

Transcript:

Scott Farquhar: [Applause] Good day everyone. Is it working? Great. I'm not a professional speaker at all, but I have grown a business from 2 people to about 300 people and so today I'm going to go through some of the things I've learned. A bit of a scatter gun approach, it doesn't really follow from point to point, and I've got way too much content, so if we only get halfway through, I apologize. I'll have to come back next year and finish it off.

So what does Atlassian do? We make software development tools, broadly we help software developers collaborate with each other. We sold an issue tracking system called Jira, we make continuous integration, we make code review, we recently acquired a web hosting business called "Bitbucket", and for eight years we were bootstrapped. We started with two co-founders, and grew to 300 staff in 6 countries. We sold about 60 million dollars worth of software last year, and about three months ago we took on an equity investor, a venture capitalist called Accel partners.

So today I'm going to run through ten things that I've learned running a software company.

First thing is, I think you should start with two founders. I couldn't imagine running Atlassian without my co-founder Mike, and all the successful companies are doing it. Apple, Microsoft, Google, Hewlett-Packard [Laughter] a long time ago, Fogcreek has two co-founders down here, Red Gate Software, Campaign Monitor, if anyone uses them for your email. A lot of my favorite companies have two co-founders, and the reason for that is that running a company is like a roller coaster ride. You've got incredible highs and incredible lows and they're often separated by the case of a few days.

For me I got married earlier this year, and for my honeymoon I went to Botswana. That's my wife up there. And in the middle of this honeymoon (Botswana is great, if you ever get the chance to go), we were staying in the middle of the Kalahari Desert in a hut, miles from anywhere, and I got a message from my co-founder on a scribbled piece of paper saying "Scott call me urgently." [Laughter] now when you get that message on your honeymoon you know its serious, when that message has come via a phone call to the country office to the local office that then went by CB radio to someone who got in a truck and drove an hour to a hut [Laughter], you know that there are some problems. So in the next 24 hours, I found out that a hacker had hacked into Atlassian's software, and built up a whole bunch of attack vectors, and had broken into some of the out servers and some of the open source servers as well. So I'm on a flight coming back from Johannesburg, and I'm just thinking "Wow, my company that I've built up for eight years is just going to go down the toilet because of this hacker in an eastern European state." So that was incredibly low. We got back, and people had been through a war zone. People hadn't slept for 72 hours, the whole company came together. people actually just stayed in a hotel room next door, people ordered pizza at two in the morning. And eventually we got through it, and it was great to know that I had a co-founder there, and he knew that I could come back and help out. And when I came back he pretty much went and slept for 24 hours because he hadn't slept the 72 before that. So the next week, I actually flew back, we did that over the weekend, got it all fixed up. On the Monday I flew to San Francisco to start our capital raising with our VC's. [Laughter]

We planned this months before, and we wound up with meetings with top five venture capitalists and we were going to see them all within a five day period and I thought this could not possibly happen at a worse time. It turns out the venture capitalist people are getting hacked all the time. It's way more common than you'd ever think, and they recommended security experts and things we should have done. And it turns out, in a month's time after that, we announced our capital raising. We raised 60 million dollars in venture funding from Accel partners. So this was an incredible high, and having a co-founder means you get to share the highs and the lows.

Another point people ask me, I advise a lot of startups and people ask me how much should we do each and the answer is half each. Basically that's the rule I don't care if you're more experienced, or if your going to work harder in the business, it's basically half of nothing when you start off. Don't be stingy about it, really you are going to build this together, so go 50/50.

Second thing is you need a business model. Now, What does that mean who's going to buy your software. For us, is that the CTO, is that the user that's going to buy the software, how are they going to find out about it? Are they going to find out online, cold calling, how are you going to do the sales process, how much are you going to charge? In software there is a golf, you can pretty much sell things under 10,000 dollars online, but once you need sales people involved you need to start, the pricing needs

to go up. You know 30, 40, 50,000 dollars because it becomes much more expensive to sell them. I see a lot of people who don't really understand their business model and I think that that's a key thing to work out.

