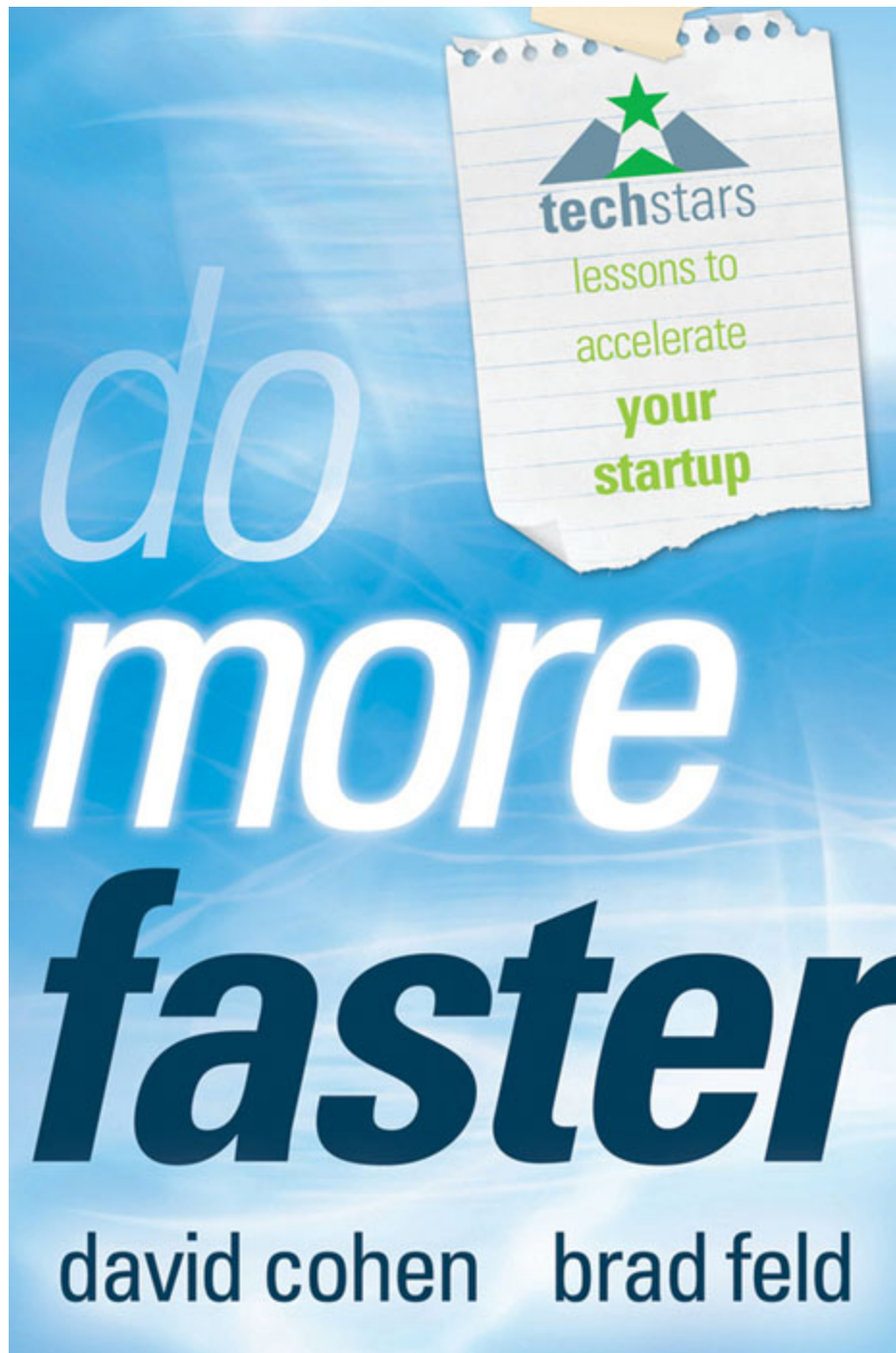




lessons to
accelerate
your
startup

do
more
faster

david cohen brad feld



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Do More Faster

**TECHSTARS LESSONS TO ACCELERATE
YOUR STARTUP**

David Cohen and Brad Feld



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Library of Congress Cataloging-in-Publication Data:

Cohen, David G.

