

See how **37SIGNALS** scrapped web-design work to develop software that retools how designers create—and redefines the way business is done.

LESS IS MORE

BY LISA BAGGERMAN HAZEN

37SIGNALS HAS A SIMPLE CREDO: "UNDERDO" THE COMPETITION.

This means hiring fewer people and spending less money. Working shorter hours. Holding as few meetings as possible. Deliberately offering fewer features than competitors. But making sure what they do deliver is brilliant.

This Chicago firm creates web-based software that helps businesses and people get organized—software designed to simply do its job and get out of the way. No superfluous features, no detailed preferences, no complicated setup and no learning curve. They're an antidote to bloated software that's more frustrating than useful, and these streamlined products resonate with a user base that's 500,000 strong and growing as more people and businesses catch on to what 37signals is all about.

In an industry once defined by extravagance, 37signals is pioneering more than just fuss-free software, but also a philosophy of working smart, lean and simple. This mighty team of seven is showing those in and outside the web and design worlds a whole new way of doing business.

AN UNEXPECTED PATH

Founded in 1999, 37signals began as a web-design firm, boasting clients including Qwest, HP, Clear Channel and Microsoft. But the staff found working with clients draining. "I never really liked client work," says founder Jason Fried. "I wanted to find a way to work where I no longer had to deal directly with clients."



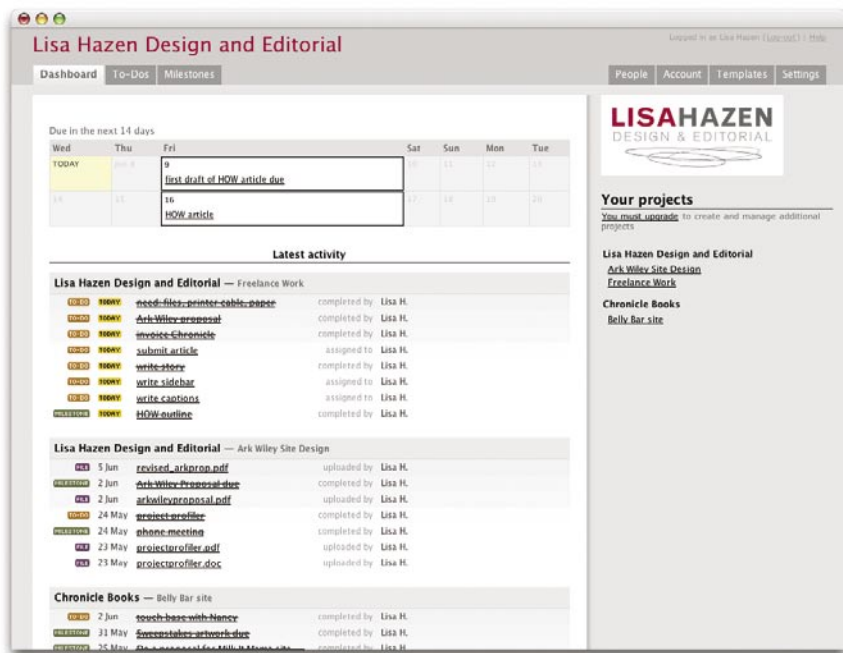
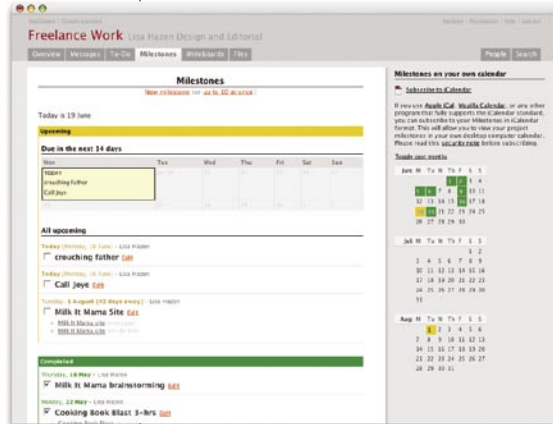
SOFTWARE MADE SIMPLE

Since 2004, 37signals has launched five applications to the public. Since all applications are web-based (there's nothing to download or install), setup is instantaneous. And its more than 500,000 users appreciate those sorts of things that put 37signals a notch above other software developers.