When we started off last year in 2002, it was pretty much just the enterprise model was all that existed. The enterprise model, we all know it. There are expensive sales people, a list price, no one ever really pays because there's a 20% discount, right off the bat. You never really sure if you're getting screwed or not. People don't mind paying for software, as long as they pay the same as everyone else. But with enterprise software you're not really sure what you are doing. So we came along, and our model we charge sort of under ten thousand dollars, you can download and use it. We don't have any professional services, and so it's quite different.

These days it's often known by a different name, Freemium, seems to be more and more common and more and more businesses seem to be following it. Just to note, SaaS is not a business model. SaaS is a delivery model, so Salesforce.com is actually more like an enterprise software company. They have sales people, the list price gets discounted heavily when you're at enterprise, they have quotas they try and meet, so that's even thought that's a SaaS company, it's still within the enterprise sales, whereas everyone knows Dropbox low touch, you've probably never had email Dropbox support or call them or anything like that. You just hand them a credit card so SaaS is not a business model.

So how did our model evolve? People think that we were relatively smart coming up with this fancy new business model. What happened was we were in Australia, hundreds of miles from anyone, and we were 22, so there were a whole bunch of constraints to us that we couldn't get around. Firstly we couldn't have a sales team, we couldn't afford one, we were 22 year olds who couldn't raise any money. So software has got to sell itself. If it's going to sell itself, it needs to be low price, because you can't sell 50,000 dollars worth of software online so it needs to sell itself. If it's going to sell itself it needs to be cheap. You're going to have to sell an absolute ton of this stuff before you are going to make any money. If you're going to sell a ton of stuff, you need to sell it globally. If you're going to sell it globally, you need to have pricing on the website, you need to be able to download it and install it and so forth.

So our model really came about because we were in Sydney. And the thing I want to teach all the start ups is when they come to me to say, well I spoke with a startup the other day that had everything going for it. Smart founder, great product, and they told me that they've got this fantastic freemium model that's got word of mouth and they're going to generate sales and people are going to be able to talk to each other and it's all online and have a huge OEM opportunity that they are going to pursue at the same time. And its just not going to work, just not going to work. We've tried OEM sales. We had an expensive 300,000 dollar ex-Veritas sales guy who was the best in the business to do OEM sales for us and it completely failed, because OEM guys want to yield release cycles, they want to be supported for a long period of time, it's completely the antithesis of a word of mouth business model.

Use your own product, just want to go through this one quickly. you are your own best customer. These days you don't have time, as we said this morning, there are a thousand different start ups out there. you don't have time to go out there and talk with the customers, get feedback, build something that you don't really use yourself. And we passionately use our own products, and we use them publicly. So you can actually go to Jira.com and see our tracking system, see every single issue that's got raised in our bug tracking system, in its entire time, we use our stuff for our release notes, so we use our software publicly. What's interesting is one of our competitors actually took our top ten most voted for issues and wrote their own page talking about how their software solved our problems. So that was interesting, sort of a downside.

Dharmesh, are you here? Dharmesh, his company runs a free website tool called "website grader". I just ran Hubspot through his own tool. Now sure you could have put an if statement that if Hubspot.com then make it 100. Where's the last point Dharmesh, come on. [laughter]

Fourth point is measure everything. So at Atlassian we measure everything, it seems to be the theme this morning about some of the talks, but we measure where people come from for our sales cycle, how they use our product, we have sales by country, we measure absolutely everything, back before Dharmesh analysis was cool. and my advice for start ups is even if you don't have the capability to analyze everything today, make sure you capture it. Make sure you've got your website logs turned on, if you can log use the names and so forth. Enter your website logs today, even if you don't have the capabilities to analyze it now

when you finally do you will have all that information stored there. And we confluence, our product, to put all that stuff online and we share it with all our employees.

