

# THE FOUNDATION

Starting from Nothing – The Foundation Podcast

Guest Name Interview – Jason Fried

**Introduction:** Welcome to Starting from Nothing – The Foundation Podcast, the place where incredible entrepreneurs show you how they built their businesses entirely from scratch before they knew what the heck they were doing. Now here's your host, Andy Drish.

**Andy:** Welcome everyone to another episode of Starting from Nothing, The Foundation podcast. Today, I'm super jazzed because we've got Jason Fried on the phone with us.

Jason is the founder of 37Signals, the company behind products like Basecamp, Highrise, and Campfire. But more than that, the company has continuously pushed the status quo when it comes to business like building a thriving team that's completely remote and making sure his team isn't working more than 40 hours a week which is counterintuitive advice but tends to work out really well for them from what I've seen.

Jason's somebody I have a ton of respect for. We modeled a lot of their philosophies as we grow The Foundation. Jason, thanks for coming on the show, man.

**Jason:** Thanks for having me on the show.

**Andy:** Getting started, we generally talk about people's first customer, where they got their start in business. Today, we're going to focus a lot of the interview on Basecamp, their flagship product for the most part. But before we get into that, can you tell me when everything shifted for you when you built Audiofile and what that was like?

**Jason:** Yeah, sure.

Audiofile was the first product that I ever made myself. This is back in ... I think it was in the late 90's, something like that. Yeah, that was the FileMaker Pro app. Many people probably don't know what FileMaker Pro is, it still exists I'm pretty sure. I know it does actually. It's a great little database program that lets you make databases without having to know how to program technically. It has a scripting language and some stuff but you could design your own custom interfaces and then hook up databases so people would do searches and store information, the whole thing.

I was looking for something to keep track with my music collection, my CDs, and my tapes and stuff back then. I couldn't find something that I liked so I made my own and I learned how to -- It's not really programming but I learned how to make a program. I used FileMaker Pro to do that and I put it up on AOL at the time because the internet was -- Actually, this is like mid 90s and the internet really wasn't around yet. I put it up on AOL.

Andy: What do you mean you put it up on AOL?

Jason: Fair enough.

AOL had a Mac file section where you could upload Shareware files to AOL for other people to download. I did that. With the software, I included a little readme file, a payment form. It said something like, "If you like this, send me \$20," or something like that.

The next summer -- I forget exactly when it was but I got this envelope in the mail from Germany and I didn't know anybody in Germany. It was one of those airmail envelopes with the red and a blue stripes, you know? My parents gave it to me because in the mid-90s I was living at home with my folks. I don't know how old I was, in high school or something.

They said, "Hey, this envelope came for you." I checked it out. In it was \$20. It was a \$20 bill from someone in Germany who prints out the form and said, "Love your product," and they sent me \$20. That was the beginning for me. That was my first customer I ever had in terms of selling software.

That moment, I still remember I was in the kitchen, I remember the whole thing. That moment gave me the confidence I needed to know that if I make something that's good and I put a price on it, people are willing to pay for it.

Andy: How powerful is that?

Jason: It was a big deal for me at the time.

I'd worked for other people. I sold shoots, I pump gas, I'd worked in grocery stores. I had other jobs and I got paid for doing that work but this is the first time that I ever -- Man, I sold lemonade, all that kind of stuff too, but this is the first time I ever made something with the computer and saw the people pay for it. That was, I think, a defining moment although at the time I didn't necessarily recognize that. But looking back on it, it definitely seems like a really important point in my life.

Andy: What did you do after that? Did you keep building that or ...?

Jason: Yeah. I'm thinking now, I got the time wrong. I graduated high school in '92. I was in college at the time this was happening. I kept going to college. I went to school for four years. I went to University of Arizona. That software -- Audiofile. I made a few other ones I made something called Book Bin which is

for tracking your books. I made a video file for tracking your DVDs and VHS tapes and that kind of stuff. I kept making money off them. Money kept rolling in. It didn't put me through college but it put me through college in terms of all my spending money, my rent, and that kind of stuff.

Luckily, my parents paid for my tuition so I don't have to deal with that. Everything else was on my own. I didn't have to ask my parents for money and that was a big deal for me. So I just kept doing it. At some point, I stopped doing it. I think it was in the late 90s I stopped doing it and switched over to doing web design after college.

Andy: Then you switched to -- if I remember -- studying HTML. Learning more design, learning a little bit about coding, and eventually founding 37Signals. Is that right?

Jason: Kind of, yeah.

At the end of college -- I graduated college in '96. This is sort of when the web was starting to happen like '95, '96. Very, very early days. Mosaic Browser was out, barely. I mean it was early. You could go to any web page, there weren't many, but you could go to web page and like view-source and see HTML and see how people made a page.

Now you can do that today too but it's so much more complicated today. It's ridiculously complicated compared to the way it used to be which is basically a series of H1's, and [cues 00:05:57], and paragraph tags. Maybe a table or two, it was so simple back then.

Anyway, I learned how to do that. I was doing that for some people on the side making a few hundred bucks on a web page or website here and there. And then I got a job offer, right out of college, to go work for one of the clients that I'd found doing this web design. He lived in San Diego. He was starting a web design company and he asked me if I would join him and I said yes.

So I took a job right out of college, it was \$30,000, moved to San Diego, and worked for him about I think maybe four months, five months, or something like that. And then I realized pretty quickly that it wasn't right for me, that I really need to do my own thing. I just didn't really agree with the direction we were going and what was important, whatever.

