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## Understanding How Failing a Job Interview May Be a Source of Innovation: The Case of WhatsApp Founders

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### Introduction

Over the past five years, many Internet and smartphone users have become familiar with the name WhatsApp without imagining that a couple of years earlier, the founders of this famous brand failed a job interview at Facebook. Because often after a failure people lose direction, and are not able to bring forward something new or bright, this chapter guides the reader to the opposite direction by bringing out innovation, and of course creativity, as tools for achieving success. However, innovation requires focus. Clearly some people are more talented innovators than others, but their talents lie in well-defined areas. Innovation requires knowledge, ingenuity and, above all, focus from the person wishing to benefit from it.

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In innovation, as in any other endeavour, there is talent, there is ingenuity and there is knowledge. But when all is said and done, what innovation requires is hard, focused, purposeful work. Did the founders of WhatsApp go through these steps? If diligence, persistence and commitment are lacking, talent, ingenuity and knowledge are of no avail.

Because innovation is conceptual and perceptual, would-be innovators must also go out and look, ask and listen. The WhatsApp founders' failure gave them the opportunity to go out, listen to what was being done in their various fields and come up with the idea of WhatsApp. Successful innovators use both the right and left sides of their brains. They work out analytically what the innovation has to be to satisfy an opportunity.

This chapter explains that what is remarkable about WhatsApp's rise to success is the story of founders Jan Koum and Brian Acton. They were no strangers to failure, yet their incredible journey speaks volumes about the value of tenacity and vision. Today, Jan and Brian's app (WhatsApp) is the most valuable messaging platform on the planet, but they experienced their fair share of rejection by top tech companies, including the one that eventually bought their service, Facebook. The chapter explains the various steps one needs to follow after a failure to learn from this misfortune and move forward with one's life. The chapter discusses the WhatsApp founders' history, as well as the link between creativity, frustration and innovation that is at the origin of most incremental and breakthrough inventions.

## Summary of WhatsApp History

The company WhatsApp Inc. was founded in 2009 by two Americans engineers, Brian Acton and Jan Koum, both former employees of Yahoo!. After Koum and Acton left Yahoo! in September 2007, the duo travelled to South America as a break from work (WhatsApp website, 2014). According to Forbes (2015), in June 2009, Apple launched push notifications, letting developers ping users when they were not using an app. Koum updated WhatsApp so that each time the user changed their status, it would ping everyone in the user's network. WhatsApp 2.0 was released with a messaging component and the number of active users suddenly

swelled to 250,000. Koum visited Acton, who was still unemployed while managing another unsuccessful start-up, and Acton decided to join the company. WhatsApp was switched from a free to a paid service to avoid growing too fast, mainly because the primary cost was sending verification texts to users. In December 2009, WhatsApp for the iPhone was updated to send photos. By early 2011, WhatsApp was in the top 20 of all apps in Apple's US App Store. Koum then hired an old friend who lived in Los Angeles, Chris Peiffer, to make the BlackBerry version, which arrived two months later (Forbes [2014](#)).

## Initial Capital to Launch the Company

Following his departure from Yahoo!, Koum relied on his US\$400,000 in savings. By February 2013, WhatsApp had a staff of 50 people. Sequoia Capital invested US\$50 million in the company, valuing WhatsApp at US\$1.5 billion. In April 2011, the founders (Jan Koum and Brian Acton) agreed to take another US\$7million from Sequoia Capital on top of their US\$250,000 seed funding, after months of negotiation with Sequoia. Later, Acton persuaded five ex-Yahoo! friends to invest US\$250,000 in seed funding, and as a result was granted co-founder status and a stake, who officially joined the company on November 1, 2011 (Forbes [2014](#)).

## Failure Leads to Innovation

Before explaining the process of innovation leading to something novel, it is important to develop the link between creativity and innovation—creativity leading to innovation.

## Failure in the Creative Process

Webster ([1976:54](#)) defines creativity as the ability to bring something new into existence.

There are many aspects of creativity, but one definition would include the ability to take existing objects and combine them in different ways for new purposes. Thus, a simple definition of creativity is the action of combining previously uncombined elements. Another way of looking at creativity is as playing with the way things are interrelated. Creativity is the ability to generate novel and useful ideas and solutions to everyday problems and challenges (Webster 1976). Thus, while entrepreneurship is about making things happen and deals with the practical challenges of implementation, creativity is the capacity to develop new ideas, concepts and processes (Miller 1999).

According to Amabile (1998), in management, creativity occurs at the strategic level in developing alternative approaches to business processes, such as strategy formulation and organisational change, and at the operational level in the development of new products and technological innovation. In short, it is the desire to think outside the box and challenge conventional wisdom and ways of doing things within or outside established organisations.

Amabile (1998:77) suggests that there are three components of successful creativity in organisations: expertise, motivation and creative thinking skills.

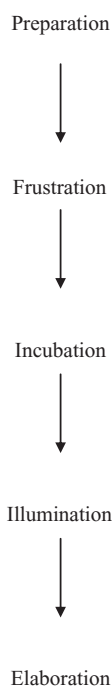
Expertise encompasses what a person knows and can do. It defines the intellectual space that he/she uses to explore and solve problems. Motivation can be extrinsic (desire to achieve company rewards and awards) or intrinsic, with the latter being the most critical. Intrinsic motivation refers primarily to passion and interest, or the person's internal desire to do something. The person is driven by the challenge and joy of accomplishment. According to Ndedi (2012), creative thinking skills refer to the particular way individuals approach problems and solutions and the techniques they use for looking at a problem differently, seeking insights from other fields of endeavour, challenging, assumptions and so forth. Creativity involves a paradox, a dilemma or an unknown or unprepared for situation.

