



## Stanford eCorner

### Delivering Innovation for the Enterprise [Entire Talk]

Aaron Levie, *Box.net*

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Box.net CEO Aaron Levie is an entrepreneur who seeks to reinvent how enterprise businesses share content across their organizations. In 2005, Levie saw the need for affordable storage on the Internet, and co-founded Box.net out of his college dorm room. In this high-energy lecture, Levie shares the successes and challenges of his company's move from early-stage startup to scalable cloud technology venture.



#### Transcript

Today's special guest is Aaron Levie, who is the co-founder and CEO of Box.net. I got a chance to talk to him a few days ago, as we prepped for this lecture. And I have to tell you, I think you're going to be wowed. He is inspiring and interesting and very funny. And he has got a great story to tell. So, without further adieu, Aaron. Thank you. Actually, a slight coincidence, our company is actually underwritten by Draper Fisher Jurvetson as well. So, thank you, DFJ. Can you hear me fine? Are we plugged in and everything? Cool? Very good.

So, I'm going to use a PowerPoint to go through what I'm talking about. How is everybody doing, by the way? Great. Great? OK, very cool. OK, we're jumping right in. So, I'm Aaron Levie, the CEO and co-founder of Box. We'll talk in a little bit about what Box is. This is actually a new presentation. So, hopefully it's useful. I've done my best to make it useful. But you sort of get what you pay for.

And I don't know how much you guys paid for the tickets for this thing. But we'll see how it goes. OK, so everybody is good? Very good. So, you're probably wondering, who am I? Why am I qualified to talk to you? What am I doing here? What can I possibly impart on everyone? Well, the first thing is, I don't have a college degree. I dropped out of college when we started Box. And so, I didn't learn a lot of this stuff in school. I was rejected from 90% of my internships. It turns out it's a bad idea to ask for a promotion before your internship starts. So, that didn't work out very well. And I don't have any estranged co-founders suing me.

So, no one is looking to sue me or Box.net at the moment. Maybe there will be somebody out there. I'm not even Times Man of the Year. I did cost less than Zuckerberg. So, hopefully this will be useful. I think the real reason why I'm here and why I have some amount of information to share with you is really simple. I actually have gray hair. So, for the people who are in front of the audience, you can actually see I have some gray strands of hair. If you're in the back, you can ask your friends in the front. You can't see? Oh, no, the projector, you can't really see it.

There really is gray hair. The reason I have this gray hair is because I've been in the Valley for about five years now. We've been building up a company with a whole bunch of friends. And I've been through quite a bit and hopefully there are some lessons that might be useful, some exciting stories in terms of as you're thinking about building companies or as you're thinking about growing your organization. So, that's what I'm going to talk about and then we'll open up for questions and see if this is useful. Cool. So, first of all? What is Box? We have tried to build the easiest way for enterprises to manage and share and collaborate around data securely in the cloud. So, we're a solution that businesses will use to share content, to collaborate with people in and outside their organization or be able to work from different mobile devices but, more broadly, make sure that they can work with lots of people around them. We have over 5 million end-users. So, this is more users than Salesforce.com or

Workday or a number of other leading SaaS application.

There's 130 employees of Box. We're right in Palo Alto, so come by if you're ever buying an electronic equipment at Fry's. We're two stops over. We're right in the Fry's complex. And we've raised about 33 million in funding from DFJ, from Scale Venture Partners, from US Venture Partners. And so, we have built up a pretty good base of board members and some strong financing. And so, the reason why we're growing and the reason why Box has been successful so far is that enterprise technology today sucks and people need better solutions in their businesses. And so, we have basically built a solution that's cheaper, that's faster, that's more scaleable, that's more connected than any of the other technology out here. Has anybody heard of this company before or seen this product before? OK. So, for everybody that didn't raise their hand, you're going to live a lot longer by not having to work with this thing.

But the challenge is most people in enterprises have to use this. This is a product built by Microsoft. It's very expensive. It's a multi-billion-dollar product line from Microsoft. But most businesses and most enterprises have to work with it. And so, we've designed technology that's much easier for businesses to use, much faster and much more connected. And so, I'd like to talk a little bit about the three stages of Box that we have been through. And essentially, they will highlight the growth that we've been through and how we've developed our product. Our COO, Dan Levin, just walked in into the audience. Everybody say, "Hi, Dan." Three people said, "Hi," so that's fine.

There's really three periods of Box. We started out in the early days. We were trying to figure out what we wanted to do, what we wanted to design. Then, there's sort of a chasm period, right? There's sort of a gap, where we're really trying to figure out who we are, what we're up to. This is something that I think all enterprises and all companies and all startups will go through. Sometimes, that's a compressed period of time or a contracted period of time in the case of Groupon and sometimes it's a lot longer. And so, you have to figure out your way through that period and make sure you're building something really special. So, that's what I'm going to talk about today. Before Box, I was just your average college student. I wasn't invited to any parties, didn't get any girls.

So, I had a lot of time on my hand. And that's really why I got into entrepreneurs and starting companies. And so, there were three companies that I started before Box, at the end of high school and into college. These were the three companies. So, this is Zap.com. It was the fastest search engine on the Web, except for Google. And that's usually a bad thing when you're second fastest. And so, they really beat us. I'll get back at Larry and and Sergey later in life. Then, there was SoHo Calendar, the easiest way to find events and entertainment in Los Angeles.

The challenge is I didn't like events or entertainment in Los Angeles. So, that didn't really help. And then, finally, we started fastest.com. This was in early period of college. It's sort of the best and fastest way you could buy and sell a home, which makes no sense because I've never owned a home, I've never wanted to buy a home and I've never sold a home. You get the point. Don't start companies that make no sense to what you're doing or what you're interested in. And so, in 2005, this was sort of the period in time where my co-founder and I were working between lots of computers. We were sharing information with lots of our peers and lots of our colleagues and we needed easier ways to share information. And so, in 2005 we sort of got the idea to start Box.

