



Stanford eCorner

Evolution of a CEO (Entire talk)

John Adler, *Accuray*; Trip Adler, *Scribd*

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John Adler and Trip Adler discuss their entrepreneurial experience and evolution as business leaders: John Adler describes his bumpy course in developing his biotechnology company, Accuray Incorporated; while his son Trip emphasizes the need for persistence and confidence in developing Scribd, a social publishing site. Despite building companies in different fields, the two offer the same central advice toward building a successful business: trust yourself, focus on developing a great product, and remember that there are no rules.



Transcript

We have never done this before. We have a father-son team today and they are both entrepreneurs of very, very different ventures. And so, the theme today is about the evolution of a CEO. We have one CEO from a high tech medical technology company and one from a Web 2.0 hot startup. And I want to give you a little bit of background. John Adler here, to my left is a neurosurgeon at Stanford Medical School. Now, for most people, that would be a big enough job. But John realized that there were some huge opportunities. Actually some problems that he turned into opportunities of trying to figure out how to make neurosurgery minimally invasive. And so, he founded a company called Accuray that has a product called the CyberKnife.

And he'll tell us a little bit about it in a minute. We also then have Trip, his son, who of course grew up in the same household, watched this all happening and was still willing to go off and start a company as soon as he graduated from Harvard. He graduated from Harvard in 2006 with a degree in biophysics. And then went off to go start the company, Scribd which is I would say one of the most exciting startup companies in the valley and maybe in the world. It has been named by Business Week as one of the most intriguing startups and Forbes called it one of the hottest startups. So, they have millions of documents, tens of millions of visitors. And he's going to tell us a little bit about it. So, why don't we start with you Trip? Why don't you tell us just a little bit of story about Scribd and give us a little bit of context. Sure. Well, I guess I'll start by telling you guys just how I got here.

Just three years ago, I was about the age of most of you guys because I was a senior at Harvard. And at the time, I was looking for what I was going to do next after college and most of my friends were getting conventional jobs. A lot of my friends from Harvard were going into things like investment banking and management consulting. And I decided to just experiment for a little bit and try something crazy. I thought I'd start a company. At the time, it felt really, really crazy and I felt like I was taking a huge risk. I think the only thing that would probably made me willing to do it was probably my dad's influence. But eventually, starting on this path, I met another guy from Harvard who was a computer science major named Jared. And two of us just start playing some different website ideas. Eventually we applied to Y Combinator.

I'm sure many of you guys have heard of Y Combinator. Have you guys? Raise your hand if you're Y Combinator. OK, so most people. So, we apply to Y Combinator just this incubator in Boston. They give us \$12,000. We worked on a certain idea there. It was a college classified site that we launched at Harvard. It got moderately successful but now we realize, it wasn't what we want to do. It wasn't a big company so we scratch that idea. We tried a bunch other ideas.

Finally we got the Scribd which was originally inspired by talking to my dad who had a medical paper that he wanted to publish. And then, in medical publishing it takes, you can say more than I can, a long time to get published like a year or two. And he just need to share this paper, this calling. So, we decide to build a site that would let him really easily publish his paper and then we decide to broaden this to all kinds of material. So, books and magazines and school papers and short stories and PowerPoint presentations. Any kind of written material. So, we built this site. We launched it from an apartment in San Francisco. It basically just took off overnight, became a top 1500 website in the first two days. At that point, I guess this entrepreneur path started to feel better because venture capitalists started stalking us and chasing us down.

So, we ended up agreeing to a \$3.5 million round from Redpoint. Since then, we raised another 10 million from Charles River Ventures. We've been doubling in size every six months or so. We're now getting about 50 million users. We have about 35 billion words of text, making us about 10 times the size of Wikipedia, in terms of quantity of content. Have about 40 employees off in San Francisco. So, that's probably enough about me. Pretty cool story. So John, I'm sure starting a med tech company was exactly the same. It hurts me to hear some of Trip's story because my story is so completely different.

I started Accuray back in 1991 and had venture capitalists running the other direction when I came their way. I was a pariah on Sand Hill Road trying to raise money because everyone thought my company should just die. But after a very difficult, difficult course, the company became a reality and became public three years ago. It was almost exactly three years ago. And what Accuray does is that it makes a very, very precise noninvasive robotically controlled surgical tool that lets us destroy tumors. Now, really anywhere in the body and by virtue of the kind of principles, we don't just destroy tumor, we can destroy tissue and change the function of tissue anywhere in the body which gets increasingly interesting not just in cancer, but things like heart surgery and even brain surgery and the psychiatric disorders. So, Accuray has been a very, very difficult course for me, but nothing was more rewarding than the fact that I could sit here today and tell you that almost a hundred thousand patients have now been treated with my CyberKnife. And right now, at this very given instance, there's probably several dozen patients worldwide are getting treated. So, while my story has been a painful one, it's one I'm very proud of nevertheless. Pretty amazing.

So, we've got these very different points of view here. I want to try to ferret out, what sort of things are similar and what sort of things are different in this different industries in your different paths. So, Trip, what did you learn from that? Here you grew up in this house where your father is a neurosurgeon and an entrepreneur, what did you see in these two different paths? I'm going to guess that you probably looked at both of those as inspiration for your own career. Yeah sure. I think when I was in college, I was probably, didn't even really appreciate either of the paths. I was just too young to really understand what he was actually doing. Too busy partying. One way to look at it. I think I was always much more interested in the entrepreneurial path. And I think just seeing my dad go through it, gave me just the confidence to actually go for it.