Anyway, he's a nice guy, great guy. He was upset, obviously, because he hired me out of college and took a big risk and I left in a few months which wasn't great. But, anyway, it was the right thing to do.

I moved back to Chicago and I kept freelancing on my own for another year or so. And then I finally got a really big project. I think it was maybe a '97 or something like that, '98. I finally hired my first employee. It was just me though and my company was called Spinfree. That was the name of my own

thing which is just me. I hired somebody and then I met -- There's some other things that happened in the middle.

Eventually, I ran into these two guys who I knew. They were looking to start a web design company. I was looking to branch out and get a little bit more out of my own apartment, work with some other people. We started 37Signals together in '99 and that's how that whole thing started.

Andy: Beautiful.

I've always felt like I've related to you well. I grew up in a town of 600 people in Iowa and there's been -- We're kind of seeing the tech bubble again with all these startups getting funded. You pretty much lived through the first round of that.

When I read your books, when I read your articles and stuff, the way you think -- I wouldn't describe it as like an Elon Musk I think of somebody who's just this tech genius. I'm like "Wow, he's operating at this whole different level." I feel like I really relate to the stuff that you're saying because it seems very simple, and clear, and concise, and just real is how it feels.

How did you not get caught up in the burst of the tech bubble in the late 90's and why didn't you guys raise money and do some big startup? Did you have a desire to do that at all?

Jason: Well, first of all, we're based in Chicago which helped because Chicago wasn't obsessed with venture capital money, it wasn't flushed with it. There weren't a lot of options. That said, I got many offers to do things. I don't know, maybe it's my upbringing, maybe it's my mid-Western roots. I don't know what it is but I didn't understand --

Actually, I just didn't understand that kind of business. I don't understand the business that can't figure out how to survive on its own. It doesn't resonate with me. Technically, I understand how to set something like that up, but it just doesn't jive with me at all. I just couldn't get behind it.

I was always a person who want to make something that was meaningful and keep doing it for the rest of my life, hopefully. Instead of bounce from thing to thing to thing and sell a company, and raise a bunch of money, and then be forced out. That just wasn't my thing. I want to make something that's lasting. Those are the things I respect the most in the world who's been around for a long time. I think part of it was circumstance. I think maybe if I was somewhere else --

Actually, it's funny. I was -- you're reminding me of things. Before I started 37Signals, the last gig I had on my own was actually working for a company in San Francisco called [unclear 00:09:50] Sports which most people won't know.

[Unclear 00:09:52] Sports was a really ahead of its time web design shop that did some really amazing sporting event, a website for sporting events. They ultimately did the Olympics, I think, in 2000 or something like that, or maybe 2008. They did some really cool stuff on this sailing race called Around Alone. It's a race for people who would sail around the world alone and they outfitted sailors with GPS devices, with a way to log notes, satellite phones so you could actually watch the race live. This is back in '98.

Andy: That's a big deal.

Jason: Huge deal, way ahead of their time. Really cool.

People were blogging -- there wasn't a blog back then but journaling their days, pretty amazing stuff. They were really ahead of their time and they had super talented people there. I worked there for six months on a project.

The thing is though, I think I came in as employee number 74 and in those six months, I think they got up to 200 something employees. I saw them just pack people in on card tables, you had no privacy, the work conditions are horrible, and they're way overpaying me. I just saw how ridiculous it all was. They kept getting more money and more money and they're lavishing more money on people, hiring, hiring. That, again, didn't make sense to me.

I think that experience was just being more a fan of sustainable simple business models. You make something great, you sell it, people pay you for it, and your business survives on its own. It was kind of what I was always into [unclear 00:11:32].

Andy: It's so frustrating because that advice is so simple and so real and so clear but I feel like media only highlights the crazy stories.

Jason: It's more exciting. The stories are more exciting. It's fun to hear about some company that just raised \$100 million, or the CEO's 26, all these things. Or the CEO came from [unclear 00:11:58] place. They crashed and burn but now they have new idea.

It's exciting, I totally get it. I think it's borderline irresponsible though for the business press to not challenge these businesses more often. I think there's a lot of writing about the excitement about them which is a fair game, but they rarely come back and challenge them on like, well, you've had six, seven years, why aren't you still making money? There are very few honest pieces that way. That's kind of a bummer to me.

Andy: Let's switch and let's talk about how Basecamp got started. So you started 37Signals doing a lot of client work. Eventually, you build this product for yourself because there's nothing really out there for you to manage your stuff. Is that a fair route so far?

Jason: Yeah, we're getting busy about 2003 getting a lot of clients. We were basically sending -- been doing what most people still do which is managing private email which is basically writing up a message, sending it to a client, getting their feedback, doing the email chain thing, sending files back and forth.

It works, it's fine, but we didn't feel very organized, we couldn't refer back to things, we didn't know where things were. The status of a project was always up in the air. We need a better way to deal with that.

We looked for some tools that exist at the time and none of them -- they seem like they were designed for very different people, very different process, very different problems than the ones we had. We were just looking for a way to communicate with our clients. We weren't looking for a way to make really extensive charts and publish road maps. We just wanted to send something to them, and get their feedback, have it all archived to one place, have a schedule in one central place; some of that basic stuff.

Andy: Yeah.