Do more faster : techStars lessons to accelerate your
startup /

David Cohen and Brad Feld.

p. cm.

Includes index.

ISBN 978-0-470-92983-4 (cloth); ISBN 978-0-470-94877-4
(ebk);

ISBN 978-0-470-94878-1 (ebk); ISBN 978-0-470-94879-8
(ebk)

1. New business enterprises--Management. 2.
Entrepreneurship.

I. Feld, Brad. II. Title.

HD62.5.C635 2011

658.1'1-dc22

2010033309

*To our wives—Amy Batchelor and Jil Cohen—with happy
amazement that they love us.*

Foreword

While entrepreneurs come in all shapes and sizes, they all share the drive to do things that have never been done before, the belief that they can accomplish anything they put their minds to, and the need to get everything done as fast as they can. For a first time entrepreneur, this can be daunting, but TechStars is like a turbo rocket booster for the beginning of the journey.

Zynga is my fourth company. When I started it, there were only a few venture capitalists who I wanted to work with, and Brad Feld was one of them. The last few years have been a wild ride. We talk about doing things at “Zynga Speed” so when Brad asked me to write a foreword for a book titled *Do More Faster*, I was humbled and eager to have the opportunity to share some thoughts, as this is a concept that is close to my heart.

If you aren’t familiar with Zynga, we are the makers of popular social games such as FarmVille, FrontierVille, and Mafia Wars. When Brad’s firm Foundry Group invested in Zynga in the fall of 2007, we were a team of 10 people. Today, three years later, we are a family of more than 1,200 people. To get there, we certainly had to do more faster.

Before starting my first company in the mid-1990s, I worked at several well-regarded companies. However, I was somewhat of a misfit. I challenged the status quo and didn’t necessarily follow protocol. I was a bit naïve and rogue in my desire to deliver the smartest and most strategic results without being concerned with procedures. That wasn’t necessarily the best way to ensure a career in corporate America, so I decided I was better suited to be an entrepreneur where I could do things my way.

At the dawn of the commercial Internet, I co-founded Freeloader with Sunil Paul. As first-time entrepreneurs, we

learned as we went along and made plenty of mistakes along the way. What we lacked in experience, we made up for in drive, and before we knew it, we were at the helm of a hot new Internet company funded by Flatiron Partners and SOFTBANK. Four months after our first round of financing, Freeloader was acquired by Individual, Inc. for \$ 38 million. While this was viewed as a success, the acquisition happened well before the moment of truth for our business.

When I founded my second company, SupportSoft, I had a bit more experience and made building a great startup team a priority. We accomplished exciting things together and built the company into a leading provider for service and support automation software. As the company began to achieve customer and revenue traction and acceleration, I agreed to move into the position of chairman as the board wanted to bring in a more seasoned CEO. SupportSoft was successful, went public, and everyone was happy, but I still didn't feel like I'd had a chance to build a great company.

My third company was Tribe Networks. The idea of social networks was starting to emerge and Tribe was one of the very first. I like to say that Tribe was a great idea, just ahead of its time. We had early success, raised money from venture capitalists, but over time we stumbled. I was once again promoted to chairman and this time the new leadership failed to execute. Near the end, I stepped back in as CEO and repositioned the company around white label hosting of social media. We sold the company for a modest amount to Cisco, but we missed a huge opportunity to create a next-generation Internet company.

So, in 2007 when I started thinking about social gaming, I decided that my goal with Zynga was to create a company that consumers would know and love. I wanted to create an Internet treasure. Unlike at my previous companies, I focused my early recruiting efforts on attracting investors who would act as peers, respect what I wanted to

accomplish, and help coach me through the ups and downs of the business. In addition to Brad, I was fortunate to attract Fred Wilson, Bing Gordon, and Reid Hoffman as investors and board members to Zynga early on. We've accomplished a lot in the past three years and I believe we are well on our way to creating a company that will stand the test of time and have a lasting impact on consumers and the Internet as a whole.

