Disrupt Yourself Podcast

EPISODE 88: MIKE MCDERMENT

Welcome to the Disrupt Yourself podcast. I'm Whitney Johnson. I think, write, speak and live all things disruption. Our guest today is Mike McDerment, the co-founder and CEO of FreshBooks, the number one accounting software in the Cloud which makes billing, organizing expenses and tracking billable time painless for small businesses. They have over 10 million customers.

WHITNEY   Mike McDerment, welcome to the Disrupt Yourself podcast.

MIKE   Thanks for having me, Whitney.

WHITNEY   Where did you grow up and what did you think you would be when you grew up?

MIKE   So, ah, born and raised in Toronto, Canada. And as for what I thought I would be, you know, I-I'll put myself in that bucket of folks who really didn't know. You know, it's not like I knew I wanted to be a doctor or a, you know, a, a somebody fighting fires. Ah, but I will say I was talking about this with somebody the other day and, ah, I do have memories, ah, probably when I was like eight or nine years old, and this is like a weird thing. But, ah, believe it not, ah, believe it not, of growing up to be a ... Um, what's it called? I want to say a mediator. Somebody who ... Ah, what's the name? There's a, it begins with ... An arbitrator, that's the, that's the thought. (laughs)

WHITNEY   Oh, a mediator or arbitrator. Yeah, same thing kind of.

MIKE   I don't know if anybody has ever as a child wanted to grow up and be an arbitrator. I really like, you know, hearing people's problems out and trying to help them find a, a thing that works. And it's my belief that there's kind of always a way, right, to find some common ground, ah, to make it work. So, ah, I guess that's where that comes from.

WHITNEY   That's fascinating. So where, do you remember the experience that you were having as a child? I noticed that you're the youngest of four, so you've probably observed a lot of dynamics and sort of political machinations that always happen in a family. Do you think it came from that or do you remember an experience that you had that got you thinking, huh, this would be interesting to try to arbitrate?

MIKE   I don't know. I, I grew up, ah, next door to somebody who helped, basically major league baseball players, ah, negotiate. And if they couldn't figure it out with the club it would have to go to the arbitrator. And my dad was a, ah, I guess a lawyer and so, um, I, I guess I had these inputs. Now, he never spoke about work and so I don't, I, I really don't know how I got myself there. But I think, um, you know, that and like I liked to, ah, there were times when I played psychologist with my friends growing up.

So I, I, I, I feel like it's just like trying to hear people out and find a resolution is always something that's been interesting. Maybe it comes from being a fourth kid. I, I really don't know. I can't say that's what I'm doing right now, but I will say there's, ah, in terms of running a company there are elements of that in there.

WHITNEY   What did you end up studying in college? You said you didn't quite know what you wanted to do, so what did you start with and what did you end with?

MIKE   Yeah, so I started out, ah, and most of my undergraduate, ah, experience was, ah, actually studying business. And so the, you know, the number one, ah, non-US based business school in the world was, ah, Queens, ah, where I went to school, ah, in, ah, Kingston, Ontario, Canada. And, um, did that and I actually left the program in fourth year and started, ah, a couple of businesses. So I started two businesses. Ended up actually technically my degree is in, in, in English, ah, 'cause that was what I took as things I enjoyed more as my electives through school. But, you know, the lion's share through my sort of four and a bit years were, ah, were in business school.

WHITNEY   S0 what was the very first business you started?

MIKE   Well, in that year I started, I started two. One was like a sports league. And kind of scratching my own itch. There's a sport I wanted to play that didn't exist, so I started a little league. But the, the other one was more interesting, where I started, ah, basically an event business. And it was once a year and it was, ah, actually related to that sport. I was very into this thing called Ultimate Frisbee.

I had been, ah, just between third and fourth year I actually did an exchange, business school exchange, and studied in Germany. And, ah, there I got exposed. I was playing a pretty competitive league in Canada. I went over there and I actually ended up touring all over Europe for the summer. And I realized that the way the Europeans did their tournaments and stuff was very different and very interesting. And so I, I brought some elements of that and started a tournament.