Jason: So we ended up building our own internally just to see what would happen. And as we started using it, our clients were saying, "Hey, I have projects like this. What is this thing you're using? This works. It's really easy. What is it?" We said, "It's just this thing we made" and the light bulb goes off and then you're like, "Hey, this is a product. Other people could use this too."

We sort of wrapped it up, cleaned it up, gave it a name which is Basecamp, and then released it February 5th, 2004, so almost ten years ago, which is amazing. About a year later, it was doing more business for us than our consulting business was. So we stopped doing the consulting web design stuff and started just doing software exclusively and that's what we've been doing for the past ten years.

Andy: So February 4th, you put it online and launched it. Did you have a bunch of customers waiting for that day or how many people signed up on the 4th?

Jason: Oh man, I don't remember. Probably a few hundred people checked it out.

We had a blog since '99 or 2000, just writing about design and our opinion about things. We started to build up a little following of other web design companies, other like-minded people, designers, whatnot. About, I don't know, maybe a month prior to actually releasing Basecamp, we started teasing it on the blog. We started getting more people, more people interested. We had a mailing list set up. So there was anticipation.

I should actually go back and find out how many people signed up on the first day. I think it was probably a few hundred though. I could check it out. It was more. I'm not sure. Maybe it was a few thousand. I don't know. I could check it out.

It was exciting. We launched the thing on the blog. We didn't spend any money on advertising or marketing, we still really haven't in ten years. It just took off and word of mouth eventually got a hold of it. A lot of people wrote up stories about it because it was this new thing. Software as a service was brand new back in 2004; very few companies doing it, subscription software, very rare.

So I think we blazed some new trails there and that got us a lot of press and a lot of people talking, a lot of people using it, people telling other people about it. That's how it got started.

But I think it was key that we had a blog that was -- we were writing about things in the blog regularly so we had this built in audience. When we released the product, there are people waiting to check out what we had. That was a key for us.

Andy: Yeah. What's really neat about Basecamp is it's got the whole virality built into it with how Hotmail kind of expanded by putting, "If you want a free Hotmail account, a free email account, go to hotmail.com and sign up." And then everybody sees at the bottom of their emails. With Basecamp, you start working with a designer and they're using Basecamp. They're like, "Oh, what is this?" and it's just naturally built to expand quickly.

Jason: This is actually a core idea that went into our pricing because at the time, and still today, a lot of software's priced by seat, by the person, you sell seats. We never liked that idea because we always called that participation tax. The idea of being that the more people you have involved, the more expensive the software got which would encourage you not to add more people to it. We wanted more people to use it because more people who use it, more people have an experience with it and then they'd tell the people about it. Or people switch jobs and they take it with them, like all those things.

We wanted more people to use the product so we always have allowed unlimited users to use Basecamp. We don't charge by the person, we charge by the project. That way you could have 50 people on a project if you want and it will cost the same as if you have three people on the project. That was, I think, a big fundamental decision we made early on to let people use it, and that's what we want, we want people to use it. Why put something in their way?

Andy: When you're making marketing decisions about this of whether it's design for conversion or pricing, we talked a little bit before this, it seems like you made a lot of decisions based off feeling as opposed to hard numbers at times. When you're looking at conversion rates and stuff, how do you balance that? Do you generally go with what feels right?

Jason: We're mostly gut driven but for the past couple of years we've been a little bit more data driven or trying to get more data driven. Not to replace the gut

but to supplement it or to enlighten us in ways we hadn't considered. I think that data can help paint pictures that you can't -- can bring some facts to pictures that you paint in your mind. The data can either push you in new directions, or change your mind, or whatever but it's good to have that. So we're doing more and more of that.

But a lot of the stuff we do is still based on field, just let's try it. It's like an experiment. Let's give it a shot. We can AB test it if we want. That's something we become more rigorous about. We still just try things too and ideas just come from anywhere and anybody. If it's a good idea and someone can fight for it, we'll try it, and see what happens.

Andy: Beautiful.

After a year, Basecamp's doing more than you guys are doing in consulting revenue. Did your entire focus shift then and did you drop all of the service stuff? Was there a moment where you're like, "Okay, we're actually building a software company, we're not doing services anymore."

Jason: I think it was sometime in the middle of 2005 when we just said we don't like doing client work anymore. It just wasn't for us. You do it for a while and it gets frustrating because you work hard to deliver something and then it either doesn't make it out or it gets changed after the fact. It just wasn't satisfying anymore. So we were very excited that we could support ourselves, support our business just doing our own thing.

I think that was sometime in 2005, mid 2005. That was when we took our last client project on and we haven't done one since.

Andy: How big was your team then?

Jason: Four people.

Andy: Just Basecamp?

Jason: Maybe five at that time, I'm not sure. We hired our first --

So it was me, Ryan Singer, Matt Linderman, David Heinemeier Hansson, that's four, and then we hired our first new programmer, a guy named Jamis Buck in 2005 I believe. I'm not sure when he came on in 2005, but we would've been four or five people back then. Out of those five people, four people are still here.

Andy: Wow, ten years later. That's really impressive.

Jason: Nine really if we're talking 2005.

Andy: That's really impressive.

Jason: Matt who was the first employee, he worked at 37Signals for 11 years and then left a couple of years ago. He's the guy behind Vooza, if you guys know Vooza. It's sort of a -- Well, I'm not going to tell you what it is. You can go check it out. It's a video series sort of lampooning the tech scene. It's very, very good, very well done. He's the guy behind that now. That's his own thing.

