



In It for a Marathon: Jessica Mah and InDinero's Resilient Founding Team

Jessica Mah had just gotten off the phone with her voice of reason, her mother. Earlier in the evening, she had been to dinner with her startup co-founder and friend, Andy Su. Both knew that they were about to make an important decision that would make or break their venture. Jessica had been building her startup inDinero, a financial management software for small businesses, for a little over a year and things had been going well. Basking in the validation of their acceptance to Y Combinator, Mah and her team had garnered the attention of high-profile investors, leading to an initial investment of \$1.2 million in 2010.¹

However, by October of 2011, cash was running low and tensions were running high. Users were not renewing the service and revenue streams significantly declined. While the business had been growing, so had the inDinero team; however, without the revenues to support it changes had to be made. With just weeks of runway remaining, about \$150,000 of the initial investment, Mah's startup was moving towards insolvency. That night while at dinner with her cofounder in San Francisco, Mah made her decision.

The next morning Mah began laying off nearly the entirety of her staff, calling the rest of the process "relatively easy."² Laying off her staff was a no brainer. If she didn't, her company would fail, and her staff would inevitably lose their jobs anyways. By laying everyone off - InDinero was given the chance to fight another day. Although the decision to lay everyone off had seemed "like a joke" just days before when a friend suggested that she do so, she now realized that it was the only way forward. Walking meetings on the streets and in the malls of San Francisco with a very straight forward script expedited the layoffs and made the process run smoothly, even though inDinero could not afford severance packages. Once the process had been completed, Mah "felt relief" rather than sadness over the fact that she now knew that inDinero would survive, at least for a few more months of intensive fundraising.

Background

Jessica Mah was born in Westchester, New York, just north of New York City. Her childhood was overshadowed by the technological boom of the 90's, as she taught herself how to code at the age of 10. Both her mother and her stepfather had immigrated from Hong Kong and are

This case was prepared in the Sutardja Center for Entrepreneurship & Technology by lecturer Stephen Torres, editors Thomas Ferry and Mudit Goyal, and case team Amy Philip, Henry Keenan, Jonathan Archer, Kyle Geitner, Samantha Cristol, and Vanessa Salas prepared this case. It was reviewed and approved prior to publication by a company designate. Funding for the development of this case was provided by the University of California, Berkeley and not by the company. Berkeley Engineering cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Copyright © 2018 by The Regents of the University of California. All rights reserved. No part of this publication may be reproduced, stored, or transmitted in any form or by any means without the express written permission of the Berkeley Engineering Case Series.

entrepreneurs themselves. As Mah entered middle school, she showed a proclivity towards following in their footsteps. She began her first business at the age of 11 by purchasing server space in bulk and then selling fractions of the space for cheaper prices. Her “competitive advantage” revolved around providing a higher level of customer service than competitors could offer. However, going into high school, Mah recognized that her grades were starting to slip. In her family, her grades came first. Worried about her future, she sold the client base, and focused on her schoolwork as she entered the 10th grade.³

Halfway through her high school experience, Mah decided she needed a change. She was scared that her poor grades in middle and high school would lead to a jobless and unfulfilling adulthood. In response to these worries, she dropped out of high school at the age of 16, and began attending Bard College at Simon’s Rock. Simon’s Rock is known for their early college program, which allows young students to begin their college education early without having received a high school diploma. At Simon’s Rock, she earned her Associate’s degree and decided to transfer to pursue a career in computer science. She searched for a school that was of high academic standing that admitted transfer students. After applying to the top CS programs, she landed at the University of California, Berkeley.⁴

At the age of 17, Mah began her studies at Berkeley as a computer science major. While her young age did not inhibit her socially, she felt that she was behind academically, coming into a highly technical program with a liberal arts background. Thankfully, Mah found a lab partner that she could trust. Andy Su was a fellow classmate of hers and the two hit it off. They found that not only did they work well together, but also that they enjoyed each other’s company. Through all this, Mah’s entrepreneurial roots never left. Now that she was immersed in the Silicon Valley culture, she started coming up with her own ideas. While at lunch with her friend Arielle at Berkeley’s Italian restaurant, Gypsy’s, her next venture was born: internshipIN.com (See **Exhibit 1**). After bringing Andy onboard, the three students decided to go for it. InternshipIN.com would connect early and mid-stage startups with students seeking internships.⁵ Going in, Mah knew that the quality of their work was low, but that did not matter. What internshipIN.com lacked in quality, it made up for with real-world practice.