And interestingly for that, I had to learn how to build, ah, websites. And so I taught myself how to do that, and that was really the beginning of getting onto the, the journey I'm on, on now. Because I, ah, I built a consulting business helping other people, saved over an invoice and then decided there's got to be a better way to do that, and built, ah, what is now FreshBooks.

WHITNEY   So you went over, you did the league around Ultimate Frisbee and then you said you started a marketing and consulting business. What were you doing with that? And how did that idea come about?

MIKE   Well, ah, you know, when you look back, there's, you know, there's, there's a, there's a thread that connects it all. But, ah, you know, it was less obvious at the time.

Anyhow, I, I started this tournament business and to market and promote that business, and so, frankly, you know, the players and the people attending could not only find out about it but get useful information for when they arrived, I, I started building websites. And, you know, it was pretty early on in '99. They weren't super common then. Ah, and, but it was this great way to distribute information.

And, ah, each year I ran it, I ran it for seven years, and each year I built a new website. So I was kind of honing my craft there. Ah, about year two or three, um, the caterer for my event said he needed a website. And I was like, "Oh, I, you know, I can probably build one of those for you."

Ah, and so he became my first client. And, ah, you know, within about eight weeks I had another client. And the rest they, they say is sort of history.

I had refined the running of that, ah, tournament so much that I could do it in a couple of days. And I sort of love doing it, and so I, I continued it as a little side project that came around sort of once a year. Ah, and I kept building up my, you know, consulting business. You know, and then eventually built, ah, you know, something to bill my clients. The piece of software that I built to build my own clients, ah, turned into what is now FreshBooks.

WHITNEY   So did you, okay, so you've got this marketing and consulting business. How big is that business when, um, and, and I'd love to hear a little bit more about the, the moment where FreshBooks w-was born. How big was the business? Paint the picture for us of that, that moment where, you know, you sort of said you had your aha, your eureka moment. As painful as it probably was.

MIKE   I had a small consulting business. I was running it from my home. I had a series of, of subcontractors and, you know, it was probably at that point like a couple of hundred thousand dollars, something like that. Nothing, nothing too crazy. But I'm out of school, I'm working for myself, it's all, you know, pretty neat. Um, it was January 2003. And what I used to do to bill my clients was I would create an invoice in Microsoft Word or Excel.

And one day I was doing that. And the thing about it is if you use Word or Excel, which actually most people do, ah, y-y-you open up the past one you sent to client because their address is in there and you don't want to re-key it in. So I opened up that little invoice, um, I put in the new information and I saved the invoice. And I missed a critical step. Ah, I didn't rename the invoice so I lost the information from the original and, you know, that was kind of what forced me to snap. And so, you know, there-there's just got to be a better way to do this. And I had a host of other problems at the time, like I didn't know who owed me money, how much they owed me, and I had to always run through my inbox to try and figure all that stuff out. Ah, so I, I had a series of problems around my receivables that I thought I, I might be able to solve for myself.

I started just building something in my spare time. And it took me about probably two weeks to get to a place in my spare time where I had something I could send an invoice to my, one of my clients with.

I still remember sending that, you know, first invoice, um, to that, that client. And, and, and since then over 20 million people have used our software. So, um, that right there is pretty remarkable. We've helped people collect, you know, hundreds of billions of dollars over that, that time. And, and, um, that's been, ah, you know, very rewarding. And really, you know, behind all that it's helping one small business owner, whether they work for themselves or they have some employees, ah, you know, get organized and save time with their receivables, their expense tracking and, and that kind of thing.

WHITNEY   So about 10 years in you, um, you did a, you disrupted yourself. What did you do?

MIKE   You know, we had humble beginnings. I wasn't a software developer by trade and while my, one of my co-founders actually is a, a doctorate in computer science, it's funny. Like the theory of develop, o-of like computer science, which is a lot of math, is it's actually very different than the craft of producing, ah, software. And the consequence of, you know, him not being an expert and me not being an expert, ah, was we solved the hard problem of building a product people really loved. And we, and we grew a team from basically myself to, you know, probably, I don't know, 150 people or so, ah, serving this product and our many, many customers out in the wild.

What we found was about 10 years in a, a lot had changed since we started. So the technologies that people use to build products like ours were completely different. In fact, the things people take for granted today didn't even exist when we, when we started. Ah, and so the technologies changed.