Dharmesh said he uses confluence for sharing all the information internally, there's no point in having the starter available if all your employees don't get the opportunity. And we've had the most random of people, we've had interns who would spend the weekend crunching data come in with some new insight across Atlassian's data. The trick to that is that you have to test everything. We about a year and a half ago, decided that we wanted to give away small licenses of our product for free. So we sold very well in sort of our 20 plus users bracket, and we didn't really sell well in the sort of smaller. We thought "Well, let's give them away for free, and that would be a nice lead in for our product. but our head of support said he had no idea how much support these things would create. Would each person take up hours of support a week, how many were we going to sell. So what we did is we said ok, so how do we test this out before we collapse our support department. So we ran a promotion for five days, for five dollars you could get a 5 user license. So over the course of the week we had a short amount of time to sell these things, we could look at how popular they were, and then we would have a few months to look at ok how much support had these things generated. And we were aiming to sell five thousand of them in a week and raise some money for charity, because the money went to charity, and it turns out the tremendous amount of betting pools at Atlassian were incredibly wrong.

The blue line is what we actually did, and the red line was our estimate. We ended up raising about 100,000 dollars for charity. And if we hadn't tested that, we wouldn't have the support in place for when we did eventually launch that later in the year. We launched ten user licenses for ten dollars. This can be applied even to b position. In 2006 we only had one office around the world, we had an office in Sydney Australia, and we decided we had a thesis that by being in the States we would be closer to our customers, we'd have better customers, we'd have more feedback they'd be happier they'd buy more stuff from us, and it turns out that that thesis was correct.

We moved to New York. New York is not a great place to start a tech company, apologies to those of you from New York but it's a very mercenary place. Everyone is there sort of for a short time to earn a lot of money not really there to buy into a start up. So after about six months there, we moved the entire office to the west coast. So we still tried trial and error, even with things like opening an office.

ABM- always be marketing. So we at Atlassian are marketing all the time. if you're a startup company, you are always going to have the opportunity to sell something. this is our 404 page, or our 500 page on our website. the best one I've seen recently is Groupon. It has an unsubscribe page when you unsubscribe from Groupon's email list it has the founder of Groupon getting hit by a bear and it says if you unsubscribe this person will be eaten by a bear, and it has gone quite viral. they might still unsubscribe but they will tell their friends about it. So what we've done, we always try to sponsor the beer at conferences, and if anyone had seen us last year we sponsored a night with conjunction with Balsamiq, sponsored a night of beer.

Until recently java one until recently was the largest conferences, one of the largest tech conferences. To sponsor a booth there is twenty five to fifty thousand dollars. You've got a staff overhead for a whole bunch of time, people might not come passed. So what we did is there is a session called Java posse. Its always held in the afternoon and it gets maybe a couple thousand people there, and you're not officially supposed to do this, but we basically truck in about 15 to 20 cases of beer, and slap Atlassian labels on them and sponsor the beer. And as a result, the people speaking gave us a great shout out, we got mentioned in a podcast, and so it cost us about 3000 dollars to provide the beer to the conference, as opposed to sponsoring the booth.

We also found that shipping something tangible works really well. People these days get an email every ten or twenty seconds, people still love getting something in the mail. I haven't gotten anything in the mail in the last month, but we decided to ship tee-shirts to our customers, because that way they tell their friends about us, they get something in the mail right after they purchase as opposed to something intangible. We only give the teeshirt away with the most expensive version of our product. So you have to pay an extra 3000 dollars for a tee shirt [laughter] and it turns out that quite a few people would say later on " Yeah, I wasn't sure which version to go with, but I found out that I get a tee shirt with the 3000 dollar version and so I splurged for it." So we shipped about 10,000 tee shirts around the world. And just a point, if you're going to make tee shirts, make them cool somehow, please. There are too many crappy tech tee shirts out there, so get a design, try to think of something witty, and make cool tee shirts.

We try to make everything into a campaign. Recently, about a year ago, in the tech downturn, we decided that it would be a really good time to start hiring, and so instead of putting ads in the newspaper and saying ok we're going to hire a few people, we turned it into a marketing campaign and said "ok, we're going to hire 32 people in the next six months." And because it was a marketing campaign we started thinking "So, how do we generate some buzz about this?" We said "Ok, we're going to up our internal referrals to 10,000 dollars, so that any staff member that refers someone gets 10,000 dollars. If any of you want to refer someone to Atlassian I will gladly hand over 2000 dollars, to any of you to refer people.

