb, as I've grown into the role as CEO of a company that works out of an office rather than a friend's kitchen. It hasn't always come easily. I would often say the wrong thing, and I would often get into trouble. Whereas at one time I never watched what I said and I was appreciated for being myself, all of a sudden I had to watch myself more carefully.

In one instance, I described how we had quickly built the first version of our billing system that supported the company for many years. In my excitement, I said something like “It was built in a four-day, LSD-induced stupor!”

I was chastised for that. Apparently, unless you are Steve Jobs, CEOs are not supposed to allude to recreational drug use.

Sometimes it's just hard to remember to hold back. One time I was rehearsing for a town hall where I would have to introduce a new hire in Asia Pacific with a name that sounded strikingly like a term for the male organ. My instinct, unfortunately, was always to make an inappropriate joke. But that's no longer totally acceptable, and I was told so by my staff. At the town hall I introduced him, and I did not make the joke. But of course I made a joke about not making a joke about it. Sometimes it's hard to be official and upstanding and at the same time be your goofy and authentic and human self.

And that is the big question for Zendesk: how do we grow, while also staying true to ourselves—true to what got us here?

For so long, for a number of years, it was all about survival, getting shit done, ship, ship, ship, sell, sell, sell. Now we are figuring out the story of the company and the identity of the company. What does all of it mean?

And how do we explain it? As I write this, the company has almost a thousand people, and most of them I don't know at all. I can't sit down with each of them and build a relationship or tell them what Zendesk is about. With more than fifty thousand customer accounts in more than 150 countries and close to half a billion people having received service via Zendesk, I can no longer build a personal relationship with the people who are using our products either. But it's my responsibility to relay this story to an even broader audience. And that is my next challenge.

After the initial panic of establishing ourselves in San Francisco and starting to build out the initial team, my job changed radically. It's hard to not be very hands-on when you're passionate about your job and love to build and market products. But I had to balance that with building a vision that people worked toward without being managed directly...and I had to lay the foundation for a culture that our employees could mirror themselves in and extend and customize in a way that took it further...and I had to learn how to address the team and inspire them—not something that came naturally to me...and I had to learn how to build a functioning executive team, and balance functional expertise with executive experience and attitude, and figure out how to manage people indirectly, by managing their managers and later, their managers' managers. There were so many things to learn.

All of this, I had to figure out for myself. But everybody—from executives to investors to Mie—had different advice on how to do it.

“Have you talked to Alex about this?” Mie would ask.

“I haven't seen Alex in two weeks,” I'd tell her. She couldn't imagine that. Zendesk as a company was changing radically every six months, and I think Mie still thought of us as Morten, Alex, and me sitting around that kitchen table making decisions.

The Most Important Management Secret I Only Just Learned

An interesting thing about building a fast-growing company is that your management structure constantly changes. We still have weekly management meetings, and originally that was just Alex, Morten, and me. Then we added Rick. Then we added Amanda. And as the team grew, everybody we added got a director title. Then that became too many people and super inefficient, so we narrowed it down to vice presidents only—until that also became too many people. Today we have executive staff meetings where it's primarily my direct reports plus key people.

I've learned something. I'm not very good at running meetings. I'm not very good at the traditional management processes. I need strong, independent people like Adrian, who don't need management—maybe a grain of leadership, but not management—but more important, I need people who can build great relationships with the other executive members. When you have a management team of people who appreciate spending time together, who can have a good time together going out for dinner, who are not afraid of calling out each other's bullshit, and who are comfortable having real hard conversations and can laugh and cry together, and in general just figure stuff out together without making it more complicated than necessary, your life as a CEO is so much easier.

It can be hit-and-miss recognizing these personalities. It's really hard to figure out up front. You have to do some serious dating in a very condensed format. But if there is one thing that I truly have learned from building Zendesk, it is that if you cannot have a good, natural personal relationship with somebody, you will never have a good, natural professional relationship either, and you will never be an efficient team. More and more, my role as a CEO will be to ensure that we have right key people in place and that these people like each other, respect each other, and trust each other. I realize how banal that sounds. But it has taken me a long time to trust my instincts and come to this conclusion. And I also realize that what is true for me may not be true for everyone. After all, there are many ways to build a business.