And most of my friends at Harvard thought it was just crazy to turn down a job that pays \$100,000 each year, whatever you get in investment banking to do something like this. But I was willing to do it because I had seen it work and I've seen my dad take on much more risk than I was. Most people think the idea of, from an Ivy League school joining about 20% startup business is a very risky idea. After seeing my dad try to raise tens of millions of dollars and build this very complicated technology and do all this while having a family and a full time job as a neurosurgeon, it made it, we're doing seem really easy and risk-free. So, just seeing that and learning from that was really inspiring and just made it easier to take that leap into the world of entrepreneurship. OK. So John, now your son. OK. So John, your son calls you and says, "OK. I'm going to go dive in.

I'm going to do this." Were you enthusiastic and when he decide to do it, what kind of guidance did you give him? Was it something you said, "Yes. Go for it. This is great." I was completely enthusiastic. I think we're both products of Silicon Valley, both products of Stanford. And I think no place in the world quite understands what entrepreneurs are missing like we do around here. And to be honest, I was a little worried. I don't know what else he could do. He's a free spirit. And he's very capable and he has an independent mind. And the nice thing about entrepreneurs, there's no rules.

You make up the rules. And so, I was incredibly enthusiastic. And my advice to him was always, even to this day, a very simple advice and I said, "Don't give up the CEO position." I said, "You create this business and if I have learned a lesson over the years was just the power vested in the CEO and the opportunity to control the business, influence the business." And so, I kind of expected from the early onset that all the wise heads on Sand Hill Road to write the big checks, they always want some gray hair or some with no hair to kind of be making the decisions. But there's nothing like the passion and the energy and the understanding that a young entrepreneur CEO brings to the table. So, I said, "Don't give it up." And I think that's one lesson that hopefully he's still taking to heart, I hope. Yeah. So Trip, is that useful advice? Yeah. I think so. There's a lot of young founders I think that, I've already seen in my short three-year career, give up the CEO position and I think have it not work out too well. When you're building a company in the early days, it's really all about, this is when it is early but also when the company is huge.

It's about just, it's a technology company engineering and product and usually the types of CEO that get hired are usually not really specials in that, they're specials in everything but that. So, it just doesn't really make sense to have somebody who

doesn't understand that right in the company. And the worst cases of that person, has the wrong opinion about you. If the guy just sort of steps other the way and lets the founder or the person who knows how to do that, do that, that's great. But if the CEO takes the project in the wrong direction, then that usually destroys the company. OK. But both of you started these companies without any experience starting companies. So, who do you look to for guidance? What sort of people did you surround yourself with, who you could trust to give you advice about big, big decisions? I think that gave him a little. At least I tried. I tried.

I tried. And I try to give him so much advice because I had no advice. And I had very few people to turn to. And in hindsight, it was a very isolating experience to kind of be in charge of everything. And I liked not even having responsibility but being in charge nonetheless and try to, without experience, ultimately making decisions. It really sounds stupid but the most important business influence I've had in my life has been Warren Buffett who I've never meet but I religiously read his annual reports because here's a guy which really believes that leadership in business is really commonsense. It really is. It's common sense. And I feel too often has been surrounded by mumbo jumbo with organizational charts and management by objective and all kinds of logos and spin. And it really loses the leadership, the essence of the leadership that I think makes for great companies.

And I only wished I was as blessed as Larry Paige and Sergei Brin, at a young age to have all that power and influence and then have listen to Warren Buffett on the site, telling them how to do all the right things. So, I stumble along and learn these things by myself for the most part. Yeah. What were the biggest hurdles along the way? Were there places where you really could have used some guidance? Oh yeah. Was there something that sort of sticks out in your mind? I literally spun my wheels for four or five years trying to raise money. And so a lot of it was just bad luck. The timing of my particular business and the nature of my business was such that we missed all the right cycles. We came in all the, just the wrong side of every cycle and we shot ourselves in the foot a couple of times too. And so, it took me much longer to raise the sort of money I need to than I should have in hindsight. And had I maybe the right mentorship and access to the quarters of power early on, that would not have been so difficult.

OK. So, you have this father who'd sort of pave a path for you in terms of getting some experience. First of all, I'm assuming that was really helpful, what other people did you go to for guidance? In the earliest days, it was, before coming off the ground it was basically just my dad because I didn't know anyone. But at a certain point, we started getting investors and pretty much, pretty early on basically everyone who was successful wanted to meet with me and my cofounders and try to advise us and help us. So, pretty quickly I got into the community and was able to get advice from other people. So, that probably was something that was much easier for me than my dad because I was surrounded by all these people in Silicon Valley who want to help. But overtime, I think I've actually, I've come to listen to other people a lot less. I've realized that, if you're an entrepreneur and you're going to really do something amazing, you can't just take direction with other people. You have to basically pave your own path and make all your own mistakes. That's ultimately how you learn is that you just try things and then you succeed or fail and just keep learning through trial and error.

And at certain point, other people can't teach you much. The only people I really get advice from these days are other successful founder CEOs. I talk to people who run companies much bigger than Scribd and ideally people who actually grew the company from Scribd size to much bigger than Scribd. This is kind of after the fact but I encountered a patient two years ago, a guy named Stuart Moldaw who is really a giant to the retailing industry. He started Ross Dress for Less. He started Jamboree. This is a man who started five or six major companies they took public over the course of his career. And he was a very sick man. In fact, he died about, almost a year ago. But while I was caring for him, I had lunch with him many times.