WHITNEY   Like, like what? What's, what's an example of that?

MIKE   You know, so to get specific, would be a, a notion, software like Ruby on Rails and frameworks for rapidly building web applications which people commonly use through their browser today.
Um, they didn't exist and so we were building our own tools to build those applications.

Whereas today, any self-respecting software developer spends very little time developing those tools. They just take them off the shelf and put them to use.

So, ah, you know, productivity and scale and, and the power of the tools themselves is, you know, I, I would go it's like thousands of times different. You know, we, we were not benefiting from those, that progress in the technology.

WHITNEY   So what happened? So, so you said you weren't benefiting from the growth, um, and, and you decided that you were going to. So things had advanced significantly but you decided to, um, launch BillSpring and have a competitor inside of the company. Can you talk a little bit about that decision to do that, and what happened?

MIKE   Absolutely. So, um, we, you know, we were experiencing a lot of growth. But, ah, as I said, some, some things had changed. So one of the things was the technology. Another one was, you know, really consumer expectations. So when we started out there were no smartphones or mobile phones to speak of, right? Certainly no smartphones. And when you think about what people expect today, which is like push a button and a car shows up or maybe a meal or something like that, like the, the world had just changed a lot.

And so during the technology changing consumer expectations, ah, you know, you take that cocktail and if you're me, you were saying, "Hey, we're having great success. Our customers are very happy. They're the biggest driver of the growth of our business. But if I look into the future, you know, five or 10 years, I'm concerned that the technology that we're built on is not going to set us up to win in that future time period and future state." And so the question becomes do you do something about that now or do you just keep trying to figure it out as you go? Ah, and what we decided was let's do something about that now.

And so, ah, we took a bit of an unusual approach and, ah, for a variety of reasons, and we can spend time on them, what we decided to do was, hey, we, we want to, we want to really experiment and take some big risks. So let's create the environment. We can do that. We want to do it where our, our competition aren't watching us, 'cause we don't want them to see what we're up to to either copy us or be prepared for us competitively in the market. Um, we want to know the results are actually good, because we're building a new thing and, you know, as much as we may love it, customers may not. And, ah, you know, for those reasons what we decided to do was to, to build a competitor.

We created a new brand, a new company and we called it BillSpring. And um, ah, it was on its own website. It had some legal, legal documents and it was completely divorced from, ah, from our brand of, of FreshBooks for all intents and purposes. And that, ah, that was our little petri dish where we could go about taking enormous risks to try and build a, a better version of what we did to set us up for a longer term successful future.

WHITNEY   When you decided to do this, what did people say internally? How did people feel and what was one of the hard, hard parts about setting up this competitor in-house?

MIKE   When you have a big change project, ah, there can be ... And this was, I mean, make no mistake. If you're a software company and you're gonna rewrite your software, there-there's no change that could be any bigger. And so what happened in our case was, you know, sometimes with a change project you need to get people to understand like why we need to do this, and excited and motivated and that kind of thing. I will say we got to skip the first few steps on, you know, a big change project because people were, you know, I, I mean, I guess it's a technology company. They're excited about the new thing.

So it's not hard to convince people to do it. And if you're a, an engineer or a designer, the notion of, of building a whole new product, you know, from scratch, is, you know, is probably going to wind up being the pinnacle of your career and you're probably not going to even get the chance again. So, um, so it was-

WHITNEY   Well, that was the, that was the easy part then is what you're saying.

MIKE   Yeah, that's right. That wasn't hard at all.

WHITNEY   So what was the hard part?

MIKE   Doing it. (laughs) Doing it is, is a completely different thing because you're running a business while at the same trying to build something in parallel, and move all the internal operations from, you know, frankly, things like reporting and billing systems. And, you know, moving everything to the new offering. And then, you know, even trying to figure out, well, how do we communicate this change to our customers? And, you know, we were very excited about it until we realized, you know, is it, is it even a big change for them? And do, are we going to force them to switch all of a sudden? And we had a whole series of decisions to make in, you know, speaking to our existing customers. And then there were new prospects. This was something else we needed to figure out there.