No one was really using the cloud. In fact, it wasn't really called the cloud. You sort of put files on a server and you could connect up to the Web server through a user interface. And we wondered, why shouldn't you store your data online? Why should you carry around the thumb drive or have to log in to FTP? Why is the IT department at our school not able to give us really easy access to information? Back in 2005, the webmail at my school offered 50 megabytes of email storage. And just to make things even more fun, they decided to delete emails after six months automatically. So, you can imagine the kind of IT environment we were working in. And of course, that would never happen in Stanford. But we had a lot of problems. And this is why we decided to start Box. Essentially, there was a really big delta in what was possible with technology and what was available with technology? We decided to call 10 random people and asked a bunch of our friends, how do you store your data? How do you share your data online? And every single answer was different and every single answer was antiquated, which really presented an opportunity.

We saw the market and we saw a giant gap in the market. It looked something like this. And so, when you have that opportunity where something you believe in should be possible and the technology is enabling that, that's a pretty good way to start a business. And that's how we got started with Box. There was a major new macro factor that let us realize this was different than if we had started back in 2000, when a bunch of the other companies that were doing this went out of business. First is, there is 8X storage efficiency. Everyone is probably familiar with Moore's Law; if not, you should be. But every single 18 months and now even sooner in a lot of cases, there's a doubling of performance and efficiency in how we do our computing. And storage was no exception. So, when we started the company in 2005, we could store eight times the amount of information and the same amount of space for the same amount of cost than you could have five years ago.

And so, this was a great opportunity for us to start the company with much lower cost and a much sort of easier way to

scale up. And there was also globalization, sort of remote workforce starting to emerge. People wanted to work from anywhere. They wanted to be able to share information with anyone. And we were experiencing this firsthand at school. But we sort of had the suspicion that other people had this problem as well. You had Ajax. You had modern browsers. Firefox was just starting to come out. And you had much better bandwidth.

You couldn't have done this back in 2000 because we had much slower Internet. It was much harder to share information. You can't really share the data at 56 kilobytes a second. But with broadband, that really made it possible. And so, we had these new macro factors that made Box a better reality today. So, we decided to commercialize the cloud. Let's take something that's very fringe, something that some of the geeks and some of the other people will do on the edge of the market and really bring that to the masses and that was a pretty good lesson. And so, in the process a lot of people said no. This is 2005. We're in college.

People said, "Well, it's going to be too expensive to scale this. You're not going to be able to raise the money to make that happen. You're too inexperienced. You've never done this before. You're not going to be able to hire the people that it takes to do this." And a lot of people said, "But I use Gmail. Why don't I just email myself files? What's wrong with that? Why is that such a big deal?" And then, we thought to ourselves, "What if the Beatles listened to everybody that said no? Where would we be with music, right? What if everybody that says no in the process of starting something, you decided to listen to?" And so, we decided we had to keep on going. We had to push on through. And just in case Beatles is not a contemporary enough example, what about Justin Bieber? What if he listened to everybody said, "No, we wouldn't have this music that we have today?" And so, this is a pretty important lesson for us, that we had to keep on pushing through. So, we launched the product from our dorm room. We got a beta up and we launched the beta.

We emailed everybody we knew. This was a pay-only service at the time. It was \$2.99 for a gigabyte of free space. Go to archive.org and you can look at the initial versions of our website and the product. We had just launched the site and it worked, right? We emailed all the bloggers, all of the press, all of our friends, everybody we could get our hands on. It turned out people signed up and people wanted to use really cheap, cost-effective space on the Internet. We had built a product that made sense. And it just took us a couple of months. We launched it from our dorm room. And it started picking up.

And we decided, well, maybe now we should go through the process that a lot of companies that we had heard of went through, which is we need to finance more growth in the organization. We need to get more users and we need to be able to enable more people to find out about us. And often, that takes money. Now, keep in mind at this time we were 19 and were 20 years old. And so, it's a little bit difficult to raise venture capital when your co-founder looks like this. So, that's my CFO and co-founder, Dylan Smith. He was our CFO, right? So, you had to trust this your guy with your money. It's sort of hard to trust somebody who looks like they're going to run off to Disneyland with the proceeds. But there was one guy where this did fit in really well for. His name is Mark Cuban.

We emailed Mark Cuban. We just sent a cold email. We said, "Hey, we got this really cool product. Maybe you'd like it. Maybe you could write about it on your blog." And it turned out he was really interested. He, too, believed that you should be able to share your data online, that you should be able to share and manage your information in the cloud. And so, he wrote a check for us. And that was it. He invested on us while we were still in college. And we decided to really grow Box.

The problem is we couldn't focus on school and work. It's really not great customer support when you're answering customers in accounting class. And so, that was the challenge that we were facing. We really wanted to grow. We wanted to be the best sort of customer-driven company that was out there. A lot of the companies that came prior started to have really weak products. They started not listening to customers. They started not supporting customers. And we had to be different. And we couldn't do this while also in school.

So, we looked at three main factors about maybe why should we leave school? How does one make the decision to take that leap? The first was there was this less upside. So, if we looked at what it's going to take for us to stay in class and pay attention when we felt like we had this really cool thing, the upside in doing it and going on our own was way higher. We just felt that if this worked out in both situations, we would be way better off if we just went for it. The second was we thought we had a once-in-a-lifetime opportunity. We realized that everything was going to move to the Web. We had a computing opportunity that had never really happened. It never came fully to a fruition. And we thought that this was a once-in-a-lifetime opportunity. Someone is going to do it. We could either be a part of that or not.

And we decided to go for it. And we had a lot of conviction. And frankly realistically, no one else would hire me, right? I just knew that it was going to be way harder in the job market if I just didn't go off and start my own thing. And so, we decided, "Let's drop out of school." At that point in time, we took a leave of absence. We knew we could always go back and we could always re-engage. It's funny when you tell people like you're going to drop out of school, they freak out. It's like, "What are you doing with your life? It's going to ruin it." And it's funny because you're thinking like, "Whoa! Michael Dell and Bill Gates, they dropped out. And whoa! Steve Jobs dropped out of school." But everybody forgets this guy, right? It turns out the probability is

more in becoming and doing this. I don't know if he dropped out but he must have. But the point is that we had conviction.

