Annaka:
Hey everyone, and welcome to Startup Savants. I'm Annaka.

Ethan:
And I'm Ethan.

Annaka:
If you're a returning listener, welcome back. And if you're new, this podcast is about the stories behind startups, the founders who run them and the problems they're solving. This episode we're joined by Andrew Hoag, founder and CEO of Teampay.

Ethan:
Okay so this guy's resume is seriously impressive. Andrew is a multiple time founder, he's raised over $21 million dollars for Teampay so far, and his first job out of college was at freaking NASA.

Annaka:
Yeah, when I was researching for this interview I got really excited because Teampay has essentially efficiency-hacked purchasing and managing company money. We also talked about an old school management philosophy focused on employee autonomy, purpose, and mastery. Andrew is a wealth of knowledge with a ton of experience under his belt, there is a lot to take away from this conversation so let's get into it.

Hey Andrew, welcome to the show. How are you doing today?

Andrew:
I'm doing great. Thanks. It's nice to meet you.

Annaka:
Nice to meet you as well.

Ethan:
All right. Let's jump in. Tell us how you started Teampay and what is the mission of Teampay?

Andrew:
Yeah, so those are kind of related. Teampay really came about around solving my own problem. And a little of it was pattern recognition where I'd been an operator founder executive before, and I always had teams that needed to buy things, to do their job. And I realized in today's world, every single employee is part of the procurement team. And that's very different than when I started my career. Early on in my career, if I went out as an individual employee and bought something to use at work, I would be fired, right? Everything was handed to me by the C-Suite or the IT department.

And yet that whole model has flipped on its head. And so I saw this opportunity pattern matching really tools that I had in other parts of the business. Whether it's controlling your source code with tools like GitHub, controlling your cloud storage with tools like Box or Dropbox, controlling access to software with single sign-on tools. And I just realized really quickly, there's no tool that controls money within a company. And it's the only thing that a business can control. And so it started with scratching my own itch. I built a very simple version of the product, which is still very core to our flywheel and the mission for that was really to give finance the same quality of tools that other departments have. And when you think about it, most tools that finance are using today have been built over 15 years ago, right? Expense tools, procurement tools, travel tools, logging into an ERP to create a purchase order.

This is software that's been around since practically the early 2000's. And there's an opportunity here just to bring a first class consumer grade experience to the finance team. We believe money is important. We believe it's the lifeblood of companies. It's the system of all of the blood that flows through a company and controlling that is really important. So, Teampay's mission is to help companies be smarter about how they're spending, give them more control and better visibility without slowing the business down in a modern environment.

Annaka:
I will say, as we were learning about Teampay, I got really excited about it so we are going to talk more about it later, which I'm stoked for. But going back to your professional history personally, can you tell us how you went from working at NASA to launching several startups?

Andrew:
Yeah, I think I got to startups a little bit later in my career after spending some time in government and corporate. I think I've always had a bit of an entrepreneurial itch. Ever since I was younger, I was mowing lawns. I had all kinds of jobs, really independent jobs, sold software for a while back in the day when modems and other types of AOL was around and things like that. So always been interested in creating and making things from scratch. I probably played with too many Legos as a kid. And I think shifting out of that corporate world, I just got into a situation where my entire job is creation and I get really excited about making things in this world. I get really excited about creating products, teams and companies and businesses. And that's what I'm passionate about, that zero to one moment.

Annaka:
Excellent. And so now we get to go back into Teampay. You talked about modernizing the finance problem, making accounting and purchasing a little bit easier and more integrated. How exactly does the platform do that?

Andrew:
Yeah. What we realized is a lot of companies have a communication problem between the finance team, which has all the numbers, all the information, all the policies and the employees at the edges. And so Teampay is really a software product that sits in the middle and brings those two parties together. So we help employees understand where they should buy

something, how they should pay for it and what process they need to go through to get it done. And so, that helps solve the employee side of it, as opposed to reading something on a Wiki when you make a purchase twice a year. That's really important. And then on the finance side of it, we allow them to set the rules of the road up front, put their policies in place, and then the software acts as the middleman and actually intermediates between the two parties.

I think I developed a lot of empathy for our customers and the finance teams. One of the tragic things for finance teams is the only time most employees would interact with their finance team is when they did something wrong. You didn't fill out the form, you didn't code it correctly. You didn't fill out the receipt, you didn't go to this place. And that's just a really terrible experience. And so we flipped that model on its head where finance teams now are able to empower their employees to make better decisions, which frankly is what most employees want. Autonomy, mastery and purpose.

Annaka:
Yeah.

Andrew:
And Teampay is the software vehicle through which they can do that.

Ethan:
All right. Let's go back to the very beginning of Teampay and talk about how you all acquired your first hundred customers.

Andrew:
Yeah. I'm chuckling, because that was it's what gets you there doesn't get you to here kind of thing. Right? The first probably 10 customers, it was probably a combination of a little bit of our network. Reaching out to folks. What was interesting for me in the beginning, and I think this is a lesson to founders, is that I got a lot of negative signals from my immediate network. And part of the problem was, and we realized where we sit with our market segmentation, I was asking my friends and your friends are always supportive. They're like, "Yes, we're excited about what you're building and we want to try it out." But most of my friends were also doing early stage or seed stage startups. And so they would get the product and then they would never use it.