Some Final Thoughts on How We Changed

In telling our story, I have skipped over huge parts of how we built this company. Most of this book focuses on our experiences in the early startup days, and how we got out of the garage—or loft. Building a global company and all that that entailed is for another book.

For now, I wanted to focus on us and what happened now after we chased—and caught—the American Dream. I traded in my Volvo; I was customer No. 319 for the Tesla Model S and so incredibly proud about not only buying a car made in California, but also buying a car that was the first model in a new generation of cars, built by a startup. Morten, too, finally bought a nice car; he had said this was the first thing he was going to do in the United States, where, unlike Denmark, there was not an enormous tax on cars (to discourage car-dependency and incent people to ride bicycles). Unsurprisingly, it took him four years to decide on a model.

Despite all the changes and all the disagreements, we all have remained loyal to one another. Yes, there was a lack of innovation in the industry that presented an opportunity, but it was also just three guys who were feeling old, to some extent, and this was our way out. We knew that if we didn't do it at that moment, there wouldn't be a second chance for us. Maybe that kept us loyal to each other and dependent on each other. We knew the alternative would be so much less interesting.

Morten had a similar feeling: fear of complacency. “Complacency is the worst,” he said. “It kills everything; we will die if we don't do anything, and that will be so sad.”

But we will never know complacency and that less-interesting story. This hasn't always been the easiest route, but this is the most interesting thing I could imagine doing. And think about

the privilege of finding out what you're good at in life and then doing that and then living in a place that is created for people like you, where the whole ecosystem is made for people like you. And at the same time, the family's healthy, and I'm arguing with Mie only twice a week!

I realize how very lucky and fortunate we've also been, because this could have gone wrong so many times.

Not long ago, Alex, Morten, and I went to Las Vegas to celebrate Morten's fortieth birthday. We had eighteen hours together—as much as I could negotiate with Mie—just the three of us, and it was almost like old times. But not exactly. It was more like when old soldier buddies meet. You love each other, and you've saved each other's asses, but you also know that you never want to go through that stuff with them again. Ever. I think we can see that in each other's eyes. And we're all aware that the world we used to share is so different from the one we live in today.

Chapter 10

Going to the Show

Becoming a public company and remembering where we came from

On May 15, 2014—seven years after we started sketching out Zendesk in my apartment in Copenhagen—the company went public on the New York Stock Exchange. Overnight, on paper, we reached “unicorn” status: we were officially worth more than \$1 billion. At one time no one had heard of us; now we were considered the harbinger of what was to come for cloud companies and a new generation of enterprise software players.

Of course, none of this had happened overnight. And the IPO was no exception. It had been an all-consuming process for a very long time.

The IPO process is distracting. It lasts for so many months and takes up so much mental capacity you end up almost incapable of thinking about anything else. Everybody's involved, and there are so many new people to coordinate: bankers, lawyers, auditors. Although the process also matures and strengthens the company in many different ways, the process is also a big diversion from running your business.

Ignoring Conventional Wisdom

For us, there was an extra jittery element to the whole process. Since we first filed for the IPO in early 2014, the whole climate of the high-growth technology and SaaS market had changed—the sector had gotten pummeled. We had all of these advisors sharing their doubts about the market and the timing of our offering. The online storage service Box—called one of the best SaaS companies of all time—which had filed their paperwork before us, had subsequently decided to delay their process. Without explicitly advising us to postpone, people were being brutally honest about the state of the market. I felt like the whole foundation of what we were doing was being

questioned. And I realized that it would come down to me making a decision. No pressure!

I had to listen to all of the noise and uncertainty and at same time show confidence to our employees. It was a lot harder with everything seeming wobbly. I slept only three hours the night before the all-hands meeting where I addressed the entire company, talking about the upcoming IPO and preparing the employees for what that would mean for them and for the company. That meeting followed an especially tough day in the markets, and both of our bankers, our CFO, and everybody else started to look increasingly pale. The subject of postponing was never mentioned, but behind every conversation and every observation lay the unspoken question: *Should we postpone?*

I couldn't. Postponing would just keep us in this limbo state. I wanted to get the IPO done and move on. I was determined to go ahead. Not doing it would make it more complicated. You know you have a life beyond the IPO, but you can't start it until after the IPO. There's a saying: "A great company can always go public." I thought we had a great company. We would not postpone.