There were basically a lot of moving pieces and a lot of like mental mindset shifts we had to go through. I think what might be more interesting to people, ah, in which was like a subtler but I think critically important thing that I learned about, you know, if you want to dive into your vein of disrupting yourself and innovation and this kind of thing, was how unknowingly encumbered people become with your brand, your way of doing things inside a company when you try to take on a very new and innovative project. Ah, so here's a small example. W-we are, we are a brand. FreshBooks is a brand. We have customers who've been with us for over 10 years. They trust us. We have many of them. They refer people to us all the time. We don't want to undermine that trust. And we have a series of things that we do consciously and unconsciously to try and, you know, ah, you know, ah, preserve, reinforce and extend that trust.

To do a project like this, to build a whole new platform, ah, you know, what you want to focus on instead of necessarily building trust at the outset is taking big risks. You know, doing, you know, like challenging, ah, the way you have done things in the past. Like finding new and better pinnacles to get to. But it could be messy between here and there. And what I found as a leader as we went through all this was I had to play a different role. 'Cause I wasn't actually doing the doing. I was sort of, you know, leading the leaders who were doing the doing. And my role became helping people recognize when they were laboring under something, ah, that was not helping them. You know, something that would maybe make them more risk averse. Well, we don't want to do this 'cause it'd be bad for customers.

Well, listen, you don't have any customers on this thing. So don't worry about that. Like take the risk. Now's the time to do it because once you have people on it you won't be able to. And, and so there's a, like a litany of these small and, and growing kinds of things that, um, that, that, you know, you just have to help people unencumber themselves with. And, you know, some people it's easier to do than others. Um, and if you're working really, really hard, sometimes it's, you know, harder to do than others. And so, ah, that was a, a big learning experience. I think, I, I actually think that in essence is the reason why large companies often have a hard time innovating.

WHITNEY   Yeah, 'cause they're so laden with how it was done and the, the mind, the, the mental maps are, are so, so ingrained that it's hard to shift. Ah, one, one thing I am wondering is how did you manage, 'cause you had some people that were working on this new exciting project and you had other people who needed to keep the trains running? How did you manage the exciting project with the trains running project? How did you manage that in terms of the, the people that were o-on your team?

MIKE   I think we are blessed at FreshBooks with, ah, a great commitment to our customers. And, you know, that manifests in a whole bunch of different ways. But one of the things that helped us is we started out with a very small team and they spent two weeks away from everybody else basically making some designs of what the new thing could be. But after that two week period we actually brought them and they were sitting next to the rest of the team, and they were just a small part of, of the group.

Everyone knew they were working on this other thing. And, ah, what they didn't know was, was that team, ah, going to make it to their next milestone? So we had these gates. Um, and so people were watching and so, you know, that, that's a scary prospect for some people, an exciting prospect for others. Like, oh, I can work on this thing and it could be killed. Do I want to be a part of that or do I not want to be a part of that? Ah, and so we didn't have a lot of people wanting to get on it. And then, and then there was a growing momentum and, and, and we started to gradually say, okay, well it's, you know, it's 10% of the team, it's 20%, it's 30%.

Once we got to about 30% there was kind of no stopping it. And then the question is, well, how, at what rate do you invest in your current product versus your future product? And, um, we went along for a little while at 30% to achieve some certain milestones. And then we kind of flipped it to 90/10, right? Okay, now we've got to get this thing out the door. All hands on deck. How fast can we go, how much do we have left to accomplish? Ah, and so we did it in, in kind of a, a gated and phased manner. And, you know, momentum kind of built, ah, as more and more teams got to get involved over time.

WHITNEY   I really liked that. You separated them initially, but just for a brief time so that they could get some internal momentum. But then brought them back and integrated them inside of the overall organization so there wasn't this us versus them. And then as the momentum built like a train, you said, okay, now we need more people to get on the train, now we need more people. And so it sounds like you did a really nice job of cultivating, cultivating a sense of us-ness, as opposed to us versus them. You talk a lot about customer proximity. Could you say more about that?