It was amazing to sit down with him and instantly we could communicate. Instantly, I understood what he was saying. He understand what I was saying. And I really envious of the fact or sad that I never had, when I was developing the company had access to that kind of brain and insight. So, obviously you don't run these companies by yourself. It's all about a team. How did you attract the right people to you, find the right people? Build this team, motivate them. And especially when you got something brand new that doesn't have any traction and you're going to get someone to follow your dream. Maybe you could talk a little bit about that. How did you actually make that happen? Yeah.

As soon as we launched, we had a lot of tractions. So, it wasn't like there was a trouble attracting people. We had a long line of people who want to work at the company. We still do. So, it was really just commonsense. It was like, we needed someone to manage support, so we just hired somebody who came along who was good. I'm a believer that you really have to work with someone to really know what's it like how they're going to perform. Interviews never really worked that well. So, we just have to hire people and move forward and make decisions quickly. So, you just have a line of people just at your door.

How of that has had to do with the economy? The little segment of Silicon Valley hasn't been very affected by the economy. We're still seeing very strong revenue growth and traffic growth and we raised around, during the worst part of the recession. So, haven't been a problem for us. OK. So John, same story for you? I have advantages that Trip didn't have. And I can tell you that a lot of people are really attracted to working in the medical industry. It's just something personal. It's philosophical. In fact, I've developed some acquaintance over the last couple of years who are among the most successful people in the world, in the

electronics world who want to do a medical device startup with me because they really believe in the idea of medicine. They want to be close to taking care of patients.

And there's very few things as rewarding as seeing someone get treated with your particular instrument, your device that you worked so hard. And people are willing to sacrifice a lot for that. That being said, when I was CEO in 1999-2000, Silicon Valley was booming and you just couldn't hire engineers in any capacity no matter who you were. I had a lot of trouble attracting employees because everyone was going to go down the street and start some startup and a year or two later, their options are going to be worth a couple million dollars. But for the most part, healthcare does give you an opportunity to attract quality people that you might not have in other industries. So, people who are motivated to really have an impact on this specific patients. They're really passionate about the work they do. Great. Now, we all know that there's hard work and there's luck, right? You can be working really, really hard and have just a bunch of bad things that happen to get in your way or you can have these incredible lucky breaks. So, maybe you could tell us a little bit about some of the lucky breaks that you've had over this time.

And give us some insights of how they impacted you. Me? Yeah. Well, my experiences are filled with luck. It was just a whole series, some of the worst luck possible raising money but outside of that, things happen that would have never, you got only divine intervention made this possible in my view. I came to Silicon Valley. I could have never started this company anywhere else. The way I first got introduced to some of the key components was, a patient came in who was actually completely schizophrenic but insisted I meet a vendor of this key product and I did it. Kind of dumb luck again. Not of any great insight of mine. The way I raised money, when I could raise money was really luck.

Persistence. Don't give me wrong, persistence was at the root of all this but luck was just been so fundamental to my individual story. And I didn't have a better context to put. I just call dumb luck or naivety, I'd don't really know how to structure it. But, then I listen to Steve Jobs graduation or commencement talk. He talks about how in hindsight, you can connect the dots. And it's so completely true that Accuray is completely a story but having been able to connect the dots over the course of my life, going all the way back to when I was 30 years old, 29 years old. I was doing stuff that I thought was meaningless. But now in hindsight, it gave me all the substrate to do what I've done over the last 25 years of my life. Would you do it again? Without a doubt, I do it again.

Interesting question, if I did all of this and I fail, would I do it again? And even in that case, I think I would do it, I think I would do it, even if I failed. So OK. So Trip, you've had sort of this lucky star over you since you started this. Are there specific lucky moments that stand out as, "Boy, if that hadn't happen, we wouldn't have been able to get this traction. If that hadn't happen, we wouldn't be able to hire these people. If that didn't happen..." Yeah. At the time, it felt like, we just kept getting lucky. I feel like we're just the luckiest founders ever. But I think in retrospect, it wasn't really luck. We were just doing things right.

So, I think the fact that we figured out how to do it right early on, I would say was lucky. That makes sense. So, I think that the fact that we get so much traction and actually have all this traffic and all this interest within a year of starting to work on this kind of stuff was lucky. But if we hadn't had that luck it would figured it out eventually if we just kept trying. But how did it interrupt you? I'm a huge believer that you make your own luck. So, how did you, as someone who knows a little bit about the space. How did you get so much traction so early on. I don't know that that's luck. That was something that so many people who start Web 2.0 companies tried desperately to build that traffic. What was it that you did that made that happen? Well, we did just a good job building national product and branding it and promoting it.

We're really aggressive in promoting it on blogs and link filter sites like Del.icio.us and those sites. So, it was really about promotion that made it take off quickly. But I think that anyone can create that kind of traction. It's just that when people start Web 2.0 companies and fail, it's usually that they do it as a side project for six months. It doesn't work out and they quit. If you work on it full time for five years, if you're a smart person, you're actually working hard, I'm pretty sure you will get success. Even some of the founders I know from Y Combinator who three years ago, it looked like they had no idea what they're doing. They look like complete failures. Most of them have quit and gone and got a jobs but the ones who stuck with it, they're starting to get traction and they're all raising money. So, it's really just a matter of learning.