We thought it was going to be pretty exciting. So, we left school. Actually, we drove down from Seattle to the Bay Area. We actually parked in Berkeley for a little while. We lived out of a garage. My uncle owns a garage that is sort of like a house. It's kind of weird. And we lived there for a little while. Then, we ultimately moved to Palo Alto. We were thinking, "How can we grow this business faster?" We have this business model that lets us charge for it the customers and charge the users.

We have this guy, Mark Cuban, who is helping fund us. How can we really reduce the barriers in doing this? And so, we decided to launch a business model that is now fairly standard across the services. But at the time it was really taking a bet and saying, "We're going to put some free space online and let people sign up and try it out." And so, we introduced freemium. This was the first real thing that kicked off our business model. So, instead of blocking users, instead of creating friction around how they were going to sign up for Box, we decided to open it up for free, let you sign up for a free gigabyte of space, which now sounds like nothing. But back in 2006, when we launched this, this was like a really big deal. And we started getting hundreds of thousands of signups a quarter. And so, all of a sudden, we just had this massive influx of users. And so, people could upgrade and they could start paying for better versions of the product. But we decided to really expand the awareness and the base by being more efficient.

And this ultimately has become a very competitive advantage for us against traditional enterprise and larger companies. So, that was sort of the early period. We launched the company. We had our product. We knew we wanted to go to market. And now, it's sort of 2007, 2008, we really had to discover ourselves. We really wanted to figure out who we were, what we were building, where we were going. And this is sort of a really interesting period. The business model at this point really changed daily. So, there's just a bunch of us.

We would live and sleep out of the same place. I guess those two things make sense. But we'd work and sleep out of the same place. Anybody who is not living and sleeping on the same place probably should figure out what's going on with themselves. And so, we were at this point where a bunch of the guys would stay up all night. We'd keep the site up. We'd answer customer support. And by the end of the night, we'd have a completely different business model because what happened was any two people, any permutation of two employees that would stay up all night would come up and concoct a completely different business model. It was awesome but it was totally crazy and not something I recommend. So, we thought, well, maybe we should sell advertising and then we'll make money off of all these users who are using the Box account.

We'll start to have ads and they'll see the ads in the product. We'll make money. That didn't make a lot of sense because our kind of application doesn't have the type of scale or volume that you need for media properties to be very interested. And we also thought that would hamper the user experience. We also looked at license revenue. Maybe we could license Box to institutions like Stanford. Or maybe we could take this to other places where they can use the technology and they can white label the product. We weren't really in a position where we wanted to do that. We wanted to own user experience. We wanted to build the best thing that we could.

We didn't really want to license the technology. We even thought maybe you'll go to your Box account and you'll get all these cool media from guys like Sony and all these different places that were normally suing you, they'll send you these media. We went to Sony in New York City. And they thought that was the stupidest idea. So, they weren't that interested. And so, we were at this point where we had to figure out our business model. This will take into the period we're in today. We thought to ourselves we could either stay consumer. We could build the product for all of our friends, all of our family. We could be the best way that you can share photos.

But then we looked at it. We thought, but what is our opportunity to really innovate in that area? Who are we going to be competing with? We looked at Google and Microsoft, people that we're going to just dramatically bring down the cost of storage for consumers. We looked at what Facebook was doing in photos. We really felt that was a really great way that people are going to communicate. Can we really compete or be innovative in that area? We looked at the music space, as I mentioned, but really thought iTunes, and now we have Spotify, but we had sort of better products in the market that would let you share and consume music. And then, we looked at the enterprise. And as I mentioned earlier on the Microsoft slide, the solutions that people had in their businesses weren't as innovative as we are. We really thought that we could do it better than everybody else. And so, enterprises already have budget. They already spend collectively billions and trillions of dollars a year on this type of technology of managing their data, of helping their businesses communicate, of enabling collaboration of all of their sort of IT strategies.

So, they have the money, right? Compared to us as consumers, we sort of care about every last dollar that we spend on anything. And so, we needed to go after a market that could essentially pay for this service. That's a thing called the business model. We thought that was important. We could out-innovate the competition. What's really interesting is traditional enterprise software usually gets built and deployed in three-year release cycles. So, that's why you have products called Outlook 2007 and Outlook 2010 and SharePoint 2007 and SharePoint 2010. Every three years that product gets updated. That means the

second that it's in the customers environment, it's already out-of-date. That means somewhere in some lab somewhere at Microsoft, they're working on an all-new version.

That means you're always behind them. And so, we knew we could out-innovate these older incumbent who are building technology in the old way. We could be more like a consumer company, deploy the software faster. And this should be a dimension where we could innovate and we could have a lot of competitive advantage. And our customers already wanted this. If we surveyed our customers at the time, they would say, "We want easier ways to collaborate with our colleagues. We want easier ways to manage all the users in our business." And so, it was a very sort of natural evolution of the business model. But to do it really completely, we had to decide to go all in. We had to put our focus in one area because we really had to be as innovative as we could and build the best product possible. So, we chose enterprise.

It was sort of a series of events that happened. We had an investor who was on the board of another SaaS, or software-as-a-service company that was selling to enterprises. So, we already had this sort of business model ideas of how we could do this. We had a consultant that was going and selling the product to other people and seeing if they would buy it. We listened to the customers and sort of thought about what we could do. And so, we decided to go enterprise and it worked. Almost overnight, companies pay us ten to a hundred times more for our product that we were beginning to upgrade and sell as more of an enterprise solution and where we were continuing to build up market features for. So, instead of the story being about how can you share and manage your data with a couple of colleagues or a couple of friends, it was all about how can a business implement a broader solution that they can use to share information across the organization. And they really found value in this because they were traditionally spending way too much money with legacy solutions that weren't solving their problems, that weren't updating for how people wanted to work today. And we had a new kind of sales model, which made us extremely competitive.