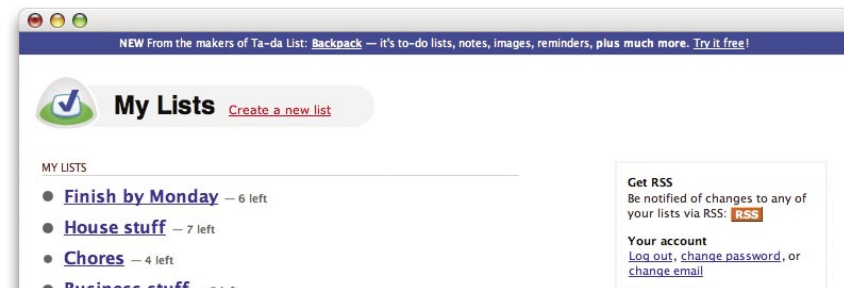
BASECAMP

The 37signals team developed Basecamp for client communication back when they did web design. They realized there was a market for this app when clients clamored for their own copies when their projects ended. This virtual project manager allows all parties to assign to-dos and tasks, post messages, gather feedback and track time.



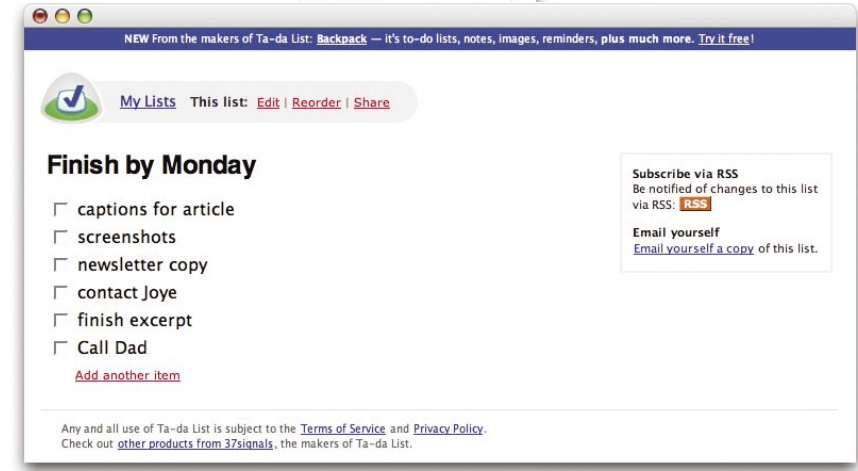
BASECAMP

With a glance, everyone involved can assess a project and its progress via Basecamp. Milestones, along with the party in charge of them, are assigned to the calendar, which users can have automatically added to their iCal or Mozilla Calendars.



TA-DA LIST

Ta-Da List allows users to manage several different lists at once, share a list with others and subscribe to an RSS feed that notifies users of any changes. The free version of the software functions as an advertisement for Backpack, the full-featured personal-management application that allows users to manage notes, images, reminders and more.



VITAL STATS

LOCATIONS Chicago, Idaho and New York City

FOUNDED 1999

PRINCIPALS Jason Fried and David Heinemeier Hansson

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DO YOU HAVE A STAFF OR OFFICE MOTTO/MANTRA?

We have a few: "Done" (we say "done" when we make a decision so we can all move on); "Less Software" (if anything is getting bloated or complex we say, let's make this "less software" and scale it back); and "Say No By Default" (we can say yes eventually, but saying no by default keeps us focused on what's really important and not just what's cool).

WHAT'S IN YOUR OFFICE FRIDGE?

Last month's leftovers. We really need to clean that out.

WHAT DOES YOUR STAFF DO FOR FUN AS A GROUP?

We all get together a few times a month, but mostly we all have different lives and interests. When we do get together, it's usually for a nice big lunch or dinner.

IS THERE ANYONE ON YOUR TEAM WITH AN UNUSUAL BACKGROUND?