A year later in their third year at Berkeley, after finishing up homework early Mah and Su moved forward with their newest idea: a startup that would help small businesses and other startups with their financial data and tracking. Coming from a founder's background, Mah had experienced many pain points related to taxation and financial data when it came to both her server hosting business, and internshipIN.com. Mah was determined to get better at managing money in order to make sure it was never a problem for her again at any future start-ups. While researching how to handle finances, she realized that this pain must be widespread, and inDinero was born.

Computerizing the Small Business

Mah and her co-founder found themselves alone in their 2-bedroom apartment, now the InDinero headquarters. They had just laid off their friends and were out of funds. In 2010, while in their early twenties, the two had founded InDinero, an accounting platform to help small business manage their finances. By June 2010, inDinero entered Paul Graham's Y Combinator mentoring program, and Mah took her product live just one month later. By September, she had closed a \$1.2 million angel investment round that included YouTube co-founder Jawed Karim and the seed fund 500 Startups. At the end of 2010, inDinero had seven employees and 6,000 customers, managing over \$2 billion in customer transactions.⁶ Customers paid from zero to \$100 a month, depending on the number of transactions the company tracks. By then Mah and her team, most of whom shared a four-bedroom house in Mountain View, were working from 10 in the morning until "midnightish." Mah calls the hours "very reasonable." Investors loved the idea, and InDinero was a destined for success— or so it seemed.⁷

InDinero's first few years failed to live up to the high standards that they had anticipated. When launched in 2010, inDinero offered a financial dashboard for business owners to track their cash flow. However, Mah soon discovered that her product, which was essentially a Mint.com for small businesses, was flawed, and their business model unsustainable.⁸ To complicate matters, she was powering inDinero with seven of her closest friends from Berkeley, including her co-founder, Andy Su. The initial product consisted of purely software to help with their money handling, charging \$10 - \$20 a month per user. While initial reviews were positive, there seemed to be a disconnect when it came to product market fit. Customers were attracted to the product, but would later cancel after a few months of use. InDinero desperately needed to capture the opportunity within the small business market, and that would only happen by offering a product that customers deeply needed and would stay committed to. Even more importantly, InDinero needed to find a way to beat the competition.⁹

The Competition

When speaking with customers, Mah found that most cancellations occurred after small businesses spoke with their accountants. Small businesses largest concerns were not regarding the tracking of their finances, but rather avoiding tax fines. While business owners enjoyed inDinero's financial tracking dashboard, it functioned "[like] a vitamin— nice to have, but people didn't really need [it]."¹⁰ What the small businesses did deem necessary, however, was the hiring of accountants. These accountants offered financial services beyond inDinero's capabilities, saved the businesses from fines, and as a result, advised against the use of inDinero. For all intents and purposes, accountants were the startups direct competition. In order to achieve success, inDinero needed to break the need for an accountant completely.

Listening and Learning

After firing her staff, Mah and Su were the only two people working to keep inDinero alive. With diminishing capital and a receding user base, it was obvious to them both that the company needed to pivot. It was not until Mah visited a customer in his office, however, that she realized how.

"I went to a customer's office and he was like 'I'll pay you thousands of dollars if you do all this for me.' The lightbulb went off - I was like ok I'll charge you a few thousand bucks."¹¹

With a revived vision and new goal at hand, inDinero's focus began to shift. The new problem that Mah and Su faced was to create a software that could completely handle a small business's financial and accounting needs. Not only that, but that product would have to be trustworthy and reliable enough that businesses would turn to it in place of a human. Although the task was daunting, the decision had to be made. If this customer's pain was representative of the entire market, inDinero would be able to do well. If it was not, more time and money would be squandered away. inDinero was running out of funding, and a change in product offering appeared to be the only clear path forward. With only these options presented to her, Mah chose to rise to the challenge. An accountant was hired, and the three of them set to work (See Exhibit 2).

Gaining Financial Stability

Having found a new product offering that was working well, Mah began to rebuild her business. After the 2011 ordeal of firing her entire staff, Mah had a higher appreciation for the weight of her decisions. One of her biggest was her refusal to raise venture capital or private equity

funding. Mah says that she was in it for “the marathon, not a sprint”, and needed to maintain her deeply valued autonomy.¹²

Although many advisors questioned her choice, Mah does not regret her decision. The lack of VC and private equity investment allowed for her to build her own board of directors, maintain majority ownership of the company, and retain her control over company decision-making. More importantly, she feels that she can continue to improve and build inDinero, without being pressured into going public or selling.