And this I think is an update we're starting to see across the industry, across other sort of freemium businesses. We have a sales model where people actually call us. So, we have a free version of the product that lots of businesses and lots of users use. But then, people actually call us when they want to upgrade for more security, more technology. And so, we have a sales team that essentially is talking to people that are already really excited about the product. So, it's an inversion on the business model where traditionally you go and call and email and market to a lot of businesses who aren't using your solution, who don't know about your product, who aren't qualified or who aren't educated about what you're doing. And we've done the exact opposite. By the time we're talking to somebody on the phone, by the time we're selling to somebody, they're already using the product. It's already solving their problem. They already know it's the right solution for them.

And so now, we sort of hit 2009 and it's really a period where we need to scale the organization. It's all about growing. We had our business model. We knew what we needed to repeat. And we really wanted to grow. So, it's like "Crossing the Chasm". OK, well, so everyone should read it, just FYI. There's probably cliff notes or something. Or Wikipedia actually will get you pretty far. But "Crossing the Chasm" is a really seriously helpful book in terms of thinking about technology adoption both in businesses and even the consumer landscape.

And so, after the chasm, after this period where you really have to jump over and be able to get to more pragmatic organizations, less of the early adopters, it's really to get early adopters to use your solution. Email TechCrunch. TechCrunch reaches a lot of people. A lot of people sign up. But to get to the more conservative organizations, you really have to build a much bigger business and something that they really want to use and is more aligned for them. And so, after the chasm, there is the tornado. And this is where a lot of adoption occurs. And what we're seeing is in the cloud sort of computing space, where applications are moving from an unpremise or hardware-driven model to being more Web-delivered model where we're hosting it in our environment and delivering it to you, we're starting to enter this tornado period. So, you have Salesforce.com. It has really already hit a large number of businesses.

You have solutions like Workday and SuccessFactors that are beginning to be used as ways that people manage their actual employees in their organization. You have Gmail, which is starting to become very popular in businesses. And so, we're really in this period where a lot of people are adopting the cloud. And so, we said, "We have to be number 1." As all these businesses are going to move to the cloud, we have to be in a position where we can talk to as many of them as possible, where as many of them as possible are using our product, where we can really deliver the solution as easily as possible. So, since 2009, we've raised 25 million from those investors that I've mentioned really to scale up. We wanted to build the best organization possible. It was really about building the best team we could. We hire out of Google, out of Intuit, out of Salesforce.com, out of Microsoft, LinkedIn, eBay. So, we want to be able to bring talents from lots of different kinds of organizations to help us grow and really build the organization. And so, this is something that we've really focused on.

How do we bring the best possible people into our organization? And we borrow from everyone. So, a lot of product innovation that happens in the consumer Web in terms of how we're much more social, how we're much more connected, how our applications actually talk to each other. So, if you're using Facebook and how you might interact with Farmville, which is really fun, and see those updates on... has anybody played Cityville? OK, wrong demo. OK, got it. All these applications can

now talk to each other and we want to bring that idea and that philosophy into the enterprise, where you're going to be able to interact among multiple applications and have these data talk to each other seamlessly. That's an idea for the product in enterprise Web but we're bringing it to the cloud. We take marketing ideas from Hollywood. How do you do a big launch? How do you make a lot of noise? How do you get people to pay attention to your product as opposed to everybody else? And support from Zappos, a company that is totally known for how great their customer support is when you're buying shoes. But why is it that when you want to talk to somebody in an enterprise software company, it's so much harder to get their attention, right? It feels like they're only selling to you.

It doesn't feel like they're supporting you. And so, we've been able to redesign the sales organization to be much more customer-centric than any enterprise software has ever become. And these are the things where you can take lessons from the different organizations out there that have competed on your behalf for solving some other problem and we're bringing it to market in our own way. And so, we have been able to borrow a lot of lessons from other places. Culture at this point will make or break us. We're 130 people, right? The next 130 people matter a whole lot to make sure that they are people that we really want to work with, that are going to continue to drive the innovation of Box forward, that are really going to be able to take us to the next level. So, my co-founder and I still approve all offers. We make sure that we are still building an organization. And we make sure we still have the discipline to build a company that has the kind of people we want around, the kind that we want to work with. We want fun people.

We want energetic people. We want a lot of really quick, low-ego, very collaborative people. We want people who are very relentless. So, you have to balance motivation but also the capability to get actual work done. It's hard to find the exact people you want to work with. And we make sure we have the discipline to continue doing that. And we let go of the people that don't because ultimately life is too short to not build an organization that you want to work at. And that's the greatest opportunity, I think, for starting companies and helping found companies. Being early companies, you get to define what kind of organization you want to build. And so, it's a lot of fun.

We're building up a culture that matters the most. Actually, who is using Twitter right now? Has anybody tweet anything yet? Did you say something good or something? OK, cool. So, today's vision is to build a different kind of enterprise software company, right? Traditionally, enterprise software companies aren't the types of businesses that people your age or my age or different ages decide to start, right? It's a much slower industry. The development takes a lot longer. You're not always building something that you can use. And we're trying to build a company that changes that, right? So, we're trying to build a technology that is extremely innovative, something that we want to use all day long. In fact, we're doing a major announcement tomorrow, a complete diversion of the application. The person coincidentally who is leading up the development of that application right now was the CEO of a company that started out of Stanford, Kimber Lockhart and Jeff Seibert, who are both very involved in ETL and bases. We were very fortunate to be able to bring their company into ours about a year-and-a-half ago. Now, Kimber is leading the whole development of this brand-new version.

So, we're all about building new kinds of software, new kinds of technology and delivering it in a different kind of way. So, that's what we're doing at Box. And as if I haven't shared enough information, there's maybe like three or five quick lessons that hopefully will be useful in terms of if you guys are thinking about building a company. The first is, actually this isn't a lesson, but this is a reminder. You're really, really fortunate. Seriously, there's very few places in the world where we have as much opportunity as we do. People are literally underwriting our ability to go change the world. And not taking advantage of that is a complete waste. Silicon Valley is sort of like the Disneyland of capitalism, where you can really choose what you want to do, what you want to work on. Assuming it's really exciting, assuming some people think that they're going to change the world with you, that they might make money in the process, then you can build whatever you want.