If you move to Australia to work for us, we send you on a harbor bridge climb, you get picked up from the airport in a limousine, have a nice lunch with your partner. If you're in Australia we actually send you for a week's holiday before you start. So all this stuff sort of generated buzz, but the thing we did the most controversially was we turned our recruitment program into a bounty hunter program. So we've never really worked with recruiters, because we think they never really do a good job, but what we said was "Ok, anyone can send a resume to us, recruiters can send them to us and we'll use our rates, but you can only send through four people. And if we take any of those four people, we will continue doing business with you. But if we don't like any of those four people, then sorry we are going to have to part ways. It caused this huge uproar in the recruiting industry. People on the one side saying "That's not the way we do business, that's terrible!" Then we had developers that came in and said "I've never worked with a recruiter that's actually good, these guys are doing a great job. So we've had great press through the whole thing, we've had a couple people come through recruiters now, and it makes the recruiters send us their best four candidates because they wanted the chance to keep working with us. And this gave us a huge amount of press, and we hired the 32 people in way less time than we thought, and this year we might have a 64 campaign.

Don't forget to market to your employees. That's what you get at your first day of work at Atlassian, you get tee shirts, chocolates, we actually give you pen and paper and your computers already set up with a chair and a big desk (you get two monitors these days, this is a few years old). We thought it made an impact, genuinely, but then one day we got this unsolicited email sent to us, from someone I've never met before and never heard of, he was so impressed with his housemates first day of work that he felt compelled to write us an email. So I was impressed, and it's good to see that the little things you do for your employees make a difference.

Your first idea as a business will fail. Does anyone here use a company called ODEO. They are an RSS search subscription service that I've never used. So Evan Williams went on to found blogger as sort of a side project when he was running ODEO. Has anyone ever heard of a social networking site based on genealogy called Geni? Does anyone use it? So out of Geni, the guys founded Yammer, which you might be familiar with. And so, I say, your first idea for a business failing is not always a bad thing. Our first idea for a business was terrible. We thought that providing third party support services to an application server made out of Sweden from two guys, where most of the customers are in the US, and we were in Australia, where we had no mechanism to contact customers practically. We couldn't get access to the source code, and we could fix people's issues. It was a terrible business. We kept getting phone calls at 4 in the morning, and my girlfriend at the time was very unhappy with this business.

But as a side business for us we had an issue tracking system that we used to collect customer information. And we thought "If they can do it, then we can build a business around issue tracking systems." Over time, our website morphed and our company morphed and we moved from a support company to a one product company, and now we're a software portfolio company so don't be afraid to let your first idea fail.

We've always had longer-term thinking at Atlassian. I've always wanted to build up a company that's around 50 years, and it seems like the tech community goes in waves of building long lasting companies. At the moment it feels like we are in a wave where people are building to flip in very short term thinking. I've always wanted to build something that's going to survive beyond me. An HP, so to speak. And don't think this is just for big companies, this sort of long term thinking. I was reading about the Y-combinator, which is sort of a start up incubator, and they spend ten percent of their time thinking about what their company will look like over the long term and what it is going to look like as it becomes a billion dollar company and how will that affect things. So even some of the most successful startup companies are thinking long term.

So we started with the mission that was pretty much nothing more than we just kind of want to be the best that there is. Within our first year as a software company, probably within our first two months, we wrote this down, probably just to define what we wanted as a software company. We wanted to be different; it's kind of cool. We wanted to listen to people, we want to value innovation and development, and simplicity back when everything was very very complicated. And we continued our support legacy, for when we were a support company we wanted to provide legendary support. About two years ago we refined this down to "Create useful products that people lust after. This is the Italian and the German car analogy. Lust after is the Italian car, you got your Lamborghini, Ferrari. Very lustful cars, very impractical, they brake down all the time, very expensive. And the useful is your German car. Never breaks down but not particularly sexy. We thought if we could meld those two, that that is the sort of company that we wanted.

And we, early on, set a goal for the company. We set a goal and said that we wanted to have 50,000 customers around the world. This was when we had five hundred customers at the time. So we're thinking big, and we found that sort of challenged people's thinking. So you know, when we were 500 customers people were thinking "How do I find the next five customers, how do I find the next ten customers?" Well, if I'm going to have 50,000 customers I need to think bigger have bigger marketing campaigns, I've got to scale my support systems because I can't do one on one support like Dharmesh was talking about on the sales side this morning you can't add more sales people. If you have a big goal, it sets everyone thinking towards how they're going to achieve that and sculpt the business that way.