Our designers have all come from varied backgrounds: finance, philosophy, political science, music, biology or no college at all. It's not about where you went or didn't go, what degree or certificate you have, or how well you did or didn't do in school. It's about your raw talent, your taste, your passion, your motivation and your curiosity. That's what matters.

WHAT ARE YOUR TEAM'S HIDDEN TALENTS?

They're hidden, so I have no idea. ;)

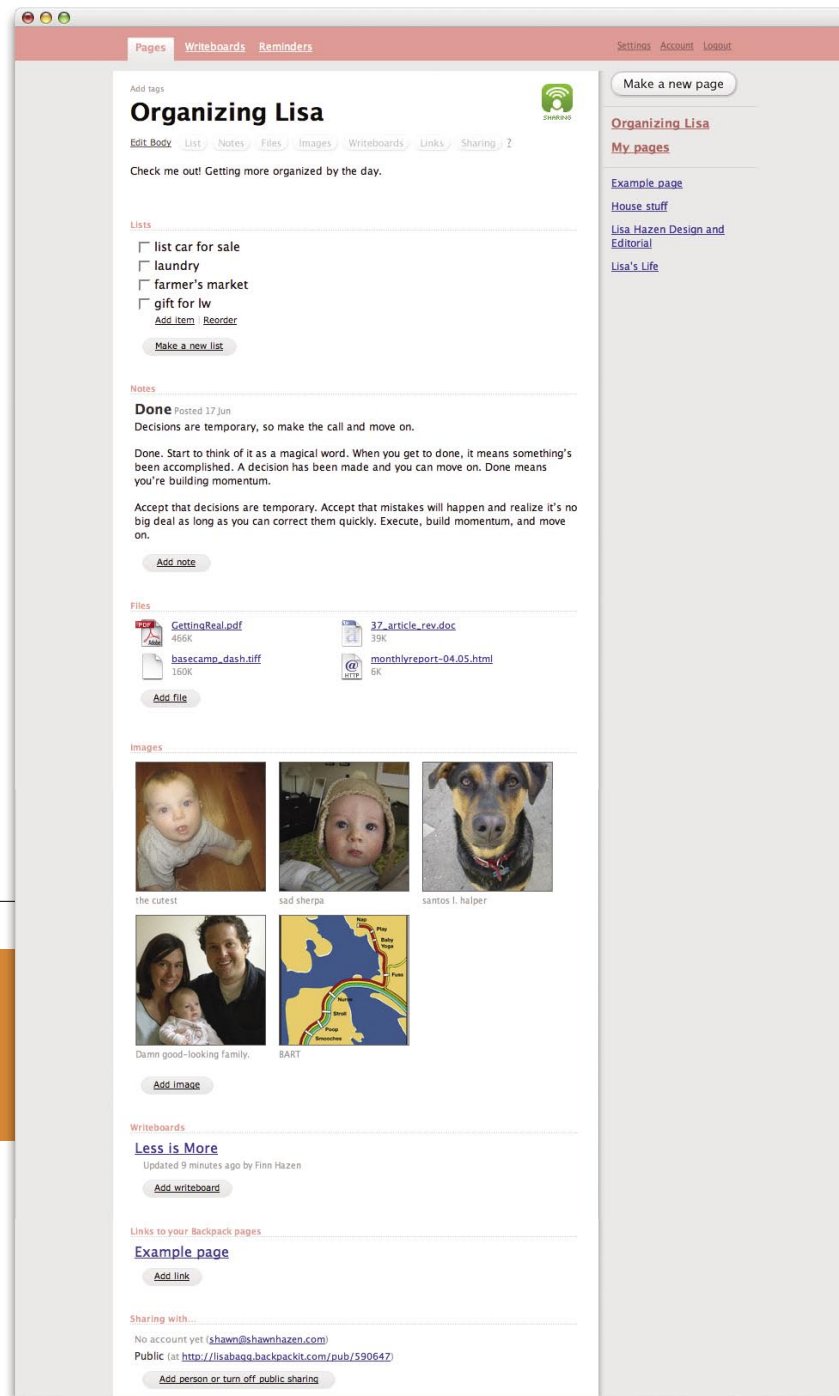
What began as a side project became a whole new path. The firm had developed a web-based project-management application that aided client communication. After working with 37signals, some clients would ask for copies for their own use. Seeing potential, Fried charged programmer David Heinemeier Hansson with developing a commercially viable application. In February 2004, it was released to the public as Basecamp, a web-based, project-collaboration tool that allows coworkers and clients to communicate with one another by assigning to-dos and tasks, posting messages, gathering feedback, scheduling milestones, sharing files and tracking time.