Yeah it's persistence but you need to keep learning along that way. One thing you told me when we were prepping for this interview was that you had 10 different ideas you were pursuing. And nine of them you left on the side of the road. And this is the one you chose to pursue. How was that decision process? So, yea we were just really willing to try different things and cut our losses. Jared and I spent over a year just trying different website ideas. So, then we just discuss. Some of them we actually built and launched and try to grow and then couldn't. And we're just wanting to try something and then start over. And it was that process of trial and error that really allowed us to understand what was going to work.

And I think that yeah the fact that we were able to figure out what's going to work in only a year and a half or however long it was, that was probably lucky. But I think if anyone just keeps working at it, after a few years, you will get some kind of

traction. So, did you realize you were going to this sort of rapid prototyping process, was this something you articulated? Also we've heard speakers like Eric Reiss talking about the lean startup and getting things out and testing it. Did you articulate this or was this something that just was very natural to you? Yeah. We know what we're doing. I was at time, still pretty pessimistic. I was ready to give up and go get a job which I think was the wrong type of thinking. That was a mistake. I would discourage any one time entrepreneur from thinking that way because that's what kills you. You need to have faith that if you just keep, trying and learning, you will get there.

Entrepreneurship is completely a learned skill. It's a bunch of skills you have to learn and put together and once you get all those skills and you piece them together, you will be good at coming up with ideas in launching websites. So John, looking back over this process, what things would you have done differently? What lessons have you learned through this process? I don't know that I do a lot different. Not that I didn't make mistakes. But at the time, I probably acted rashly based on everything I knew. The biggest issue, the biggest question I know is when I continue to ask myself to this very day is, "Did I make the right decision, stepping down from the CEO position when I did?" And clearly much of my advice to Trip was predicated on the specific decisions I make. And the reason I did it though is an interesting one. It maybe unique to medicine. And that is because I think in medicine, basically there's two types of leadership within a business. There's the leadership that kind of overrides the organization, it dictates the product blah, blah, blah.

But you also need inside medicine and outward looking leadership to kind of influence the medical community because you can make the best product in the world but unless it's kind of it winds acceptance in the medical community, you're not going anywhere. And I'd argue that you can see this in some ways even, and Silicon Valley is best managed company arguably is Apple. Where as powerful as the products are, we all love Apple products, big part of the strength of Apple is this community of rabid users who really just embrace what the Apple comes out with. And when I step down from the CEO position, it was to take over that, the position I was trying to influence, the greater medical community. And so that was a big decision on my part but in doing that, I gave up a lot of power and a lot of ability to influence the organization. So in the end, it was very good for the company and for my initial efforts. It may not have been that good for me personally. So, was that a mistake or not? Something I still question to this day. So, let's dive into the companies now. Right? Just talk about the founding them and this sort of big ideas but you're now building your company.

Are there things that you think about everyday like building the culture? Are you thinking about that as you build the company or are you just trying to get the product out the door? And if so, how do you go about doing that? Building the internal organization in that culture, in the business? There's different styles of leading a company and I'm a very product focused founder CEO. I really believe that if you just make the product good, everything else falls into place. So, I say there's lines of people wanting to work for us and all these investors trying to invest. I get an email from a venture capitalist every two days asking us if we want money and we are not even raising money. And the reason why that's true is that we have a good product. And as long as you just keep focusing on a good product, you'll get users and you'll get users, you'll make money and if you make money, then everyone wants to invest and work for you. So, that's my attitude. So, I'm just focused on that. In terms of building a culture, I personally haven't really thought much about it. Everyone tells us we have an amazing culture and they love working in our company.

Perhaps my cofounders thought about this but I think if you have a successful company, you're going to attract good people and everyone's happy. So, my personal attitude is folks and the product and everything else falls into place. OK. So, the fact is the culture symptom that takes care of itself if the company is successful. Yeah. You could think about the culture. At this point, now that I have some more experience, I have a better idea of what kind of people we look for and I look for culture fits and I might even hire someone even if they have the worst resume but I think they're really good culture fit, I'm more willing to hire them. But I think that's a secondary importance to just building the product. I agree with Trip really. I think you can maybe tweak culture at the margins but ultimately the culture stems from your belief in the product and your core mission.

And the one difference again with my particular business is that it's very outward facing. You can make the best product in the world again but unless the docs embrace it and actually learn to use it. I equate the CyberKnife to like a Stradivarius. You're going to make the best violin in the world but unless you have Isaac Perlman or someone to kind of play the thing, you're never going to know what it's capable of. So, you really have to develop, including your culture the physician community. And that was kind of my major contribution in the last five or six years to Accuray. So, it's interesting how many parallels there are. You sort of say, "Boy this is almost the exact same parallel experience" except that you had a much harder time John, raising money and getting traction but besides that it sounds like they're very parallel. I'm curious. Here we have this highly regulated high technology, capital intensive business and here we have is Web 2.0, wild west type of environment.

What are the biggest differences do you see in these experiences? I think that my dad, the first step he had to get to was a much bigger step than we had get to. Our first step was building a website that let people upload a PDF or PowerPoint and showing it on the Web and flash. That was our first step and that was basically, it took three people to get there. We did that well and then from there on we iterate. We raised a few million dollars and then from there, we build more features and

attracting more people. It really has been going like one step at a time to go from nothing to 40 people and eventually to thousands of people were going. Where, I think my dad had take one really big leap forward to really get to a point where he could show any signs of success. Do you hear that? Oh, I know. I agree. Accuray was just a much, much more complex business.