Andy: When you had four or five people on the team a year into Basecamp, where was the majority of your time and energy focused? What type of activities were you doing?

Jason: Product development work and customer service. For the first maybe year or two, I did all the customer service. So I would answer all the emails and stuff. But there weren't that many because it was small still. I mostly spend time on improving the product, adding some new stuff, refining other things, cleaning things up, dealing with that stuff. That's always my favorite part of anything is making a product, and improving the product, and redesigning a product, or designing something. That's my favorite activity. That's all we were doing because that's all we had to do. It was fun.

Andy: What are your thoughts on becoming a good marketer versus building a great product? It seems like you guys air on the side of building a great product because you have really solved marketing as well.

Jason: I don't know. I don't know what our marketing really is because we don't actively market. We don't have a marketing person here; we don't have a marketing department. We don't spend any money on marketing, technically.

I think -- yeah. We use our blog a lot to talk about what we do and what we believe in. We write books; that helps, too. We speak a lot. That helps too. We do interviews. That helps too. People write stories about us. That helps too. But we don't have a tight sort of vision for marketing, and I think we should but we don't, we never have. I think it could be really interesting if we did. [Unclear 00:22:13].

I just feel like still the product has to be great. You got to make a great product. Marketing can be used to cover up a bad product but only for so long. At a certain point, you have to deliver. People will see through the marketing. If you make promises you can't deliver on, they'll leave you. I've been always a big fan of making something that's as good as we can and then a lot of the rest of the stuff takes care of itself.

Andy: Is there a reason you guys haven't done the marketing thing yet, because the product's already incredible?

Jason: Part of it is I don't even know what marketing is, to be honest. I've talked to a bunch of people about marketing and I've interviewed a bunch of people about it. They all have very different stories. Some people talk about SEO,

some people talk about customer acquisition, some people talk about advertising, some people talk about PR, some people talk about conferences, affiliate marketers. All these things you can do and none of those things resonate with me.

I kind of, honestly, don't even know how to hire a marketing person. Most people I talk to, I don't understand them. I really don't. I don't know what they can do for us and I have a really hard time understanding how to evaluate them. That's it. It's actually a lack of understanding on our part because we --

I look at other companies and I go, "Wow, great marketing, great advertising," that sort of thing. I respect. I love great advertising. I love -- I'm a student of advertising. I absolutely love advertising. So much of it is so poor and so bad that I really want to make sure that if we're ever to go in that route, go in that direction, that we did exceptional work.

I haven't found the person or the team or the -- whatever that would give me the confidence to say "Let's go all in on this and try it out." Because I think some of the stuff you have to go all in on. I think if you just experiment on the sidelines with marketing, you're not going to make any headway anyway, and so then what's the point? I don't know. I'm ranting here a little bit.

Andy: It's cool to hear your thoughts on it.

Jason: It's something we're talking about now at the company actually a lot which is -- we built a business that does tens of millions of dollars in revenues and profits. We [unclear 00:24:29] ourselves with our own money. Basecamp right now is picking up 6,000 new customers every week.

Andy: New paid customers?

Jason: Not paid, just sign ups. A fraction of those [unclear 00:24:41].

But 6,000 still. No effort really on our part in terms of marketing or advertising, getting the word out. So that's exceptional, but what could we do? What could it look like if we made an effort? A real effort.

We're talking about that again and interviewing a few more people but it's still just really challenging. I feel like if we hired somebody to do this, I don't know what they would do. We don't have that clarity yet so we haven't done anything.

Andy: Are you familiar with retargeting?

Jason: Retargeting?

Andy: Yeah.

Jason: Yeah.

Andy: It seems like you guys have a lot of low hanging fruit when it comes to marketing. Really?

Jason: I'm sure we do. I'm sure there's tons of opportunity. I don't know. I'm not inspired by low-hanging fruit stuff right now. If we're going to do something like that, like really go forward with a real marketing campaign and really make something happen and try to double or triple or quadruple our sales, whatever it might be. It's not a low-hanging fruit for me, like I want to go bold and do something really interesting.

Andy: Yeah. Is that generally how you work with things?

Jason: No, it's not.

Andy: Yeah.

Jason: When it comes to marketing, you kind of have to go in that direction because I think -- It's not interesting for me to pick up a few percentage points because we don't need to. I think if you're a public company and you're trying to move your revenues, move your needle and stuff, you hit your next quarter and that kind of thing. You need to pick up a percent here and a percent there. For me, that's not interesting because I don't care about those kind of measures. The things I want to do I want to have a big impact and that's sort of how we're thinking about it.

To be honest, the thing I'm more interested in in terms of marketing which I never hear from anybody when I talk marketing is I'm not interested in picking up new customers. I'm interested in marketing to our existing customer base which we have tens of thousands of paying customers and not trying to sell on things.

But I want to think of marketing as a different way which is I want to help them understand the product that they've already purchased, how to get more out of it, how to help them kickass with it. The idea is that if we can make our existing customer base more effective with their product and help them kickass and make them into heroes at their company. They're going to tell more people about it and new business will take care of itself again. That's actually what's a little bit more interesting to me. I don't know if that's marketing or ...

Andy: That's interesting. It's almost putting an amplifier behind what you've already been doing.

Jason: Existing customers, yeah.

Andy: Yeah.