When I reflect on my entrepreneurial experiences over the past 15 years, I recognize the critical importance of learning from mistakes. Every company had roadblocks and challenges, and at each step and with each setback, I became smarter. It took a long time and a lot of ups and downs to get to the point where I was ready to embark on the creation of Zynga. I wish I'd had more of that knowledge and insight when I started FreeLoader, or had access to the wisdom and experiences like those shared in this book.

The entrepreneurial journey is an amazing one that I encourage anyone who has the inclination to embark on. There are few things as rewarding as starting a business from nothing, creating jobs, and building something that matters. There is something unique that ties all entrepreneurs together, and we have a strong desire to see one another succeed and a belief in the importance of entrepreneurship. I am encouraged to see the support and tools that first-time entrepreneurs today have such as TechStars, books like *Do More Faster*, and the support of many great experienced entrepreneurs including those in this book. I am honored to be one of those mentors and am excited to see what the next wave of entrepreneurs create. They will learn, just as I did, that they can always Do More Faster!

Mark Pincus
August 2010

Preface

Entrepreneurship is hard. Most startup companies fail. Even those entrepreneurs who have achieved success often have stories of staggering personal challenges and failures. The bone yard of unsuccessful entrepreneurial endeavors is very wide and very deep.

Enter TechStars, a mentorship-driven seed accelerator that has helped numerous fledgling companies attract over \$25 million in venture capital and angel investment. How have so many founders of TechStars companies already gone on to sell their companies and to make millions so quickly? Why has TechStars generated so many disruptive and innovative companies?

It's the mentorship.

Having worked with thousands of entrepreneurs and hundreds of companies over the past 25 years, we have seen a number of issues come up over and over again. TechStars was created as a way to channel that experience for the benefit of first time entrepreneurs. But we didn't do it alone—we recruited more than 100 of the best Internet entrepreneurs on the planet to become mentors in the program.

Do More Faster was written to capture the TechStars mentors' unique insights into what it takes to make a startup successful. We thought hard about the key issues around early-stage entrepreneurship and organized them around seven themes: Idea and Vision, People, Working Effectively, Product, Fundraising, Legal and Structure, and Work and Life Balance.

Each theme or part contains a number of chapters that focus on common sayings heard around TechStars. Some of these sayings, such as the title of this book, are mantras of

ours. A few are well-worn clichés. All of them are critical ideas that can help you be successful as an entrepreneur.

While mastering these themes doesn't ensure success for every first-time entrepreneur, our experience is that understanding the challenges and hearing personal stories and advice from mentors is a large part of it. If nothing else, you'll realize that you aren't alone in facing these challenges.

We asked many of the mentors and entrepreneurs in the program to write chapters and we wrote a few ourselves. TechStars is a magical thing, but it's also very personal and many of the lessons in this book are based upon personal experience. For that reason, we have included as many photos as we could to bring the stories to life. The stories form a cohesive narrative, but they're also strong on their own.

In the spirit of TechStars, this book is community-oriented and mentorship-driven. We hope you'll find the perspectives and stories in this book to be powerful and useful. Let us know what you think. You can reach us at david@techstars.org or brad@feld.com. Or come visit us at TechStars.org.

*David Cohen and Brad Feld
August 2010
Boulder, Colorado*

About TechStars

TechStars is a mentorship-driven startup accelerator with operations in Boulder, Boston, and Seattle. Once a year in each city we bring together about 10 Internet startups with about 50 top Internet entrepreneurs and investors for a three-month intensive program. More than 600 companies apply every year for one of the 10 spots. The program culminates with an event at which the young startups pitch their ideas to hundreds of investors.

