Interview with Gary Swart from oDesk

Adrian Bye: So, today, I'm here with Gary Swart, who is the CEO of oDesk. ODesk is a company that's focused around outsourcing and making it easy to manage outsourced teams. Gary, do want to tell us a little bit about yourself, your company and what else you guys do?

Gary Swart: Sure, Adrian. So, first about oDesk. ODesk is in fact a global marketplace. We let employers hire, manage and pay world class technical talent at globally competitive rates. You can come into oDesk and hire based on skills or work history, employer feedback ratings, pay rates, etc. Once you hire the people, so the matching service…that's the first piece of our offering, you can manage employees directly as if they were in your own office. That's visually and in real-time using our unique collaboration in management solution that we've built.

Then, the third piece of our solution is pay. That's payment and accounting only for hours worked based on auditable time logs. We've figured out how to cost effectively pay in 60+ countries. So, think of oDesk as a one-stop-shop for staff augmentation or project needs to hire, manage and pay.

A little bit about me personally. I've been at oDesk for two years, exactly two years now. It came from an ill-fated startup Intellibank, which was a little bit shall we say defocused trying to be extended relationship management. But let's not talk about that. Then, prior to that, a balance of my career was spent in the software development tools space. Pure Software, which became Rational, which became IBM, I spent a combined 11 years at a combination of those companies.

Adrian Bye: I'm very interested to talk with you about the experienced management side. For those listening, one of the things that's interesting about what Gary is doing is that he was brought in basically as experienced management. There are some guys that came in and started oDesk. They're still associated with the company at some level but Gary has taken over. A lot of people have been asking about, "Well, how do I bring in experienced management?" So I think that we'll be a really good one. But just before we go on, talking a little about oDesk and what you're doing at oDesk, why would I care about working with oDesk when I can already go and just find people on Elance or any

one of the other sites out there and don't have to worry about using all of your stuff that seems like it's more work.

Gary Swart: That's a great question, Adrian. I think that there are plenty of marketplaces out there. There are plenty of places where you can get talent. You can go to an Elance or you could go to a Craigslist and post your requirement but that's just a match. You're just finding talent that can help you, but then what about building and maintaining trust in that relationship. What about collaborating and communicating? Then, how are you going to pay those people? Similarly, for the provider they do work for you, but they're not building their reputation. They're not guaranteed that they're going to get paid. They could do months of work for you and then end up getting shafted not because you meant to, but you ran out of money or things happen.

So, we help create a trust environment where not only can you find a good match based again on the history and on what buyers have said about them but also by facilitating this manage and pay. What I mean by that is the ability to work with me on a time basis and end that relationship, at anytime you're not happy. So, it's very much on demand, we help you keep track of the time and the payment which adds a lot of value after the match.

Adrian Bye: So, the key is on managing the relationship ongoing, that's the big differentiator between what you are doing and some of the other marketplaces.

Gary Swart: It is and as a result, what we see is that many of our customers are long-term customers. So, an example is, a small firm comes to us because they need a good dot-net program or they find one they recognize that the person is such a contributor to their team that they add multiple developers and two years later, they're still an oDesk customer. Our average customer on average spends about $8,000 of growth services. If you look at the traditional service marketplaces, the average spend is much, much less than that. It's in the $300-range. It's just an order of magnitude different. We're more about long-term work, time-based as opposed to project-based

Adrian Bye: A lot of people I've worked with already have fixed tools in placed to manage what they're doing. So, they have tracking systems, project management tools and all that sort of stuff. Even at simple level, they can be using a Wiki, are you suggesting that a lot of that stuff is better if it's moved over to oDesk? How does your tools fit in with existing project management tools?

Gary Swart: No, we encourage people to use whatever tools work best for them. We don't try and change their process. What we do is our platform essentially gives you the capability to monitor and communicate with your workers. What I mean by that is if I'm working for you, Adrian, you're in the Caribbean and I'm here in Silicon Valley, in order for me to get paid, I need to log into your team room. As soon as I do that, now you're tracking all of my time. If you're tracking my time, you're also tracking my work. It's like I'm sitting in the cube next to you. You can manage me by walking around it. At any point during the day or night, you can walk by my cube and see what's on my desktop. We do that by giving you a screenshot of my desktop six times an hour, as long as I'm log in to your team room.

So it's this whole concept of visibility breeds accountability. You may not like a direction I'm going on a design or on a story I'm writing for you or whatever the work product may be and you can, of course, correct me in real-time. So, I don't go a week down the wrong path without you saying, "Hey, Gary, I think you should angle the story more this way as opposed to that way," or similarly if you just walk by my cube and said, "How is it going? What can I do to help?"