Following the release of Basecamp, 37signals continued web-design work. But they also kept developing software. Ta-Da List, sharable to-do list software, was released in January 2005. Backpack, an organizer for personal and business use, was released in May 2005. Writeboard, a collaborative writing tool, was released in October 2005. And Campfire, a group

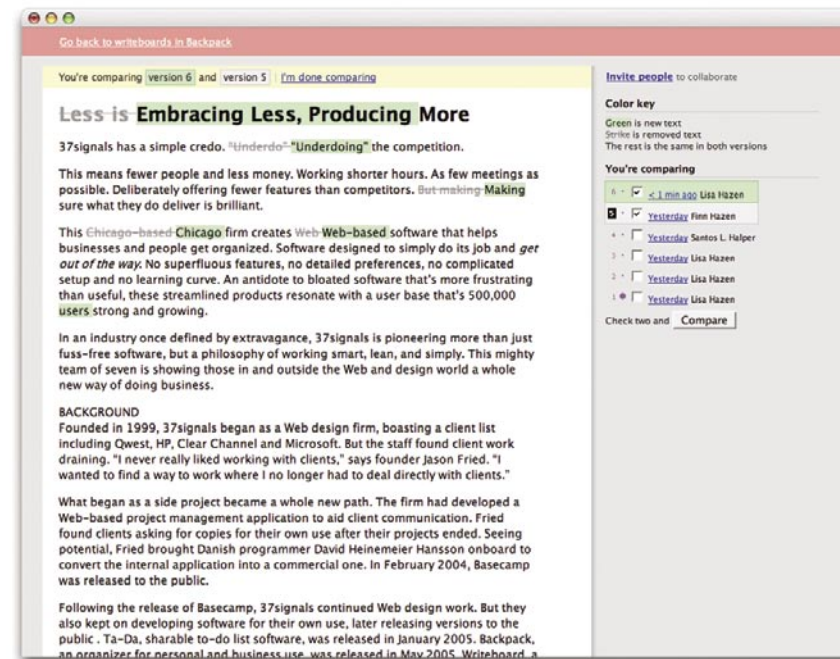
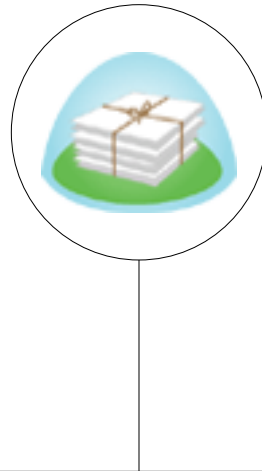
chat application for business, was released in March 2006. All products are web-based and available for a scalable monthly subscription fee, except Ta-Da and Writeboard, which are free. All tools have free versions available, with limited features.

To build these applications, Hansson developed Ruby on Rails, a web framework that he later released as open source. Hailed as a godsend for increasing backend productivity, Ruby on Rails made Hansson a rock star of sorts in the programming community and furthered the cred of 37signals. The 26-year-old has been dubbed "The Hottest Hacker on Earth" by Wired, and he landed the cover of LinuxJournal.