The road show—the two weeks leading up to the IPO—is like nothing you can prepare for. It's two weeks of your life that you live in a separate reality.

We flew out of San Francisco on a Sunday evening. The bankers had made a private jet available to us for the entire road show. They wanted us to have a good working session as we flew from the West Coast to the East Coast that Sunday evening. I couldn't do it; I didn't want to sit trapped in a small airplane for six hours with a bunch of people "preparing" me. I needed time on my own, time to get into the zone. I said I would fly commercial and that I would meet them in New York. Giving up the private jet was a luxury! Time on my own is the scarcest resource I have. There are always people waiting to speak with me or four kids who need to be with me. I welcomed the alone time on the commercial flight. And yes, I fully appreciate the irony that what used to be a dreadful, tense experience for me was now my only opportunity to truly relax. Of course, nowadays I also buy much more expensive tickets and have a much more comfortable seat and amenities.

The road show consisted of Alan Black, our new CFO, and me pitching to institutional investors—over and over again. You start out easy by pitching the salespeople of the bankers. The first session was at Goldman Sachs in its headquarters in Manhattan. And it went terribly. I wasn't convincing. I went on too long. I stuttered. I flopped. I'm never very good on a Monday, but this was awful. Yet that's the idea: you test your pitch in front of a friendly audience. And you know that if Goldman Sachs salespeople are considered “friendly” you're in for a treat.

I received a lot of helpful advice: *Keep this piece shorter; elaborate on this; make this point better because it's not clear. Overlay this vision with that.* At this point the teamwork and the many hours spent with your bankers really pay off. At this point the whole team is aligned, and it's all about sculpting the pitch into its final shape. Also, sometimes you are not good enough and you have to take it up a notch and improve your performance. Luckily, I'd have plenty of opportunity to hone the pitch.

Before I left for the road show I had caught a giant cold from my baby daughter, who was in a big kissing phase. And this happened despite the jumbo pack of Emergen-C that our newest board member, Caryn Marooney, had shipped to me. The corporate jets (which I took after the initial flight east) fly way higher than normal jets, which exacerbated the issues with my ears and sinuses. I was popping cocktails of cold medicines and the team was pampering me, treating me like a pop singer with a sore throat before a concert.

I quickly got into the rhythm of the road show and meeting with investors at pension funds, hedge funds, and other financial institutions. We crisscrossed the country: East Coast, West Coast, Baltimore, Milwaukee, Kansas. It was my first time in many of these American cities, though I didn't see much of anything. We went from the jet to a car to a meeting, and the car was waiting after the meeting to take us directly to the tarmac. There was no wasted time, and I can't precisely remember what happened where.

One thing I did realize everywhere, though, is that investors are just people. We had a good company and we had the right vision and good clean metrics. But even the most hard-core investors want to talk about more than the model. They want to get a sense for the

passion and the people behind the business. They want to believe in the company for more than just its financials. They want to believe that the stuff they invest in makes a difference.

After the first five days of pitches we ended up in New York. At our last meeting of the day, the investor served us wine and appetizers, and I very much got the feeling that although this is also about money, and yes the market is tough, we're still in this together, and having good companies in the public market is a win for everybody.

I stayed another day in New York for media training and flew back to San Francisco Saturday night. I wanted to catch up on work, but I slept for almost the entire flight. I can't remember what happened on Sunday, but it probably wasn't my finest moment with the family. And on Monday morning the road show started all over again.

Road Warriors: How to Survive an IPO Road Show

I met with Twitter CEO Dick Costolo before our road show, and he gave me one piece of advice: “Don't go out drinking at any point during the road show.”

Done.

The road show is all work. Don't consider it anything else. You'll fly private planes, have people attending to your every need, sleep in the best hotels, and have people waiting for you with cars, umbrellas, planes, whatever. It is all to make sure you do your best work. It is about nothing else. It doesn't make you special. It's just work.

