

## The Story Behind Mark Sears Cloud Labor Assembly Line, CloudFactory



I had the pleasure to sit down and learn of the unique story of [CloudFactory](#) Founder and CEO, [Mark Sears](#)! He has taken a journey unlike most US [entrepreneurs](#), as he works to impact the world.

Mark and his wife went to Nepal for a 2 week vacation and things just kind of happened he says. Four years later, they are still there. He says that they have a strong social mission of connecting 1 million people to basic computer in [developing nations](#), while raising them up as leaders to fight [poverty](#) in their own communities.

CloudFactory has just raised a \$500K seed round from a US [investment fund](#), and have 3 families in the process of moving from US/Canada to Nepal to join their leadership team. Right now their focus is on getting good traction from early clients, building virtual assembly lines, and using their talented and motivated workforce in developing countries.

Sit down with us and watch Mark describe in full detail of their journey and how they are actually helping change the world for better!

### Interview Transcription

ERIC: So, we have Mark Sears today on TechHustlers. He is the founder and CEO of



CloudFactory. How are you doing Mark?

MARK: I am doing very good, Eric. Great to be here.

ERIC: Alright good. So, Mark, you know, Where are you from?

MARK: I grew up in Canada, Western Canada, actually just outside of Calgary. And very far away from that now though. We live in Kathmandu, Nepal.



ERIC: So, how did you make that track all way to Nepal? What's the story behind that?

MARK: Yeah, well it's quite a story but we, me and my wife, we got married in Calgary. We are both professionals. My wife's a Chartered Accountant. And I have been a software entrepreneur, software developer turned entrepreneur after about ten years and we actually found ourselves on a two week vacation to Nepal. So we literally went there just to meet a friend, Nepali young guy. We were gonna meet his family in the village. In the two weeks, decided, well, let's stay three weeks and four weeks and we met some young computer engineers and I started training them on Ruby on Rails and we got a project. We got another project, next thing I know, it's been four years that we have been living there. So, not our plan but it's been awesome.

ERIC: It's awesome. So tell us a little bit about CloudFactory.

MARK: Well, CloudFactory, we actually started as a services company. So we were building a Ruby on Rails web apps for startups in Europe and North America. Usually, you know, two, three people on the side. You know, they had 25 to 100,000 dollars. They wanted, you know, a small Rails team to build their dream out. And then probably about two and a half years ago, we got tired of all these. All of our clients kept asking, "Hey this is great. You guys have really affordable Rails development but could you hire like three guys to do some lead generation there for us. Or could you hire, you know, there's one company that wanted us to hire like a whole room of people just to watch amateur hockey video and every time someone scored you just marked the jersey number and the time they scored and capture all these events. And so we held these weird requests and we just kept saying, "No, we are just Rails guys. We just do Rails development. We just keep doing Rails development." And you know after a while, you realize when your customers are like wanting to pay you and give you money to do something, you think well, may be we should do that. So, we had the demand side and then the supply side was, you know, Nepal, we are just surrounded by really, really smart young people. So we'd meet people with double Masters, MBA's and they are all waiting to move abroad, you know, to come to the US or go to Australia, Canada, UK. In the mean time they are idle. And so if they weren't computer engineers, we couldn't really offer them a job. So we saw — Wow! There is a demand and there is a supply and we're a tech company. We need to build a platform to connect people. And so CloudFactory really came from that place of our customers asking us to hire people to do basically data entry, data processing, fairly low level repetitive work. So yeah, so we started bootstrapping. And we built CloudFactory to really, you know, take the same idea that Henry ford a hundred years ago had of, you know, to build a car, that used to have nine mechanical engineers high, highly skilled mechanical engineers would build one car, they'd move over and they built another car. And then they built the next car and he broke it down into 42 really reproducible steps and he hired low skilled staff, put them on an assembly line and mechanical engineers are sitting there

saying, “There’s no way these guys are gonna be able to produce cars.” And of course the rest is history. We’ve got, you know, made in China, a phenomenon and we’ve seen that’s breaking a problem or project down into small pieces. It works in the physical world. So, we’ve taken those same ideas and now we give the tools to businesses to create virtual assembly lines. And we staff it with six, we charge six cents a minute for cloud labor we call it. So, cloud computing, cloud storage and now we have cloud labor.

ERIC: Man, that’s really impressive. So, do you outsource most of the work? How does that work?