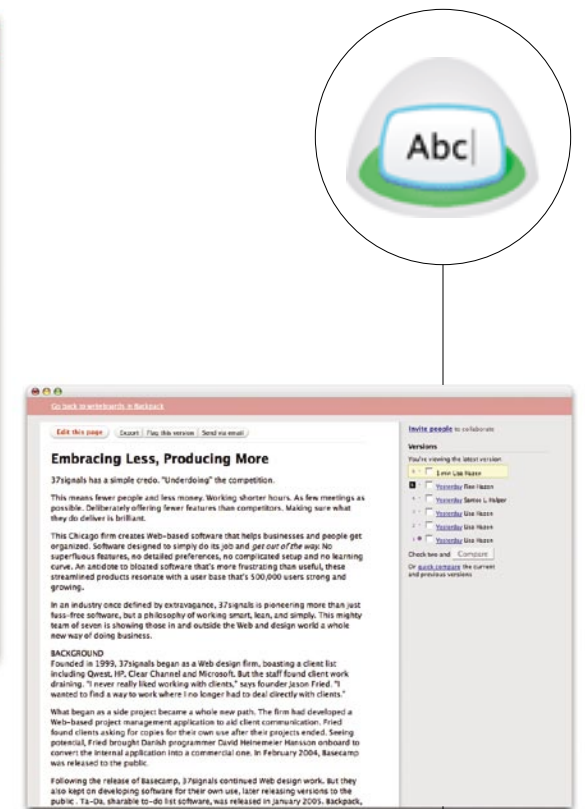
It took about a year, but by early 2005, 37signals was making enough money from application development to abandon web design (and along with it, client work) and focus exclusively on development. "I never intended for 37signals to be a web-application developer," Fried says. "But we're happier working for ourselves than for clients."



BACKPACK
Backpack allows users to effortlessly manage their to-do lists, notes, images, files and more through the web. Users can share pages with others to collaborate on a project and set e-mail or mobile-phone reminders for important milestones.



WRITEBOARD
This text-editing application is included as a part of Backpack and Basecamp, and also as a stand-alone free version. Writeboard allows users to post a document for editing, roll back to any version and compare the edits between versions.



And less was exactly what the firm's users wanted. "When we ask customers what they like best about our applications, they say, 'They're simple and they work,'" Fried says. "That can't be overstated. The fact that someone can get right in and use the product without a big learning curve or setting a lot of preferences."

The bold declarations 37signals makes about its products, its entrepreneurial philosophy and its competition's shortcomings has earned the firm some vocal critics. But Fried doesn't shy from provoking controversy. "It's important to have people on both sides who care," Fried says. "Poking people here and there inspires debate. If you try to build something for every-

one, you end up with mediocrity. We're in the business of making simple products that work. People looking for a 'kitchen sink' solution won't like our products, but we're not worried about them."

A VIRTUAL CULTURE

The same philosophy that informs the software's development applies to the firm's culture as well. As you might imagine, 37signals isn't dependent upon a conventional office structure. There are as few meetings as possible, flexible hours and three time zones separating the team. Five staff members live in Chicago (Fried, three programmers and a designer), one

programmer in Idaho and a designer in New York City. But even the Chicago folks rarely share office space. The team spends most of its time collaborating online via the Campfire group chat application.

"We thrive on alone time," Fried says. "The same way it takes a good half hour to get into REM sleep, you need time to get into your zone in order to be productive. If someone's there to tap you on the shoulder, it just invites opportunities to be distracted."

No one is held to set office hours, a structure that honors each individual's working style. "The fallacy is that anyone really works eight hours a day," Fried says. "People are productive in spurts. Maybe you're only really productive two hours a day. It doesn't matter if you're sitting in an office or not."

This structure (or lack thereof) works to support a simple firm tenet: Optimize for happiness. "Happy people are motivated people," Fried says. "Motivated people are productive. As long as the work gets done, we let people work the way they want to work."

The firm is built on a foundation appealing to its employees' passions, creativities and independence. For instance, the staff is the first customer, building applications they find exciting and useful. "When you're building things you like, you stay true to what you want to do," Fried says.

