



Special  
Preview

—  
[startupland.com](http://startupland.com)

# STARTUP LAND



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

**MIKKEL SVANE**

FOUNDER & CEO, ZENDESK, INC.

WITH CARLYE ADLER

Foreword by Alexia Tsotsis,  
co-editor of TechCrunch

**JOSSEY-BASS™**  
A Wiley Brand

# Contents

Foreword by Alexia Tsotsis	xi
Introduction: The Pursuit of Happiness	1
<b>1</b> The Honeymoon <i>Believing that what you are doing is great and knowing nothing of what's to come</i>	7
<b>2</b> The Salad Days <i>Keeping it together when things should be falling apart</i>	31
<b>3</b> Going for Broke <i>How to turn down money and keep your company (and your soul)</i>	57
<b>4</b> The Bubble Redux <i>Battling circumstances beyond your control</i>	69
<b>5</b> The Game Is Not Over <i>Getting investors and getting along with your partners</i>	81

CONTENTS

<b>6</b>	Coming to America <i>Chasing the dream—and dealing with the reality</i>	97
<b>7</b>	Go West <i>Leveraging location and upending our lives</i>	115
<b>8</b>	Growing Up <i>Going from building a product to building a company—and messing up along the way</i>	133
<b>9</b>	Innocence Lost <i>From idealist to realist, and the uncomfortable journey in between</i>	151
<b>10</b>	Going to the Show <i>Becoming a public company and remembering where we came from</i>	167
	Epilogue	179
	A Few More Thoughts <i>It's all about relationships</i>	185
	Notes	189
	Acknowledgments	193
	About the Authors	195
	Index	199

# 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 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 as “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, and 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 a 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 greenlight for a good startup idea—pick an overlooked industry, something that someone else would find mundane, and go all out. After all, that specific boring idea, Zendesk, is now valued at over \$1 billion.

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

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

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

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

And it's often hard to separate press-driven mythology from the reality: Many startups constantly compare their turbulent story to the success parade often featured on our blog, TechCrunch. Bootstrapped in the beginning, Zendesk gets rejected from the TechCrunch 20 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. 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.

# 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 and kids 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.”<sup>1</sup>

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 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.

# 1

## The Honeymoon

Believing that what you are 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”<sup>1</sup> 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.”<sup>2</sup> In Silicon Valley, people were drawing parallels to Sequoia Capital’s famous “R.I.P. Good Times” milestone presentation from October 2008.<sup>3</sup> 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 little 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.<sup>4</sup> 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.

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 who 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 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 anything else. 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

*(continued)*

*(continued)*

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 flying 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 idea. 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 ultimately also 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 experience. We didn't want to build something ambitious just to see it crumble before our eyes again. In an interview with a Danish technical 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 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.

But 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; 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 state. 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 that 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.