Jason: That's something we're talking -- we talk about a lot of stuff, I don't know what we'll end up doing but that's [unclear 00:27:22].

Andy: Do you find yourself taking more risks at this stage in business?

Jason: Not really. I'd like to get a little bit riskier, but we're not really that risky company. We're pretty measured and pretty careful about what we do. I think it would be fun sometimes to make bolder bets. We're going to be making some bigger bets actually in 2014 so you'll hear about some of those. This is the start of making some bigger bets and bolder moves. I hope to see more of that.

Andy: Cool. What was the audio that just came on?

Jason: That was on Campfire. Campfire which is our group chat tool where we talk all day, there's a feature where you can play sounds. That was the men's warehouse guy saying I guarantee.

Andy: Nice.

Jason: What's going on in the room, people play different sounds. That's all that is.

Andy: You've been pretty risk averse since the beginning. When you see people getting started in business, what are the common mistakes you see them making? Especially where they're in that phase where they're validating the idea that makes sense, they might be working a job full-time, or freelancing on the side. What are the common mistakes you see people run up against?

Jason: Biting off too much upfront I think is something I see happening a lot. People's ambitions are a little bit too grand I think often times. They could build a really great solid company with a smaller ambition and then take that smaller ambition, use it as a great foundation to do something bigger next.

I think a lot of people set themselves up to fail because they try and do too much. So there's that. I think raising money upfront is another example. I think you need to raise much money upfront if any. Tons of business, but when you're talking about software, you don't. You just don't need to in most cases.

I think also hiring so many people upfront. I'll see a lot of companies with 12 people already. They're less than a year old. They all have senior vice president titles or vice president of this, vice president of that. A company of 12 people should not have any titles. You should work on stuff. To have fancy titles like that is another sign to me that the priority is in the wrong place.

Trying to be like other companies I think is another example where people are like, "Wow, we want to be the Uber of this, or the Airbnb of that," or whatever. I think that's another mistake because -- I don't know. Those things don't work for me. I think it's important for you to know what you're trying to do, be yourself, keep it small, be thoughtful about things. There's always time to grow whenever you're ready, but you only get a few things right first before you start biting off way too much stuff.

Andy: Yeah. It's such a struggle, I think, for people. And I think, at the end of the day, it's a lack of priorities. They're focused on the wrong stuff.

Jason: It is. And, by the way, they can focus on one thing and make it small and still fail. All the stuff's hard and there's a lot of risk involved with all of these things. I think that you want to play the odds with [unclear 00:30:47]. I think if you want to play the raise the money odds and go big odds, it's like you're playing the lottery. There's only one way for you to win which is basically selling your company, or IPL-ing.

The other way is like if you don't raise money and you do it on your own, you try and make sustainable small business and get something going. You have a lot more options. You can just keep doing that, you can make a nice living, you can decide to take money later if you want, you can decide IPL later if you want, you can be in business for 40 years, you can be in business for five. You can do whatever you want, it's yours. It's your business, it's your schedule, it's your money, and it's your time.

When you present yourself with those options, you increase your odds and you give yourself more flexibility. I'm more a fan of that.

Andy: Why did you guys bring on Jeff as an investor?

Jason: In 2006 Jeff Bezos got in touch with -- One of his people got in touch with us about -- Elizabeth Korrell got in touch with us. She worked with Jeff on his investments, personal investments. He was starting to invest in some companies that he really liked. He learned about us through a few different ways. I think one of his other companies who's invested and used our product, used Basecamp. We've seen him speak at a conferences in San Diego at E-Tech in 2005. A few things came together and he was interested in what we were doing. He liked our message. We're a very long-term focused company; he's a very long-term focused guy.

We've been approached by dozens of venture capitalists and whatever before that, I just rejected all of them. I don't want their money but Jeff Bezos is an idol. Well, not an idol but he's a personal hero of mine, definitely an idol. I don't think idolizing people's smart. But he's a hero of mine. I have a lot of respect for him, what he's built, how he's built it. He's smart, he's risk taking.

Anyway, to get an email from Jeff and they're like, "Hey, you want to come out and talk to Jeff?" I said of course. I went on to fly out to talk to Jeff.

Honestly, I didn't want his money. I really didn't think I was going to take any money from anybody. But sitting down, speaking with him for a couple of hours and having a really good conversation, I could see that our interests were aligned. He's a multi-billionaire. He's not interested in selling, and getting out in three to five years. That's not his thing. He wants to invest in things for the long term.

For me and David, my business partner, it was good because -- This was 2006. We weren't sure if this Basecamp thing was going to last. We didn't know. It was an opportunity for us to take some money off the table and put a little bit of money aside just in case. That's what that investment was for. So it wasn't to run the business. None of the money went into the business. It was sort of founder shares.

So Jeff owns a small piece of the company. We get to talk to him a couple times a year. He's available if we need more advice from time to time. It's been great. We've learned a lot from him. We haven't used him that much. I feel like we could probably use him some more although he's very, very busy, he's hard to get a hold of. It's a challenge always to learn from someone who's that busy.

Andy: What's an issue you would bring to him, or a question, or a perspective you would want from him that you can't get from anyone else?

Jason: There's something we're about to do which I can't tell you. We're talking to him about, want to get his take on. Expansion stuff, customer service stuff, some fundamental business challenge stuff like hiring, and growing, and that kind of stuff is good for him. I also just like more strategy talk with him, branding things.