Adrian Bye: When you talk about those corrections, you mean I can view your screen. I can actually view the entire screen. It's not like small snapshot. It's actually the entire screen I can view very easily, is that correct?

Gary Swart: That's correct. It's a thumbnail. Then, you can simply double click on that thumbnail and expand it to full screen size. So, you can actually look at my code. You can look at my design. You can look at whatever work product is on my desk. We do that six times an hour at random intervals, as long as I'm logged in your team room. At the end of the week, the sum of the hours logged in your team room gets sent to you as an invoice and will say, "Hey, Adrian, Gary worked 42 hours for you last week." At that point, you can click on any of those 42 hours and see exactly what I was doing. So, it's fully auditable. It gives you that trust factor that you just don't get. You never question the invoice without some proof, and me, as a developer, as a provider of services, I don't have to continually justify my existence. I'm happy to say, "Look, Adrian, I'm going to let you walk by my cube at anytime and if I'm playing blackjack, I'll justify it to you saying, 'I was waiting for a bill,' or whatever or I'll say, 'Hey, don't pay me for that.'"

Adrian Bye: They could obviously be working on another machine at the same time. You are able to see that they are actually doing things, or is it just a snapshot?

Gary Swart: It's both. We not only provide the snapshot but we also have a status bar which shows keyboard strokes and mouse events. So, it's the combination of the keyboard strokes and mouse events, what's on your desktop. We even add one other element. You can have as many of these or as few of these as you want. We add a camera, so you can make sure that it's actually me, working at the machine. I'm not farming it out to someone else. Then we also add the concept of a work memo, where whatever frequency the customer wants a little window will pop-up and will ask me to tell you what I'm working on. I can say, "Hey, I'm working on this feature. I'm working on this story. I'm working on this piece of code, whatever it is."

Adrian Bye: Alright, okay. You spoke about $8,000, the typical spend through your system and then, obviously people are hanging around because some of the internal tools are working. They could easily work around you and just go their separate ways, couldn't they?

Gary Swart: They could, yes. So, what we found is, in a marketplace, like you had mentioned on Elance before. We think that's a great place to go, if you have a really small project, that's very clearly defined, you know exactly what the specs are. You just want this thing built and you know what you want. You don't want to be involved in the day-to-day. You want to give the control opt to somebody else. That's actually a pretty decent solution. We'd recommend that you put your project

out to bid and see where you feel like you're going to get the best quality or the best time or the best price, whatever is important to you.

By the way, we also offer fixed price work. But the problem with it is, is that, how often do your specs stay the same, right? Not that often, unless it's a really small project. So, what we're finding is in a marketplace like that, what happens is you find the talent. Once you find the talent, you disintermediate. That's an MIT word for cutting people out of the loop. The value is gone at that point. You've already made the match. We already know each other. You already trust me, why do we need to go through their system?

So, where we saw an opportunity was to play, after the match, add value beyond to the match and that's what we're doing.

Adrian Bye: Let's say, if you had to pick the top three reasons why people are spending that $8,000 through your system rather than $300, what would you say those would be?

Gary Swart: Well, it's the flexibility of time-based work. It's the ability to come in and say, "Look, I know that I need a good AJAX program. I know I need a good dot-net guy. I have my specs. I pretty much know what we're going to build but I don't know exactly. I know it's going to change in the next month." So, we're really looking for just a good resource to join our team that's not available in our local market. It's bringing the global work force to the local market. It's the flexibility of time-based work. It's the manage and pay functionality.

So, by manage, it's again the work diary, the visual, historical audit trail of work activity and only paying for hours worked, which takes a lot of the risk out. As a buyer, you don't have to wait a month to figure out if you're going to get something good. You pretty much know on a daily basis. Right?

Then, the other thing is pay. It's hard to pay. It's nice to be able to, at anytime, know what you're paying for, look at your invoice. You can run an invoice from oDesk. We can do all the stat tutorial, the contracts, all the 1099s around the world. There's a lot of value in that.

Adrian Bye: Let me see if I can dig a little bit into that. Obviously, the paying makes sense. Your commissions, you charge 10%, right?

Gary Swart: That's correct. We charge at 10% on the direct labor rate.

Adrian Bye: So, the person's making $10 an hour, then I pay oDesk $11 an hour, the person that gets $10 an hour that includes him receiving his check, does it?