“I have like a 10-20-30 year outlook on the business. Like, if a business grows constantly over 10 years, run that through a compounding growth calculator online, you will see that- even if my business grew 25% every year for the next ten years- I’ll basically have a million-dollar business. Versus if I was growing 60-70% a year, and I raise all this VC money, I don’t have control, over my own business. I would probably be forced to go through a liquidity event sooner- I’d be forced to sell the business, go public, I’d have to raise more capital to grow at that rate or else no one is going to get their IRR 30% return.”¹³

Although Mah has not taken VC funding, she has received Angel Investment. Notable inDinero investors including Kevin Hartz, Bobby Yazdani, Hank Vigil, Fritz Lanman, Coyote Ridge Ventures, SaaS Capital, and Streamlined Ventures. In the year 2014, Mah was able to raise \$8.8 million in funding, and grew the company to two hundred employees.¹⁴

Hiring and Firing

After the 2011 decision to lay off the entire staff, Mah had been careful to regard hiring as a vital and incredibly important step towards growth. However, she had realized that friends do not always make the best business partners, and worked towards improving interviews. She wanted them to be as open and honest as possible– and she needed her prospective employees to be aware and okay with the absence of venture capital funding, which she was not going to take.¹⁵

In just three years, Mah grew inDinero to roughly 200 employees, largely due to the \$2.4 million sales growth spurt that the company experienced between 2012 and 2014. Additional offices were opened in New York City, Portland, and Manila, with the main office remaining in San Francisco. By 2017, the company that had dwindled to merely two employees in 2011 with less than \$40,000 in yearly sales had now grown by 120 times over (See **Exhibit 3**).

However, in February of 2017, Mah noticed again that her company was not operating as efficiently as she had expected. Her co-founder, Andy Su, attributed this to poor decisions in 2016 such as retaining nonperforming employees. Customer acquisition costs were higher than expected, and waste was rampant. This time, Mah decided that she was not going to let history repeat itself. Her decision to lay off twenty percent of her workforce was tough but necessary, and happened fast.

“We had to do it because we were inefficient, bloated, wasting resources, wasting money. Our margin numbers, the cost of acquisition numbers, were through the roof. I made the call to do it, and I told my leadership team you have 2 and a half weeks to take care of this.”

Giving her leadership team such a short time span was purposely done: dragging out layoffs resulted in more time lost, and waste of human capital. At inDinero, Mah has worked to build a culture that is supportive of fast and drastic decision making. “We’re like a high-performance sports team, not a family. If someone is no longer a good fit, we have no problem finding them a new home elsewhere.”¹⁶ Despite this, Mah ensures that her team of “inDinerians” feels valued

and important, and keeps them all working towards the greater goal of improving the client experience.

Despite all the hiring and firing cycles in inDinero's relatively short history, Mah has managed to keep her core team consistent as they grew the company. This was essential as they kept Mah supported and encouraged her to take healthy breaks from inDinero and pursue flying -her dearest hobby- and to organize frequent team visits to Burning Man. In the words of her co-founder Andy Su, "Flying and going to Burning Man are essential parts of what keep her sane in a very stressful startup environment. I believe that going to Burning Man really helps her keep perspective and enable a special bond between the members of inDinero's core team." Mah has demonstrated with clarity in her short but eventful career that her and her core team's mission is not to employ large groups of her friends, but to maintain her company's chances of survival, with a lean, efficient, and focused team. Anyone else is expendable when the survival of the company is at stake.

Conclusion

Today, inDinero has become a well-recognized force in the small to medium size business software space. The customers pay three to four figures monthly for the startup's proprietary technology, which handles all accounting and taxes. InDinero caters to the specific needs of companies and treats each as an individual, providing personalized business services as the company desires, making InDinero not only recognized but appreciated by its customers.