One of the things that we talked to him about at one point was like launching a new product with a new name versus extending a current brand. For example, if we launch another product, would we give it a new name or would it be called Basecamp something? So that kind of stuff which I don't have any experience with and he has a lot of experience with.

The Kindle could've been called the Amazon Reader but he decided that it was called the Kindle by Amazon, the Amazon Kindle and there's a whole family of Kindles now.

Those little subtle things are the kind of decisions and advice that we can ask him and he can give us some good insight on. But the truth is when you talk to Jeff -- most of what Jeff tells you is trust your own gut. He's like, "You guys have done a great job. If you think it's right, do it." He's more of a confidence inspiring person than he is telling you or ever telling you what to do. So that's nice.

Andy: Let's talk about your team. You just had a book come out, Remote, which is really, really cool. I think it makes a great case for companies. I think a lot of companies at this point are starting to look into that. We've kind of built our company with that framework from the beginning.

We just moved six of our team members to Boulder to experiment what it's like working together in one location because we're in the middle of this launch and stuff. It's been really interesting but the culture shifted a lot, I've noticed. The bonds of people have increased a lot. Productivity, I would say,

has went up. When you're building a virtual company, how do you build that culture? Because I know culture's really important to what you guys are creating.

Jason: You have to have a central -- I think you need a central place where most communication happens. For us, it's Campfire and Basecamp. The idea is that there needs to be a central place where the conversations happen, where the company talks, regardless of where people are. Because if there's a local culture and a remote culture, you start to splinter things. You want to make sure the decisions are made in the universal place, and discussions are happening at a universal place rather than just in a physical office.

If you just make all your decisions in a physical office, in a physical location, people who aren't in that location don't feel like they're included. We want to make sure people are included, people have good ideas. Just about everybody in the company has full access to every Basecamp project, almost.

Pretty much everything that's being worked on in the company is available to anybody to chime in on and to see. I said almost because not everything is this way but most things are. All of our conversations happen in Campfire and Basecamp and they're all right there. I think that's how you have to do it. You have to treat people equally in that way.

I think also it's much easier to start early this way. I think if you're a company of a hundred people and everyone's in one physical location and you try and hire five people outside of that location, it's going to be really difficult. So I think it's important to start that culture really and ours is right from the beginning.

David, my business partner's from Copenhagen. We worked together for a few years without even meeting each other. And then the first programmer we hired was Jamis who lived in Utah at the time, now he lives in Idaho. Right from the beginning, we just decided to hire the best people we could regardless of where they were and it's worked out quite well for us.

We get together though from time to time and we get together a few times a year. It's hard to get together more frequently. FaceTime is very important still but I don't think it's required to do most things. I think it's a nice tool to use when you need it, but you don't need that super high bandwidth stuff all the time. That's not good.

Andy: Is it more important for you to focus on your customers or your employees, your staff?

Jason: I think you got to have -- Well, both. But if your employees aren't happy, it reflects in the product. [Unclear 00:38:21]. It's going to make a lot of noise. Sorry.

If your employees aren't happy, and aren't well taken care of, don't respect you, and you don't respect them, and all that kind of stuff, nothing else matters because customers will not be happy in that scenario. That angst will filter to the product, the product won't be good, the service won't be good. I think you got to start with your employees and start with your own team because you produce things that your customers consume.

If you're making bad food, they're not going to eat. If your kitchen is dirty, no one's going to want your food. I feel that's the same way about a company. You got to care about customers absolutely but you got to get your house in order first in order to care for them. I don't believe that you can care about customers if your own team is in shambles and you don't respect people and they don't respect you.

Andy: In 2005, four or five people on a team, most of your energy was going towards product and customer support. Where is your energy now? You have 30 some people?

Jason: Forty. We just hit 40 people.

Andy: Forty people. Wow! How has that shifted? Where's your --

Jason: It's different. We have discussions all the time about size, and we're very careful about hiring, and we're still -- we hit 40 which is still incredibly small. We have 11 developers, we have five designers. These developers and designers, we have ten people in our support team, we're able to accomplish a ton of stuff with a relatively small team. We're really proud of that.

But we bump into do we need more people; we want to do more things. Right now, all of our support is done via email, what if we want to do phone support and what if we want to be 24/7. We're not 24/7 right now. It's going to take more people and that's going to increase the company size. What's that going to do with the culture? You have to weigh all these things.

Andy: Yeah.

Jason: A lot of my time is spent on business stuff thinking about these things, thinking about new ideas, trying to push the company, trying to push everybody, challenging everybody to push harder in terms of their own creativity and their own ideas. Not to work longer but to just think more about what they're doing. Increase our quality, keep that really high.

Right now, I'm working on some new stuff, some new ideas that we're going to be doing in 2014 which is really exciting because you'll see there's some cool stuff happening in 2014. It's really fun to work on that.

I still love product stuff, I still love big picture thinking stuff, I still love talking to individual people and helping them, and trying to push them, and ask questions with them, and help them solve the problems on their own or jump

in if I need to, things like that. So it's sort of all over the place, but that's my role and I like it, I enjoy it.

Andy: Cool. Why do you think you and David make great partners?

Jason: I think we have a lot of things in common in terms of the way we see business. We both believe in keeping things as small as we can, we both believe in focusing on one thing at a time, we both believe on building sustainable business and profits, over spending and all that stuff. We both believe in taking care of people well, all those core things. We see that world the same way. But then we also have very different opinions about a variety of other things. It's very good because I think it creates a really good balance.