Something I really struggle with and probably still struggle with to this day if you ask any of my employees is knowing when to switch gears. So when you are a start up you need to be absolutely scrappy. Our first conference the first Java one we went to we stayed in a hotel called the Mossa in San Francisco. I remember it clearly, it was 48 dollars for a room for a night. It didn't have a bathroom, you had to go down the hall to share the bathroom, and we fit three of us in that room. Me, my partner, and a random friend who wanted to go to San Francisco. So, very cheap at the time. We shared office space, it cost us 100 a month for a desk and eventually we grew and became successful and I was struggling because I was still in that startup mentality. Anything that was more than a certain price I sort of had to argue why do we need more bandwidth, why are we paying for faster internet and why is this food bill so high? Eventually I just had to let go of the reins. I still struggle today letting go of the reins and letting other people take control.

But one of the success disasters you have is one model doesn't take you through, and we've also struggled as a company moving from generalists to specialists. So when you're small, generally it's developers that do everything. They'll speak at a conference, they'll write code, do documentation, take phone calls, talk with the accountants, and over time you bring in specializations. In Atlassian just in development we have front end, back end, team leads, architects, documentation and tech writing, performance, engineering and QA. All of which used to get done by one person in the past. It's also tough to bring in management. Again, people think, and we still struggle with this to this day, that all the developers say that "my manager has to be a better developer than me and also be an awesome people person." and we really struggled and we spent about a year looking for this person and found that if that person existed he was probably already working for us.

So eventually we had to teach people that management is a specialty that is different from being a developer. And we introduced support, we felt that developers could do support, and they generally suck at it. Just so you know. So we brought in a support team. So moving from generalists to specialists was a very painful process for us.

The most painful process is letting people go. I know that, as a business, we've let maybe 30 people go over the history of the company, maybe forty. It's the hardest thing you have to do. And there is no university course that teaches you how to let someone go in a nice manner. You just have to do the things I've learned about letting people go. Firstly is you have to trust your gut. Especially at a senior management level, no one will say "hey, this guy is doing a bad job, you should kick him out." right? Like you know, how everyone says "oh he's really good", and everyone's really positive, and so no one is going to back you up. About a year and a half ago I had to let go of one of my senior management team and he was an awesome guy, he actually coached the Australian deaf girls soccer team. He has three kids. He's the sole breadwinner of the family, and he just wasn't doing the job we needed him to do. And I remember I sat there and I cried and then he cried, then we cried together and I had to let him go though and the whole team was up in arms after that. They were like, "why did you let this guy go? He is a really nice guy, he was doing a great job, why did you let him go?" And I had to defend myself. Cause no one backs you up, I had to defend myself. And it turns out we hired someone else actually only month or two later. And that new person came in and as

soon as that new person came in within two or three weeks everyone's like "Why didn't you let this guy go earlier?" like "This new guy is awesome, what took you so long?" [laughter]

And you have to learn to listen to your gut. And most of the people who we've let go have gone on to bigger and better things at other companies. We've got people that grew the company from 20 people to 200 people that really struggled from 200 up. And then they've gone back and did that 20 to 200 person cycle again and again.

Secondly, or second to last, I want to talk about building somewhere where you want to work. If I want to work at this company and I want this company to last 50 years hopefully I'll be involved with it in one way or another for another fifty years. And you have to enjoy going to work everyday. There's a company, I have friends that work at a hot startup at the moment, they do a lot of hot stuff around data analytics, they've raised 11 million dollars, they've got top VC's, a great board, and people are leaving in droves because the company didn't spend any time building its culture. Everything going for it, stock options are going great, and people are moving to other companies because basically from the top down they haven't set the right culture.

When we rejected someone I really loved the reply that we got from the rejection notice that we sent them. So, obviously, culture starts with hiring. Our initial hire, we hired a British backpacker, the interview took place in the pub, he lived with the local backpackers for six months before sleeping on my floor (we've evolved our practices a little bit since then).