Since its founding in 2006, TechStars has funded 41 companies in Boulder, 19 companies in Boston, and 10 companies in Seattle. About 70 percent of these companies have gone on to raise more than \$25 million in angel or venture capital, have become profitable, or have been bought by notable companies such as AOL, Jive Software, IAC, and Automattic (the makers of WordPress). The latest class of Boulder companies resulted in six companies being funded by venture capital firms and two others by angel investors.

We believe that TechStars represents something special. We're often told that it feels like an entrepreneurial revival. The reason for this is best understood by focusing on two things: mentorship and community.

You'll often hear us describe TechStars as "mentorship driven." Each mentor who participates is asked to focus on a single company or at most two if he has a great deal of free time. We carefully avoid the sort of fly-by mentorship in which someone successful or famous stops by to impart some generic wisdom and give shallow feedback on each company. At TechStars, we're only interested in deep and engaged mentorship. Our model typically results in four to six mentors working closely in a focused manner with each company over the course of the three-month program. This

is the magic of TechStars—several amazing mentors paired with each company pushing them to be the best that they can be.

TechStars is also about community. When we started TechStars, one of our primary goals was to improve our entrepreneurial ecosystem. We wanted more passionate and skilled businesspeople in Boulder, where we both live. We wanted to engage local angel investors and to create more of them. We wanted Boulder to be known to the world as a credible place for talented entrepreneurs. We wanted the best, brightest, and most experienced entrepreneurs to become mentors and work together on new and exciting startups. Fundamentally, we wanted our community to be better. We're often asked why the mentors in the program help as much as they do. We firmly believe that each and every one of them does it for these same reasons.

We believe that a culture of sustained mentorship is the secret weapon of successful entrepreneurial communities. Because of TechStars, we've noticed that mentorship and community have begun to come full circle. The founders of early TechStars companies are now mentors to the founders of newer ones as well as other companies in their communities. Some of the founders who have been through TechStars are starting their second company. They've been shown the life-changing value of highly engaged mentorship and it is now ingrained into the very fabric of who they are. In turn, they give back every day.

THEME 1: IDEA AND VISION

Most people think that the core of a startup is a singular amazing world-changing and earth-shattering idea. It turns out that this idea is almost always completely wrong.

It has often been said that most successful startups started doing something else. In our experience at TechStars, we know that many of the companies that have gone through the program are now working on something very different from their original idea. Some of these are in the same general domain but a completely different application or product area. A surprising number of them are unrecognizable from the description of their business on the original application to TechStars.

When Alex White of Next Big Sound showed up at TechStars he was immediately confronted by a chorus of “We love you but your idea sucks.” Jeff Powers and Vikas Reddy spent the summer working on some sort of image compositing software before landing on the spectacularly successful RedLaser iPhone app that eBay recently acquired. We aren't even sure we remember what Joe Aigboboh and Jesse Tevelow of J-Squared Media were working on when they showed up at TechStars but we had a feeling they were awesome, which they then demonstrated by launching a series of successful Facebook applications on the heels of Facebook's F8 launch. Each of them landed in very interesting but unpredictable places.

Startups are about testing theories and quickly pivoting based on feedback and data. Only through hundreds of small—and sometimes large—adjustments does the seemingly overnight success emerge.

Trust Me, Your Idea Is Worthless

Tim Ferriss



Photo Courtesy of Corey Arnold

Tim is the best-selling author of *The 4-Hour Workweek* (New York: Random House, 2007) as well as an angel investor and an entrepreneur. Tim has been a TechStars mentor since 2008 and is an investor in several TechStars companies, including DailyBurn (the premier fitness social network for detailed tracking, online accountability, and motivation) and Foodzie (an online marketplace where consumers can discover and buy food directly from small artisan producers).

Earth-shattering and world-changing ideas are a dime a dozen. In fact, that's being too generous.

I've had hundreds of would-be entrepreneurs contact me with great news: They have the next big thing, but they can't risk telling me (or anyone else) about it until I sign some form of idea insurance, usually a nondisclosure agreement (NDA). Like every other sensible investor on the planet, I decline the request to sign the NDA, forgoing the idea, often to the shock, awe, and dismay of the stunned entrepreneur.