And of course I couldn't charge them because I felt bad charging my friends and they were excited about it, so I'd give them a free deal. And so I learned that actually that was not our target audience. Right? And I think in some cases probably if I hadn't had some of the earlier experiences, I would've changed the product, but instead I changed the market. And so I went through my investors network and I tried to get to companies that were a little bit larger than my immediate circle of friends and my immediate first degree connections. And we got to second degree connections and then you feel a little bit better about like, "Hey, you need to pay me for this." Right? Every founder's embarrassed to charge for their product when they launch it. At least I was, and most are. And just asking someone for money solves a huge problem.

It sets up a bunch of expectations, but it was those second degree connections where we actually started to see engagement with the product because they were bigger than the companies that I immediately had access to and we were charging them. And so, that's really how we got to the first 10 and then really this journey from 10 to a hundred was me starting to build repetition. We had outbound marketing efforts and emails that we were sending. I was still doing most of the demos in sales. And then probably halfway along that journey, we hired a professional seller. So, I got out of selling pretty quickly.

Within a year and a half, probably even a year. Within a year of launching the product I stopped selling. And the benefit of that is that our prices went up because now the seller was getting compensated on the revenue. And so we saw a big increase in prices and that seller was doing their own outreach and we had marketing campaigns and inbound and a bunch of other things running at that point. Yeah. That was the journey from zero to 10 and then from 10 to a hundred.

Ethan:
So, let's talk about that early outbound. You said that you were either on the sales team or you were the sales team for that first little while. What did you find in those messages that worked and what did you find that absolutely did not work?

Andrew:
Yeah, this is dating me now. It's going back almost five years. I think we did a lot of iteration on that. Definitely early on people are looking for references and social proof. So that's where the second and third degree connections were really helpful. One of the things I would always do is if I reached out to someone, if they weren't the right person, I would ask them for a referral to someone who is the right person. So you never leave without trying to get something out of that conversation. We tested on subject lines, we tested on the copy, we were testing the messaging. And a lot of times it was this incremental process, which I found really useful where you were able to take a call or a demo that you had with one customer, take the quotes and the information from that and use that to introduce to the next customer. So we started using the customer's language in subsequent emails and refining that, and that was a really helpful part of the process.

Ethan:
So it's just basically iterating, finding what worked, testing. Are you talking AB testing or was there a different method of testing that you used?

Andrew:
AB testing loosely. I wasn't sure it was always scientific. We were doing this three of us in a shared workspace. So a lot of it was, I'm going to run a bunch of emails like this and I'm going to run a bunch of emails like that and I'm going to compare the results. At that small scale, you're not able to run truly scientific tests and you spend a bunch of time trying to set that up. It doesn't really matter. It's just volume, velocity, and feedback loops. I think the feedback loop is the most important part, which I was alluding to.

Ethan:
I call that bro science. All right. Onward. When did you know that it was time to hire an actual salesperson or a sales team to take this role out of your hands?

Andrew:
Yeah. Part of it was just my own scalability, things that I wanted to do elsewhere in the business. And part of it was finding out and really working through that exercise of training someone else to sell the product. And so I think that's really important, that first sales hire. And again, my approach was to do it early, probably earlier than we needed to so that we could start to view and see some scalability. It's very hard. I think. I don't know that goalposts are always moving, but at that time it was hard to raise a series A if you still had the founders involved in the selling. So you wanted to have the ability to show a scalable sales team. And we had started that process pretty early on and I think we did that both on a bandwidth perspective and then also just another way to test how can we market the product and can we actually get other people to get leverage to sell this product, which is a key part of scaling a business. If you're the only one to sell it, you're not going to scale.

Annaka:
Yeah. You need some investment, not only from investors, but from employees as well. And to keep going on the building your team strain here, you have what appears to be a very thoughtfully crafted company culture. I've mentioned this in other interviews, but I love to go on job postings to get a feel and y'all offer pet insurance, which I was like, "A-plus gold star right there." But you also, we saw a headline about flying. Yes, there. I saw the dog jump on the couch and shouted, "Puppy." So please Matt actually cut that out, me being a nerd. But we also saw a headline where you flew all of your employees to Mexico for a week. Why is creating that culture so important to you?

Andrew:
Yeah, that's a really good question. So it goes back to my first startup. We were a smaller team. There were probably at most seven of us at one point. So not very big, right? Each person's 12% of the culture, 14% of the culture. And I was out fundraising and meant I spent a lot of time in meetings, a lot of times out of the office and I would come back and I realized that I was an outsider to my team, even at that small size. And it wasn't bad and fortunately I'd hired great people and we're still really good friends with everyone. But there was this moment of like, "Oh, if we're not explicit about the culture, the culture will form itself." And when we went through, I was able to bring some of those early experiences in prior startups to building this company.

And I knew that every time you raise money, every time you grow the team, you go through this step function where a bunch of things break and you want to be intentional and explicit. So we have five core values that we posted on our website. We talk about those values, if not every day, at least multiple times a week. And we set those values when we were, I think, four or five people in the room. And the reason we did that was because every person we added was double digit percentage of the culture. And so there was this very explicit conversation I had of like, "Okay, who are the people that we want to work with?" We did this collaboratively, right? It wasn't just who I want to work with because at this point I don't even own the culture anymore. So, who are the people that we want to work with that will make it fun to work here?