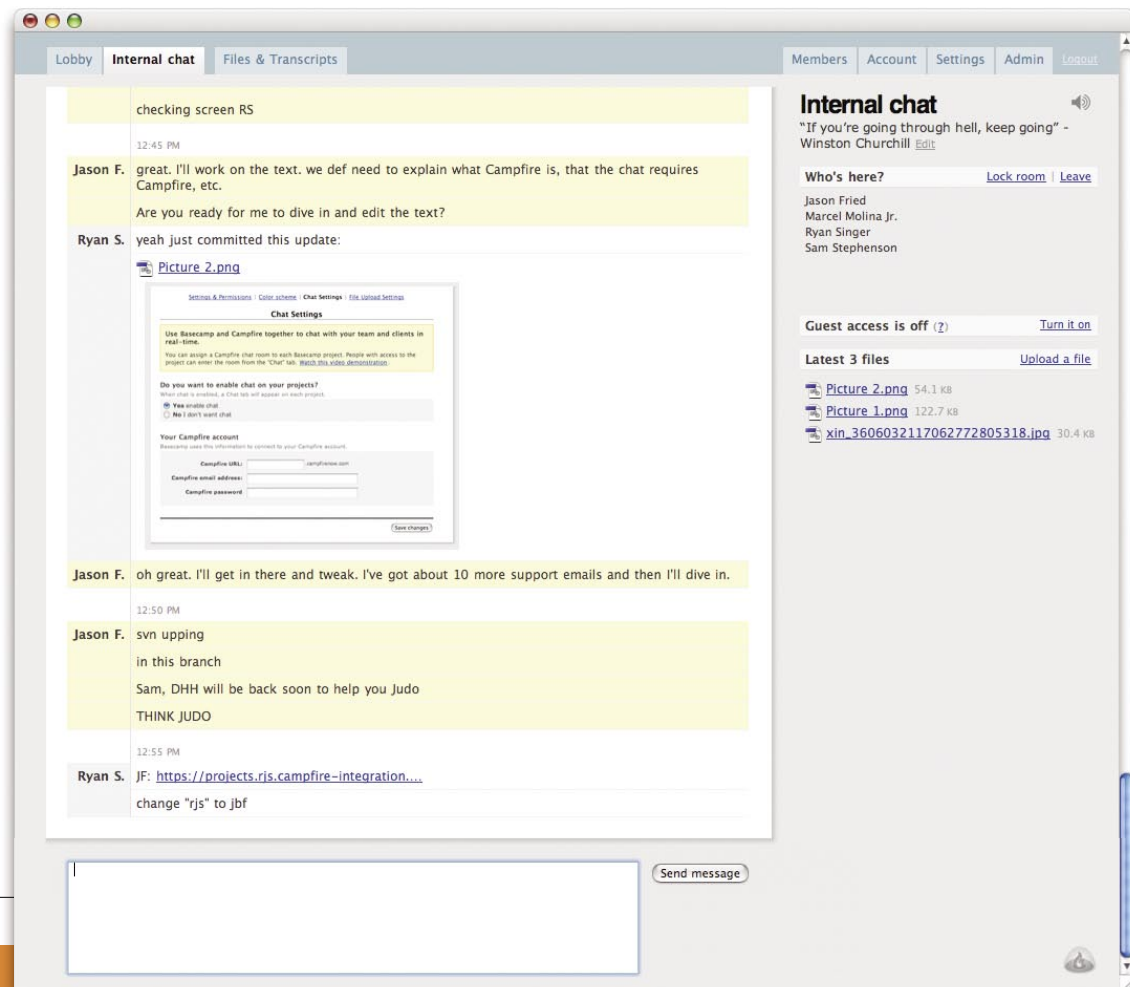
SMALLER IS BETTER

When you look at the scope of the work and the reach of the audience, it's hard to believe that 37signals is comprised of just seven people. "Our philosophy is to hire less and hire later," Fried says. "With a lean staff, there's less of an impulse to increase the scope of the project, and you're likely to see profits more quickly."

Working on a small staff means that everyone must be prepared to don a variety of hats. A non-negotiable skill for the firm members is the ability to write well. "To be successful, you have to be able to explain things clearly," Fried says. "Today, most communication is written, through e-mail or online chats. If you can't

CAMPFIRE

Since none of them regularly share an office, much less a time zone, the 37signals staffers knew they needed to develop a robust chat application. Campfire allows users to chat with up to 60 people at once and share files, all within one web browser.



communicate clearly, it doesn't matter how great of a programmer or designer you are."