And so, that's really important. So, lesson 1, do something that wasn't possible three years ago. Pretty much, if you're looking at a business opportunity that you could have done 5 or 10 years ago, it might be too late or might not be different enough to making a lot of people care. And that's ultimately what it takes to scale. And so, look for new technologies that are enabling your solution, right? Box wasn't possible in 2000. It wasn't possible to scale up in 2000. The enabling technology was cheaper storage, better browsers, more connected devices, more really faster Internet. Cultural changes, right? What made Facebook possible that we want to share information and we want to be more connected? Or macro trends, what are the sort of macroeconomic trends where people want to save people. So, all of a sudden we go buy things half off the Groupon that we don't really want. Those types of things are really important to starting a business.

Do something that you're extremely passionate about. This is another lesson that I have learned over the first three things that I had started in college. If you're not really passionate about what you're doing, it's totally great. You'll be excited about it. Maybe when things are going well, it's going to be really hard to get other people passionate about what you're doing. And ultimately, it's really hard to think over five years, where is your company going to be five years from now? Do you really want to be doing what you're working on? Startups are very hard, right? There's a lot of bad news that happens every single day, bad things in a competitive space, bad things with hiring. And you have to be able to push on through. And so, you have to do

something that's actually really, really exciting, that you're going to be inspired about and you're going to really create inspiration for other people. Don't compromise. As I was mentioning earlier, one of the coolest things about starting your own company is you get to make a lot of decisions, right? You don't actually have to compromise or sacrifice on a lot of things.

You don't have to sacrifice on who you work with. You don't have to compromise on how you're going to do your marketing or how you're going to build your technology. So, when we think about things in terms of best, what's the best team that we can build to solve this problem? What's the best technology we can produce to solve this problem? What's the best way we can talk about this and communicate it with our public relations? How can we do the best marketing? So, ultimately this is all under your control. You get to make these decisions and it's a really exciting opportunity when you do. Lesson 4 is sort of if you feel comfortable, you're probably not doing it right. I mean, there's a lot of hard decisions that go into business. Who are you going to work with? How are you going to compete? What is the strategy? Are you going to raise money? Are you going to leave school? And so, you're going to have to go well beyond your comfort zone. There's a lot of decisions that aren't going to be very easy to make. And that's actually a good sign. So, it's actually a good thing when you don't really know what the answer is or you don't know if you should do it this way and you make that leap and that's pretty important.

Also, finally, don't write your obituary too early. This is a mistake that we have made a handful of times. And fortunately, we didn't do it in such a way that we couldn't work our way out of. But we have been extremely competitive with Google and Microsoft and EMC and these other larger companies who normally we should be afraid of. And the venture capitalists are often afraid of these guys. And so, don't write yourself off. Make sure that you can keep on pushing. Make sure that you're optimizing on the right dimensions and areas that you can beat other people in. And so, that's really important and why we still have a company today. If it turns out these five lessons don't work for you, we're actually hiring.

We are really excited about people that start their own companies. But we're also excited about people who are passionate about learning in companies that are quickly growing and want to be a part of that. And I think while I do push heavily on starting companies, getting out there and trying things, there is this much value in going to startups right now and learning for yourself how companies are being built because maybe it's two years later that you started that company, but at least being in the environment and learning firsthand with what goes on is extremely helpful. And I think both routes are incredibly important. Just don't work for McKenzie or something like that. But I think that definitely join startups and have a good time while you're doing it. So, that's my presentation, those 33 minutes. So, we didn't take too much time. We're all good. And so, what do we do now? We're going to take questions.

OK, got it. OK. Thank you very much. I have one rule, though. I was promised no hard questions. No hard. We said really hard questions. OK, I misheard. Yes. We're going to start with students of 178.

Anybody who have a question? No? OK. Well, then Heidi is going to ask you. I'm going to start. This came out. Actually, we did a blog and had a time where we all commented about what we're going to ask you today. Now, one of the questions that came up was you started a business with your best friend. And you remained best friends even while you lived together, worked together. One of the students wanted to know, and I wish that student wanted to ask but I'll ask, he said there must have been some tough times. There must have been some really challenging moments. And yet, you're still best friends and you're still running the company together.

Can you share a few more stories about how you got through some of what those tough times were and how you got around? Do you recommend starting businesses with your best friends? Yeah, great question. OK. So, the good news is my best friend wasn't named Eduardo. That made things a little bit easier. So, Dylan and myself and actually the third and fourth employees of Box, we actually all went to high school together up in Seattle. And so, we knew each other extremely well. We already knew each other's ticks. Like Dylan likes to save money so don't ask to borrow money from him, right? That's just like a no-no. And so, we had an opportunity where we had already collaborated for a very long time. I realized that's extremely unusual in terms of starting companies in college.

But I think we both and even the third and fourth guys that we went to school with, we all realized that we're trying to have the most amount of fun. We're trying to have the largest amount of impact. We're trying to not let the things that happen in the business world impact our own relationships. What's also interesting, though, to be fair is our relationships have over time transitioned to be more business-oriented relationships. And so, we're often talking about business. We're talking about the technology, talking about the product. And so, it's sort of almost hard to separate the two at this point. I shared a bedroom with two other guys for six months. And this was like not a submarine. This was like in a regular room.

When you get to know people that well, there is a certain kind of humming that can happen. And so, everyone is thinking each other's thoughts. There is a lot of excitement. But it can be a risk. There's a lot of situations where people have separated from their co-founders. There's a lot of situations where people have separated from their partners in life that hasn't worked out. So, there's really many ways that that can end up. I would just recommend being as open, as communicative as possible. Make sure that everyone is on the same page at all times. The one benefit, not the one, there's many, a big benefit to starting

companies with people you do know is there's a much higher degree of trust.

We have been able to, almost through peer pressure, sort of social in nature and subtle in nature, make sure that we're all in this together at all times. And it's this level of bond which means that we know that no one is going to like leave if something goes wrong or there's going to be a problem. That's the level of, I think, tightness that comes when you have a bigger and better relationship with people. But over time you also have to build those kinds of relationships with the new people that come in to Box. And so, we have tried to create that type of familiarity with everyone that we're working with. So, how is that for a really long answer that maybe didn't answer your question? Very good. OK, there's a question here. Maybe this is too simple of a question. That's great. But why do you think those software giants did not crush you? Well, it's not too late for them to crush us.