As CEO, I had to learn about things like quality assurance. What do I know about quality assurance? I don't even know what the word meant. Quality systems. How do you know about the FDA regulation. Not just the FDA, I know about the French regulatory processes. And then you got to get into different specialty organization which think differently. Neurosurgeons hate radiation oncologists, radiation oncologists hate neurosurgeons. And this is the world you waded into. Much less just figuring how to make something from an engineering perspective, from a software and hardware perspective which was complex in its own right. So, it was a very complex business.

And gave me as a CEO a lot of chance to learn a lot of different things so it was exciting. Trip and I, in this way we're very different, we're in parallel universities. The nature of our business has much that in common. Other than trying to make a good product. Was there a big benefit being a neurosurgeon doing this? Could someone have been an engineer step into the same role? How much did your background and with the domain expertise and actually having a practice allowed you to do this? I think it was vital. The reality is that, as an engineer you can't inspire the same measure of confidence in the medical community as you can if you're a physician. In fact, not only that I was out there in the front lines putting my own patients next on the line. My patients, I might add were there putting their necks on the line. But the fact that you had that measure of confidence in the product on my part meant a lot to prospective customers and their prospective patients. And I just don't think engineers would be in the same position.

So, that's what's unique about a medical company. Very interesting. So, I want to ask one last question to you before I open it up to Steve and his class and then the rest of you. So, you can start thinking about questions that you'd like to ask. Is that one advice. Here we are, a room full of prospective entrepreneurs. In fact, many of them might have already started their own companies, what advice do you wish you had gotten and what guidance would you give to them as they look ahead to this path? Besides not giving up the CEO spot. My advice to just, to really go for it. The way you're going to learn is through just trying it and then you're failing or succeeding. And that's where you're going to learn.

So, you're just basically go for it. Classes like this are great but they're really not going to be that helpful unless you're also working on something at the same time. I would say, "You're going to learn while you're on the job and then reading books on business, attend a class like this are just going to give you things to think about while you're on the job." So, I would encourage you to just move forward. Don't be too afraid of failure. Don't be too afraid of having like a year on your resume where you didn't do anything. That seems to be how most, at least at Harvard how everyone was. And I just wouldn't be afraid of that. Just go for it and you will start learning quickly. OK. So, basically, just in time learning along the way.

As you dive in and you have a problem to solve, figure it out on the fly. Yeah. OK, that's your say. OK John, what do you think? I agree. The Stanford students are smart, right? They can learn but I think, once again, my son is right. It seems very intimidating and the worst thing you can do is be intimidated. And so, I think you need to listen carefully before you kind of jump in but after certain measure of listening, it calls for a decision and bold action and don't look back. Do not look back. Just keep going forward. If you are bold enough, if you have that intrepid conviction go for it.

Chances are, I agree with Trip, chances are you're going to succeed. Not everyone is going to produce Google or Microsoft or something but you maybe produce a meaningful business and that's in the end, all that really matters. So, I say, go for it. And one of the thing is there are no rules. There are no rules. And that's the scariest thing for a lot of entrepreneurs to understand. You're kind of, "What I'm supposed to do." You can do whatever the hell you want. And you got to keep reminding yourself. So, there's no benchmark. Don't worry about it.

It's OK. It's OK. Because out of the fact that there's no rules come great opportunities. And I think Tina in one of your classes are showing that. So, don't forget there's no rules and go for it. OK. I'm going to open up for Steve. Steve: Thanks Tina. So, I'm Steve Blank. I teach 278 Spirit of Entrepreneurship the class that wraps around the ETL lectures.

And our students are actually going and try to deconstruct these two businesses after class. So Trip, the first question is for you. One of the nice things that entrepreneurs do after they're successful is reinvent history. So, I'm going to ask you to roll back history a bit and try to remember when you started Scribd. Did you have a business model in mind or was it get the product out? Or did you have some plan to make money? What were you thinking? If you could remember when you guys got the first version up, what was in your head? Yeah. We had thought about money. We had a list of ideas for how to make money. But, and really the challenge was getting users. The hardest challenge in a consumer Web startup is getting users, especially a lot of users. There's a lot of these companies that are started by flawless team of executives from big companies and they have like \$70 million and they have amazing business model online but then they launched their product, nobody actually uses it.

So, our goal was just to build this thing and get people using it and then just iterate from there and that's what we do. Steve: And so, just following up if I can. So, take us from your original, I think it was called YouTube for documents strategy. Till now, take us through the pivots or the changes in your user monetization strategies, as you've gotten older, wiser, smarter, more users. What have you learned? What's changed? Yeah. We call ourselves YouTube of documents at first which was a great way just to get people talking about us. It's the easiest way to explain it. And we don't like to think of ourselves that way. Our core, that's basically what we still are. A way people to take a PDF file or a PowerPoint file, upload it to the Web and share with people.

But since then, we've transformed into that same thing plus a bigger vision which is to basically change publishing. We wanted to make it so that anyone can become a publish author. So, basically just taking what we have before but adding on more layers. So, now people can actually sell written works. We're making it so that you can read written works made from many different mobile devices. We want people to be able to read anything on Scribd, on an iPhone, a Kindle and all the other twenty e-readers that are coming out. And it's still the same core idea. There's just a little more to it and a lot more users can do and a much bigger, bigger vision to it. Just last quick question for John. John, your experience as a surgeon versus your experience entrepreneurship where anything goes, that's not true when you're opening skull I assume.