But let go of your day-to-day work. All that really matters is what you're currently doing. Forget about what's going on at the office. Don't worry about running the business. Don't distract yourself with deals or HR matters or all the other things involved in running a business. Trust your team.

Remember to enjoy it. This is a once-in-a-lifetime experience. It's a very intense team-building exercise, and you can build some remarkable relationships with your fellow road warriors. And all the investors you'll meet will be remarkable, unique people with a distinct view of your business and a true interest in what kind of company you're building.

A road show is like all other intense business travel, and the rules are the same:

- Bring your running gear. Get in some miles on the treadmill in the morning.
- Go to bed early. Get six to seven hours of sleep every night. Sleeping pills are your friend.
- Eat healthy. Eat breakfast. Get oatmeal and whatever else makes a good start to your day from room service.

- Go to the restroom before boarding any flight. Sometimes puddle jumpers do not have private bathrooms. And experiencing an intestinal emergency at thirty thousand feet is a terrible thing. A pertinent article that documented the “most embarrassing private jet flight of all time”¹ prepared me for the basics and showed me that the road show is not always magical!
- There is absolutely nothing wrong with a few beers or a cocktail in the evening to wind down. But keep it to that. No big nights. No bad mornings. Hat tip to Dick.

Determining How Much You're Worth

We ended up in Chicago on Wednesday evening, the night before the offering. We holed up in a tiny gray conference room at the airport doing the pricing call—with the pricing committee and all of our bankers, we determined the opening price for the stock. The price range we were using throughout the road show, \$8–10 a share, was much lower than where the market would have positioned us just a few months earlier.

Every dollar meant something like \$10 million more or less to the company. So it's not a decision you just skate over. We tried to make the call brief, but the truth was, we had arguments and opinions that pointed in every direction. There was no real consensus. It reminded me very much of the early days with Alex and Morten, sitting in the kitchen discussing the terms of the Series A investment by CRV. For me the details were less important. The series A was just the first step, albeit an important one, in our journey to build our startup in California. The IPO was just the first step in our journey to becoming a next-generation enterprise software company. Where we priced on opening day was unimportant in the grand scheme of things. And it was nothing anybody would remember by the end of the day.

Just as it is with customers, the details and formalities of a relationship matter less than how you actually treat each other. The best pricing and contract in the world will never survive a bad experience. The public market investors were our customers in this

case. We had told them \$8–10, so why would we risk that relationship by edging or challenging that range? We stuck to the middle of the road and settled on \$9.

That price valued the company at something like \$700 million, which made us a relatively cheap stock compared to our peers. Some commented it was being offered at a “substantial valuation discount.” Maybe, but when you take a step back, Jesus Christ, it's still a lot of money! And because we all believed in more upside to the stock over time, we felt that \$9 would give the new investors a good upside too.

Showtime!

After the pricing call, we flew to New York and prepared for the theater of going public. All of the real work had all happened already. I had been on the road for two weeks. Now it was time to put on the performance. I would talk to the press—after months of being in a quiet period. And though on the day of the IPO the quiet period would temporarily come to a close, there were still so many things I couldn't directly talk about on that day.

I had to train for that. After eight days of wall-to-wall pitching, I had to get my head around a different reality. In my hotel suite on Wall Street (it sounds fancy, but it wasn't), I sat down with Alex Gurevich, my right-hand man, and Matt Hicks, who heads our PR. We ordered room service, and for two hours Matt pounded me with questions. He asked the same things over and over until I nailed the type of answers we wanted me to give. It didn't matter what the questions were. All that mattered was the answers. Every question was an opportunity to give the kind of answer we wanted. It was important to get the story, the journey we were on, and what we believed was in front of us. Anything about the current stock market, why we priced the way we did, whether we considered delaying the IPO—all of the obvious questions—were things we couldn't and shouldn't answer.

We stopped prepping sometime after midnight, and I took a sleeping pill and was knocked out for a good five hours. I woke up focused and ready for the performance. At this point it was just a circus—a good appearance leads to good press.