Let's knock on wood. But I think what's great is when you have a technology and a company that is super-focused, right? We have 130 people about two miles away that spend hopefully on a good day 14 hours, some days 10 or 12 hours, focusing just on how we are going to grow and build the absolute best technology to manage and share data, right? No organization has that level of focus, where 100% of their time, 100% of the conversations that they have, 100% of the alignment of their organization is toward one goal. If you go to Microsoft, they actually have like seven solutions competing with us, among the other 150 things, like Xbox Connect, right? So, can we beat an organization like that? Yes, if we focus and if we compete on dimensions that they're not going to be very good at, things like virality, things like customer experience, things like product experience. And ultimately, it's a very big market. So, we don't have to put Microsoft out of business. I'm not saying short Microsoft right now. But there is a very big space and we're playing an important area in that space. We're trying to just bring the best technology we can to our customers. Usually, if you do that, good things happen. You might not crush everybody and that's not necessarily a goal anyway.

It's really to bring about new change in this space. And I think your odds are on your side for you to have a pretty good opportunity with that. Don't compete with Facebook right now, probably. The network effects are too strong, maybe unless you got something brilliant. Yeah. I'd like your opinion on Dropbox. Do you see it to be a direct competition to Box.net in five years' time? Cool. So, are there any other questions in the audience? Is there anybody who knows a little less about this space? Great question. Dropbox I think is a really great way that you can manage and share your own personal data, especially if you have a Mac, a PC, an iPhone, all these kinds of devices. That's something that we try and solve and we get better at it every day.

But our big focus and big difference is that we're trying to enable enterprises to share and manage all of their data. So, it's not just about you and your computer. It's actually about all the people that you're working with, all of the applications that you're working from. So, if you're working in Salesforce.com or if you're working in NetSuite or if you're working on application like SugarCRM, you can bring your data to those places. Those are very business-oriented areas that we compete on. And it's a really important area. So, we want to both make sure that people are using the product at an end-user level. But most importantly is we're building a technology that the enterprise itself can adopt. And we're just doing that in a very different way than what traditional enterprise companies have done. You mentioned about borrowing marketing from Hollywood.

OK. So, what marketing does Box.net still have right now? Got it. Well, let's see here. My co-founder was never on TMZ so it wasn't that, although he was on a TV show. I will not take questions about that. You should research that yourselves. It's kind of funny and awkward. But I think positioning yourself in the market is extremely important. These are the kinds of things that you should get right early on. But usually you can't get really right until you have more users, until the market is created and better understood.

And so, things like publicity and marketing and this kind of things, we've just gotten way better at over time. Does anybody here have a car? OK, like three people. So, if you've ever been on the 101, it's a highway near here. We actually have two billboards right now that are announcing the new version of our product. And so, we want to make sure that we're standing out in the space, that people are paying attention to this change in enterprise software. And there's a lot of things that we're doing to make it happen. You said last time you were officially too early? Yes. Would your three previous companies you clearly vote here that you had decent time in it? Yes, probably too late, actually. How do you know the difference between an idea like Zap where you are saying, "You need to shut it down," versus Box, where you're saying, "We've got some competition here and we can do it better"? Great question. So, with the Zap it was just obvious, like that was a stupid idea.

It didn't make any sense. We weren't actually faster. We probably weren't even the tenth fastest site on the Internet for searching. We knew it, right? That was a gut check. But there is this philosophy of fail fast, right? You want to test things on the market and you want to turn them off if they're not working. And your ability to succeed as a startup goes up with your ability to do that because you're constantly reiterating, you're constantly trying new versions, new ways and new experiences of doing things. So, you have to be able to turn things off. I think there is one part, science for some of the stuff, like literally. If there is no uptake, maybe you're too early in the market, you haven't marketed it the right way. Make sure to revisit what you're doing or what that looks like.

As it relates to competitive threats, it's important to really think about how people are going to be competing with you, what are the factors that they're going to compete with you on and how essentially you can compete with them in ways that it's not possible for them, right? So, for a solution like Microsoft or EMC or some of these larger enterprise companies, we're able to do something that would require them to essentially cannibalize some major revenue streams. So, we can actually compete with them on a dimension and a scale that we don't think they're very good at. And we think that's going to create a pretty big advantage for us. I think in other areas, it's a much softer kind of question that you have to ask yourself. But I think continuing to iterate, continuing to make sure that the product likes what you're doing is going to be pretty important. And I'm sure that there will be other speakers this quarter that can walk you through the rest of that. You mentioned earlier that when you have a great idea at hand that you know has a potential impact, to get it out on the market and get feedback really soon. Yeah. But how do you know who to trust with feedback? Especially with your philosophy about openness, how do you entrust your property to make sure that no one steals your idea and implements it before you do or you might get sued over some of the company ideas you're sharing? That's a good question. It's sort of differentiation and defensibility and how to create some barriers around that with your product, especially as you're beginning to test it out.

So, the quick answer is, just get it out to people that you trust at first. Assuming your friends aren't out to crush you, you could probably trust them with your product. Of course, the Winklevoss' price said the same thing. But I think that if you can have other people around you try the product and really educate you on what's going on and what you should do, that's pretty important. I actually think that it's interesting. On one hand, you have to go your own route and you have to be able to deflect all the people telling you no. On the other hand, you probably should listen to everybody. It's your responsibility to synthesize what people are telling you and making sure you're making the decision based on that information. We got a lot of feedback that was sort of negative in nature or critical in nature that ultimately was super-helpful with the product development. When that person said, "Well, what about Gmail?" Then, we realized that the market might say, "What about Gmail?" And so, we have to build a product.