Gary Swart: That's correct. So, just a quick summary of how we handle that. The rate that you see in oDesk…so if you go to www.odesk.com, the rate that you see on a provider's profile…you can go search through our database and look by skill, by hours worked and by dollars earned, etc. The rate that you see on a provider's profile are set by them and it includes the oDesk fee. So, we're very transparent about our fees to both buyers and providers. We tell a provider, "Look, you decide how

much money you want to make and we'll add 10% on top of that. That's the rate that we advertise to our buyers."

Adrian Bye: Right, okay. So, it is very clear. The rates used to be 30%. You dropped to 10% and that's kept your retention up well, has it?

Gary Swart: Yes. Our numbers actually went through the roof when we did that. What we saw is that there may have been some disintermediation at 30%. At 10%, we think there's very little. There's still some. I don't know what you can do about that but what we think we can do is just continue to add more value. We're actually at a point now where we're seeing people bring their relationships to oDesk. They met somewhere else but they say, "Hey, let's work through oDesk." Why, because as a provider, I know I'm going to get guaranteed payment. I'm going to get paid more frequently, so my risk is less. I'm happy to give you visibility to my actual work product, so you can see what I'm doing and you won't question my value. The fourth thing is I'm building my reputation. I want feedback from you, what kind of a job I'm doing because that's going to help me make more money tomorrow.

Adrian Bye: If the numbers have gone through the roof, obviously it was more comfortable as a business model of 30%, when you're at 10% then you got to handle getting checks out to people that's obviously fairly expensive. How strong is oDesk with those kinds of margins?

Gary Swart: Well, one of the things at 30%, we were providing a lot more touch. The product was there and the platform was there but our reputation system was new. Customers were asking us for recommendation. They were saying, "Hey, Gary, can you recommend a good firm or a good individual for this job?" So, it was pretty high touch on our part. We had what we called account managers that were sort of proactive support people, if you will, but were talking to customers and helping them through the process. Today, we do none of that.

What we did was we automated all of that functionality. Instead of a human interacting with a client, we now have e-mails that go automatically based on where you are in the process. We've tripled, since this time last year. We've gone to "no touch,' so we had "high touch," medium touch' and now, "no touch." With "no touch," I think it's agreed just to charge 30%. Even though we could and we have a lot of people that say, 'You guys don't charge enough.' But we're more focused on growth. We've grown an average of 14% a month since January of 2004. We'll more than triple this year from last year.

Adrian Bye: Really?

Gary Swart: Yes.

Adrian Bye: So, the move from 30% to 10% was a good one?

Gary Swart: I think so, yes.

Adrian Bye: Obviously, that would have been a nail biting one when you did it.

Gary Swart: It was. Especially, to watch our, what we call our rent or our rates go down. You're really watching your revenue go down by a significant margin. To sort of climb back up it takes time but it's clear it was the right move.

Adrian Bye: So, on hindsight that really was the correct decision, you have no regrets to that, making the change now?

Gary Swart: There are a few regrets. One is just being the CEO here, my number one job is to not run out of money. So, if you're optimizing for revenue and you can justify it, there may have been a very different decision. Also, I look at it and say, there's a lot of customers that still want that touch. It'd be nice to have a premium service where we could in fact charge for that touch, charge a higher rate and add more value. One day we will do that. It's just that having already learned a lesson in focus, Adrian, you can't be all things to all people. You just have to make trade offs. I think the trade offs we made were good ones. Automate the service, make it more of a marketplace, focus our energies on building the products that will support that growth. I think we'd executed quite nicely this year on all of the above.

Adrian Bye: Congratulations.

Gary Swart: Thank you.

Adrian Bye: What else can you tell us about oDesk, services that might be interesting to our listeners before we go on to our next topic of hiring experienced management?

Gary Swart: Well, maybe just a quick data about the company. We think that the opportunity to bring the global work force to the local market. The trends that are supporting that, of course, are the fact that it's really hard to find good talent in your local market. If you go to most small to medium businesses and even large companies, they say that the number one challenge they have is access to talent. So, we think we're solving that problem. Then, of course, providing a platform where people can work together even if they're remote. We see that as just a big opportunity. We're starting to get the attention of large companies as well.

So, a couple interesting developments for us, one is the whole theory of our power seller. Adrian, I think, you can probably relate to this because you may have even referred a customer to us, Jorge Galindo. What's happening now is Jorge is a great provider of services. He uses oDesk to get access to clients. But what he's also done is he's built a business on oDesk where he's now got people working for him as Galindo Enterprises. They'll, in fact, apply the jobs on his behalf and then use the oDesk network to fulfill those jobs. So, he's almost like the two-tier distribution or the power seller model where he's really good at managing clients and client's expectations. He's also good at assessing talent.