Sometimes I'm more -- pushing for more creative solutions and he's pushing back on that sometimes. Other times he's pushing forward and I'm pushing back. There's a lot of that back and forth, but we have enough share to overlap in the middle in terms of our outlook on things and our core beliefs that it's a really good situation.

I think it's good if you have a partner in a business to have different view points, but it's also important to have a solid, stable base somewhere in the middle that you can always depend on. That you can always go back to, that will keep you grounded. Because if you're always disagreeing all the time, that's not a very comfortable place to be.

So David and I disagree a lot, but we also agree a lot. That's a good set up.

Andy: You just got married. Congrats on that.

Jason: Thank you.

Andy: Do you see similarities on that? Like overlaps with your business partnership and your relationship?

Jason: Yeah, I guess in some ways.

It's very different, though. Technically, I've been -- Well, I've only been married for a couple months and I've been in business with David for ten years. So David and I have a much longer track record.

I think any sort of thing you get involved with someone else in a dedicated way requires a lot of respect, it requires a lot of common ground, but I also think it's healthy to have different points of view because you want different people and you want to see things from different perspectives and different ways and I think that that's really viable. I think that there probably are a lot of similarities.

I think one of the key things too -- Actually, this is going back to an earlier question of yours which is if you're going to go into business with somebody

else, you kind of need to date them first in a business sense, right? You need to -- I see a lot of people who are just looking for co-founders. They've never worked with this other person, they don't know the person very well, they're just looking for a technical co-founder or a designer co-founder. If they find one they go into business with them. That's like just marrying someone you've never met.

Andy: Which is dangerous.

Jason: Yeah.

David and I worked together for a few years. First, I hired David as a contractor. He was still in college at the time. He gave me ten hours a week of his time, then more time. Then we hired him as an employee, then he became a partner in the business. We worked together a lot and done a lot of things together prior to me making him a partner in the business. I think that that's really important.

It's similar to marrying someone. You got to get to know them first. You can get married in a week if you want, but I think it's probably better to give it some time and make sure you iron out certain differences, and they see what your commonalities are, that sort of thing. [Unclear 00:44:36] similar in that way.

Andy: Yeah. It's cool because you get to experience fighting together.

Jason: Yeah.

Andy: I think that's honestly where a lot of the rich innocent partnership comes from is through the fighting and learning to do that in a really healthy way.

Jason: I think so too. I would agree.

Andy: You guys just did a complete redesign of Basecamp, an overhaul, where you started totally --

Jason: Two years ago.

Andy: Was it two years ago?

Jason: Two years ago.

Andy: Holy cow!

Jason: Almost two years ago. It will be two years ago in March.

Andy: Man, time flies.

Jason: We did a whole thing. Well anyway, sorry. What was your question [unclear 00:45:10]?

Andy: What inspired that? Was it innovator's dilemma type stuff where you guys are going, you've got a great product. It's working. Why redesign from ground up?

Jason: I was personally not happy with the way Basecamp was anymore. I felt like it had gotten as far as it could go in its current form. There's some fundamental changes that I wanted to make to it that was sort of possible by modifying the existing code base. There's a time in every software product's life when there's a little bit too much legacy that you can't make the changes you want to make. It's either stick with what you have or you do something new.

We've decided to do both which was that anybody who liked Basecamp Classic -- which is what we call it now which is the original Basecamp -- can continue to use Basecamp Classic until the end of time. We don't shut Basecamp Classic down, we never shut it down. You can keep using it, you can keep paying for it, you can keep doing it. We'll never push you to upgrade, anything like that.

What we did was then we launched a new version of Basecamp which is now called Basecamp. Classic is the original and Basecamp is the new one. It's entirely new version. You can pull your projects over from the old one if you want or you can start fresh. We don't sell the old one anymore. But if you have it you can keep using it forever. That's a core thing that we've decided to commit to which is supporting those customers until the end of time. They loved Basecamp the way it was, keep using it. I don't want to pressure them to ever switch.

So that's what we've done and the new Basecamp has been hugely successful for us and it was a long term one-year project. It was something we said we would never do which is a complete rewrite which is usually the worst thing to do in software; unless it's a new product. What's bad is to rewrite something from scratch like in a new language just to switch languages but match the old functionality. But if you're going to bring new ideas to the table and have a new interface, new ideas, new functionally, then we think it makes sense and it did. I hope to do that every few years.

I hope to constantly redefine Basecamp and hope to make it better and better overtime. Because at a certain point, even today's Basecamp which is very modern, very fast, excellent, top of its game, will not be in a few years just because of the nature of software, the nature of the movement of the market, and all these things. I want to continue to reinvent it and make it better all the time.

Andy: You recently handed over the reins to Basecamp. How did that feel and what inspired that?

Jason: Basecamp is now primarily run by a guy named Jason Zimdars who lives in Oklahoma City. He's one of our designers who sort of leveled up to product

manager/designer. Still does design on the product but he's sort of in charge of writing projects now on it. Jason had really stepped up a lot over the past year. He had really taken on a variety of projects on his own, he'd run them to completion, he gotten them done really well, he's super detail-oriented. He's a solid guy you can trust. He makes good decisions.