We have to build marketing. We have to build a solution to solve that problem. And so, we offered out to early people beta access, private alpha, one of these some other Greek letter or whatever or Latin. What language is that, Dan? Greek. OK, cool. Wait, up here. So, I'm sort of wondering with the mobile space growing so big, how do you see open, almost said Dropbox, Box fitting into sort of that mobile space and enterprises maybe moving to people doing more from their phones and doing more on the go versus just in-house? Yeah. So, mobile is huge for us. When I looked back at our original sort of business plan and perspectives that we wrote in 2005. We actually had a section for mobility, where we said people are going to want to access their data on mobile phones.

What's funny is at the time the only concept we had for mobile phones is like a flip phone. And we thought we'd like to SMS you your document. So, it was like totally crazy. But then, God bless Steve Jobs. iPhone totally changed the whole market. Android came along. We had this way more powerful systems, way more powerful platforms that were way more open. And there are a lot more people competing on our behalf. So, we don't have to go and make gigantic partnerships just to be able to get on your phone. That's really important.

And so, now enterprises, starting about a year ago, they really started to pay attention to this new way of mobility. It wasn't just about, "We're going to have Blackberry in our organization. We're just going to have Windows phones." Things like the iPad have really been adapted by enterprises, more than we expected. And so, what that has created is an opportunity where mobility is way more important for organizations, not just mobility of how you access your email or how you communicate with people on these phones but actually how you get rich business applications, rich business data on these devices. I'll give you an example. Does anybody golf? OK, have you heard of the company TaylorMade. OK. So, TaylorMade is like a major golf manufacturing supplier. And so, they have a bunch of iPads. They go to the people that they need to be able to sell their solutions to.

And they have decided to use iPads that process instead of printing out and using laptops for all these information. Now, to do that, they have to get the data from their organization to these iPads. And so, what do you think they chose? Box, good. Let's answer that question like that, very good. And so, they implemented Box. They implemented our enterprise solution to be able to solve that problem. And now, they have 100 network iPads that are getting these data. So, the iPad alone was a new macrofactor that caused our business to grow and that created new opportunity. So, you can't ever predict how these macrofactors are going to change. But your ability to respond to them, that's what you can do.

And so, we want to be at the center of the mobile business ecosystem and make sure that we have the best ways that people can manage and share their data on these mobile devices. OK. We'll do this next. Yeah. You said you have cold-emailed Mark Cuban? Yes. I don't know. I wanted to hear a little bit more about that, like how you got money from Mark Cuban when you're 19 years old. OK. So, I was 20 and my co-founder was 19, if that helps. That won't change the answer too much.

Great question. It was great. We were at a point where we actually didn't know the rules of business at this point. So, we thought like emailing Mark Cuban was like the thing that you do. You send a billionaire an email and maybe he'll respond. And

in this case, I promise you we freaked out when he did respond because it was like, "What is going on? We're in this alternate universe." It was funny. This was before Entourage and stuff. I'm sure he started getting like a thousand of those emails every single day after he financed Turtle's tequila company or whoever did that, I don't even know. So, we cold-emailed Mark Cuban. We didn't ask for investment.

We said, "Take a look at our new product. We'd love you to write it on your blog." He has got a site called Blog Maverick. And he decided to write about the product. And he got really interested in it. He said, "Well, this is interesting. Do you guys need money?" And so, it was sort of by starting the relationship very casually that we engaged him and he became pretty interested. We just got super-lucky. But the lesson I think that can apply to other things, and we have done this a lot since then, is that you just can't predict who is going to respond to what. And so, the sort of relentlessness that you have to have in growing your business and building your company and making sure to continue to push on every possible way that you can is really important because we're not in the business of predicting who is going to respond to us, who is going to care about us but we're in a business of telling as many people as possible. So, it worked out.

I don't know that it works out today. Try it on Peter Thiel, we'll see what happens. So, you talked about Moore's Law essentially enabling Box in terms of like a decrease in cost in technology especially for storage. But as Moore's Law, I guess it makes sense as it progresses and, as things get even more cheap. Do you think that would have any effects on, for example, the SaaS model in terms of if an enterprise can do this really cheap, why do they do it off-site when they can just do it by themselves in their own site without the security concerns, one way or the other? Yeah. So, the question was, if Moore's Law benefits us, why doesn't it also equally benefit our customers and building their own infrastructure? Is that right? Uh-huh. Yeah, a totally neat question. Two things. One is we're building an application that we think really adds a tremendous amount of value on top of the storage layer, the area that Moore's Law is actually affecting. Moore's Law is not enabling us to build a better user experience and product to help you collaborate.

It's making our cost much cheaper. And so, that's pretty important. We have that as sort of a pretty big advantage. But what's happening is, the issue for enterprises isn't so much that it was too expensive to manage the hardware in their organizations. It was that they had to become more agile and they had to become a little bit more strategic in terms of how they thought about the technology that they were bringing in. And so, we actually did this on our own. We actually used to use Outlook and Exchange and we used to have email servers in our company that managed our email. And the day that we moved over to Gmail, it was just a big difference. Instead of figuring out how to back up our email servers, instead of how to figure out how to make sure our email servers were connected to the outside world, instead of having to manage the security around that, our IT administrator instantly turned on Gmail. Gmail and Google handled all that security and it was much easier for us.

And so, those are the factors that I think we're starting to recognize. IT organizations and businesses are trying to become much more strategic about their technology. And so, they're beginning to implement solutions that other people are helping empower, assuming the security is there, assuming the scalability is there. And so, the reason why Moore's Law is super-great for us is that we can take all of these organizations' data and we can actually constantly stay on top of the latest technology trends because we have the economy to scale and motivation to do so, much more than all of our customers could if they were this aggregated. And so, that's why we can build up a pretty big platform in that sense. But it will certainly be interesting to see how this emerges. Maybe there will be like a server that's like this big and you hold it in your pocket. And then, that will disrupt us again. So, we'll see what happens. Back there? Speak up.