So, there are lots of opportunities for that in oDesk. We've built our platform in order to support that. You could get a client, you could hire me to service that client and you're simply the middleman in oDesk. The way that we've architected the system, you can build a client directly from my work and pay me out of the system with all the money going through oDesk. You can even build in a margin for yourself. So, it's just a really robust way for people to build what we call "virtual affiliates." Envision a world where you'd like to start a consulting firm, you can do that and you can have all the talent beyond demand.

Adrian Bye: So, my friend then, with what's going on, he's like a second level guy. He's managing virtual teams inside oDesk. He goes to buyers, bids on their projects and then does the work through oDesk as well. Is that correct?

Gary Swart: That's correct. He's built what we call a virtual affiliate. He's got 200 people working for him and they're all distributed. He doesn't have an office. He doesn't provide connectivity or phones or T1 lines, an office or a PC. They're all contractors to him. But he's found them in the system. He says "Hey, work for me and I'll get you lots of work." He adds a little bit of a rate on to them, in addition to oDesk's rate, and everybody wins. The clients win because they're getting somebody who's really good at assessing talent. He's adding value in the system.

Adrian Bye: That's interesting because he's not a nobody, he's a...I think he graduated in Computer Engineering from George Washington University.

Gary Swart: That's correct.

Adrian Bye: He spent a lot running project management at a very...

Gary Swart: Yes.

Adrian Bye: I know he's set-up by the project management professionals. He knows a lot about that stuff, so your system is organized around someone like him to make it easy for him to work with. Is that right?

Gary Swart: Exactly. To make it easy for him to work with, but also to make it easy for buyers to work with people like him. So Jorge applies to the job and says, "Listen, I'm an experienced project manager. Tell me what you're trying to do. Let me understand your requirements. Great! I can do that for you. What I'm going to do is I'm going to use oDesk to help fulfill it, so let me manage the team for you. You need six people, I'm going to do that." So now, he finds the six people that can deliver that. He manages it and of course, he's making a tidy profit for himself in the process.

Adrian Bye: Can you talk about the kinds of percentages that he makes on top of what they original value?

Gary Swart: Well, it's massive. It's huge and we don't care. I'll give you another example. So, a staffing firm comes to oDesk. They say, "Listen, we have a lot of clients that are looking for our help in locating offshore resources. We don't want to setup a facility offshore, can we use oDesk?" We

say, "Sure. Go ahead. We don't care." So, they'll post a job in oDesk. They'll interview candidates. They'll present three to the client. They'll go to the client and say, "Look, you can have a local dot-net guy for $100 an hour. You can have a remote guy for $50 an hour. Take your pick." If the client chooses the remote guy, our average rate in oDesk is about $16 an hour. So, assuming they're paying the average and their billing amount is $50, the staffing firm is making a bigger margin on the remote guy through oDesk, than they are through their local guy.

So, it's win all the way around. It's a win for the client. It's a win for the staffing firm because we bring again the global work force right to their door and they can have their own certifications or tests or whatever they want to create a sub-group within oDesk of staffing firm ex-certified providers.

Adrian Bye: Right.

Gary Swart: So, we really see an opportunity that's quite different from all the other marketplaces out there Adrian, and the fact that we create this marketplace where people can build their businesses on top of oDesk.

Adrian Bye: Do you have many guys there as project managers right now?

Gary Swart: We do. Yes, we have dozens. We have lots of people like Galindo who are making a living doing it. So, we think there's a pretty good opportunity here.

Adrian Bye: I mean, that he's a provider. He's the one who taught me a lot about project management. He really knows his stuff. Your average developer in the Ukraine maybe really good at PHP, but they don't know project management. So, Jorge really...I mean, even if he's making a lot of money, I think he's delivering a lot of value as well.

Gary Swart: The benefit for us is that we don't want to do that, right, because we don't think that's scalable. There's a lot of businesses out there that do that as well, where they'll say, "Hey, come to us and we'll manage your project for you." But then they have to charge the customer. They have to deliver the value. They're the one throat to choke. What we say is we'd like to empower our network to be that one throat to choke. Again, everybody wins, as long as people in oDesk are

working and we're taking our thin 10%, as long as the clients are getting good results. Why, because guys like Jorge Galindo are delivering good results. We're confident they are, because he's quite good. He's willing to take, to be on the hook for finding the right developers. He's willing to say to the firm, "Listen, you don't have to worry about the day-to-day. I'm going to do that for you. Trust that I'm going to get the right team that can deliver this project. If I don't, then it's going to hurt my reputation."

Adrian Bye: How many projects can someone like him manage at a time?