Why do I avoid this conversation? Because entrepreneurs who behave this way clearly overvalue ideas and therefore, almost by definition, undervalue execution. Brainstorming is a risk-free, carefree activity. Entrepreneurship in the literal sense of “undertaking” is not. Strap on your seat belt if

you're signing up for a startup. It's a high-velocity experience.

If you have a brilliant idea, it's safe to assume that a few very smart people are working on the same thing, or working on a different approach to solving the same problem. Just look at the number of different travel apps on your iPhone or the number of diet and exercise sites on the Web for an example of this.

Overvaluing the idea is a red flag, particularly in the absence of tangible progress. Sure, I miss out on investing in some truly great ideas with this attitude, but that's okay with me: I don't invest in ideas. Nor does Warren Buffett. I'll lose less money than those who do. I can largely control my downside by investing in good people who, even if they fail this go-round, will learn from mistakes and have other fundable ideas (ideas I'll likely have access to as an early supporter). I do not have this advantage when investing in ideas.

One popular startup dictum worth remembering is “One can steal ideas, but no one can steal execution or passion.” Put in another light: there is no market for ideas. Think about it for a second: have you tried selling an idea lately? Where would you go to sell it? Who would buy it? When there is no market, it is usually a very sure sign that there is no value.¹

Almost anyone can (and has!) come up with a great idea, but only a skilled entrepreneur can execute it. *Skilled* in this case doesn't mean experienced; it means flexible and action-oriented, someone who recognizes that mistakes can often be corrected, but time lost postponing a decision is lost forever. Ideas, however necessary, are not sufficient. They are just an entry ticket to play the game.

Don't shelter and protect your startup concept like it's a nest egg. If it's truly your only viable idea, you won't have the creativity to adapt when needed (and it will be needed

often) in negotiation or responding to competitors and customers. In this case, it's better to call it quits before you start.

Your idea is probably being worked on by people just as smart as you are.

Focus on where most people balk and delay: exposing it to the real world. If you're cut out for the ride, this is also where all the rewards and excitement live, right alongside the 800-pound gorillas and cliffside paths. That's the fun of it.

David didn't beat Goliath with a whiteboard. Go get amongst it, and prepare to bob and weave.

What about all those great ideas we fund at TechStars? Well, about 40 percent of the companies who go through TechStars describe themselves as “substantially or completely different” in regard to the idea and product they're building after the three-month program ends. When the founders of Next Big Sound applied to TechStars, they had an idea around music and social networking. We loved the founders but hated the idea. They were already contemplating changing their idea when they arrived in Boulder in the summer of 2009 but were nervous about what our reaction would be. They quickly heard that we believed in them, not their idea, and aggressively changed course. Alex White, the CEO of Next Big Sound, talks more about this in the chapter “Fail Fast.” The willingness to change your idea based on data is the sign of a strong entrepreneur, not a weak one.

Tim Ferriss (second from left) hanging out at the St. Julien hotel in Boulder with Vanilla, Next Big Sound, and Graphic.ly during the summer of 2009.



1. Yes, there are a few exceptions, like licensing IP, but IP is “property,” as distinct from an unprotectable thought.

Start With Your Passion

Kevin Mann



Kevin is the founder and CTO of Graphic.ly, a social digital distribution platform for comic book publishers and fans. Graphic.ly raised \$1.2 million from DFJ Mercury, Starz Media, Chris Sacca, and others after completing TechStars in 2009. Kevin also recruited Micah Baldwin, a TechStars mentor, to join Graphic.ly as CEO in the fall of 2009.

I am a huge comic book fan and I started my company because of my own frustration and disappointment.

A few years ago, I read about the release of a new “Dead@17” story and I was excited to find that for once my local comics bookstore actually had it. I bought the first three issues and loved them. I couldn't wait to pick up the fourth and final one.