And therefore, the learnings you have to do as an entrepreneur are almost orthogonal it appears to the ones as a neurosurgeon. What were the biggest surprises as an entrepreneur that were just like, whoa? Was it about channel or customers or partners? I think it was the culture because the beauty of an operating room is the surgeons were as god. And the surgeon says something and it's done. In fact, my wife likes to complain that when I come at home, I pretend that my scrub nurse is always to pick up because that's the way life is in the operating room, you're king. And in the rest of the world, you have to persuade. In the business world, you have persuade your partners, your employees, your customers that this is the right course of action. And this is just taking for granted because you, the surgeon have spoken. So, it's been a learning curve for me. Not that I couldn't do those things but I just didn't have time for it initially. But over the years, I learn that that's a very important part of the management process, the leadership process of an entrepreneurial company.

Did that change the way that you act in the operating room? Did you become a little less draconian in the operating room after having to persuade people in the business world? But you have the wrong image. In the operating room, it's not like you're Attila the Hun, being a jerk to everybody. No, but it's just that there's not a lot of discussion what the plan of attack is going to be. Everyone turns to you and says, "What do we do?" And you say, "This is where we're going." There's no questions asked even in the face of many people skepticism. In the operating room, people just do it because the surgeon has spoken. In the business world, you do something, you haven't got people to buy into it. In the background, they're all stabbing your plan in the back. They're doing everything they can to undermine your plan because for some reason they think they have a better plan or they want to embarrass you. When the patient's life is on the line, everyone knows that there's one person making a decision and that's the end of the story. It's very different when you're in a more complex thing as social dynamic business.

Great. Can you open up? Yes, I'm going to open up for questions requests. OK. So, you talked about leadership being something that's commonsense. And one of you has a degree in biophysics, the other one is a neuroscientist. So, I was wondering, would you think that a young entrepreneur is better off with a technical degree in something like computer science, mechanical engineering and biophysics or a degree related to business like a degree in business, a degree in management science and engineering. What's your take on it? So, I'm going to repeat the question because we don't have a mic. So, the question is, is it better to have a degree in some domain such as biophysics or neuroscience or is it better to get a degree in business and management to prepare you for a leadership position? If the company is going to be in computer science or engineering, I think it's absolutely better to have a degree in the domain knowledge than it is to have a business degree. And in fact, I think that the MBA is a great disadvantage to kind of entering to engineering business than some of the technology such as you're suggesting. Then again if it's going to be a business oriented, if a new way of delivering flowers or something, yeah maybe a business degree would be better off.

What do you think Trip? I say definitely technical degree. Even if your job isn't related to that science you're studying, it's still really useful to know science. I study physics and I actually haven't studied any computer science. I don't program at all. But just having studied physics allows me to think very analytically and it allows me just to really think about how Scribd grows and how our users act. And I even use a lot of physics in explaining the way Scribd works. It's just much harder to learn a technical field than to learn this kind of stuff you learn like business school. You can learn that stuff later in life. Learning physics in college or computer science is really, really hard. So, if you can do that, you'll be able to learn the business stuff down the road.

Right. OK. Next question. Yes? As you guys were focusing on ventures, did you find other interesting opportunity that came up and you jump them off down, come back to specific part of your life and are there other opportunities for business related or personal opportunities through that time? Did you focus on one thing only or do you have two or three things going on, other project or other relationships you're in? OK, so the question is, here you are focused on starting this company, were there lots

of opportunities that were circulating or running your life that you had to eliminate because you needed to focus on this venture? Yes. And I think the successful entrepreneur is very focused. And you do give up many dimensions of your life to go very deep into one area of your life. You try to be a father. You try to fulfill some of your family expectations. In my case, I was a neurosurgeon at the same time and there wasn't a lot of leftover. And in fact, I kind of mistrust a lot of people who try to do free entrepreneurial startups at the same time.

Maybe there's some people who could do that but I think in general you're doomed to failure. And you're best off fixing your site and something that is manageable and focus all your energy on it and driving only that across the finish line before taking something else on. You were both acting. You were an acting surgeon and the CEO at the same time or not? No. OK. So, what can you clarify? I was chief medical officer for six, seven, eight years then I was CEO for three years then basically chief medical officer for about five, six years. And how does this parallel your neurosurgery? When I was chief medical officer, I was practicing neurosurgery. When I was CEO, I was just a full time CEO. OK. Next question.

Yes John? Two questions for Trip. One, how did you plan to make money? What's your revenue model? And second, if you have any inquiries from companies who might be potentially interested in acquiring you? OK. So, the question is, Trip, what's your revenue model, what your business model? And do you have any acquisitions in your future? So, about revenue, we have ads on the website and there, we got some of the best CPMs on the Internet. The reason why people on Scribd are searching for things so we show them ads related to what they're searching for and we get really good. There are other models, we have the Scribd Store. It lets people buy and sell content. Lets publishers sell content. And we're about to roll out about five new business models in the next couple quarters. So, there's a lot of things we do to make money. Second question.

Yeah, we get acquisition interest all the time but we're really just focused on building a big company. So, we have lots of conversation. We have some biz dev conversation going on with big companies. But in general, try not to let that distract us too much. Just try to build the company. Cool. Next question. Yes. From our experience, when you're initially starting, how do you downward compensation for your employees particularly with respect to equity. I think it's kind of an awkward conversation or could be how to handle that, how did you figure it out.

So, the question is, how do you deal with compensation for your early employees relating to salary and equity? Well, pre-raising funding. There was no salary, it was equity. And yeah, it's a pretty awkward conversation you have to have with your cofounders. In general, I believe in explaining it as evenly as possible. That way you'll have a much better relationship down the road. Make sure everyone is equally motivated. So, that's my advice on that. And then once you raised money then you can start payable salaries and we just paid at market rates. Make sure you know though who you're giving all these equity way to. The beauty of Trip's startup is Trip knew very, very well who was senior partner and was, going into this.