What are the types of people that we want to work with? And then the exercise that I think a lot of people do not do is what are the anti types? For every good person, there's another good person with just different characteristics. And so, to give you a concrete example, we're in the business of taking care of people's finances. That is not a situation where you want to move fast and break things. You can't really roll back losing someone's money. So there's a certain discipline that we wanted to have, which is ready, aim, fire. And there are plenty of cultures that are ready, fire, aim. And those work as well, those are fine, right? They're just for different types of businesses. And so we decided really early in our trajectory to be intentional about the type of people that we want to work with, to be explicit about how we interview those people and to support and nurture that as we've continued to scale and grow. And I think when we're interviewing candidates, the best thing we can do to convince a candidate to work at Teampay is have them meet the people.

Annaka:
That's a really great strategy, because I think all of us have had that experience where you start somewhere and you're like, "Oh no, I have made a mistake. This is not where I want to be." As you scale, as you grow, how do you maintain that culture? Are you just real intent on hiring the right people still? Or are there certain things you can put in place?

Andrew:
Yeah, I think it goes back to the three things that I mentioned earlier. If I were to put that longitudinally, it's making sure that you're screening for it as people come in the door, you're training them and educating as they get integrated in the environment and then you're nurturing and supporting them across the entire company once they're inside. And so it's explicit check-ins, we have a weekly ritual that we call values heroes, so people that are representing our values, grit, impact, self-discipline. I always forget one, but there's five of them.

Annaka:
Yeah.

Andrew:
It always comes back to me and representing those five values is really important and teamwork was the next one. And there's still one more that I will remember at some point. And so all of that is supported once they're in the door. And I think, that's where even as you scale, if you've infused everyone who's there, it actually almost works like an immune system. And early in my career, I've been on the other side of that. I've been rejected by company's immune systems, right? I didn't fit with the culture and they had a different culture than I wanted to work in. And you realize that the organism, which is the organization, actually rejects people that don't fit. And I think that's a healthy part of it. So you want to make sure that every cell in that organism is inoculated with your culture.

Annaka:
Yeah. Love that, how you put that. And just to clarify, your team is remote, is that right?

Andrew:
We're hybrid. So, we have a headquarters in New York. We rotate the functional departments through headquarters about once a quarter. And I think we're 40%, tri-state area, 60% remote at this point. We were 90% local before the pandemic. And as we've hired and scaled, we've hired more outside of New York than inside of New York. And I think in-person intense collaboration is important. It's helpful for relational communication. It's helpful for creativity, brainstorming other types of exercises. And then all the teams need to put their heads down and do the work. And a lot of us have now adapted to do that in a remote environment. We feel like the best of both worlds is really important, but we do believe in bringing people together on a regular basis in both structured and unstructured ways.

Annaka:
Yeah. And it sounds like the culture that you've created works for both those that are remote, majority remote, and the people that are in the office. They're not mutually exclusive. You have a good culture in the office and it's crap when you're remote.

Ethan:
Right.

Annaka:
It really goes both ways.

Andrew:
Yeah. Yeah. And that takes a lot of work and I would never say that we've got it all figured out, but I think overall we found a happy balance.

Ethan:
So in talking about teams, you mentioned that team members were looking for three things earlier, autonomy, purpose and mastery. Can you tell us more about that?

Andrew:
Yeah. I've heard that so long I forget who actually talked about that, but it's an old management philosophy, similar to another framing I use is Simon Sinek's The Power Of Why. But I think autonomy is when people want to feel empowered. They want to feel like they're trusted and they want to feel like they have some agency over their own decisions. Mastery: Am I competent? Do I feel like I'm competent? And am I getting feedback that I'm actually being successful and competent in what I'm doing? And purpose, which is the mission. And can I actually be driven by what I'm doing? Am I just punching a clock and stamping rivets into a model T or am I actually doing something that I believe in and that is mission aligned? And I think that those three things, when they come together, they're magical and employees in

general, humans in general need those three things to really feel like they're at the top of their Maslow's hierarchy for their career.

Ethan:
So, you mentioned the mission of the company and this comes back to values that you mentioned earlier. I know there was grit, impact, self discipline, teamwork, and shall not be named. Okay. There was a recent episode of the Tim Ferris show where he had on Zuckerberg.

Andrew:
Curiosity is the last one.

Ethan:
Curiosity.

Andrew:
I had to complete it. It was driving me insane.

Ethan:
Hey, I'm glad.

Andrew:
It's just, I always get four out of five. It doesn't matter. It's never the same four.

Ethan:
Right.

Andrew:
Yes. My brain has a very small, small limit on lists.

Ethan:
This was an episode of the Tim Ferris podcast with Mark Zuckerberg. And actually you put out one of his earlier values already. You said, move fast and break things. And that's not right for your company. And you know what he said in this podcast, it's technically no longer correct for Meta, Facebook, whatever you want to call it. But something else that he said that stuck out to me is that values are only valuable if they are at least somewhat disagreeable. Do you have any thoughts on that?

Andrew:
Yeah. That absolutely goes back to where we talk about values in interviewing, we think about the anti pattern, right? And so an anti-pattern of someone who's not curious is someone who's ... It could be a PhD, but they went through and they learned what was in the textbook. And they're really good at learning what's in the textbook, right? Obviously at that level, you're probably doing some original research to get through it, but education level does not equal curiosity for me. I actually look for hobbies. I look for evidence of what you do outside of work.

One of our first developers was at a charter school working in the back office and he made games, his own games. He made board games in his spare time. That's an insane amount of curiosity. Right? And so, for all of our values, we have the anti pattern of those values.

