Achieving Success in Silicon Valley

Desmond Lim tried, failed, and finally succeeded with Workstream, an app that helps businesses hire and manage hourly workers.

From running a restaurant on campus while still a double-degree undergraduate student to founding a successful Silicon Valley start-up, Desmond Lim, CEO and co-founder of Workstream, is perhaps the quintessential entrepreneur. His success with the text-based hiring app garnered him a spot on the 2020 Silicon Valley Business Journal's 40 under 40 list. Desmond shares his fundraising and business-building experience, all the while staying hungry and humble.

HOW DID YOUR ENTREPRENEURIAL JOURNEY START?

I founded my first business, a tutor-to-student matching platform, right after high school to pay for my college tuition. Then, when I was studying at Singapore Management University, I founded and ran a Thai restaurant that sold pad thai (stir-fried rice noodles) and tom yum (hot and sour soup) for three years. Upon graduation, I joined investment banking firm Merrill Lynch. In 2013, after about three years there, I went to study at the Massachusetts Institute of Technology and soon after, Harvard Business School. From there, I joined WeChat as its product manager based in Boston, before moving out to San Francisco in 2016, where I have been based since.

It was in late 2017 when I, along with Max Wang and Lei Xu, started Workstream. It is a hiring and onboarding platform for the hourly workforce. What we were trying to do was build this mobile-first software that helps businesses hire, onboard, and manage hourly workers faster and better.

Both my parents were hourly workers. My dad was a driver, and my mum was a cleaner, so I'm familiar with this category of workers. In fact, there are more than 2.7 billion deskless hourly workers in the world. In the US alone, there are over 80 million hourly workers including drivers, cleaners, as well as those working in restaurants and retail and more. And businesses lacked software built for the unique challenges of the hourly workforce. All the major people management software solutions we hear of today–Workday, Salesforce, Zoom, and Slack–are built for people who work in offices and the technology sector.

I knew this market was not well-served by the software currently available, but I didn't have a clear idea of what users needed most. So I talked to many businesses and figured out that sourcing, hiring, and onboarding people was a significant pain point for them.

My very first customer was a café chain called Coupa Café based near Stanford University. It was among the many businesses like Subway and Jamba that I had spoken with to find out about their problems. I visited the café and its back office, and it was very helpful for my learning. You really have to see the pain points that your clients face in person, and it is even better if you can watch what they are doing. Because when you ask someone, "What are the problems you have when you are trying to hire people?", most would instinctively say, "There are no problems. Everything is going very well." But when you actually observe them spending hours posting advertisements on job boards, and trying to use Google Sheets, email, and pen and paper to hire people, you realise their notion of 'good' is actually very backward.

WHAT WAS YOUR FUNDRAISING JOURNEY LIKE?

I have gone through six rounds of fundraising. The first one was for QuikForce, the company I set up prior to Workstream. That company ultimately failed, and the fundraising for it was very tough. I was based in Boston then. It took me six to nine months to raise about half a million dollars, because I was in the US on my own, an immigrant without a wide network. I tried many times to raise funds but I was turned down by almost everyone I met.

When it came to Workstream, our seed funding round was in February 2018. We obtained US$2.4 million from Basis Set Ventures in about three and a half weeks, which was considered fairly quick. Then we had an angel investor Eric Yuan, the CEO and founder of Zoom. Eric is also an immigrant like me and has been a very kind and helpful mentor right from the start. After his investment, I was able to get a few other angel cheques.

My second round of funding was harder, which is typically the case when raising Series A funding. Prior to Series A, you can raise funding based on the trust and vision of the founders, but in the Series A round, you need to have a business model. By that time, we had about half a million customers, so we had some traction, and our team comprised about 20 to 30 people. We pitched to over 60 funds, and in the end, we were very thankful that we got seven offers. We chose Peter Thiel's Founders Fund to take the lead for our Series A round. Keith Rabois, former COO of Square, came on to join our board too.

One of the key things about fundraising is that it is very helpful to talk to many people at the same time, so you can create some kind of FOMO–fear of missing out.

Fundraising is always about three things: your team, your market, and your product. First, investors want to know who the founders are. Do you have the right people to do business, sales, and marketing, and also to write the code and software? You must have a very strong founding team who really wants to do this for the next five to 10 years. Second, how big is the market? Do you have to raise venture capital (VC) funding? Is it something that can go public? The third thing is the product; why hasn't anyone in the past built what you have built? What is the pain point that you are trying to solve?