Gary Swart: Well, if you create leverage under yourself, which he's done, because now he's even hired project managers under him, so he's up even at a third-tier, but we see project managers doing half a dozen different projects for clients.

Adrian Bye: You didn't tell me that Jorge's built himself a little empire there on oDesk.

Gary Swart: Yes. He's up to a couple of hundred providers. It started one day when I was looking at top providers, which firms were starting to make real money and Galindo was one of those that's just up on the radar very quickly. We finally figured it out by picking up the phone and calling him because of our conversations with Jorge, we've actually added a lot of functionality to our road map that helps support it. So, the ability for Jorge to build a client directly from me at say $40 an hour, the client pays so they see that I'm $40 an hour even though Jorge is maybe only paying me $10 and he's taking $30. We can collect the money from the client and divide up the money to where it's supposed to go, $10 to me, the worker and $30 to Jorge, the project manager. He doesn't even have to worry about billing and paying.

Adrian Bye: Very nice. Alright, do you have other things you want to tell us about oDesk before we move on to some of our other topics?

Gary Swart: Why don't we go on to the rest of your agenda and if we have time at the end, maybe I'll throw a few more plugs out for oDesk.

Adrian Bye: Okay. So, what I'm really interested in understanding from you is because I keep hearing this from entrepreneurs over and over, is, "I build my company thing. It started pretty well, I'm too busy and anywhere I'm a bad manager. I want to bring in experienced management." The reason why your perspective is interesting is because you are exactly that experience management that's been brought in. So, I'm interested to know, I guess, how does one do that? What kind of qualifications did you have? Like, why did they pick you? How did that go with the founders, the VC and all that kind of stuff? How did it all come together?

Gary Swart: I think it's an interesting topic. When I came into oDesk, I think the idea was there. The market was there and even the technical execution was pretty sound. These guys had built a product and had built systems that could support the product. But the team was a bit of a mess. There was no clarity. One, where the company was going, or two, the feeling that everyone knew what was expected of them, three there were no standards. So, it's sort of the emphasis that employees felt like management put on improving performance and the like or the degree that people felt that it

was challenging but attainable goals. It was sort of like a leaderless organization. I think the founder recognized that, "Hey, this is a real opportunity in order to make it worth something. We could really use some direction, some priority, some standards, some responsibility and some structure on what we are doing."

So, when I first came in, I saw the opportunity. But just saw a lot of sort of operational detail that needed to be cleaned up. I think the Board obviously felt that some foreign investors felt the same way.

Adrian Bye: Founders don't tend to willingly step aside or is that what happened in this case?

Gary Swart: Well, what happened in this case is that the founder happens to be a very opinionated, very smart, very passionate founder. Obviously, he wants to contribute at the executive level but recognized that he had no business being a CEO. I think it was fine to get the company to where it was, but he knew that he wouldn't be able to take it further. So, I think probably one of the prerequisites is that when you have a founder that is willing to step aside or to say, "Look, this is what I'm good at and here's how I want to contribute." Our founder Odysseas Tsatalos is extremely valuable to the team. He's our CTO. But he's a CTO that has the ability to execute as an individual contributor. Even specking features, delivering features and architecting features but also having the technical vision of where the business should go and where the real opportunities are to continue to differentiate, I think he understands the business as well as anybody in our company.

So, to have somebody like that who knows that they don't want to be CEO but they still want to be heard or come have an opinion and have a seat at the table, but can also contribute as an individual player on the team, is just extremely valuable. I think it's a little bit tenuous at first, but one has realized that we could move faster. I have this concept of best in highest use. You want to get the best and highest use out of everybody on the bus, if you will, I think Odysseas realized what his strength where and when he realized that the bus could go faster if he sat in that seat, that's really when we started executing.

Adrian Bye: Why did he choose to stay with oDesk? I mean, like you said, that was tenuous so I imagine that that's got to have been very difficult where he was originally the founder and then you're this new guy that's come on. Obviously, you're given the CEO's role but it's still his baby. I mean founders do get very attached to their companies they founded. So that's got to have been tough. Why didn't he just move on and start something else?

Gary Swart: Well, he definitely could but I think there's a combination of things. One is that when you have something that's working really well and you are executing against that idea, and also you have a real passion for this business, to see it through. I think all of those things are a little bit sticky. But then, also, to create an environment where you do have pretty good clarity, good standards, a good sense of responsibility so everybody knows what they're responsible for. I also think there's a whole…if I look at my past jobs, Adrian, about why I left, I think there's four things that are important in an opportunity.