And we think about what the opposite is. So I a hundred percent agree with Zuckerberg that I'm not sure they have to be controversial necessarily, but I think that there could be a set of people that would disagree or look at those differently, at least. Everybody talks about teamwork, so that's another one that's universal. We don't actually interview for teamwork. We interview for empathy. And we interview for your ability to put yourself in someone else's shoes, because we believe that empathy leads to better teamwork. Now there are other types of companies, including some very, very large famous ones that I'm sure we've seen the docu-series on, where maybe empathy wasn't that's primary value.

Ethan:
Sure.

Andrew:
And it was more aggressive or it was more about growth or it was more about hustle or ambition. Right? And I think that's where you do have some disagreeability of how we think about these.

Ethan:
So let's talk a little bit about funding as a founder. You've been through the funding game, you've founded several companies. Plus you've got a little bit of insight into the startup funding world on the other side, as you sometimes moonlight as an angel investor. So with all this industry know-how, tell us about how you made the decision to fund Teampay with venture specifically instead of using any other options.

Andrew:
Yeah. Oh, that's a fantastic question. So, I could tell you a little bit of a story about my time in between. So I started a small company in 2008, right before Lehman Brothers crashed and right before the global financial crisis, not a great time to be starting a startup. And that was really my first experience being the sole founder CEO. I'd been on a founding cap table now five times, but that company was truly like my own. And I learned a lot of lessons through that. I was not particularly well suited or good at fundraising at that point probably had a thousand, 2000 no's if I look over my career. At some point you just remember the yeses in some sense. And after that experience, I sold the company in 2012, it was a small exit, but still was able to send investors some money.

And it was nice to pay off my debt and my parents and my credit cards and some things like that, which was really great to get through that. And actually I came out of that saying, "I'm never going to do a venture backed startup again. I'm never going to be a CEO again, never going to take other people's money. Never, never, never." And yet three years later here I was.

Ethan:
Here we are.

Andrew:
And I think part of that really was driven by the size of the opportunity. And this was something where I spent over six months, and happy to go into more details about those six months, wandering in the woods. But I spent over six months really [inaudible 00:33:05] in the market and the opportunity. And if I believe that this is what I wanted to spend the next seven to 10 years of my life doing.

And fortunately I came out of that with a very positive yes, but it wasn't clear. And really for me, the decision to take venture funding was there's always a little bit of ego that comes into play, but I think it was more around, I would feel disappointed if I was not able to realize the full vision of this opportunity. So by looking at $28, $29 trillion dollars of money that is spent by businesses in the US where nobody actually controls it, the size of that market, 600,000 companies between 200 to 2000 employees in the US. And penetrating that market at scale creates a massive, massive business and to materialize and to actually harvest that scale venture funding seemed like the best path for us to do that. There was another path which is build something that's a little smaller, build something that grows a little slower, build something that takes the revenue in and is able to reinvest that in the business.

But I felt like the opportunity was so large and obvious that I needed venture funding to do it. Now, keep in mind when I started the company, everybody thought we were crazy. We are the only ones trying to serve business spending. There's probably a few other companies that you've heard about that now call themselves spend management. Those were all started about two years after we started digging into the opportunity and thank goodness that we'd raised venture and we were growing fast. So we were able to find our segment and move into that market because I would be worried that the venture dollars that subsequently flew into our market in FinTech potentially could have drowned us out if we'd been bootstrapped.

And so it was really an assessment of the TAM and how we wanted to access that TAM and what we felt like the terminal value the business could be that allowed me to choose to take the venture path. But I always counsel founders that is not the first and obvious path nor do I think it should be. I don't think the default should be venture funding. It should be the fallback or the last option because it does come with a certain set of costs.

Ethan:
Real quick. Can you define TAM?

Andrew:
Yeah. Total addressable market.

Annaka:
I was wrong.

Andrew:
How big is the market you're going after? And you look at that from a top down perspective, in terms of $29 trillion dollars spent B2B spend, how many businesses there are. And then you look at that from a bottom up perspective. And if I have 10,000 businesses paying me a hundred dollars a month, you know I've got a million dollar a month, $12 million a year business, those kinds of things.

Ethan:
So we've now heard from several different founders that you've got to be a very specific business. And it sounds like here you've got to have a very specific opportunity to go for venture, as opposed to using angel investors or even bootstrapping. Let's talk a little bit about folks that are in the earlier stages of their entrepreneurial careers. They've got an idea. They have done a little bit of work. We don't necessarily know what kind of business this is, but what is ... You're probably the best person to ask. You've raised money. You've again been on the other side. You've given that money. What's your number one piece of advice for startup founders who are seeking funding?

Andrew:
Show that you have customers who are paying you for it and you can build a scalable business. There's a lot of ... That's where I was going, right? I think there's a lot of requirements to seek funding, not all of what you need to have a successful business. So the subset of requirements to make a successful business is smaller than the subset of requirements you need to get venture funding. And I don't think people really understand that running a good business is actually a subset of what you need to go get venture dollars.

Ethan:
So we talked about this on the show last week, but I want to ask you and just get your opinion on it. Since again, you've got the insight from both sides, are we moving away from a growth at all costs type of funding scheme? Are we moving towards more sustainable profit driven businesses? And if we are, is this something that's going to last a long time or is it just a blip since we're in a market downturn?