On the day of the release of that fourth issue, I ran to the comics bookstore. I looked at the new release shelf only to find that it wasn't there. I asked the store owner about it. I was told that because of budget cuts he had to stop buying a bunch of titles and this was one of them. However, he said his sister store in Newcastle had it.

Newcastle was a 100-mile round trip and at the time I didn't drive, so I knew the journey was going to suck. I headed off to the train station and I took my iPod along to make the journey bearable. A couple of hours later I arrived

at the Newcastle comic store only to discover that the fourth issue of Dead@17 was sold out there!

On the train on the way home, my frustration and anger boiled over. I kept thinking that there had to be a better way of buying comics. And then it dawned on me. That morning I had purchased a movie from iTunes, which I was watching right there on the train. Why shouldn't buying comics be just as easy? Why did I have to travel over a 100 miles and waste the better part of a day, all for nothing?

I realized that I had two options. I could quit buying comics or I could quit my job and build the iTunes of comics.

That's how Graphic.ly started and my enthusiasm for comics has now transferred to a business I love being a part of. Every single day I am excited to go to work. I get to create and innovate in a sector I love. Ultimately, I'll solve a problem that was ruining something very special to me.

If you're not passionate about what you're doing, it won't mean enough to you to succeed. Startup founders choose an insanely difficult path, so passion is a prerequisite.

Many entrepreneurs start a company to “scratch their own itch.” Kevin is a great example of one such entrepreneur as you just read in the story of how he came up with the idea for Graphic.ly. Kevin and his business partner, Than, got right down to building a demo during the TechStars program. They quickly produced a beautiful piece of software for rendering comic books on the web and on an iPhone. One of their mentors, Micah Baldwin, fell in love with the idea and Kevin recruited Micah to join the team as CEO at the end of the summer. Micah, Kevin, and Than quickly raised a seed round of investment from VCs and angels and began building out the team and the product.

One of Graphic.ly's goals was to produce comics with amazing graphic clarity regardless of the platform the comic book was rendered on. They also wanted to innovate in the user interface to add a social component to the comic book, allowing fans to interact with the comics in a deep and engaged way. At the same time, they started building out a library of comics with several of the larger comic book publishers. While there is always a chance that existing e-book vendors will start focusing on comic books, Graphic.ly believes that their single-minded focus on comics gives them a big advantage over other companies.

Kevin also shares the honor of being one of the TechStars Boulder 2009 founders who inspired Brad to co-found the Startup Visa initiative (see startupvisa.com). The goal of the Startup Visa initiative is to make it easy for non-U.S. entrepreneurs to get a visa to start a company in the United States. It turns out to be surprisingly difficult to do this, as Kevin (a U.K. citizen) and Than (a French citizen) discovered. As of July 2010, there are now bills in the U.S. House of Representatives (sponsored by Jared Polis (D-CO) and a co-founder of TechStars) and in the U.S. Senate (co-sponsored by John Kerry (D-MA), Richard Lugar (R-IN), and Mark Udall (D-CO)) and the Startup Visa initiative has continued to build momentum as a grassroots effort.

Look for the Pain

Isaac Saldana



Isaac is the founder and CEO of SendGrid, an e-mail service that solves the problems faced by companies sending application-generated transactional e-mail, which raised \$5.75 million from Highway 12, SoftTech VC, and Foundry Group after completing TechStars in 2009.

I have always been interested in solving complicated problems and am naturally passionate about scalability and complex engineering problems. I enjoy using technologies such as Hadoop for massive data analysis, Memcached for distributed caching, and Twisted for event-driven programming. Early in my software engineering career I landed positions as CTO in multiple startups. The more I dealt with engineering problems, the less I wanted to be engaged with users or any other nontechnical problem. I strongly believed that my time was best spent on solving really difficult technical problems instead of dealing with all those pesky customers.

One day I was in the process of moving our static files to Amazon S3 to solve some scalability issues with our web site when one of those annoying users notified us that the e-mails that our application was generating were not getting through to his Yahoo! Mail inbox. Off I went to solve this seemingly trivial problem.