In addition to a great idea, a great team and all of the things that you look for in a great company, I think that a career or an opportunity needs to provide these four things: Number one is the opportunity to grow and develop. If people feel like they can grow and develop in their environment, then they'll stick around. I think Odysseas looked at it and said, hey, maybe I can learn things or I can grow and develop beyond the CTO role and learn how to do some different things. The second is the opportunity to contribute. So, when you can draw a direct line between what you're doing and the company's growth or a product feature you released and the huge market adoption. So, it's really the ability to contribute, to know that you can contribute to the bottom line that's important. The third thing is good financial reward. So, if you're making good money or you feel like you're being fairly compensated or you have a stake in a win in the form of equity. If you can make the company worth something, then that equity becomes valuable, then that's quite sticky. Then the fourth thing is what I call balance. These are good work environments, do you like the people you work with. Is it fun to go to work everyday, is there a sense of balance in your life. Nobody minds working 80 hours a week if they love what they're doing and they like the people they're working with.

So, I think that the absence of any one of those things will cause people to leave or to poke their head up and start looking around, even if one of those is out of balance. If I looked at my past career at IBM, I had fantastic financial reward. I had great balance; there were two metrics, 9 and 5. I could go and I was in never in better shape in my life but I didn't have the contribution of growth and development. The growth and development curve was slow and getting flatter and the contribution – I had $160 million number – didn't matter if I showed up at work or not. I couldn't move the needle more than $10 million or $20 million, which was nothing in a $13 billion software organization.

So, if you look at why people leave, I think it's when one of those four things get out of line. Fortunately for Odysseas, I constantly check in and I think we've created an environment where those things are prevalent.

Adrian Bye: So, how did they find you? You were working in another job that wasn't working out the way you hoped, where you CEO on your previous job or where you in another position?

Gary Swart: I was not. I was VP of Operations – I was COO. What had happened was, we had tried to raise money for that opportunity and it was a fantastic learning experience, which by the way, a good friend of mine says, "Experience is what you get when you don't get all the other things you want." This was one of those experiences. In the process of raising money I got in front of a lot of VCs. A couple of those VCs said, "Listen, we're not interested in the company but we are interested in you. How about this opportunity, how about that opportunity?" and this was one of those.

So, knowing that I have to probably distance myself from that other start-up, I looked at half a dozen different things and oDesk was one of those things.

Adrian Bye: With the other positions that you were also being offered, where they also CEO type positions?

Gary Swart: It was both. Some CEO, some VP of Sales, I had a couple of interesting start-ups – two which who have already had exits – those would have been very decent opportunities. But this one seemed like it had the most upside.

Adrian Bye: Right. For bringing on a CEO, what would be typical salary ranges that a CEO…just bringing someone in to take over would expect. I actually got asked this last week by a guy who's self made. He's got his company out in Colorado, it's doing really well. I think in his case, he doesn't actually want a CEO, he wants a COO. But in general, what kind of ranges of salary would be expected for that sort of position.

Gary Swart: There's some really good venture data out there that I'm very happy to send to you. There's a survey that they send out every year, you can look at the stage of the company, the size of the company, the amount of money that they took and where they're located. It will tell you, by role, founder and non-founder, what you should expect. So, I'll be very happy to send that to you.

But the way I look at that is that it's sort of risk and reward. There's three different buckets that you can pull from. There's base, there's variable and there's equity. I remember I had a conversation with somebody once when I was at IBM, I was flying home from Seattle and this gentleman said that he had helped take Starbucks public as an investment banker. He was looking at opportunities to do more than just be an investment banker the rest of his life. He met with Howard Schultz, who was the founder of Starbucks. Howard said to him, "You're never going to be me while you're at Morgan Stanley." He said, "You're going to either change your aspirations or change your environment." I remember flying home from Seattle with that quote in my head and I couldn't get it out of my head. I said, "You know what, I have to change my environment. I'm never going to knock the ball out of the park at IBM." I could have a great career and could be a solid single or maybe a double if you're lucky, but I just didn't want to wake up 15 years from now and say I've never stepped up to the plate.

So, I think it has to, as far as what does the package look like or what are the opportunities really depends on what's important to you. Do you want to step up to the plate and put more at risk? Sometimes the greater the risk, the greater the reward or do you want to play it safe and command a big salary, and the like? Also, when I came to oDesk, we were an A-round company. We had taken one round of financing, $6 million and the opportunity really was to get well beyond that.

Adrian Bye: Yes. I mean your typical start-up isn't going to be burning through cash. So, I imagine someone like yourself must have taken a pretty decent pay-cut when you went to go to oDesk.