MIKE   My bias and belief is that the better you know your customer, the better the decisions you will make as a business. Ah, you know, as an individual inside a business. And so, you know, I see my job as a founder and CEO is to ensure that everyone who works in this organization has a nonacademic understanding who our, you know, who our customers are. And, you know, ideally, ah, and we work at this, is to, to keep refreshing that. Because, you know, the less time you spend on anything you more, you know, and the more you forget.

You know, one of the things we do at <u>FreshBooks</u> is everyone who joins the company spends their first month in customer service. By the end of that month you're steeped in our product, you know, our customers, their pains, why they show up and buy, why they stay, what the problems are and what could be improved upon with our existing offering. And, ah, and you also get to learn about our culture. And so I think that sets you up for long-term success.

But then we try and do other things to keep you connected with our customer as well, where you can go back to, to service for an hour or an afternoon or, you know, ah, an-any length of time you really want to to get reacquainted. Ah, we do a lot of research in our, ah, product development groups where, you know, we go out and either outside the building or invite customers in, and, and spend time with them in, in that forum. And then, you know, we do things like take our customers out to dinner, or the marketing organization and other, other ...
Anyone at the company, if you're traveling, can, you know, buy a dinner for local customers and just, you know, we'll help you send out an email, you can host a meal and get people together.

So all of these things help you stay close and connected to the customer. I think that when you have that, um, proximity to customer you're going to make better decisions that are aligned with your customer's interest. You're actually going to build a lot of meaning into the work, right? So, yes, we work at a software company, but we help people. And how do we know that? Well, we all spend our first month in support and, you know, if you ever need to like feel good about what you do again, go back there for an afternoon, right? Or a day or what have you.

You'll, you'll be reminded, like there's all these people out there who are trying to make their, their livelihood go. And we are like a critical part of, you know, what they need. And, and like frankly one of the few numbers they can call and get somebody who's in their corner to help them. So all that stuff, ah, I, I think, builds better business.

WHITNEY   That's so great. I love that. Um, do you remember when you realized that you had this passion for the customer experience? Like was there, again, was there an aha moment or has this been something that's just been bubbling up over the years?

MIKE   Well, I think, ah, I, I learnt it a couple of ways. You know, sometimes your, your great strengths you don't appreciate or recognize or, or know. And so I had somebody ask me that question early on in the <u>FreshBooks</u> days. And I'd say, you know, it almost for me goes back to when I was doing that consulting and helping other small business owners with their websites and their internet marketing and the sorts of things I was doing back then. Ah, because my customers loved me. I was like their secret weapon and they would help bring me other customers.

And, you know, I, I got there because I, you know, I set expectations and I delivered consistently or overdo them, right? And so I became a partner to these clients of mine. Um, when we started <u>FreshBooks</u>, you know, we really brought a lot of that ethos and mentality to the building of this company where it really is all about the customer. And, you know, we want to be available to them however they want to reach us. Is that, you know, telephone? Is that email? Is that Twitter?

You know, whatever the channel we want to be there and make sure it's easy for folks. So, so that, um, that is just part of being a great, you know, customer experience delivery company. And it's, you know, it's not, it's not hard to get behind that when you realize, you know, it's, it's all you want from other companies.

WHITNEY   Yeah, absolutely. But it, it sounds like, it sounds like your experience of building this marketing company early on in your career really has informed very much your perspective on staying close to the customer. One of the things that people love about this podcast is they like to hear what you as a leader, what you as a CEO and founder, are doing to disrupt yourself. The idea being is that the fundamental unit of disruption or change in a business is the individual. Can you talk about some things that you've done to disrupt yourself, um, over the last six months that allow your business to continue to move forward in such a, such a juggernaut sort of way?

MIKE   We have a, ah, nine values at FreshBooks, and an invisible 10th one. And, ah, we call it, ah, sort of, ah, stealth and it's about no, no forward looking statements and these kinds of things. So some of the things there would be, I, I'd put in my bucket of like top secret. Okay, we had plans for, you know, how we're going to disrupt ourselves in the future. But I, I will say like creating your own competitor in stealth and an unrecognizable fashion is, is a fairly disruptive thing to do.