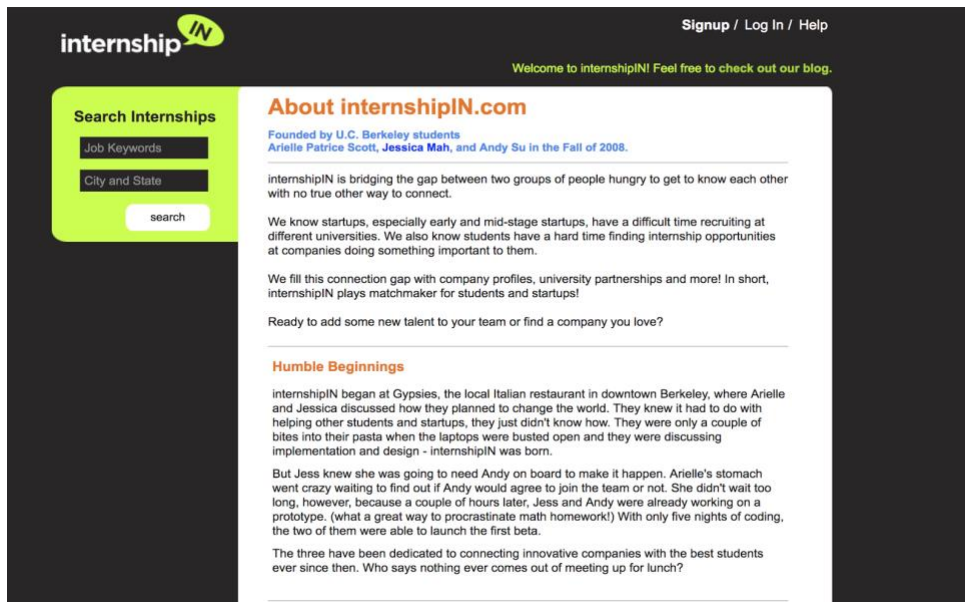
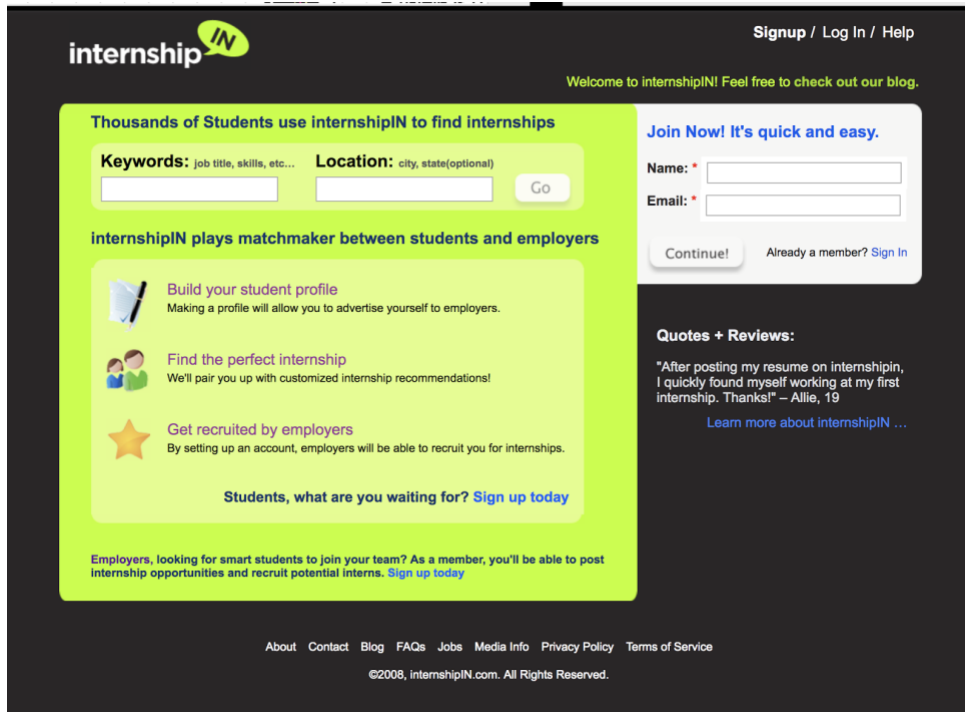
Multiple pricing plans are available, ranging both in price and amount of services (See **Exhibit 4**). Amount of transactions, amount of accounts, and inventory or payroll accounting make up the variations between their different services. However, holding true to their goal of improving the client experience, custom pricing with specialized services and features are offered, as are tax expertise and finance resources.

Mah hopes for inDinero to revolutionize the way back office operations take place. She envisions inDinero expanding upon their services to the point where they can automate all back-office functions. "We want to transition this company into an amazon for business services - where any business can have all of their general business service needs catered for by inDinero."¹⁷ As Amazon started with books, inDinero has chosen to start with accounting and taxes.