Matt Hicks not only spent the evening prepping me for the press circus, but he also did me a big personal favor. In the months leading up to the IPO I had developed a rash on the right side of my face. The rash was exaggerated on camera, and I didn't want everybody's first impression of me to be, “what's that red thing on his cheek?” Before meeting me at the hotel, Matt had gone out shopping in downtown Manhattan for cosmetics for me—more specifically, a face powder, brush, sponges, the whole shebang. The day of the IPO, applying a little make-up was part of my morning routine. (Thanks Matt! I promise I will never have you shop for makeup for me again.)

We had flown in forty employees from our offices all around the world for the event. We walked together as a group to the stock exchange and saw this iconic building wrapped with our bright green banner and the Mentor bigger than I have ever seen him. Morten, Alex, and I took a selfie in front of the building and tweeted it.

It was a legendary moment. We were now part of a different story. But it was sort of an in-between moment. The hard work was done and there would be new hard work ahead. At the moment we just had to press a button.

We invited our early employees to join us, and we squeezed them into the balcony on the floor of the NYSE. We pressed a button, and with that simple action we became a publicly traded company. We snapped another selfie (one of the guys, Royston out of our newly acquired Singapore Zopim office, introduced the Exchange to the selfie stick, and that photo is now legendary.)

Morten and Alex had family there. Alex's parents came from Denmark, and Morten's mother, brother, and niece flew in. I didn't invite my family. Even with all the excitement, I couldn't forget it was just work. And they would never let me anyway.

The More Things Change...

We closed on our first day on the NYSE at \$13.43, up 49 percent from the opening. That night we flew back on the private jet. We had a bunch of cocktails. Morten passed out. I took a nap. We arrived back to San Francisco very late. No one was up at my house. I went to

bed. The next day I drove the kids to school. Some things stay the same.

The same morning, we were back in the same office, where we organized our largest community services event ever, and almost two hundred employees of just the San Francisco office took to the streets to clean up and improve our neighborhood—something we'd been committed to since we moved in and something that we're enjoying amplifying.

In a similar vein, I knew it would be important for me to run the company the same way I always have. But there are things that are different too. Being a public company has an impact on our employees, who own 25 percent of the company. They think about the stock price and how that affects their ability to buy a house or start a family. I have a responsibility to them and can never neglect that part of it.

The IPO, the end of this story, was a fantastic event. And it was a success. The stock price later went up more than 100 percent—but that wasn't the best part. The best part was what we did along the way to reach that point—taking nothing and building something. It was a lot of hard work, but a very unique opportunity, and an enormous privilege.

After the IPO, Peter Fenton sent me a very expensive bottle of champagne. I have yet to drink it. It has an associated value that makes it hard for me to want to consume it. After I drink it, the value will be gone. I'm not ready for that yet. I'm not ready for any of it to be over.

Notes

¹ Brian Warner, “The Most Embarrassing Private Jet Flight of All Time.” *Celebrity Networth*, July 5, 2013, <http://www.celebritynetworth.com/articles/entertainment-articles/the-most-embarrassing-private-jet-flight-of-all-time/>

Epilogue

Having once spent every waking (and nonwaking) moment together, Alex, Morten, and I don't see each other that often anymore. While Alex and Morten still have critical roles at the company and are running their own teams, doing people management or all the other management stuff has never really been their thing. So much of the early work rested on their shoulders, building a beautiful new-generation customer service product, and my biggest contribution back then was primarily having opinions about everything. I'm grateful they believed in me enough to allow me to grow into a role where I could truly make a difference.

Alex, who now has a beautiful (Danish) wife with exquisite taste (of course) and two kids, can no longer work a hundred hours a week. He works about half as much now. With big teams, things take longer, and he says he's a very impatient person who sometimes misses the old days with three guys in a room just doing it. Retrieving and retaining that sense of just doing it and getting shit done, killing your darlings and making beautiful brutal decisions, will be key to keeping Zendesk a company that keeps pushing the boundaries and disrupting the status quo.