And so, ah, I, I think we are still in some ways, ah, we did that for a couple of years. There's a huge kind of "bet the company" event that we're still, ah, reaping benefits from today. Ah, and so what I'm at work at now as a, you know, founding CEO is saying, hey, you know, what is the equivalent to that or what are some of the varieties of that that, that we're going to want to have in market two, three years down the road, ah, that are going to be the big difference makers for us. And so that's where, ah, I try to spend all my, you know, or the majority of my time

WHITNEY   So what are you doing personally to continue to up your game?

MIKE   You know, I spent some time at a, a conference this week learning about some things. And I-I'm learning about whether it's new technologies like artificial intelligence and, you know, some, some, some of the specific applications underneath that. And reading papers along those lines.

Or, you know, one thing I've really been working on, I'll say in the last two weeks, is, is taking my dog for a longer walk at night and, and really thinking hard about some stuff. So instead of a 20 minute walk, it's more like an hour and 20 minutes. And with a very real future oriented, um, ah, lens on. I've got some, some problems I'm chewing on that are, are, you know, are really about where we need to go and what's, you know, h-how we get there.

And then how do I, you know, affect that change inside the building to ensure that we do. Um, so those are, ah, I think those are a, a couple of the ways. And, you know, ah, I think those are things that anybody can do. Ah, they're not rocket science but I, I do think making time for all three of those things can be a challenge and I think it's important.

WHITNEY   Yeah, any real change oftentimes comes in very micro movement. And so you're taking the time to go to a conference to learn about topics that you don't necessarily know a lot about. Taking time to think, to reflect. Huge. Um, I think those are small, but huge ways that we can disrupt ourselves, especially as they aggregate or accumulate over time. Um, just a couple of final questions. You, and you talk a lot in your, in your public, um, addresses about company culture. And in one article you said the key to innovation is not enabling people to do things. It's about setting people up for success. What are, ah, two or three suggestions that you have for leaders who are listening to this about how they might set their people up for success?

MIKE   Yeah. I mean, I hear those words and I say to myself, "Oh, geez, like that's just a bunch of drivel. What does he even mean?" And so i-if I brought a little more ... And those are my words so I, I'm not meaning to be offensive. But, yeah, you know, you listen to them and it's like, oh, that's, you know, that's, it's-

WHITNEY   I said that?

MIKE   No. Yeah, it's still like too high level, isn't it? I-I'm going to, I'm going to try and either expand or deepen or maybe it's more of the same. I don't know, we'll see. But the way I actually like to think about it and, you know, I've often said it as you have to ... It, it, you know, it's not about empowering people. It's actually about creating the conditions where they can be successful.

And I, I think that's a subtle but important difference. Um, and so if you look back to, you know, the BillSpring example and, and what I was talking about earlier, ah, w-we needed to create an environment where people really could take enormous risks.

In our business, one of the biggest risks is actually, um, i-is actually the, the threat of losing people's data. Or actually losing people's data. Now, when you have no customers or you have like a product that's not associated with your brand, you can take risks to move so quickly, ah, such that that might actually happen. It doesn't necessarily mean it will. And, in fact, it did not in our case. But like I wanted people to move so quickly and take such big risks that it might happen.
And, ah, so we had to, we had to, you know, to create those conditions, divorce this Petri dish, you know, beta, alpha product thing, from our brand entirely. Or they never would've been able to do that 'cause somebody could have signed up for that thing and been like, "Oh, great thing. I just lost all my data." So, so I, I think that's one sort of small example of what you can-

WHITNEY   So what's, so but what's that condition? So what's, how do I know that that's happening? What's a data point that tells me you've created that condition? What does someone do?

MIKE   well, somebody would, would take the risk. Somebody would do something that they would not otherwise do in another environment or set of conditions for fear of something bad happening.

WHITNEY   Mm-hmm (affirmative). So what you're saying is when they're taking the risk and something doesn't work, what happens?

MIKE   I guess what I'm saying is I want to create the conditions where they will take the risk, right?

WHITNEY   Mm-hmm (affirmative).

MIKE   Because, you know, as leaders we may not understand how our environment, or the one we've created or inherited, actually keeps people from taking risks.

WHITNEY   What you're saying is that there is some, some sort of messaging that's happening, either explicitly or implicitly, for people that they feel it is safe for them to, to take that risk. Because when they take that risk, the, um, the consequences will not be that they lose their job. Their consequences will not be that they get a demotion. The consequences will not be that their bonuses are lower. The consequences will be, wow, you've learned something really compelling, I think. Is that what you're saying?