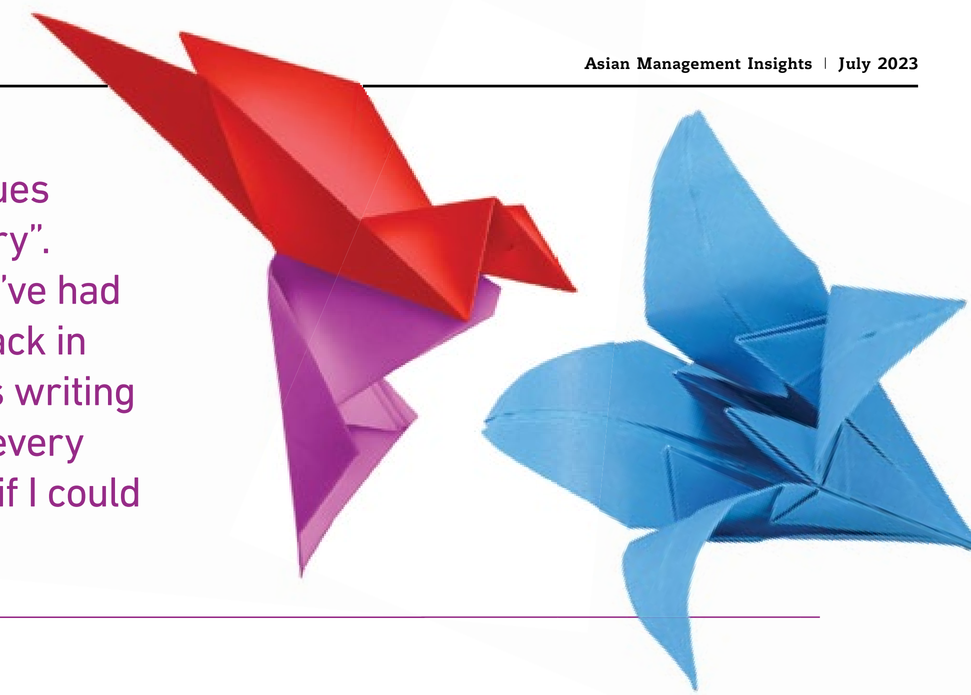
One of the key things about fundraising is that it is very helpful to talk to many people at the same time, so you can create some kind of FOMO–fear of missing out. As a new founder, the balance of power is not with you; it is with the fund. The fund can say no, but the new founder cannot. The new founder can only say no if he/she chooses to reject the offer, so lining up many funds and angels to talk to at the same time will provide more options.

And choosing who to partner with is crucial. In the past five or six years, I have often chosen a lower price or less funding if that partner is someone I think is good and strong. Eric always says, "Find someone who really trusts you and believes in you". Things change and companies go through ups and downs, so choose well. We have been very blessed; we've been through our fair share of ups and downs but it helps to have partnered with many VCs and funds who have been founders themselves and often guide and lead us when we need to make tough choices.

HOW DO YOU VALUE A COMPANY?

Trying to figure out the price of a company is always tough. What I typically do for earlier-stage companies is figure out the average price for a certain type of company in the market that you are trying to raise in and raise from. Once you know the average, you can come up with a range of numbers. When I was trying to raise my seed funding, the average was between US$8 million to US$20 million for a company with a team of five to 10 people and some customers but not much revenue. When I went out to raise funding, I did not tell potential investors the price I wanted. This is a key point. I simply told them, "This is my business pitch. This is my growth plan, team, market, and product. I'm trying to raise anywhere from US$1 million to US$3 million for this round." I did not say the price I was looking for. I then used the same pitch on seven to 10 funds.

If you are very lucky and get three to five offers, you can see who gives the best price right there. Don't be too worried about the price because most of the time you have no choice; it really depends on the market. But you should do your homework first.



One of our company values is "Be humble and hungry". This is a value and trait I've had since I was a student. Back in my freshman year, I was writing cold emails to mentors every single day, trying to see if I could learn from them.

Many start-up founders don't find out about the average price and they either raise at too low, or even worse, too high a price. If you raise at a very high price from an angel who doesn't know the right price, and he/she loves your team so much that you get a $100 million price, you are gone! How are you going to raise the next round of funding?

DO YOU HAVE ANY ADVICE FOR ASPIRING FOUNDERS?

One of our company values is "Be humble and hungry". This is a value and trait I've had since I was a student. Back in my freshman year, I was writing cold emails to mentors every single day, trying to see if I could learn from them. I was attending five to six classes every single term while playing basketball for my college and running the Thai restaurant. I was just so hungry and also very keen to learn from other people. I think this trait has really helped me throughout the past 10 years.

When I first went to Silicon Valley, I was a first-year Master's student at Harvard. The first thing I did was write emails to more than 100 start-ups in the Bay Area, asking them, "Can I work for you for free?" That was my tagline. Most of them said, "No. Why would I take in this immigrant to work for me?" But there was one very small start-up founded by two female immigrants who said yes to me. So I paid for my own flight and stayed at a friend's house. Even when I was back in Boston, I was attending seven classes every term while trying to run QuikForce. So that would be my top advice: be humble and hungry.

Another piece of advice: If you are an early-stage company, it is better to focus on one market for the first year or two. When the company gets larger, you will probably have enough revenue, customers, and sales to send a tiger team of anywhere from two to five people to the target market. It should ideally be a mix of teammates from the headquarter country who could maintain the DNA, values, and culture of the company, and team members from the target market who have local knowledge. That way, you have the best of both worlds to push things forward. Our overall headcount now is about 250 people. We have built strong hubs across several locations including Singapore. In the Philippines, we have strong customer support staff. In Vancouver, we have a lot of really good engineers, and in the Bay Area, we have various teams dealing with products and more.

I would say that whether you're in Singapore or Silicon Valley or anywhere else, as a first-time founder, the longer you can push back your fundraising, the better. Once you get funding, you will feel some pressure to do well in order to pay your investors back. What I typically tell other founders is to try to bootstrap for as long as they can without funding. First, be very clear about what you are trying to build and what problem you are trying to solve. Find one to three other founders who want to be with you on this journey. All these things are very tough to achieve. They can take anywhere from three months to even three years. Figure out what you are trying to build even if you don't have the software or technology built out yet, and find your team. And most of all, focus on what the customer wants.

For my early-stage companies, I usually talk to more than 100 potential customers in the very early days. In the case of Workstream, there were actually a couple of clients who cried when they saw our software, because we could help them save so much time and energy. There were also many clients who spent tens, if not hundreds, of hours with us to share their challenges and give feedback to make our software better. So always talk to your customers, and listen to what they have to say.