Andrew:
I have maybe the benefit or just been doing this long enough that I've seen both sides of that. I don't think it's a bullet, but I don't think it's a long time. I think it's a pendulum and this pendulum has swung back and forth in my career, probably four or five times. Starting with the .com. '99, growth at all costs. Right? Absolutely there, you got $60 million in revenue and a hundred million of losses, take that company public.

Ethan:
Oh yeah.

Andrew:

And that was the .com. Right? And then it swung to the other side and then swung back again and then swung to the other side in the financial crisis. And then we've been in this bull run for a while and it's swung really far to the other side. I think it's going to swing and then it'll swing back.

So I think at the end of the day, the only thing as an entrepreneur that you really can control and focus on is your own execution and continuing to move the business forward with the long term belief that you're building a good business. So I think the one caveat I would say is that I never really was a buyer into the growth at all costs piece. Every era of the pendulum swinging has their examples of if you build it, they will come. And most of them have examples of they never came.

And so I think that is something that always plays at the back of my head even in down times, good companies continue to make progress on the things they need to make, and they don't lose sight of what's important, which is delivering cash flows to investors. If you have investors, your job is to deliver them cash flows. People just forget about that. And the cash flows have to come after you spend all your money. At the end of the day, that's the fundamental principle business. And if you focus on delivering a cash flow to investors, all the other stuff is just noise.

Annaka:
All right. And speaking of pendulums, we're going to swing back in a different direction, which is my favorite direction to talk about, and I swear I need a little sound for this user experience. So you built this prototype yourself, which I got excited about, like usual. Can you walk us through the UX UI decisions that you made?

Andrew:
Yeah. Well, you're only excited about it because you didn't see it. It was pretty ugly. Yeah. So it's interesting. One of our core company values is empathy, right? And I think empathy leads to really good product decisions as well. As an aside, I shared with my team today, I was hopping onto a Zoom call and in the Zoom settings, there is a toggle switch. And the label for the toggle switch is turn off video and then it's blue or gray. If it's blue, does that mean the video's off or is it blue that mean the video's on and the off is the gray? It's confusing.

Annaka:
Yeah.

Andrew:
One of the core principles that I really wanted to focus on with Teampay, and I think we've done very successfully because it is the thing our employees, users, talk about the most, is I just want to be able to walk up to this thing and know how to use it.

And we started with the chat bot and we now have a chatbot live on Microsoft Teams, as well as Slack. We have a mobile app, we have a web interface, we have a couple other projects that we're working on as well. And our philosophy is to bring the interface out to the user. And let's face it, part of what we are solving is that in most of these systems, somebody has to go read a Wiki page to figure out how to use it. And we didn't want that. We want to be able to walk up and know how to use it the same way a two year old can pick up an iPad. They're certainly not walking into the DMV and figuring out how to change their title. You know how to use an iPad.

Annaka:
Yes.

Andrew:
And so taking that principle of approachability and empathy for the user out into the interface, making it accessible without training, giving people nudges and guidance is really, really important to me. It's the affordances. And I studied a lot of product design earlier in my career and bringing all of that to bear and how we think through the product experience for our end customers.

Annaka:
Yeah. The toggle button, I had a similar back and forth on radio buttons. And it's like, "Okay, just pretend that you have poor mobility and you're on a tiny little iPhone. Now press that tiny little radio button," and their eyes got big.

Andrew:
Yeah.

Annaka:
And I was like, "That's it. You just got a crash course and user experience and how you actually use that." Excellent. I love stories like that. And so, you integrated in with Slack and Teams, what was that process like? Because they have a whole setup that they're communication software. How did that work, integrating into them?

Andrew:
Yeah, so that was an early design decision that we made and I think that's what partly made the product interesting and novel. And it seems creative in hindsight, but for me it was very literal because people ... I was mimicking the conversation you would have with your boss. "Hey, I need to buy this thing." "Great. What is it?" "Oh, it's this code quality tool that I need to sign up for." "Okay. How much does it cost?" "$29 dollars." "Are you paying it monthly? Yearly? How many times is it recurring? Not recurring?"

And you go through all of that and that's really what we built. So we're actually tricking the user to filling out a form, but there's a person just asking them a question like an interview on a podcast to get the content that you need in order to make that request.

And so that was a very deliberate design decision. And I think something that was really exciting and there was this era where chatbots were going to take over the world. And I think people realized that interacting with the chatbot has some issues. And I think because the way we built ours, we're one of the ones that's still very heavily used and successful. And people love that interface. And we've filed patents around it and we've received awards and accolades around it and been featured. And I think it's just something that creates this personal part to a product where you could imagine the old world is literally filling out a form and you're going to the DMV.

Annaka:
Yeah. Well, and it streamlines that whole process as well. It's probably incredibly time efficient to not walk into someone's office and knock on the door and, "Hey, you got 30 seconds?" And then someone forgets to ask a question or clarify like, "Oh yeah, this is a thousand dollars monthly versus annually." Or that changes the game.

Andrew:
Yeah. Did you put the cover on the TPS report? Right?

Annaka:
Right. Exactly. I'm like flashing back to filling out the three page purchase orders. All right and this copy's yours. I'm like, "Oh my God."

Ethan:
How much longer do Office Space references get to go?

Annaka:
Forever.

Ethan:
I get it. But I'm an old guy.

Annaka:
Forever.

Andrew:
I think that movie needs to recycle. Maybe someone could do a remote work version of it. That would be interesting. Do a remote work version of Office Space, Office Space Two.

Annaka:
That would be amazing.

Andrew:
Right here. We heard it right here.