The impetus to work smaller also extends to the scope of their projects. Most of their web applications launched in less than four months. "If we spend more than four months on something, we know we have to scale back the project's scope," Fried says. "It's better just to get the product to market. There's always time to add stuff later."

The shorter time line also serves as incentive for staff. "Our team can see their products built quickly," Fried says. "No one likes work that launches late or is thrown away later."

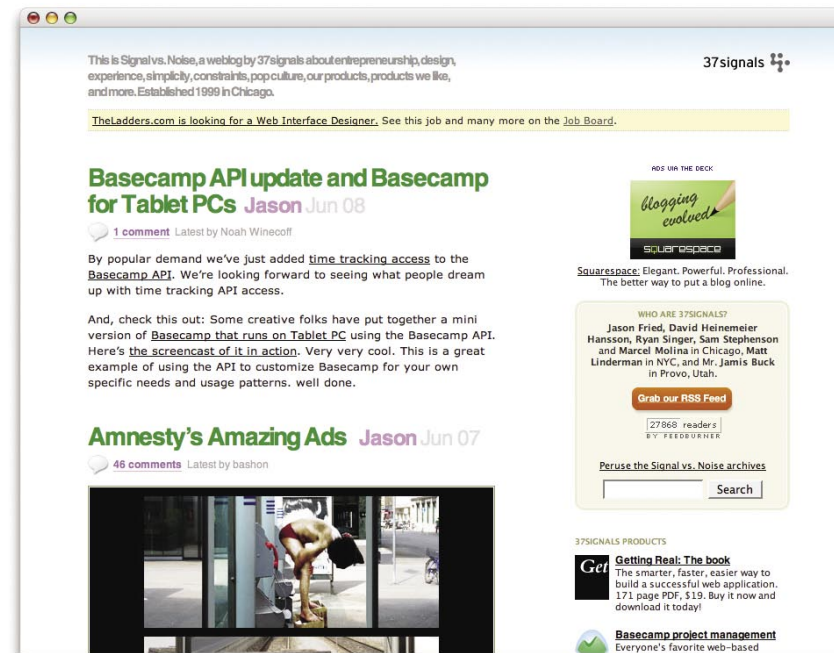
Even customer support is handled in-house—by Fried himself. And although he admits that answering 50 to 60 e-mails a day can be cumbersome, the direct line to the users allows him to be the first to know about potential problems, and he gets to hear directly from the users about their experiences with the products.

ACROSS ALL MEDIA

Interest in the bold ideas behind 37signals' success has inspired many to pay attention to the philosophy behind their work, whether or not they work in software development. In 1999, 37signals launched a blog, Signal vs. Noise, which addresses topics surrounding entrepreneurship, design, simplicity, constraints, pop culture, products and more. The site is a vibrant web presence, boasting more than 30,000 visitors per day.

The blog's popularity inspired Fried and Hansson to write "Getting Real," a collection of essays on the business, design, programming and marketing principles of 37signals. They self-published the book as a PDF and sold it through their site for \$19. In case they needed any more validation of their inspirational philosophy, the book sold briskly: more than 15,000 copies in its first 90 days, netting a profit of \$190,000.

The firm also hosts seminars three to four times a year in Chicago, which delve more deeply into the topics in "Getting Real." The last seminar sold out in just



24 hours and hosted attendees from Australia, Japan and Europe. This is another profitable venture for the firm—the most recent one made a \$50,000 profit.

And they just launched a job board on their site. Listing primarily programming and creative jobs, the listing service capitalizes on the blog's impressive daily visitation, and it provides yet another revenue stream for the 37signals crew.

WHERE NEXT?

