

\$3M VC Deal Gets CloudFactory Closer to 1 Million "Cloudworker" Mission

Call **Mark Sears** a social entrepreneur if you want. But the secret to fast growth at his startup **CloudFactory** is relationships with 3,200 college-educated workers in Nepal and Kenya.

Those relationships, along with a cloud-based collaboration software that has attracted clients like ESPN, SureHire and Ooyala, earned the Durham startup a \$3 million investment from VRBO founder **David Clouse** of Denver, local groups Sovereign's Capital and Cherokee, and individual investors **Brent Burgess** of Triangle Capital and **Domenic Mancuso**, among others. It brings the company's total raised to \$3.7 million.

CloudFactory will use the funds to hire additional sales and marketing staff at its office in American Underground, and to grow its second operation in Nairobi, where unemployment is higher than 40 percent, especially among the young and educated demographic that CloudFactory seeks.

The company's business model is so radical because it tackles the \$300 billion business process outsourcing industry, which according to Sears has lacked innovation over the last 20 years. By empowering and rewarding a local workforce, CloudFactory is proving that it can complete time consuming, data-driven tasks for large corporate clients or startups at a low cost but with higher accuracy than traditional outsourcing. That's while creating high quality jobs in the developing world.

The funding represents another step toward a mission stated at its 2011 *TechCrunch* Disrupt launch. By 2017, CloudFactory hopes to employ one million people performing basic computer tasks in up to a dozen developing nations. Those people will also be raised up as leaders fighting poverty in their home nations.

Nepal, and CloudFactory, were never a plan.

I met Sears several months ago when he was in negotiations for the latest round and had a team of Nepali workers in town. He shared with me a journey of self-discovery that took the Alberta, Canada native and his wife from Calgary, where he ran his own web development shop, to Qatar (for her job) eight years ago. During a vacation in Nepal, while riding elephants through the jungle and canoeing through mountain-lined waterways, he befriended a trio of Nepali computer engineers.

They became interested in Sears' language of choice, Ruby on Rails, and so Sears stayed a few extra weeks to train them.

Once they were proficient, he gave them the first of many development projects.

"It was never a plan," he says, but he ended up staying two years. Sears met other college-educated developers during that time, and found a talent surplus in the region. More than 1,000 computer engineers left the Kathmandu Valley every year for lack of work, he found. Others took jobs that didn't require their skills. By hiring these workers, he grew his business, then called **Sprout Technology**, building minimum viable web and mobile products for startups across North America and Europe.

As Sears learned more about his clients' businesses, he recognized a dire need for help collecting, scrubbing and sorting data. Many clients had struggled with traditional outsourcing due to accuracy and language barriers. Because the cost of hiring Nepali workers was much less than in the nations where clients operated, and most college educated workers there knew English, Sears began to hire them to do the work.

Demand became so great, that he began to dream up a technology platform that would connect clients with talent in Nepal to undertake massive data processing tasks. He called it CloudFactory.

How CloudFactory completes millions of tasks monthly.

Today, CloudFactory offers several services that combine automation and human oversight. There's PaperText, which takes scanned paper documents like invoices, receipts, bills, medical forms and historical documents and converts them to text. SpeakerText, a technology acquired in 2012, turns audio and video into text transcripts. That's the big opportunity for the growing workforce in Kenya, where people better comprehend spoken English (And where [a Silicon Savannah is forming](#)).

ImageData collects data from images and photos and WebData mines emails, research, contacts, addresses and more to improve databases and contact lists.

But the secret to the company's success is the model based on **Muhammed Yunus's** Grameen Bank, that has allowed it to scale to thousands of people who have completed more than 500 million basic computer tasks from their homes.

CloudFactory doesn't recruit individuals, but teams of people who already have pre-existing relationships. The recruitment process happens over Facebook. One person applies to join the workforce and then must pass a test in order to invite others to join the team. Once eight people pass, the team applies together to join CloudFactory. They must pass a second test as a group, before coming in for an interview. The top five workers of the bunch become the team and complete six weeks of orientation before they get to work. At that point, they appoint a team leader.

Team members complete most of their work remotely but meet weekly to talk about their projects and take part in leadership training. Every seven weeks, they volunteer in the community together. Service is at the core of the company, Sears says.

"We didn't go there to start a business but we stayed because we believed there was something we could offer," he says. "We could help bring some training and create some opportunities, and help connect people to those opportunities."

Sears compares the salary of the cloud workers to twice what a full-time bank teller would make, "very good local pay," he explains. For those in the office in each city, CloudFactory provides lunch each day, and invites families to join. There are opportunities to grow in the company—after success as a team leader, workers can be promoted to oversee several teams and manage projects.

The CloudFactory software plays a big role in the company's success. It matches the right project with the skill set of the worker and then tracks the success and reputation of that worker, assigning more difficult or complex tasks over time. Case studies have shown that CloudFactory cuts costs and time spent digitizing and organizing data. For a client that processes medical forms, for example, the startup reduced costs by 70 percent and time spent processing a form from four hours to 22 minutes. Accuracy also improved, Sears says.

The company [made headlines in 2012](#) after a pair of technology acquisitions, the launch of its 2.0 software and recognition from *GigaOM* as [a leader in cloud labor platforms](#). Sears has been busy building the business and team since then. In mid-2013 that process led to a move to Durham.

Why this region?

Sears visited the Triangle nearly three years ago to meet with private equity investors, and while in town met American Underground Chief Strategist **Adam Klein** when he worked for the Durham Chamber of Commerce. Sears planned to open a North American office in San Francisco, but Klein gave him a compelling pitch.

The kicker was when Sears' national search for a vice president of business development landed in this region on **Todd Chalfin**. And then he found a CFO in **Cary Smith**, who wanted to move to North Carolina.

"If we can do this from Nepal," Sears thought, "then we can do this from Durham."