Mah acknowledges that these ambitious goals will take time, but she is in it for the long haul. "I could sell my company and make a lot of money today but why would I do that if I'm having fun? I like what I am doing because it is challenging."¹⁸ As Amazon experienced, scaling a product driven company into a fully-fledged marketplace is indeed a challenge. It will ultimately be up to Mah and her newly trimmed team to meet it.

Appendix

Exhibit 1 Screenshot of internshipIN.com platform, March 2010

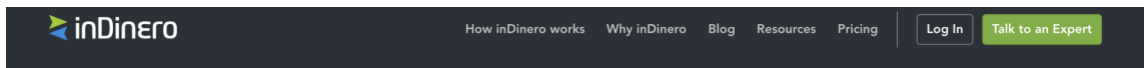


Source: March 10, 2010, Wayback Machine <http://archive.org/web/>
Exhibit 2: Screenshots of inDinero platform, November 2017



Leave your bookkeeping and taxes to us

inDinero provides the financial tools and bookkeeping services to grow your small business.



Leave your bookkeeping and taxes to us

inDinero provides the financial tools and bookkeeping services to grow your small business.



Accountants and Bookkeepers

Bookkeepers, accountants, and CPAs partner with you to manage your books and deliver accurate, timely business financials to help you succeed.

LEARN MORE



Accounting Software for Entrepreneurs

With our web-based software, you can easily understand your financial performance and manage day-to-day finances in minutes.

LEARN MORE



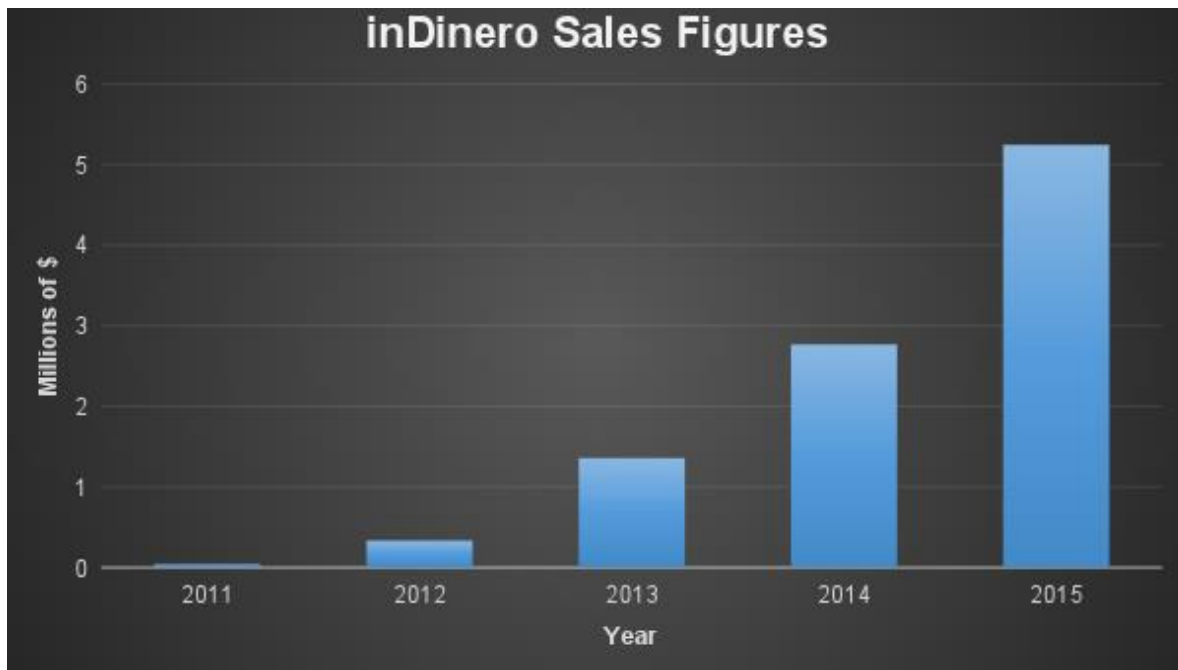
Small Business Tax Experts

This tax team goes above and beyond preparing and filing your tax returns by identifying credits and deductions to maximize your savings.