You don't hear about many boutique firms that are influencing the culture and philosophy behind online media like 37signals. Or, as soon as you do, they end up being acquired by some mammoth corporation. (After all, Blogger went to Google and Flickr to Yahoo.) Although the firm now boasts a high-profile investor (Bezos Expeditions, a personal investment company of Jeff Bezos, who founded Amazon.com, has made a minority private equity investment in 37signals), Fried is devoted to keeping 37signals autonomous.

For instance, the firm did client work until they could survive comfortably selling the applications exclusively. They didn't have to wait long. Basecamp had a positive cash flow in about six weeks and was profitable after a year. "If you're starting with venture capital, you're not making decisions in the best interest of your customers; you're making decisions for your investors," Fried says.

After all, he didn't build this firm just to flip it. "We've talked to the big guys," Fried says. "Everyone has a price. But ours is too high for anyone. We want to do this for a long time. We're not building this firm to sell it. That's not interesting to us. We want to still be doing this in 20 years."

Lisa Baggerman Hazen is a Chicago-based writer and web designer who now manages the various details of her business and personal life through 37signals applications. lisa@baggermania.com

SIGNAL VS. NOISE

Signal vs. Noise is a blog 37signals started when it launched in 1999. It's become a powerful tool for promoting the firm and its products—it's visited by more than 30,000 people daily. It addresses topics of entrepreneurship, design, experience, pop culture and more.

LET'S GET REAL

The focus of 37signals' e-book "Getting Real" is instructing programmers on how to build a successful web application. But you don't need to be a programmer to benefit from the wisdom. Here are some excerpts that any creative person can apply to their work.

EMBRACE CONSTRAINTS

Let limitations guide you to creative solutions. There's never enough to go around. Not enough time. Not enough money. Not enough people. *That's a good thing.*

Instead of freaking out about these constraints, embrace them. Let them guide you. Constraints drive innovation and force focus. Instead of trying to remove them, use them to your advantage.

MEETINGS ARE TOXIC

Don't have meetings. Do you really need a meeting? Meetings usually arise when a concept isn't clear enough. Instead of resorting to a meeting, try to simplify the concept so you can discuss it quickly via e-mail or online chat or Campfire. The goal is to avoid meetings. Every minute you avoid spending in a meeting is a minute you can get real work done instead.

For those times when you absolutely must have a meeting (this should be a rare event), stick to these simple rules: Set a 30-minute timer. When it rings, meeting's over. Period. Invite as few people as possible. Never have a meeting without a clear agenda.

"DONE"

Start to think of it as a magical word. When you get to "done," it means something's been accomplished. A decision has been made and you can move on. "Done" means you're building momentum.

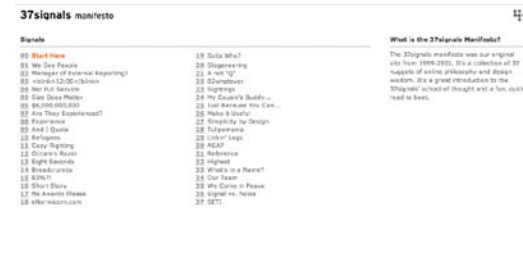
Accept that decisions are temporary. Accept that mistakes will happen, and realize it's no big deal as long as you can correct them quickly. Execute, build momentum, and move on.

IT SHOULDN'T BE A CHORE

Your passion—or lack of—will shine through. The less your app is a chore to build, the better it will be. Keep it small and manageable so you can actually enjoy the process. If your app doesn't excite you, something's wrong. If you're only working on it in order to cash out, it'll show. Likewise, if you feel passionately about your app, it'll come through in the final product. People can read between the lines.

ORIGSITE.JPG

From the beginning, 37signals kept it simple. The firm's original site simply included links to 37 nuggets of wisdom about the firm's design and outlook.



BE_HAPPY.JPG

The firm's manifesto of "optimizing for happiness" has made them more than just web gurus, but also pioneers in entrepreneurial philosophy. Here, David Heinemeier Hansson speaks at one of the firm's Getting Real workshops.



MANTRAS.JPG

37signals' success has inspired many other creatives to learn the secrets behind their success. Here, firm founder Jason Fried addresses a sold-out crowd in Chicago.