Morten, too, sometimes says he misses the old days, but that it's more the romantic version of how it was—rather than how it *actually* was—that he misses. The truth is, we can do much more impressive things much faster today because of the team and structure we've built. And yes, it's not always cozy and quaint, but it's more impressive and rewarding. Morten probably lives the rock star life that any aspiring entrepreneur seeks. He's young, handsome, and successful, and, despite a series of fantastic girlfriends, still unmarried in California. I can't imagine anyone who wouldn't want to live Morten's current life.

Thomas Pedersen left to start his own company, OneLogin. We tried, but we couldn't keep him from pursuing his own dream. Today, he says, those years working for Zendesk at home were the happiest time in his life: “It was worry-free, there was no pressure. It was a

very creative phase: No investors, no upset customers, no VC pressure.”

Michael Hansen is still one of my best friends. He very much personifies the original soul of Zendesk and is still with us, now based in Australia, or is it Hong Kong? Michael is still a gypsy. Over three years he traveled the APAC region and kick-started our operations from Melbourne to Manila to Tokyo. He's not the biggest fan of bureaucracy, processes, and all the other big company stuff, and he struggles with some of the elements of growth. But things change all the time in a company that is growing quickly, and that is not always easy. For anyone. Michael still represents what it means to build a customer-focused culture and get shit done. And he spends an increasing amount of time pounding that message into the rest of the team around the world.

It took us a few years to persuade Matthew to move from Boston to San Francisco, but we finally succeeded, and Matthew truly found his calling with Zendesk. Today he leads our creative video team—and even stars in a few of the videos. I involved him deeply in writing our S-1, as I wanted to make sure we were true to our tone. I am so proud of Matthew and his journey and happy we have created a company where something like this can happen.

Rick is still one of my most trusted employees—and friends. Despite everything. He still lives in Boston, but we get him out to San Francisco at least once a month. It's such a fantastic advantage to have Rick on the team, as he remembers exactly how things went from three-guys-who-didn't-know-anything to public company reporting requirements. That kind of perspective on your business is priceless.

Amanda has been loyal to us all these years and has become one of the most trusted people in the organization. She's one of the only people in the organization who has absolutely no problem telling me why I'm wrong about something. It was such a scoop for us hiring Amanda, as she's not only a hard and smart worker but sets such a high standard for everybody else in the company.

Mick is still happily in love with California, living in Palo Alto and enjoying the extra 20 degrees and the warm evenings. We're still

amazed at how quickly he sold his house, uprooted his family, and settled with us here.

Devdutt is still on our board. He taught me to drink martinis. Dirty and up. I don't think any other VC could have held Morten, Alex, and me together in those early days. A few days after the IPO, he came by the office to invite the three of us and our families out for a grand dinner with him and his wife. As we started to synchronize our calendars, we couldn't find an available date for all of us until almost five months out. I think at that point Devdutt truly realized just how far away we were from the early days.

Matt Cohler was a board observer all the way to the IPO. He never missed a meeting and is still one of the smartest and coolest people I know, and I think Mie is a little bit in love with him, although his Facebook feed is packed with models. At the last board meeting prior to the IPO, we gave him a T-shirt that said “I f***ing discovered Zendesk and all I got was this lousy T-shirt.”

I still appreciate getting gently mind fucked by Peter Fenton over Burgundy wines on RN74 from time to time. I always end up smarter and more open-minded—and incapable of driving. At one point it became a thing with my oldest daughter, Ella, that if the car was not in the garage in the morning she would ask me if I had been “out with Peter Penton.” (Mistake intentional; that's how she says it.) In the short time I've known Peter he has become the father of three kids, sold and IPO'ed more companies than I can count, built a house in the hills of Big Sur, and trashed his knee heli-skiing (almost handicapping himself for life), only to run a hill marathon in 3:01 six months later. And oh yeah, he has become a certified helicopter pilot too. I don't even...

Mie, the kids, and I live in Bernal Heights in San Francisco and have completely fallen in love with the neighborhood. We go back to Denmark and the chicken farm every summer, and sometimes we miss Denmark. The company is now truly global, and I travel way too much, which is hard on the family. A combination of more-expensive tickets, Bloody Marys, and my own little rituals has made flying something I can almost enjoy. In November 2012 we had another beautiful baby girl, named Eva—the first real American in the family.