So, he believe and trust in them. There's nothing more painful than to give a good dollar, big huge dollop of founders equity to somebody who's a complete dud. And that can destroy your company at some point in the future. So John, why don't you answer that question too? How did you deal with equity and salaries early on? Very naively. The reality was that I was the heart and soul and energy and vision for the whole company but I was young and Dell was surrounded by guys who were all 20 years older than me. I figured, well, they must know a lot because they're older than me. And so, they end up getting a disproportioned amount of the equity. And in the end, the only one stuck doing the work was me. So, I didn't have the equity but I was most committed to the project. Of course, Accuray was, we ended having a washed up round.

As the business long and difficult to financing history and made some of those early equity grants kind of irrelevant. But I do think for many of you guys who are thinking about maybe a Web 2.0 startup with some friends or with a small group of people, Trip's experience is really very relevant to what you might be thinking about in the future. Next question. Yeah. This is for Trip. You said most of the advice for you nowadays, some other entrepreneur, CEO, people who have started companies have gone the Scribd size and gone larger. I was wondering what's the best advice you've received from them in order to grow larger than you are now? So, the question was, you mentioned Trip that you get a lot of advice or the only advice from successful CEOs. What's the best advice you've gotten? Not the best advice but one of the consistencies of advice I get from people that really build big companies is to have a vision and to trust your vision and to not sway from that because as the company gets much bigger, it really gets hard to keep everybody somewhat aligned. And everyone has their own sort of plan and direction they want to take things and just really sticking to one vision and having a long term perspective on that too. It's really easy to let other people influence you.

I've really learned to trust my own instinct over the last few years. Some of the biggest mistakes I've made were when other people were telling me what to do particularly older, more experienced people who have a very good track record and I just say, "Oh, this person has 20 years experience. They must know what they're talking about." But that usually makes big mistake. Ultimately, you need to really follow your own internal vision. You should listen to other people and hear what they say, but in the end, you need to make your own decisions. Let me ask you. Both of you are incredibly confident at this point in trusting your guts. Is this something you always have done? Have you always felt as though you've had good judgment? Because there's some people who's judgment might not be the same as yours. Is it something that every founder should trust

their gut or it's just people who have a good track record? Yeah, I think I've gotten much better at trusting my gut. When I was a young college student, I think I was too influenced by everyone else around me.

And I had to learn through mistakes not to listen to other people. That sounds weird but I think that once you start actually coming up with their own idea, implementing it and see what happens, you start to get a good internal sense of when you're right and when you're wrong. And you just get better at it overtime. John, what about you? I think what Trip said is very true and it's very real. And maybe it took me even longer. I was very confident in my judgment as a neurosurgeon but I was far more intimidated by the big names in the business world who are all these professional managers who wrap decisions in a lot of business talk. And I shouldn't have been because the end of business is really very simple. Make a product that your customer base really wants and you'll be successful. So, I say, "Yes, trust your gut." It's not that I'm saying I'm smarter than these experienced people telling me to do. It's just that they don't have the same experience that I have and the same view of the company that I have.

I understand the company better than all these people who just check out the website for an hour and tell me what to do. So, everyone has to kind of figure out for themselves the path you're going down. And even early on, if you just trust your instinct, you're going to mostly make mistake but you're going to be learning along the way. So pretty soon, you will develop a good sense on what to do. I say trust your gut within your area of domain. I'm not here to tell you whether you should buy electric cars or hybrids or something or diesel or something. But within the realm of my world of neurosurgery, I come to appreciate it. Damn it, I know as much as anybody in the world! No, I know more than anybody else in the world. And in this area, I will have strong opinions in this area. This is where my vision is going to prevail.

Really good point. Question back there. Just a follow up on that question. You said, you're part of Y Combinator and know that you have a lot of mentorship and advisor, that kind of stuff. And so, I guess back from your perspective starting out, when you first started out Scribd, what exactly did you get out of the program with that? I think the best things I got out of it was that there were a lot of other people my age are in the company. So, one of my dad's biggest problem as I was just saying, is he didn't have a lot of people around him he could talk to. So, Y Combinator feels like a school for startups, in the same way you guys are in school and you meet all these other, your peers. At Y Combinator, you're going to meet other people starting company. So, we actually meet our third cofounder named Tikhon through Y Combinator. He was part of different company.

So, that community was the best part. And it also give you a lot of really good advice on the really early part of startups. So, splitting equity with cofounders and getting incorporated, those kinds of things. I think I pretty much win into Y Combinator there, having a good sense of all that probably because my dad. But if you didn't grow up in Silicon Valley and have people influencing you, Y Combinator is a good thing. You mentioned Silicon Valley, obviously you went to Harvard and you came out here. Now, we certainly know some other models of companies where that's happened. People graduated from Harvard and coming out to Silicon Valley, was that very conscious decision that if you're going to launch this company, you want to be here? Yeah. It was a combination of this being a better place to be and also a dinner like Boston like back to California. So yeah, in general, Silicon Valley is much better place to be to start a company because there's a much more entrepreneurial mind set around here.

Just the mind set of Stanford versus Harvard is totally different. Well John, you mentioned you could never have done this anywhere else. That's right. And I think that Harvard is filled with brilliant people and it just kills innovation after innovation. Yeah, it's nuts. I'm very critical Harvard. It's got too much money and it just sits there to kill innovation. And historically, I think Stanford has really kicked his butt. And so, it's no surprise that some of the lot of the smart young, innovative people from Harvard have come out here to this area, to this area. OK.