Annaka:
Yeah.

Andrew:

And whoever does that, we need a credit. We need a screen credit.

Ethan:
Absolutely.

Annaka: (45:38)
Yeah. But I would also like to say to anyone, listening, you have a personal responsibility to pass Office Space onto future generations. This is like a Christmas story. We all watch it on July 1st every year.

Andrew:
We transition to The Office. So that's probably a pretty common reference in Teampay as well. Most of our demos are with characters from The Office.

Annaka:
Yes, exactly. All right. Let me drag it back onto task here. Have you encountered any roadblocks with adoption of this technology? With clients and customers, are they experiencing anything that's like, "Well, we've got employees that they don't like it or are having trouble with it." It seems really, really intuitive. But I also know that we're in a battle of the tech savvy and the non tech savvy. Is there any resistance there?

Andrew:
Yeah, that's a great question. I think it's just general resistance to new things that exists in companies. Right? If you think about deploying a tool like this to a company of 2000 employees, a lot of our customers are 2,000, 5,000 employees, you have a change management problem. Right? So that's also why we want to make the interface very frictionless, but they're still knowing that you need to use the interface and that you should go there. Right? So it's like stop doing the thing you've been doing for the last five years and do this new thing. And that change management takes effort. Right? And so we've seen our customers sometimes make hard cuts, which is you're no longer going to be able to do that old thing that you're doing. I'm just going to cut you off. Could be cutting up their card.

It could be turning off the form. It could be disabling the old system by turning off access. Right? And we've seen some customers make more gentler nudges or a little more of a carrot approach of if you want to do this over here, you can get faster approval. And for these types of things, you go into Teampay. And everybody takes their own approach that's appropriate to their organization. But I think change management is hard and every person selling software needs to deal with a change management issue. And first for me, that comes through leading with the product and then probably leading with support around the product. Could be training documentation, help nudges, information, all those contextual things.

Annaka:
Okay. I have one more user experience question, sorry. You're in a, I don't want to say client facing, but you are. You have this, you said it earlier, feedback loop. How do you keep new

features coming out that clients or customers request or are really looking for and then you miraculously build it? How do you keep that feedback loop going?

Andrew:
Yeah, actually I would say the feedback loop is pretty easy. Our customers are very vocal. Customers always ask for something that solves their problem, right? Well, they hired you. They hired your product to solve their problem. So they'll tell you what they need. And so we run through a process. My product team uses a methodology called rice, RICE, R-I-C-E, where you look at reach, impact, cost, efficiency, I think are the four, there's the acronyms. And when you run through that, you can prioritize those incoming features based on what customers ask for. I think what makes products great are the features customers don't ask for and that's harder. And it's a lot harder when you get to a certain scale where you have now hundreds of customers that all think they're equally important because we love all our children equally and they all need some attention.

And how do you find stuff that they're not asking for that still will drive delight? Nobody asks for a chat bot to make a purchase like that. We weren't filling a problem that someone had directly. And so it's that other part that I think is more challenging and that comes into picking up clues, being curious. And then the last piece is really having some hypotheses and running some tests. We think if we do X, we will see a business outcome or a customer outcome of Y and you've got to be willing to make those investments that are speculative. So you're not just a feature factory based on what your customers need, but you're actually leading the market from the front, not from the back. I think moving into the Microsoft ecosystem was one that we didn't run into Microsoft Teams a lot.

We started to see it more and more, but the size of Microsoft Teams is twice as large as Slack. And so getting into that ecosystem, we knew was a really strategic move for us. There's other features that we've got coming later this year, where we see opportunities that our customers are not asking for, but I love that kind of stuff. When we're trying to put something out there and test and lead with vision. I think we have a great opportunity to do that here over the coming year. But the harder part of that to answer your question originally is not managing the feedback loop because you almost get too much feedback. It's how do you do stuff that customers aren't asking for, but they actually need?

Ethan:
If nobody's asking for something, how do you know that that is the right thing to add to your roadmap?

Andrew:
That's the art. The way that I look at it is you want to focus on, does this drive a business outcome for the company, or does this drive a customer outcome? The product outcome for the customer, does it help them improve their process or business, or does it help us in some way? And ideally you want something that lines up with both. So you want to look at what the outcome is. And I think that's where we start with a lot of these things. And then of course

evaluating does this fit into our strategy? Is this something that is adjacent to what we're doing? We also look at one of the other frameworks that we've used and I need to compliment my VP of product, Matt Robinson, who built this, is we looked at all the jobs that our customers need to do.

They may not be asking for you to do one of their jobs for them, but if you can help do one of their jobs for them, they're going to hand that over to software, right? And this is jobs to be done design framework. And so we built a taxonomy of actors, managers, finance, accountants, controllers, business systems, HR people. We have this taxonomy of actors and we have a taxonomy of jobs that they all need to do. And we can look across those and see, are there jobs that are unfilled or unmet where we believe we have some sort of strategic advantage or inside knowledge about how we can do that job in a better way for that customer or serve them? And that's another way that you can drive expansion. Even if they're not asking you to do that, you can observe through anthropological and ethnological research. Ethnographic, excuse me.

Ethan:
You're looking through your customers' companies at those people and positions and job duties. Is this because you have such a strong relationship with each client? Or do you take some assumptions about what a standard company at this scale looks like on the inside?