Thank you for taking the time to read my book. Feel free to reach out and follow me on Twitter: [@mikkelsvane](https://twitter.com/mikkelsvane).

A Few More Thoughts

It's all about relationships

Most of this book is the story of how we founded Zendesk—how we got the idea and built it into a company; how we upended our lives and achieved our dream. It's our story.

But our story is such a small part of the story of Zendesk. The story of any startup is actually the story of its customers. It's about real-life relationships with people who bought what the company was selling. Sure, there is also the colorful story of the founders and the team, and the sometimes surprising story of building the product and shipping it, but none of those stories would mean anything without the customers. Companies are like Tinkerbell in this way; they need the support and belief of others just to exist. Zendesk is no different.

We would never have made it out of Alex's kitchen in Copenhagen without our very first customers, the ones who recognized what we were doing when no one else did. These people were the first to walk through our door, the ones who listened to our ideas and didn't call us crazy. Or even if they thought we were crazy, they agreed to be crazy with us.

We didn't build the original Zendesk product for our customers. Or founded the company for them. In many ways we just wanted to build a better product and a better tool. We were product nerds.

But once we worked together with our customers, got to know them, and learned from them, we began to understand the true value of the customer relationship. We succeeded because of our customers. We are where we are today because of our customers—those who started with us when they were small, and then grew as we grew. (A special thanks to the ones who grew really fast and forced us to be agile, to think on our feet and learn on the job. They are our siblings, and we are proud to be growing up alongside them.)

I should note that not every customer liked us. Early on, some customers left us for our competitors, and we learned about our

weaknesses. But when those same customers came back two years later, we learned even more about our strengths.

We also learned from the customers who never came back. Not all relationships work out, and it is silly to think your business is the best for everyone. Customers who leave teach you about who you are, but also who you are not.

We are perhaps most grateful to the customers who told us to be better. They held us to a higher standard than we sometimes held ourselves. Running a company is hard work, and the truth is that sometimes you just want to say “that's good enough.” But these customers didn't let us. They needed the business to be there, they needed us to keep going so they could keep going. And so we turned the lights back on and we turned to that thing we knew could do better and we made it better.

What we have learned from our customers is what we knew all along. But they *showed* us. They showed us that building genuine relationships matters. The traditional notion of just “having” customers doesn't make any sense today. Businesses must invest in real relationships with their customers. A good relationship has to be earned every day, by building trust and authentic connections between people. Our customers—the ones who always liked us and the ones who didn't—have taught us that it is not always easy, but it is always worthwhile.

In Silicon Valley there's a lot of talk of iterating, seeing how the market embraces your product or service and then being agile and open enough to change everything to respond to real needs. On a scale that's on steroids we call this the pivot—a massive change or turnaround, sometimes in an entirely new direction.

At Zendesk we're always iterating—we always strive to be better—but we have not changed course. We have pretty much stayed true to our original vision of providing a beautifully simple customer service desk product that people love. That's what we did seven years ago, and that's what we still do today. But we have had a fundamental iteration, a lesson learned from experience, and one that did change everything.

Seven years ago we were just focused on building a product for an industry we believed needed a better product. It was only along the way that we discovered that it wasn't just about the product. The best product would be worth nothing without the right relationships.

That had a ripple effect throughout our business. It increasingly defined our product roadmap and what we were all about. This understanding has enabled us to build a company. It has inspired us to foster real relationships not only with our customers, but with everyone who created our story. It's affected how we connect to our investors, our employees, and our neighbors.

It also gave us a better understanding of business beyond our own—and that understanding made us more connected to others. We realized that what we had seen and experienced was the situation for many customers that used technology and the Internet to scale to a global audience. While this once was a subset of business, it will ultimately be all businesses. Technology and the Internet allow us to build a new type of business that can grow faster, scale faster, and “change the world” faster. But in the middle of all of this, it's easy to forget about the *people* in the mix—the actual customers. By coincidence—by having the right product at the right time—we have helped a new generation of businesses scale their customers relationships as they scaled their businesses.