Next question. Question for Trip. A lot of us are taking advice, to what extent will you say that you and your cofounders take advice from your users and potential users? I'd say that just like all advice, you take a lot of advice but in the end, you need to make the decision on where you want to go. And this is kind of Apple's perspective on things. You can't really ask users what they want because users are going to say, "I want a button on this page, lets make this." But if you just take all users advice, you get a kind of messy product. So, you really need to have a vision for where you want to go and just build that and then tell your users this is what you're going to use. You can learn from your users. Actually most of the learning comes from analytics, just looking at what actually people are doing and that influences your decision. But in the end, if you listen to your users too much, you build a bad product. Do you find that users often tell you things that are quite different than what they show, they're doing in the analytics? I don't think so.

Often the users who give you feedback are the most vocal users and most vocal users are not your typical users. So, you have to be very careful about who you're listening to. You can easily get in the trap of just listening to your most vocal users then you build the product for really small niche that isn't really what the world needs. So John, let me ask that same question. Here your users are very, very different but I'm going to guess you spend a lot of time listening to them. How important was their feedback and their guidance on the product as you were building it? I say, I feel the same as Trip. I think all products are the same in some respect. I can't have too strong a feeling about how one should deliver surgery but I do know a lot about

surgery. And so at the end, if you love your product enough, you as the innovator, you as the entrepreneur, the love will show through that product. And in it will be simplicity and in it will be the effectiveness that ultimately what your user base wants.

So, listen carefully what the world has to say, but in the end make decisions. In that sense, neurosurgery is a good training. Another question. Yes. In the beginning, did you outsource say, your accounting, your servers or John, for your parts? Were you doing just in time, in the beginning? Was everything already out there and you just piece them together to make what you need? Is this for Trip, for both? Well actually, the outsource I think maybe use for both. OK. So, the question is, how much outsourcing did you do for different services, whether it was accounting or servers so that you didn't have to bring it in-house? We didn't do much but we were all full time on this and since I didn't go to business school or anything, I didn't know anything about accounting. So, it was a good chance for me to learn something about accounting. So, I bought QuickBooks and set up myself. But in the end, I think it doesn't really matter whether you outsource those kinds of things or not.

What matters is that you do the core part of your business in-house. So, if you're a website, that you actually build the product is really important. Just don't outsource the core thing you do well. John, what about you? Again, I echo my son has said. I could never have started my business without outsourcing many aspects of it. In fact, some of the major key components were vital to getting the business the going. If I can make those key components, the business would have never gotten started. So, most of what Accuray was at its onset was a system integration business. And yes, we did outsource accounting for a while, outsource legal. But the core of the product which was the software and then some of the minor hardware components really were at the heart of what our business was all about.

One last question or I'll take two. OK. So, excuse me. One of the things that always seems to be in trouble is, you come up with a great idea an early product and then somebody really big says, "Yeah, I can do that too." How do both of you stay ahead of the competition especially the big players? The question is, how do you stay ahead of the competition? I think you need to learn to just not pay any attention to the competition. Usually the best companies are very internally focused, on just focused on doing their own thing and not run with the big guys. And in the end, you'd be surprised how often the small companies beat the big companies. Usually the big companies have a very different way of thinking about it. So, I would just ignore what the big companies are doing. I also think that big companies have got a muddled view of where the opportunities lay. And I'm a big believer in Christensen's book "The Innovator's Dilemma" which talks a lot about how big companies and established companies tend to focus too much on their current customer base trying to keep them happy.

While a new company, and Accuray was very much in this domain is, sees a little niche market, just outside of where the core constituency of the established industry was and does everything to address this little niche market, it overtime grows and then subsumes the original market from which it originally sprang. And so, I think that if you can kind of see yourself addressing a niche market, make that niche market happy. If you make the niche market happy, establish any market then eventually you can grow from there. So, we started with a niche market. We've been growing from that. Great. And last question. OK. This is Trip, I notice on Scribd, you posted your business plan for \$10,000. My question is, have you had a lot of takers on that? And do you think it's worth it for an entrepreneur to buy your business plan for \$10,000? OK.

So, the question is, you've got your business plan posted in Scribd for \$10,000. Any takers and how valuable do you really think it is? Yeah. We leave the sale information confidential so I can't say actually. Maybe Stanford should buy it and pass it around. There's no DRM on it. I'm on it so you guys can. So, let me ask you a question. If I read that business plan, how close is it to what you're doing now? We often think of business plans as the best work of fiction because as soon as you get it written down, things are changing, the context is changing so fast. How close is it to what you're doing now? It's surprisingly close actually. But in the end, it doesn't really matter too much.

Coming up business plan is easy. Actually building the business is much harder. So, if you're starting a business, I would spend a weekend writing the business plan and just put on Scribd for sale for \$10,000 and move on. So John, let me ask you. Was your visit, if we look at your original business plan, how different or similar was it to what actually end up happening? Well, the steps to make the product into using patients in the commercialize were actually not too far off the mark. The scale over which it happened was dramatically changed where everything took, the rule apply. Everything takes 3.14 times as long as your engineers say it will. So, yeah it just took much longer. Well, I just want to end by thanking you so much. This was fascinating to see the similarities, the differences and I had to tell you, I personally am really surprised by the number of similarities and really delighted by the fact that you're willing to share all this with us.

So, thank you very much.