MARK: Yeah, the whole reason CloudFactory exists is to connect one million people in the developing world to basic computer work. So, we are a social enterprise, we’re for profit and we believe that’s the way to create jobs and really bring change to these countries that need economic development, social development. So we actually have given work to about 10,000 people around the world, these small tasks, but we’re just starting with a new model and we have teams of five. So, we have a very kind of organic — it’s based on Muhammad Yunus and Grameen Bank kind of solidarity group. So we have teams of five, they work anywhere, anytime. They wake up four in the morning, do some of these tasks and then they get together once a week and there’s a team leader that leads them through kind of a two hour meeting to hold them accountable. We do some character and leadership training. And yeah, we’ve got this very expandable, growing workforce that we are redirecting our work to this workforce. So they are not our employees. They’re our contractors. But they are definitely our team and the core of what we’re building. They’re the talent.

ERIC: So that’s impressive. So you basically took what oDesk and Elance and some of those who have done, instead of just make it just individual, you’ve taken pretty much to assign people on there and you’ve made a team out of them. Is that right?

MARK: Yeah! We are definitely in the same space, I mean eLance, oDesk, Guru all this different sites, they offer kind of higher level work and we like to think that, you know, if you have a project that takes hours or days, then that’s where you’re gonna go. But if you have a lower level work that’s more data related where, our work takes minutes. So, ours are repetitive tedious tasks that often can take, you know, minutes long. So, that’s why we kind of build that way as well.

ERIC: So, do the individuals that are working on the virtual assembly line, the cloud assembly line, do they know like what they are working on or do they know the whole picture of it or is it they just know just their task?

MARK: No, sometimes they do but a lot of the time they don’t and that’s what we love. Like we’ve got one client in Canada that has drug and alcohol testing for employees and so they have hundreds of these tests that are coming back, basically saying if the employees are on drugs or alcohol. And so they used to have like 40 staff that are sitting there entering these forms right in their office and they had all these problems of people seeing like “Wow that was my uncle”, that’s on cocaine right! Or that was like my old colleague that’s you know. And so, they would have these problems so what we do is, every time now those forms come in, we literally put them through like a virtual paper shredder. So, we take the name, gets shredded up, so, we cut that off the form. We cut off the result, we cut off the address of the company. So, it gets shredded and then we fire those out to all different workers and then they bring them back together. We do quality assurance, put them back together. And we fire it back to the client all using API’s completely automated. Hence, we’ve got this at a level of security because like you said, nobody knows the full context of what’s going on.

ERIC: That's something. So did you build a software to be able to manage all this or do you use a certain software? Because that seems like a lot of management. That's a big task which you all are taking on.

MARK: Yeah, that's our company so we've been at it for the past two years. So, about two years we've been building our own Rails app, our own platform to do that. So that's the core of the company was to get the technology in place and now we're getting the work force in place. And so really, you really need the two together, right? You have to have the technology because a lot of it is — we actually have when you build in assembly line, you can assign robots to a task station or you can assign humans. So, we realized that in this day and age, it takes both. Computers can't do it all but humans can't either. So that's kind of the approach we have taken

ERIC: I can see how you've easily raised, you know, a million dollars in funding. I mean, it just seems like it's definitely disruptive.

MARK: It's a big opportunity.

ERIC: And so I don't even know how I stumbled upon CloudFactory but, you know, I see startups all the time and I see these sites all the time but as soon as I came across it, I mean, it was something I've never seen. I mean, the website is, you know, paints the perfect picture of that the whole assembly line. But I knew it was transforming that's why I had to, you know, bring you on TechHustlers. So, I remember you telling me that, you actually you have a team that's — you're having about three families that's moving from US & Canada to Nepal. So for entrepreneurs, you know, we have to inspire people to be able to do things. So how did you inspire someone to move from the US and Canada all the way to where you are?

MARK: That is a great question, you know, because we are in this weird place where, you know, every startup has limited funds. But in our situation, we have got a staff of 45 and, you know, our burn rate is so ridiculously low and so for us to start adding western salaries, I mean it's very difficult. So we don't have a lot to offer in the way of salaries and so it's been amazing to see. I would have said that we have done traditional recruiting. Everyone has had some tie to Nepal. They have got a heart for Nepal, they've got a heart for developing nations. You know, hardcore we got our V.P. of Engineering is just a hardcore tech guy. You know, from Disney, Adobe, Club Penguin and, you know, he goes down to San Francisco and bills out a big rate but, he sees that he can use the skills that he's learned to create work for a ton of people. And so he has got a heart for Nepal. He's got heart to use what he has, you know, to kind of give back. And that's kind of what we've seen with these latest 3 recruits that are becoming the part of executive team is you know, just that shared desire to say, "You know what, let's really use technology for good." I mean I've spent, you know, ten years ago I was working 20 hours a day, you know, and the whole point of what I was doing was to make games on Japanese cell phones run quicker for 12 year old girls. And you know, you kind of wake up one day and you're like, "Really?" You know. "Did I really just program non-stop for the last 20 hours to do a demo?" So, I think, that's where a lot of us are at is like, "Can we really dream big? Can we really try and put together the platform to connect, you know, this untapped human potential that's in the developing world 'cause we've been sending aid to these countries right, for years and it's going into the education. And so all of a sudden, we've got these people that are coming out with, they speak English and they are connected to the internet. I mean, we've got wireless USB sticks you pop in. We've got 3G hanging off the side of Mt. Everest. I mean, like all the tools are there for this to happen and so, I think that's really the vision and the opportunity is what's brought together a really really cool team.