But this is not a product pitch; it's a clue to what will happen in the future and, I hope, an inspiration of what's possible. Successful modern businesses put their customers at the center of their companies and ensure they stay in that priority position. If you are building a company or thinking about building a company, never forget that relationships are the most important building block. Care about your customers, your employees, your investors, and your community, and build lasting relationships with them. That's more important than ever, and it's the only way to build a lasting business—and a fantastic life.

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There would have been no story without my two cofounders, Morten and Alex. Thanks for your trust in me telling our story. You make me look great.

There would have been no company without our very early investors. Thanks, Devdutt, Matt, and Peter. And there would not have been that great company we are today without our later-stage investors. Thanks, Dana, for giving us a big push leading our Series C. You've been an amazing partner and board member. Thanks, Sathish, Giuseppe, and Glen for doing our D round. You guys have shown outstanding commitment, dedication, and trust.

I today have a fantastic board, which besides Peter, Devdutt, and Dana also includes Betsey Nelson, Caryn Marooney, and Michelle Wilson. I'm so proud of our board dynamics and so grateful to have a board team that always makes me want to do better.

Thanks, Christoph, for your early blind trust in us. The startup world is a better place with you in it.

Many thanks to our many early family and friend investors. You took a big bet on us, and against all odds it paid off.

Thank you to the entire team. It's very humbling to see how hard you work on making this company successful. I will work very hard to make sure that we make it fully worth the while. Also a big thank-you to your families. I know how many sacrifices you make for the sake of Zendesk, and I know how hard that can be on the family life. I hope also for them that this journey will ultimately be worth the while.

And finally, thank you to my own family and my wife Mie. Thank you for supporting me in this whole endeavor and for allowing me sometimes to put job before family. *Jeg elsker dig, din møgtøs.*

About the Authors

Mikkel Svane cofounded Zendesk in Copenhagen in 2007 with Morten Primdahl and Alexander Aghassipour. Their basic idea was to introduce an intuitive, beautiful, and simple product for the customer service industry, an industry that had been overlooked and neglected for many years. By making a product that is easily accessible and easy to use, they quickly reached a global audience of both small businesses and large enterprises and developed Zendesk's vision of bringing organizations and their customers closer together.

Today, as Zendesk's chairman and CEO, Svane leads a global publicly traded company with customers in 150 countries and products and services that reach hundreds of millions of people. It has changed the entire customer service industry and inspired a new generation of customer-focused companies.

Svane is a twenty-year veteran of the technology industry. Prior to Zendesk, as a technology consultant he became well acquainted with on-premise customer service software—both the long, expensive process it entailed for big businesses and how inaccessible it was for smaller businesses. Before that he was a tech entrepreneur. He founded Caput A/S, which created software for community building and online networking and became a hot startup in Copenhagen, before the dot-com bubble burst and its customers went out of business or stopped investing. In 1995 he launched Denmark's first horizontal community portal, later acquired by a Danish newspaper. He also wrote a book about 3D stereograms based on an algorithm he created.

Svane holds an A.P. in marketing management from Aarhus Koebmandsskole. He lives with his wife and children in San Francisco. He is a frequent Twitter user ([@mikkelsvane](https://twitter.com/mikkelsvane)).

For more information, please visit www.zendesk.com.

Carlye Adler is an award-winning journalist and bestselling author. Her writing has been published in *BusinessWeek*, *Fast Company*, *Fortune*, *Forbes*, *Newsweek*, *TIME*, and *Wired* and has been

anthologized in *The Best Business Stories of the Year*. Her latest book collaborations include two *New York Times* bestsellers: *The Promise of a Pencil* by Adam Braun and *The Hard Thing About Hard Things* by Ben Horowitz. She is the coauthor of the *New York Times* bestseller *Rebooting Work* with Maynard Webb and the national bestsellers *Behind the Cloud* and *The Business of Changing the World* with [salesforce.com](https://www.salesforce.com) chairman and CEO Marc Benioff. She is also a coauthor with Jennifer Aaker and Andy Smith of *The Dragonfly Effect*. Her books have been translated into Chinese, German, Greek, Hebrew, Korean, Indonesian, Japanese, Romanian, Russian, Turkish, and Vietnamese. She lives in New York.

For more information, please visit www.carlyeadler.com.

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