De Bono (1990) introduces and describes lateral thinking as a contrast with vertical logical thinking. In the process of lateral solving, it is unnecessary to be right at every step, and the process permits a delay in judgement to allow the interaction of ideas to occur.

## The Creative Process

As has been explained in the previous paragraphs, to benefit from failure, it is important to positively use the frustration that occurs after a misfortune. Figure 5.1 has a step called 'frustration' during which the entrepreneur can either survive or be broken. If the latter occurs, the person has lost control of his/her life and is unable to imagine another future or another word other than failure. Definitively, Jan Koum and Brian Anton experienced frustration, but the way they managed their frustration enabled them to move forward with their lives.

According to Kuratko and Hodgetts (2004), the creative process has four steps:



**Fig. 5.1** The creativity steps according to Morris and Kuratko (Source: Adapted from Morris and Kuratko (2002:107))

The accumulation of background and knowledge is the first step in the development of creativity. During this phase, the potential entrepreneur gathers the information that will be useful to him/her in the future. The experience accumulated by the founders of WhatsApp at Yahoo! gave them the expertise necessary to think outside the box when confronted with an issue or problem. This is what happened to them following their failure to join Facebook and other failures encountered during that period.

The next step in the creative process is the frustration. After failure, a person is frustrated with what has happened. The incubation process is therefore necessary to move forward. The incumbent must take some time off and try to view the world differently. During this stage, a potential entrepreneur or innovator must create his/her own world in order to explore and gauge alternatives not only for his/her own life, but also for problems in the surrounding environment.

The illumination step is the most important level in the creative process. In this phase, a potential entrepreneur has numerous ideas that need to be evaluated and implemented. The last step, the evaluation and implementation, requires a great deal of courage, self-discipline and perseverance.

In sum, creativity involves a process of being sensitive to problems, deficiencies, missing elements and disharmonies; identifying the difficulties; and searching for solutions, making guesses or formulating hypotheses about the deficiencies. In January 2009, without doubt, Jan Koum of WhatsApp went through this, identifying difficulties when he purchased an iPhone and realised that the App Store was about to spawn a whole new industry of apps.

## Innovation

According to Drucker (1984, 1985, 1994), the most innovative business ideas come from methodically analysing seven areas of opportunity. Some of them lie within particular companies or industries, and some in broader social and demographic trends. Innovation is the specific function

of entrepreneurship, whether in an existing business (intrapreneurship), a public service institution (public entrepreneurship) or a new venture started by a lone individual in the family kitchen. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth. After taking a year off to travel in South America, both Brian and Jan applied to Facebook, and were promptly rejected. It was during that fateful year that Jan was inspired to create WhatsApp, a simple platform-agnostic messaging app that would allow any Smartphone user to text without incurring SMS fees. Brian, who was an early employee at Yahoo!, had also invested and lost millions in the dot-com boom of the early 2000s, but rebounded by joining Jan in building a start-up from scratch with a unique business philosophy.

There are innovations that spring from a flash of genius. Most innovations, however, especially the successful ones, result from a conscious, purposeful search for innovation opportunities, which are only found in a few situations. Four such areas of opportunity exist within an existing industry: unexpected occurrences (for example, failure), incongruities, process needs, and industry and market changes. Three additional sources of opportunity exist outside a company in its social and intellectual environment: demographic changes, changes in perception and new knowledge. It is true that these sources overlap, different as they may be in the nature of their risk, difficulty and complexity, and the potential for innovation may well lie in more than one area at a time. But together they account for the great majority of all innovation opportunities.

This chapter focuses on the unexpected failure that may be an equally important source of innovation opportunities. Unexpected successes and failures are such productive sources of innovation opportunities because most businesses dismiss them, disregard them and even resent them. In recent years, Jan Koum and Brian Acton, two former Yahoo! employees, failed a job interview at Facebook, but did not close their minds to new ideas (Rowan 2014).

According to Olson (2015), in January 2009, after Koum purchased an iPhone and realised that the App Store was about to spawn a whole new industry of apps, he started visiting his friend, where the three would discuss how having statuses next to individual names of the people, but

this was not possible without an iPhone developer. However, early versions Of WhatsApp kept crashing or getting stuck and at a particular point, Koum felt like giving up and looking for a new job, upon which Acton encouraged him to wait a few more months. (Olson, 2015)

To be effective, an innovation has to be simple, and it has to be focused. It should do only one thing. The founders' insistence was on focus: All software bloats to the point when it sends and receives email. The difficult part for them was adding features without making the product more complicated. They didn't want to build a hook-up app with which one could find someone weird to talk to. The app was about intimate relationships. New features are added only after intense discussion and experimentation, and a conviction that execution will simplify rather than bloat the service.

## Summary

People may lose direction after they experience failure, but innovation requires focus. Clearly some people are more talented innovators than others, but their talents lie in well-defined areas. Innovation requires knowledge, ingenuity and, above all else, focus from the person wishing to benefit from it. In innovation, as in any other endeavour, there is talent, there is ingenuity and there is knowledge. But when all is said and done, what innovation requires is hard, focused, purposeful work. Because innovation is conceptual and perceptual, would-be innovators must also go out and look, ask and listen. Successful innovators use both the right and left sides of their brains. They work out analytically what the innovation has to be to satisfy an opportunity. Then they go out and look at potential users to study their expectations, their values, their failures, their successes and their needs. As has been explained in this chapter, what remains remarkable about the app's rise to success is the story of its founders. Jan Koum and Brian Acton were no strangers to failure, and their incredible journey speaks volumes about the value of tenacity and vision in life. (Satariano, 2014). Today, as noted by Nguyen (2014), Jan and Brian's app is the most valuable messaging platform on the planet, but they have experienced their fair share of rejection by top tech companies, including the one that eventually bought their service, Facebook.



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