Andrew:
Yeah. We try not to take any assumptions. I try to get assumptions out of the equation. We try to work from facts and facts may be data. They may be quotes right? As Steve Blank says, "All the facts exist outside the building." They're not internal to us, right? Now, we've hired, we have subject matter experts. We have three or four controllers inside the company that we use as subject matter experts, but we're always validating and gathering facts. And that could be to your point, it could be qualitative. One on one deep customer research and customer calls where we're recording or we're walking them through or getting some feedback on something. And that could be quantitative where we're doing surveys or third party research or other types. Right. I like to do primary research for all these things, but at the end of the day, it requires gathering facts from outside of our own internal ecosystem in order to drive that forward.

Ethan:
So, you've been in business for quite some time and it sounds like you've had some experiences, you've seen some things. We are in the midst of what is looking to turn out into a market downturn. Do you have any general advice for founders or CEOs who are at the wheel of a company? What do they need to think about while we are turning into this rough air?

Andrew:
Yeah, lots of experiences there, including, even dating myself here a little bit, back to the.com crash. But my first company during the global financial crisis in 2008, and I think coming into this, each situation's different, right? There's always going to be surprises. We saw that in March and April of 2020. I don't think anyone expected that we would have such a strong bull market run at the end of 2021, but we saw this time and time again. And I think in the current

environment the things that we're focused on and we're obviously a little bit more at scale, but the things we're focused on is gross profit, cash flow. And then really figuring out where do we get efficiency out of our investments. Right? And we saw this in 2020 with our customers and our prospects who came to us saying, "We have no idea where our money's going and we need a system like Teampay to help us find out where the money's going."

And then secondly, we want to make sure that the money's going in the right place, which means I need to see it before I spend it. And Teampay is the only solution that can do that across all of your spend. So I think that's really important. So that's on the efficiency side, and then we look at the revenue lines, it's gross margin cash. How much cash is coming into the business? Cash is king right now. And the reason cash is king is because you need the runway and you need to last through that. In the earlier stages, and this goes back to my first company, we were dead so many times over four years. We were probably dead five times over four years. And dead, I mean out of money, almost giving up, on the ropes, people quitting, whatever.

We just went through this crazy wild ride, Bronco ride for four years. But the thing that I kept coming back to was the old Muhammad Ali quote of, “the difference between success and failure is getting up off the mat one more time than the other guy.” And in those worlds when you're early and when you're just starting out, especially in today's environment where you're not going to get a premium on growth, you're not going to get the latitude to just spend money and figure it out later, survival is the number one thing, right? It's like the lottery, you got to buy a ticket to win it. And if you're still standing at the end of this ...

Because this will end, this period will end. The economy will start expanding again. And if you're still there, you're going to be able to rise with that tide. And you're going to have learned a lot of lessons along the way about how to run a good business and how to be efficient. So I think focusing on survival and doing whatever you have to do to survive during that time is the number one thing you can do to put yourself in a place to be successful.

Ethan:
So, I think a lot of people might hear that and jump into a very black and white scenario where they say, "I need to totally stop all investments for the future and just sock away cash, extend my runway and just be as safe as possible." But I don't think we live in a world of black and whites. How do you make that decision in your head of instead of cutting 100% of investment, we're going to cut 80% or 70%. What goes into making that decision?

Andrew:
Yeah. It's a lot of factors and those factors change all the time, right? I don't think anyone can actually forecast where we're going to be at the end of this year from a macroeconomic standpoint. My team asked me ... I'll give you a story. We talked about this at our exec team meeting about two weeks ago. And they're like, "Do we think we're at the bottom?" And my question is which bottom? The unemployment bottom, the interest rate has gone way over too

high bottom, the stock market bottom, the crypto bottom, the housing inflation bottom? The climate change and weather disruption bottom?

There's all these things flying at us. Right? It goes back to finding that middle path. And I agree with you, I think overcorrecting on either side, but to be honest, if I had to over correct, I would over correct to the point where you're almost freezing and surviving. Because again, this too shall pass, but when you're an ongoing concern and you have existing customers, obviously you can't just do that.

And some businesses will have the ability to continue to grow throughout this. Right? They'll have the ability to continue to service customers or gain share. I actually think if you're looking at this the right way, you're trying to figure out where are the situations where I need to go on offense and try to gain ground and where the situations where I need to play defense and that's not consistent across the board. And then you start to look at your plan and do I have enough capital? Do I have enough resources? Do I have enough money coming in the business to be able to go on offense?

Because you might be limited by how much capital you have to really go on offense and then figuring out how long you need to survive. And it's a multi-varied equation, which is why this attracts a certain type of person that likes to solve all those variables in their head at the same time. And you're going to get some wrong. And you need to be able to take in new information and adjust the equation and adjust the variables monthly, if not weekly and just continually make course corrections to figure out where you are on that spectrum between the all or nothing.

Annaka:
There are so many things to think about in this startup and business climate right now. It's just mind blowing sometimes, but the this too shall pass is so good.

Andrew:
Yeah. In the situation we're in, right? We just came out of the most insane talent market that I've ever been in – ever. Right? We saw people getting offers after a day and a half of interviews and taking them. Now, I'm not sure that was good. But we came out of this crazy, insane talent market where companies were just like, "Our number one constraint is people, and we're going to spend whatever it takes to get people in the door." That will not be the future. I think the pendulum is swinging back and I think it swung a little too far. And so what that means is if you're a company that has the ability to survive and you have some basis to what you're doing, you're probably going to get better people at a reasonable price that are bought into the mission, because you've shown that you have discipline, than you would've six months ago.