Gary Swart: I did, yes.

Adrian Bye: That's just part of the course that's expected because you're going to hopefully make it up in equity later on.

Gary Swart: Think about the things that I said earlier, Adrian, about growth and development, contribution, financial reward and balance. All of those things have to be in play. It's not just about the money. So, the experience that I'm getting here is I was able to get myself out of a sales and

operations background and in to something else, which of course is fantastic growth and development for me.

Adrian Bye: Right. So, do you feel that you now fit the role of experienced management or would you imagine going, trying and starting your own thing?

Gary Swart: I think there are lots of options, there are lots of opportunities as well. I definitely feel like the experience that I have here over the last two years has just been fantastic, especially learning this type of a business. There's not only the skill, there's also the knowledge of the domain where you're playing and you can't take that for granted.

Adrian Bye: Right.

Gary Swart: So, I talk to recruiters all the time, actually met with a recruiter friend earlier this week and what's interesting is if you look at the jobs they're trying to fill today, it's really hard to find an experienced CEO for certain companies.

Adrian Bye: What was your experience before you came on? You're doing sales at IBM, do you have an MBA? What's your background that they were looking for to bring you onboard?

Gary Swart: I think it was a combination of things. One is I used to own a business so I was an entrepreneur earlier in my career, then went into technology, kind of rose up through the sales ranks. Then, ran the small to medium business practice at Rational, which was about 40% of the company's revenue so I had a pretty substantial responsibility there and then a failed start-up under my belt. That failed start-up actually I think if I didn't do that, I wouldn't have been in the position to do this today. That was really an eye-opener and a valuable experience for me, mostly lessons on what not to do. But I think that prepared me uniquely for this opportunity.

Adrian Bye: In the failed start-up, why was that considered an advantage rather than a disadvantage? Do you think the VCs wouldn't have put you were you are now had it not been for that?

Gary Swart: Yes, I believe that's the case.

Adrian Bye: Why would you say that? I know that Silicon Valley is very forgiving with that sort of thing because they know it takes a couple of hits but wouldn't they say, "Well, this one wasn't that good, maybe Gary is not the guy."

Gary Swart: I think there were some elements of it that were very good. For example, we had 80 customers that were paying us close to $20,000 for subscription based license to our products, so we did have some traction and we were able to get that over a year. We did have pretty good technology, it was just bad execution. I think that in the fundraising process, it gave me great exposure to what's required in order to do that. I think I was able to recognize those things and we almost sold the company successfully, which actually didn't happen but there were a lot of valuable lessons in that as well. All the while I was meeting with potential investors, different companies and

VCs. One of those VCs is the firm that put me into oDesk. So, they must have seen enough not only in the failure but also the lessons learned.

Adrian Bye: So, you put your educational background. Are you an MBA?

Gary Swart: I'm not. No, I have a business degree from University of Maryland, College Park.

Adrian Bye: So, if there are entrepreneurs listening to this that are thinking about hiring you as CEO or COO, what would be your recommendations? What should they be looking for? If you can give us like a ball park on salaries and the kind of deals that they should put together for someone, how should a package like that look?

Gary Swart: Well, what they should look for, I think, is that there are probably four areas that are important. Number one, first and foremost, is the personal characteristics. The reason why personal characteristics are so important is because those are the things that you can't change. I don't care how much skill or knowledge or motivation a person has, if they don't have high integrity, if they're not a good communicator, if they're not hardworking, you can't teach those things. You can teach a chicken to climb a tree but you're better off getting a squirrel in the first place. I would look at personal characteristics first.

Second, is the motivation. Why does the person want to do that specific job and why do they think they'd be good at. What sort of is the motivation to want to do it.

The third thing is the skills. So, what's skills do they have. Do they have skills in building, maintaining and retaining A+ teams? Do they have skills in attracting talent? Do they have skills in raising money? Do they have strategic or tactical skills that are important to the company at that stage?

Then, the fourth thing is the knowledge. By knowledge, I mean, are they coming out of a domain where they've already done this? So, for oDesk, have you already done a marketplace or have you already worked in a services organization? Marketing wise, it was important to us to get somebody who understood Internet marketing as opposed to traditional software marketing.

So, I would say that if looking at a combination of those things and really trying to get the ideal employee profile of what's going to fit your firm. Then, as far as package, it's really what it's going to take to get the right person into the job. I think that you don't want to be penny-wise and pound-foolish. You also don't want to overpay to try and bring the big name in too early. If I look at what's important for oDesk, it's we're on a trajectory to get this business to a hundred million in growth services built, then I'm confident in my abilities to get us there. Beyond that, we'll do what's right for the business. Either I'm the right person or there's somebody better that can do the job. So, I think it's really putting the business first and making sure that you're doing the right thing to get it towards where it needs to get to.