LEARN MORE

Source: <https://www.indinero.com/>

Exhibit 3: Sales figures from 2011-2015



Source: Jessica Mah, email

Exhibit 4: Pricing Plans

The Basics

- Starting at \$295/mo. - Billed Annually
- For small businesses that need clean and simple accounting that addresses compliance
- 2 Connected Accounts
- Up to 50 Monthly Transactions
- Annual Federal & State Tax Filing

- Profit & Loss, Balance Sheet, Cash Flow Statements
- Invoicing & Bill Pay
- Employee Reimbursements

The Essentials

- Starting at \$500/mo. – Billed Annually
- For most small-to-medium sized businesses that want robust accounting so they can focus on their core business
- 3 Connected Accounts
- Up to 100 Monthly Transactions
- Annual Federal & State Tax Filing
- Profit & Loss, Balance Sheet, Cash Flow Statements
- Invoicing & Bill Pay
- Employee Reimbursements
- Payroll Reconciliation

The Next Steps

- Starting at \$1250/mo. – Billed Annually
- For companies that require accrual accounting, inventory recognition, and advanced reports for decision makers
- 4 Connected Accounts
- Up to 200 Monthly Transactions
- Annual Federal & State Tax Filing
- Profit & Loss, Balance Sheet, Cash Flow Statements
- Invoicing & Bill Pay
- Employee Reimbursements
- Payroll Reconciliation
- Inventory Accounting
- Revenue Recognition

Source: <https://www.indinero.com/pricing>

Endnotes

1. Rockwood, Kate. "How Couples Therapy Helped Bring This Company Back From the Brink." Inc.com, Inc., Sept. 2015, www.inc.com/magazine/201509/kate-rockwood/2015-inc5000-a-pivot-a-therapist-and-a-revival.htm.
2. J. Mah, personal communication, November 8, 2017.
3. Kim, Eugene. "This 24-Year-Old High School Dropout Is Tackling A Problem Every Startup Hates To Deal With." Business Insider, Business Insider Inc., 27 Nov. 2014.
4. Mah, Jessica. "Jessica Mah." Jessica Mah Meets World, jessicamah.com/about.
5. Schonfeld, Erick. "Teen Bloggerpreneur Jessica Mah's \$500 Startup: InternshipIN." TechCrunch, TechCrunch, 4 Nov. 2008, techcrunch.com/2008/11/04/teen-bloggerpreneur-jessica-mahs-500-startup-internshipin/.
6. Larssen, Adrian Granzella. "Start-up Success Stories: Jessica Mah of InDinero." The Muse, The Muse, 29 Mar. 2012, www.themuse.com/advice/startup-success-stories-jessica-mah-of-indinero.
7. Chafkin, Max. "InDinero Fixes Money Management." Inc.com, Inc., 1 Dec. 2010, www.inc.com/magazine/20101201/indinero-fixes-money-management.html.
8. Rao, Leena. "Indinero Launches As The Mint.com For Small Businesses." TechCrunch, TechCrunch, 2 July 2010, techcrunch.com/2010/07/02/indinero-launches-as-the-mint-com-for-small-businesses/.
9. Rockwood, Kate. "How Couples Therapy Helped Bring This Company Back From the Brink." Inc.com, Inc., Sept. 2015, www.inc.com/magazine/201509/kate-rockwood/2015-inc5000-a-pivot-a-therapist-and-a-revival.htm.
10. J. Mah, personal communication, November 8, 2017.
11. Moglen, Laurel. "High School Drop Out and CEO, Jessica Mah Of InDinero, Makes Doing Taxes Pleasant." Forbes, Forbes Magazine, 12 Apr. 2017, www.forbes.com/sites/laurelmoglen/2017/04/12/high-school-drop-out-and-ceo-jessica-mah-of-indinero-makes-doing-taxes-pleasant/#1bca4ac4de41.
12. J. Mah, personal communication, November 8, 2017.
13. J. Mah, personal communication, November 8, 2017.
14. <https://techcrunch.com/2015/02/18/indinero-pivot-funding/>
15. Larssen, Adrian Granzella. "Start-up Success Stories: Jessica Mah of InDinero." The Muse, The Muse, 29 Mar. 2012, www.themuse.com/advice/startup-success-stories-jessica-mah-of-indinero.
16. J. Mah, personal communication, November 8, 2017.
17. J. Mah, personal communication, November 8, 2017.
18. J. Mah, personal communication, November 8, 2017.