I was looking at exploring some other ideas in the company and spending some more time with some other things and I couldn't give my attention fully to Basecamp. Basecamp deserves our full attention because it's our number one product and it's loved by millions of people around the world. Tens of thousands of businesses depend on it every single day and it needs to have someone dedicated to thinking about it all the time and making it better all the time. That wasn't me anymore.

Jason was the natural person for it. He's risen to the challenge and is really kicking ass on it and doing a great job. The product's gotten a lot better under his guidance over the past few months. There's some more stuff coming out for it shortly which is great.

It was kind of a hard decision but also not really because I had a lot of confidence in him. It's the right thing to do. I'm really pleased with it and he's really pleased with it. It's a good learning experience for him. I think everyone's better off.

Andy: Beautiful.

Jason: Yeah.

Andy: In the last couple of years, it seems like you really spent more time helping other entrepreneurs run their companies, start their companies with the release of Rework, with the release of Remote, writing more articles. What's inspired that? Do you see yourself doing more of that with this extra free time or this extra space in your life?

Jason: I have free time but not business free time. I enjoy giving back and sharing what I've learned because I think it's valuable. I've gone through some stuff and if I can help someone else not have to go through those things or encourage them to go through those things and learn for themselves or whatever it is, I'm all for that. It's very much like we open source a lot of software here at 37Signals; from Ruby on Rails, to writing structure projects, to web servers, to some things that we've built.

For me, writing is a way to open source my ideas, kind of. When you write an article, it's out there now. It's in the public domain essentially. Anyone can use it and think about it. They can build upon it, they could take an idea in it and make it better, whatever. I'm not a programmer, so I don't really open source stuff but I try to open source my ideas through writing and I enjoy and I love writing. I really love the challenge of writing and editing and all that

stuff. So for me it's great exercise as well as it is a great way to give back and share, I think.

Also, like I said, we don't really do traditional marketing but for us writing is probably our best marketing. The more we can share our ideas and our thoughts, the more people pay attention to us and indirectly they find our products. I think it's very valuable that way.

Andy: Beautiful. Anything else before we wrap up? Any final thoughts?

Jason: No, I'm very excited for 2014. You'd see cool stuff happening. I suck at keeping secrets so I'm going to shut up because I would [unclear 00:51:08] something. But there's stuff happening in 2014, I'm looking forward to it, it's going to be a fun year for us.

Andy: Can you hint anything?

Jason: No. I'm not going to hint on anything. It's only a few months away, 2014. People will know about it soon enough.

Andy: Can we talk real quickly about the product for managing your team that you guys talked about?

Jason: Oh, Know Your Company.

Andy: Know Your Company. How is that going?

Jason: Great. Know Your Company is doing exceptionally well. It's something we launched five months ago. It was just sort of an idea that I had. I found myself being unable to keep in touch with everybody at the company and really know what was on their minds as well as I used to. When we were smaller, it was a lot easier. When we got to 30 and 40 people, it was a lot harder. We built a tool to make that a lot easier and for me to learn new things every week about how people feel, about how we're doing as a company, quality of our products, leadership, the competition, things people want that we don't provide, whatever. It's been doing great. We turned it into a product.

The really unique model for us which is that it's not self-service, we actually have to sell it to you. You have to contact us. You have to give you a 30-minute demo of it; personal demo. If you want to buy it, we're happy to sell it to you. But it's \$100 per employee one time. So it's not a recurring thing but it's a bunch of money upfront; minimum of \$2500 upfront, big deal. So far, in five months, it's generated over \$300,000 in sales. About 90 different customers are on it now and about 3,300, 3,400 employees are using it at these companies so it's been a huge success.

Andy: Why do you price it that way?

Jason: Because to me feedback or learning things from your employees should be seen more as an investment in an employee, not as an ongoing expense. I don't want feedback to be an ongoing expense. I want you to invest in your employee. For me, the idea of charging \$100 per employee one time is like saying, "I'm going to invest \$100 in an employee once. And for as long as they work for me, I will get to learn things about them. From them, I'll get to hear from them." To me that just makes more sense.

Also, it means there's a lot more money to spend upfront so we're basically taking companies that are between 20 and 80 employees. So minimum it's \$2000, \$2500 which means that if you're going to spend that kind of money upfront, you're committed ...

Andy: ... to implement it.

Jason: Yeah.

If you spend \$20 a month, you're just going to blow it off. It's just going to happen. But if you put \$2,000 on the table, or \$3,000, or \$8,000, or \$9,000 on the table, you're going to make sure it's going to work, and you're going to implement it, you're going to give your fair shake. I think that signals a lot to customers that it's worth exploring or infusing and it has been. So far, it's been really, really great. I hope it continues to do well.

Andy: Beautiful.

Jason: It's a side project. I mean it's not our primary focus by any means but it's a really cool product.

Andy: It's cool. I love how you're constantly solving your problems that you experience.

Jason: We're trying to, yeah.

Andy: That's awesome.

Jason, thanks for coming on today.

Jason: Yeah, it's fun. Thanks for having me on. I hope I answered all the questions thoroughly.

Andy: You did. Thanks, man.

Jason: Cool, man. You bet. Take care.

Andy: Yeah, you too.

Closing: Thank you for joining us. We've taken this interview and created a custom action guide so you know exactly what action steps to take to grow your

business. Just head over to [thefoundationpodcast.com](http://thefoundationpodcast.com) to download it for free. Thanks for listening and we'll see you next week.