And so there's, my coach calls it an inversion, right? But a lot of these things that look like rain clouds have a silver lining. Yeah, there's unemployment and layoffs and you need to keep your company alive, but you may be able to get better talent in the door and there's going to be a lot of talent that's going to be looking for more stable environments. Can you provide that stable environment for them? And I think you can turn some of these things into offense and prepare you for that next swing of the pendulum or that next cycle. I love those moments.

Annaka:
Yeah. Man, I say this every time I get on the interview, but I'm learning. I learn something every time. And now it's like, "All right, this too shall pass." And the pendulum thing is just, it's going to stick with me the rest of the day. So as we start to sort of wrap up a little bit, what is your advice for entrepreneurs?

Andrew: (01:04:46)
Oh, wow. Can you narrow that down for me?

Annaka:
Can we narrow it down for you?

Andrew:
My first advice is don't do it. It's a lifestyle that is going to cost you a lot.

Annaka:
Yeah.

Andrew:
But maybe if you can narrow it down, I'll be a little more positive.

Annaka:
Let's narrow it to people that are still thinking of starting.

Andrew:
Yeah.

Annaka:
They're not in business plan mode yet. They're still on the fence.

Andrew:
Yeah. So I ran a group in San Francisco years ago during my first company. And in that group, we had a lot of first time early founders. And really, it was just founders anonymous. We had our 12 steps and admitted we had a problem and we sat around the table and talked about what we were working on.

Annaka:
Yeah.

Andrew:

And we had this rule that I found was really interesting and useful for us. We only worked through a referral. It was a very small group. I wish I had a portfolio of that group, because we had several successful companies come out of it. But we had a rule that you could not come to the breakfast unless you were actively working on a startup without your day job. And so there's that commitment phase. I don't believe that it's something you can do halfway. Now with that said, I do believe that you can validate a lot of the risk.

You can remove a lot of the questions and the risk long before you quit your job. You can talk to customers, you can build prototypes. You don't need to raise money. That's not important, but you can validate a lot of the market and product risk. You can find out if people think they would use it, you could understand if it would actually solve their problem. Maybe you could even get people using some wire frame version of it. Right? And so that validation I think is so, so important. And a lot of people, again, it happens, the ego gets in the way and they're like, "I'm excited about this idea and I want to change the world and I'm going to be a founder," but you got to show that you actually can change the world.

And you got to verify that and all that stuff you can do early on really before you put all your eggs in that basket. But once you decide that's what you want to do, you’ve got to commit. And so there's this very hard cut line for me if I've done my homework, I've done my research. That was the six months I had of wandering in the woods before I started Teampay of just really digging into the market and thinking about if I want to do this. And fortunately I was really excited about it at the end. Every time I peeled back a layer of the onion, I got more excited. I found myself leaning in. And there's a lot of confirmation bias that goes into that, so you got to be aware of the confirmation bias.

But I think at the end of that black and white, that line moment of just like, "Okay, now I'm in and I'm fully in." And so as you're thinking about that, I think it's not about what could this be in the future? It's not about how big is the product, how big is the market necessarily? It's about, can I get someone in front of me to think they're going to pay for this or use this? Are they excited about it? And excitement isn't even always the leading indicator, it's do you have evidence that you're actually solving a problem for people and can you capture money to solve that problem or capture value to solve that problem for people? And you can do a lot of validation and verification of that even while you're working a day job.

Annaka:
Yes. The commitment point is, all right, you got all your ingredients now just go cook.

Andrew:
And not everybody has the risk tolerance for it. And I think that's the other part of it. I think some of that you have more experiences as you're later in life, but you also have a lot more at risk sometimes. And so understanding your own risk tolerance and setting boundaries around that is really important.

Annaka:

Yeah.

Ethan:
All right, Andrew, this has been really great. Thank you. Thank you. All right, Andrew. This has been really great. Thanks for coming on the show and sharing your insights, your tips, and your stories. We just have one more question for you and then we're going to sign off for today. But that last question is where can people find you online and how can our listeners support Teampay?

Andrew:
That's great. Thank you so much for that. It's been really enjoyable. I hope this was informative for folks. You can follow me on Twitter @ajhoag. A like apple, J like James, my last name, H-O-A-G. We also have a Twitter account for Teampay. You can keep up with the latest happenings with business and finance in the economy @teampay on Twitter. Come check us out teampay.co. I'm sure you all have spent some time filling out an expense report and were told by some finance person that you suck and we're going to help you get rid of that experience. So come check us out www.teampay.co.

Ethan:
All right, that's going to be everything for today's episode of the Startup Savants podcast. Thanks for hanging out. I want to take a second to thank all of you who reached out to give us your feedback. It's really great to know how smart our audience is based on how good your ideas are. So if you haven't had the chance to send us in your thoughts, we are open anytime at podcast@truic.com. No feedback, but you just love us? Head on over to Apple Podcast and show your love with a five star rating. It helps us help founders help you, which is helpful. You get the idea. Also, not sure if you knew this, but the folks over on our video team make a YouTube version of these conversations. You can find those over at youtube.com/truic. These videos are bite sized versions of the audio show and contain different insights that you will not find here on the pod. So if you're a fan of video, be sure to check those out. For tools, guides, videos, startup stories, and so much more head over to truic.com. That's truic.com, T-R-U-I-C .com. See ya folks.

Annaka:
Bye everybody.