ERIC: So that's sound good. I just read a literally yesterday about some of this basic that

we have been, you know, ingrained to say, “Hey! Lets slay the bad person.” So it’s like you all are fighting poverty and I think that’s a good message as far as trying to bring people to what you are doing is that, it’s almost like we’re fighting the — it’s us against the world. And it is like it’s for this common cause and I think that’s a good thing to focus on. I think if entrepreneurs, when they’re trying to bring people on board to their startups, and what they’re doing, they need to try to find a bigger purpose than lets just make a whole bunch of money. And I am glad you know, you focused on that and I think that’s genius, brilliant. So I know that you made, I guess we would call it like a pivot from the service to the product from a service to a product startup company. So tell us about what was the thought process behind why you decided to do it and how difficult was it.

MARK: Sure, yeah well I’ll start with the last one, it was really difficult. I mean, I was trying to find the resources. You know, I am reading books and blogs and just like other people are going through this. I mean obviously, at 37Signals, many companies have gone through this transition but we just felt really alone and really the biggest struggle we had was this whole identity. I mean so the original name of our company was Sprout Technology and so right down to our employees were called Sprouters and all of sudden we changed the legal name and you have a 100% of your day and your resources are focused on this new CloudFactory product, but there is still this identity stuff that’s you know, just locked in. So yeah, it was a really difficult change. The reason we did it was again it was fantastic for us to build a company. You know, we have about 45 staffs. Most of them are Rails developers and, you know, living in a third world country you just, I mean, you walk out a door and you meet people that, you know, you just wanna help, right? That you see situations and unless they were computer engineers, we didn’t really have anything to offer them. And even if they again had, you know an MBA or a Master they are really intelligent, I couldn’t really help them with my company. And so when the opportunity came, you know, just for something bigger. Bigger both in terms of the business opportunity but also in the social impact potential. And when you have customers that are asking for it, you know, it just got to the point where we need to do this, we need to make this transition. If we are gonna make it happen, we need to go a hundred percent and so yeah.

ERIC: So I guess, a more practical like — what was like the first three steps that you did as far as with the transition? After you, you know, changed the business name and everything like that so, I mean when I say like I mean did you come up with a business plan? Did you write it out? Did you, you know, use the lean canvas as some people have talked about? What are those like, you know, those particle things that you did to really make it happen? Because that’s a big task that you faced.

MARK: Yeah, and you know, like everything, we did somethings well and some things really bad. We started by putting two engineers on it, right. See, when you have a services company, you will always have a couple of people on the bench. So, whenever we had developers that weren’t working hard on a project, we would put them on CloudFactory. So we started with 2 and then 4 and then 6 and so there definitely is that idea of transitioning and bootstrapping, using your resources and your profits back in. And, you know, we’ve built three different platforms. The first one was completely integrated with Google docs. You know, it’s like using spreadsheets to kind of crowdsource your stuff and, you know, we thought it was gonna be just so cool but it was just not developed, you know, with any idea of a customer in mind and just being dependent on a third party platform, their API, we just hit walls. We hit technical walls where it’s like, man! Like, we can’t wait another twelve months for them to release a new version of the API. So, you know, we just hit a wall. We gave up, rewrite. It was three times that we went through that.

ERIC: Perseverance.

MARK: Sorry?

ERIC: I said perseverance. That sounds like that was a big thing you went through.

MARK: Yeah I mean, you know, once you are committed to it again right, you are just like, "Man, this is a huge opportunity." The other thing that happened, you know, what's really hard is, you got to start saying no to clients. So, I would say that our services business was really starting to take off. And so we were in the midst of, you know, trying to switch over to product company and we have people that are literally like, wanting to lay money down, right. I mean, you know, we just kept increasing our rates, increasing our rates and people were paying them and asking for more projects. You know, more leads coming in everyday and we're having to start saying no. And then even having to say no to a really existing clients, and having to turn them away and transition them to other people. You know so, yeah it was practically right. I mean there is a lot of steps there. You know, everything from managing cash flow, to you know, handling relationships to the identity stuffs with internally in the culture. Yeah, lots. But we are through it, you know. And the great thing is, you know, the good side of it is so we've got a staff of 45 that have learnt how to build web apps together. You know, they've got the Scrum Process, they know how to work with each other, we've got a fully established office. You know, so get this amazing head start, right? It's not three people starting kind of hacking something, you know, in the background. We have had other people using their startups as sort of practice for us to now go with our own. So, good and bad with that transition.