We now do a process called top grading. Does any company here do topgrading? We have one person, two people. Topgrading is a process where instead of giving people hypothetical questions, what would you do in this situation or answer these sort of problems in an interview you say, "Ok the two things you wanna know about a person is will they survive are they going to do a good job? Are they passionate, smart, are they people that will find their feet no matter where you put them because at a growing company things are going to change and evolve. So you want to find someone that's going to do that, and secondly are they passionate about the job you're about to put them in?" And so the topgrading process just goes through their entire work history and says "Ok, so what did you do in each job, what are your good points, bad points? Why did you leave? Who was your boss, what were their good points bad points?" and you just go through their entire work history. Takes about three hours so it's a pretty involved process, but at the end of it you can very clearly answer the questions of have they always done a good job no matter where they've landed and are they interested in this job.

And we've had a few times where we've had two or three candidates and we thought this is the right guy for the job and we changed our mind after that process. I mentioned this morning that values, you need to have company values. You don't need to articulate them when you're small, because they're everyday. It's the founders that are living the values. It's only when you get to a stage where the founders aren't involved in hiring anymore or they've delegated it down so you know there are people that the culture you basically need to codify. You can't sort of have a culture that you want. You have to say this is the culture we've got, and we want to keep it and we want to make it stronger.

So Jim Collins has a process called the Mars Group, which you can look up, that helped develop them, and we ended up with our company values: Open company, no bullshit, Build with heart and balance, Don't fuck the customer, Play as a team, and Be the change you seek. and we have specific meanings around them and what they are is they just mean that we attract more people like us to our co. That means that we are going to become more of what we are, which is really strong and lastly and I'm out of time but hopefully I can get through this.

I passionately believe about giving experience. Mainly to employees but also to customers. If the employee does a good job, don't give him a cash bonus, please. No one remembers a cash bonus or what they spent it on. People remember experiences that you give them.

We, years ago, for our first company offsite for the end of the financial year we wanted to reward our employees for what they'd done. So we organized a chase around the city and I'll put this on I've got some sound employees came to work one morning the founders weren't there, and we had a projector set up and at the appointed time the projector automatically started playing this movie. So this movie basically goes through and goes through Sydney and shows that you've got to solve these terrorists are going to attack Sydney and you've got to go out and solve it. And eventually at the end of the video, this has a one word that says qwerty, you know, with a flashing cursor. Everyone was like "Well what does that mean?" because that

was the only instruction that people got. And some bright spark eventually worked it out and he went to his keyboard and flipped it up and turned it over and sure enough there were the instructions. And so every person's keyboard basically sent them to a certain direction around the office where they had a little stash, and it became a team and went from the office in the team and they went around the city and had all these clues they had to solve. And the clues were things like you had to go to the state library and follow the marble hand on the floor to the bookshelf find the fourth book from the left hand side and find the 50th word from the 32nd page, and eventually that would give you to a code. You know those lockers when you get to a swimming pool and you have to that would give you the locker number and the code, and in that would be the next clue that would take you around the city.

So it took us a few weeks to get this going, but if you don't want to go to all that sort of effort, the biggest tip we had on the day was everyone bring in a digital camera and we said while you're going around doing this chase around the city, you have to achieve certain things and we'll give you one point for every photo you get. And so you had to share food with a stranger [laughter], you had to get a photo with a policeman, and you can see someone did a good job of combining those two by sharing food with a policeman [laughter], hold up the opera house and get a photo of that, a photo in the driver's side of a cab (in Australia that's the driver's side). Get a photo out of the tenth floor of a building, didn't matter which building. People just walked up to the tenth floor, walked straight through, out a window, took the photo. Hug a tree, in Australia we get a lot of tourists, so you get one point for every Japanese tourist you could get in one photo [laughter] So I think we got 25 or 30 points in that one photo. And as we grew we've done other things, we've done a circus, a circus day last year where we took out I guess about 120 people in Sydney, and we all went to ride unicycles, and learned how to juggle and so forth.

I think for a company don't give people cash. Use that cash and give people experiences. Because people will remember that and people will tell their friends. and that's how you build a strong company culture. So I'll put these slides up on Slideshare if anyone wants them and I'm around the rest of the conference, if anyone wants to talk.

Thanks a lot. [applause]