Yeah. You mentioned in culture. You said you have 130 people. How do you keep that culture going almost like the same small group of you guys? I mean, you guys are buddies. Now, how does that extend to the 130 and beyond this sort of culture of innovation? Do you take innovation from inside? How does that work for you guys? Yeah. So, this is something that we spend a lot of time on. We have a large portion of, not necessarily disproportionate but a good portion of our management attention is on how do we build the culture in the right way as we scale. So, if you think about it, someone we hired today, is he just someone who is going to be an engineer or someone who is going to be in sales or actually, probably if they're really good, be a manager in 6 or 12 months from now? And that means, because of the rate at which we're growing our organization, we have to hire people today that can actually be leaders later. And that's really critical. And so, first is just the criteria of who you're hiring, the qualifications of that individual, our hiring process to make sure we're bringing in people that we want to work with, that we think are skilled enough to be able to really innovative, to be able to work really hard.

And we push on people, we set really big goals. So, you can actually start to see what people can't meet those goals. What kind of people aren't fitting in this high-performance, really quick environment because that's the only way we're going to be competitive, right? We're in the business of getting a lot of people together, building really good technology. And the only way we can do that is if we have the best people to do that. And so, we have to make sure we're constantly hiring the best people. We have some sort of mechanisms that help us do that. And what was the second part of your question? I mean, are you bringing in innovation into the company? Yes. So, innovation is critically important. I actually need to read some more books on

this in terms of like what happens to companies when they stop innovating, like why did that happen, that totally sucks, right? As a startup, everything you do matters so much, right? Your leverage is just the people that you're working on that project with. Nobody is there for the paycheck.

You're there to really change as much as you possibly can. And so, you want to maintain that when you have 100 people, when you have 500 people, when you have 1000 people. And so, we have a couple of forcing functions that help with that. Facebook has certainly popularized the Hackathon. So, once every three or six months, all of our engineers stay up all night and they can work on any single project that they want to. It's totally up to them. And that gives us an opportunity to test things that are outside of the sort of day-in-day-out business that lets us figure out what new is out there that we want to work on. Google has 20% time. We do this more like a consolidated period where we're going to put out a lot of work. And so, what comes from that is we are the first company to release HTML5 drag-and-drop file uploading and technology like that in the space.

We have this thing that is launching tomorrow, which enables Box to be real-time. And so, it's going to be really powerful. And I'd say it's these kinds of things that just don't make their way on a regular product road map. And so, you have to be able to have forcing functions that say, "How are we going to do this in a completely new way?" Then, I think finally, we're just trying to encourage it across the organization. Every problem that we're trying to solve, we're as collaborative as we can to solve it. And we look for the best sort of way that we can solve that problem. We don't necessarily just look at what have other organizations done. We actually look at what should be possible and what should we do. So, a lot of stuff go into it. There is not sort of a single way that you do that.

But it definitely takes a lot of discipline to make sure it continues throughout your organization as you hire people. Great. Over there? I have like a two-part question. Say it really loud enough. I know you studied business back when you did attend school. Number 1, how much of that is actually applicable to like what you guys are doing now? Number 2, when you were starting, were you like programming at the same time or did you guys hire external programmers, like freelancers and stuff like that? Sure. I didn't probably get far enough along with my education, where I took relevant courses. So, it's at that period where you sort of read about like Othello and then you somehow try and think how that would apply to cloud computing. I just didn't get far enough along in that journey. I actually also tried to have sort of a diverse mix of courses, took some film stuff, some communication stuff.

I tried to blend a lot of things. I certainly learned how to whiteboard in college. That was useful. And now, actually to make up for it, I read a lot of books. So, I sort of call it "the bathtub MBA". You can actually read a lot of books in a bathtub session. So, OK, that's fine, a lot of books, "Crossing the Chasm", books like "Blue Ocean Strategy", I really recommend it. "Positioning" is a great book. The good thing is a lot of people are writing about this stuff and you can read a lot about it. You can watch seminars like this online to catch up for it.

So, I think a lot of the early stuff was intuition and the fact that I had already been working on my Internet stuff with the people that we ultimately co-founded and then came on to Box and so already knew about the product stuff. So, when we were first starting Box, it was co-founded by myself and our CFO. Actually, throughout college, I was sort of an amateur Web designer and did a lot of product stuff and put together stuff on the Web. But for some of the initial back encoding, we got some other folks to do it. I couldn't convince any of my engineering friends. So, we put the prototype up that was built. And then, the great thing, our VP of technology and our VP of technical operations that we went to high school with, ultimately joined us to run the two technology parts of the business. So, all the servers and all the scaling of those servers and then all of the code and architecture of that technology. But business programs are really good. I do think they are truly important.

Pay attention to everything and do your stuff. Great. We're going to take one more question, back in the very back. So, your talked about that you were founded five years ago and replaced Sharepoint. Facebook replaced Myspace. What are you doing to make sure that in five years someone is not going to be where you are with a big line slashed through your name, talking about how out-of-date and inefficient you are? I know. Doesn't that suck? I don't know. I make fun of Steve Ballmer so much that probably out of karma, it will happen. Great question, by the way, and then hopefully you'll help with that road map. I think that right now, as an organization, we are so motivated to build the best product possible.

We're so motivated in terms of always staying ahead of the market. If that motivation changes, I think what happens is that at some point in the organizations, they might either be more profit-seeking or they might be really just "let's let it ride" kind of mode. But there's a lot of organizations where that hasn't happened. And I think we're trying to learn from the organizations where there is constant drumbeat of innovation, where there is this constant drumbeat of, "Let's have some forcing functions for us to constantly improve the technology, where we can always be a step ahead of the market." And so, something that I personally do is, basically on a weekly basis, just look at how the market has changed, look at what people are doing, what is our competitive strategy that's going to keep us ahead in different areas. And we actually do a lot of things internally to make sure that we have a lot of momentum around the areas where we're the best at. And so, we can stay ahead in those areas and we can also stay competitive in the areas where we're not the best. So, check in in five years. We'll see where we're at. But I

think that if you constantly treat your organization as a startup and you constantly think about how do you stand out and how do you stay ahead, I think it's a much better way to not ultimately get disrupted by something that's going to come and be cheaper or faster. Now, they certainly might say that.

But we're going to make sure that's not possible. Great. Thank you so much. This is absolutely terrific. Thank you.