Adrian Bye: Do you have a phase where you stay on border or is there a time where you consider that you've grown the company enough and then, it's time for someone else to take over? Like when they hit that $100 million point, is that when you step away and someone else steps in?

Gary Swart: I think it depends. At anytime, if that's what the business needs, I'm happy to help to bring in the right person. I have very little emotion around that. I look at it and say, "Look, if oDesk wins, we all win." There are plenty of opportunities for everybody. I'm very happy to have the reins and to grow the business as far as I can take it, but at any time, if I'm not the right person then I'm very happy to not only step aside but to help to bring the right person in. I'm actually confident in my abilities to do that as well, to help attract the right talent for the company.

Adrian Bye: That's a tough position to have to take. I don't think your average founder would be able to make a statement like you just have.

Gary Swart: You don't think so?

Adrian Bye: Not from some of the founders I've seen, no. A lot of the times, the parting or moving on is not something smooth.

Gary Swart: I think it's probably a combination of things. One is the ego probably gets in the way and two is there's this fear of letting go or giving up control. What I've learned from our investors and our Board members, we have one Board member that's just very, very strategic and he's a superb coach. He doesn't through out lots of ideas. He doesn't tell you what to do. He nearly asks one or two very poignant, very insightful questions that get you thinking about what you need to do. I find that that style actually works better. It's the ability to give up control, the ability to let your team make decisions and to let people run. I think the founder that can do that is going to position themselves for success. Unless, of course, they're great at making the right calls and they're great at executing and then why do they need somebody, right?

Adrian Bye: Maybe, in your case, it's also a little easy to get less emotional about it because it isn't your baby from inception. It's something you picked up part of the way through.

Gary Swart: Well, listen I'm very passionate about the business so I would argue that it is my baby. We all share it. I think I'm as passionate about the business as anybody but I'm also a realist. The important thing is to do right by your customers, do right by your investors and probably most importantly is do right by your team, right? I feel an incredible sense of responsibility to have a good outcome for the people that come in everyday, work harder than I do and who, by the way, are far more capable. I think we have an amazing team here and people work really hard. They're quite good. So we demand a lot out of them, but I feel a responsibility back to create value in oDesk, so we can all win.

Adrian Bye: Right. Anything you'd like to add on the hiring experienced management or obviously, your strengthening of the team?

Gary Swart: I think, since I've been at oDesk we've...one of the first things I did was I had to ax about half a dozen people. The reason why is because we had some non-performers. I think that standards are really important, especially in a startup environment, where the longer you let a non-performing employee stay, the more the team looks at it and says, "Hey, there is no standards." If C-players can

get by here, then it just makes it harder for you to raise the bar and so we continually raise the bar in the pursuit of excellence here. I know everybody says, "Oh, we have an amazing team." We really do try and continue to bring in good talent. The business has different needs as you go. So what was right six months ago may not be exactly what's right today or what's needed today. I would say that the ability to recognize that and to take action quickly is probably the most important lesson because never have you let somebody go, have I in anyway, looked back and said, "Gee, I wish I had waited a little bit longer." Always say, "I'm glad I did that. I wish I've done it sooner."

Adrian Bye: Hire slow, fire fast, right?

Gary Swart: Yes, exactly. I think that it's just hard to do. Usually, it's people involved and you want to make sure, again, that it's good for the people. That they'll end up better on the other side and 90% of the time that happens. It's just the importance of getting the right people on the bus in the first place and then getting them in the right seats is key.

Adrian Bye: Isn't that from *Good to Great*?

Gary Swart: It is, yes.

Adrian Bye: Cool. Anything else you want to add on that topic?

Gary Swart: Not that I can think of, I feel like I've talked a bunch already.

Adrian Bye: Alright. So, if there's anything, I guess, in closing you'd like to tell us about oDesk or anything else probably that we should know that we didn't cover?

Gary Swart: Yes, I think we've pretty much covered everything on oDesk. What I would say is that we think that we're approaching the market uniquely. We think we're adding a lot of value in the manage and pay part of the equation. Going into next year, I think you're going to see a lot of new twists and new opportunities. But I would encourage any company that's having difficulty in finding a good talent or in building their team to give us a try and to let us know how it works. We want to make sure we get the feedback because we're continuously making it better.

Adrian Bye: Cool. Gary, we're done.

Gary Swart: Alright, Adrian, thank you very much.