MIKE   Well, I'd go one further. I'd say like, "I expect you to take this risk. Like you're not doing your job if you don't take the risk." You know, I, I, I don't, you know, we didn't ever go there but like implicit in that is almost like, hey, if you're not taking the risk maybe you shouldn't be working on this project. Or you're not prepared to take the risk it, it's, it's almost the other end of the, the spectrum.

I think it's more like setting the expectation of, hey, this is a new environment and you can do something like that would in the old world have been, you know, just terrible, you know, here. And, and we created this for you so you can do it, go and do it. Now go and do it. Go make the most of it.

WHITNEY   Right. Go off. Fly away. Okay. All right, that makes sense.

MIKE   And, and I, like I, like I don't think that's empowering people. I think that's creating the conditions. And I think creating the conditions is actually more important.

WHITNEY   There's a terrific book I actually interviewed him on the podcast, Benjamin Hardy, called *Willpower Doesn't Work*. And it's about the conditions, um, which is what you were just saying. All right, last question for you. Um, in one of the news reports, ah, when you first started FreshBooks you went and you lived in the basement of your parent's house, or at least you started the business in the basement of your parent's house. If you could go back and talk to yourself in that basement, is there anything you would say from what you've learned? Kind of back to the future, like we saw so many years ago in that terrific Michael J. Fox film. What would you tell yourself?

MIKE   Just keep going. I was very fortunate to have, ah, a sort of like say I collect mentors, and I collected some folks who'd had a lot of success. And, and they kind of played that role for me of like, you know, like I had one guy who, who built a, you know, $6 billion technology company. Um, and it wasn't that when I met him. Ah, but it went on to become that. And he'd always ask me, "Like how big do you think this thing can be?" And I'd literally say, "Like, I don't know." You know?

Like, and, and I'd come up with relatively small numbers. And I'd say, "I don't know." And he'd say, "You know what? Don't worry about it. Just keep going." Right? And, and he knew, you know, he knew it could be big. Ah, but I didn't have the, I didn't, in-instinctually I kind of believed that there are lots we can still do. But, you know, could I? I didn't even have the skills to hang a number on it as a relatively newer, you know, entrepreneur who came from building a service business. (laughs)

WHITNEY   So keep going. Great words to, to wrap this up. Um, thank you so much, Mike, for being on the show. We really appreciate it and I think people are gonna really be inspired by, um, by your story and your business and what you've built. Thank you.

MIKE   I hope so. Thanks for having me, Whitney.

As with so many of the conversations we've had on this podcast, the first question I ask - what did you want to be when you grew up - often holds the seed of what people end up becoming. Mike had an unusual ambition for a 9 year old - he wanted to be an arbitrator- but, in fact, that's what he is. As a CEO, he's continually working with the various stakeholders balancing their respective needs and desires.

I love their open door policy around customer proximity. The companies that are successful long-term are the ones who remember that they're there to solve their customer's problems. If they aren't talking to their customers about those problems, they risk growing out of touch such that they are no longer the solution. But solving problems requires change and innovation and thinking ahead. Notice how Mike takes a step back to think forward for FreshBooks.

I also like that he works to create conditions where his employees feel safe taking a risk, so that risk-taking can even be expected. Which has me thinking again about conditions and environment that we talked about in Episode 46 with Benjamin Hardy. Can we create an environment where it's safe to disrupt? Where we can choose to act for ourselves rather than having change foisted upon us?

Practical tip:
Think about who your customers are. It might be a paying customer. It might a child or a partner. Do you know what problems they are trying to solve? And how can you be in better touch with what they need and want?

If you'd like to solve the problem of building a high performing team, check out Build an A Team my book with Harvard Business Press. You can download the first chapter at whitneyjohnson.com/ateam.

Thank you again to Mike McDerment for being our guest, thank you to sound engineer Whitney Jobe, manager / editor Macy Robison, content contributors Emilie Davis and Libby Newman, and art director Brandon Jameson.

I'm Whitney Johnson
And this is Disrupt Yourself.