ERIC: So with your team, what did you do to try of keep them motivated and convince them that the change was good? I mean, cause change is difficult for a lot of people. So I mean, what was the number one thing you kept preaching to them? Was it, "Hey we wanna fight this poverty and make a difference and change the world." Was it that? And, what did you do on a weekly basis? Did you have weekly meetings about it? Like what did you do to keep people inspired?

MARK: Yeah, no question vision. No question the vision was the number one thing and again, you know, one of the cool things about being located where we are is, you know, beyond having access to, you know, developers and lower overhead and all those things. It's really a matter, we are in the heart of what we're trying to pull off, right? We are surrounded by the people we are trying to help everyday. So, all these software developers again, there's these young rails guys that are thinking, "Wow! I get to work on something that's gonna help my country. We can build something innovative that Nepal could be literally known for, you know, something disruptive. We could have literally a Silicon Valley style startup here, in Kathmandu. So, I think there was, you know, really that idea of, you know, connecting a million people. A million people! A million people! But we have to build a platform that's gonna be able to attract business providing enough value to them, that we put enough work for a million people on their lives to be changed. And so, when you're a programmer that realizes you can sit at the computer and write code that's gonna change people's lives, you know, there is no question that we kept that on the forefront and continue to and as a team, that's what's driving us.

ERIC: So, how do you find leads because, you all don't have a startup eco system there, do you?

MARK: No no.

ERIC: So how do you find leads when like that's just something that's so easy for people that's it like in a startup, you know community there, they can just go this meetup, at this event, and talk to a million different people and they get, you know, tons of leads. How do you get leads?

MARK: How do we get leads? You know, from day one, we've never had anyone in the US, Canada, Europe, you know and we wake up in the morning and we look in our inbox. That's how we get leads. [laughs] You know it really is unbelievable at this point. It's not that we are doing a fantastic SEO and customer acquisition online. You know, we're working on it. But I mean, we're relaunching our website and stuff too. But I mean, to be honest, I don't know how we're getting leads. But we are! And its fantastic!

ERIC: You do this the word of mouth from just one good customer, spreading the word? You think it's that way?.

MARK: It's a combination for sure. It's a combination of that and it's a combination of people looking for us online. You know, I think we've got a pretty good brand. You know, people can really visualize this idea of a factory in the cloud. So, I think that's really helped us. But, you know, you realize it's like, even if you're in Chicago and you're looking for someone to do something for you, even if they're located on the other side of the city, you know, you are going to end up using email, Basecamp, Skype or whatever anyways right Everyone talks about the flat world, I mean, we're living that. I mean we are on Skype right now and this is where we live, right. Every morning at 6 a.m. and at night we are Skyping with customers. So yeah, like I said, if you're on the other side of the city, the other side of the country, or other side of the world in Kathmandu, Nepal, you know, it's not that big of a deal anymore.

ERIC: Well Mark, I admire you for staying there and trying to make something happen there instead of doing what a lot of other people do, move. I mean, if people convicted to be able to move, okay, that's, you know, so be it. But at the same time, I'm a lot like you that, you know, trying to do something where you are and end up changing your own environment. I think anybody that adds jobs is doing something great. And not only you adding jobs, but you are adding them in third world countries, to people that didn't have a job once. So it reminds me of kind of like with what [xx] is doing here in the United States. They are providing people with jobs, that once people thought weren't jobs. You know, it's these odd tasks that people can do and be known as, "Hey! This person does this and I can rely them do it over and over again." I think, you know, you're committed for that.

MARK: I agree. I love everything from Air B-n-B to Task Rabbit to Exec to, you know, Uber. You know, all these things. Just we have this resources that are there and we need to use technology to really connect the dots and just, you know, unleash the potential. And so yeah I agree, I love — and of course when it's people, it's just cool. So, that's what we need to use technology for and I love to see all the tech startups doing this.

ERIC: That's awesome! We're gonna have you back again 'cause I'd like to do an update and then see where you are a few months down the road. That'd be awesome.

MARK: Great!

ERIC: Alright, I appreciate you coming on TechHustlers man.

MARK: Yeah, thanks ERIC.

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