**Office Communication: The Slack Generation**

How workplace messaging could replace other missives

Stewart Butterfield, the boss of Slack, a messaging company, has been wonderfully unlucky in certain ventures. In 2002, he and a band of colleagues created an online-video game called “Game Neverending”. It never took off, but the tools they used to design it turned into Flickr, the web’s first popular photo-sharing website. Yahoo bought it in 2005 for a reported $35m.

Four years later Mr. Butterfield tried to create another online game, called Glitch. It flopped as well. But Mr. Butterfield and his team developed an internal messaging system to collaborate on it, which became the basis for Slack. In Silicon Valley, such a change in strategy is called a “pivot”; anywhere else it is called good fortune. Today, Slack is one of the fastest-rising startups around, with $540m in funding and a valuation of around $3.8 billion. “I guess the lesson should be, pursue your dream and hope it fails, so you can do something else,” says Cal Henderson, Slack’s chief technology officer.

It is rare for business software to arouse emotion besides annoyance. But some positively gush about how Slack has simplified office communication. Instead of individual e-mails arriving in a central inbox and requiring attention, Slack structures textual conversations within threads (called “channels”) where groups within firms can update each other in real time. It is casual and reflects how people actually communicate, eschewing e-mail’s outdated formalities, says Chris Becherer of Pandora, an online-music firm that uses Slack.

Its other selling-point is efficiency. A survey of users, admittedly conducted by the firm itself, suggests that team productivity increases by around a third when they start using the software, primarily by reducing internal e-mail and meetings. Slack has decided to open itself up to other apps, becoming a platform by which employees can log into and use other software tools. Today it has 2.7m daily active users, up from 1m last June. Around 800,000 of them are paying subscribers; their firms pay around $80 or more a year for each employee using the service. The firm has $75m in annual recurring revenue and is breaking even, says Mr. Butterfield.

Slack’s rise points to three important changes in the workplace. First, people are completing work across different devices from wherever they are, so they need software that can work seamlessly on mobile devices. Messaging naturally lends itself to this format. Second, communication is becoming more open. Just as offices went from closed, hived-off rooms to open-plan, Slack is the virtual equivalent, fostering a collaborative work environment, says Venkatesh Rao of Ribbonfarm, a consultancy. Slack’s default setting is to make conversations public within a firm.

Third, software firms are trying to automate functions that used to be done by people in order to make employees more productive. Slack has made a big push into “bots”, algorithms that can automate menial tasks which used to be done by humans. Slack offers bots that compile lunch orders and projects’ progress reports, or generate analytics on demand. In the future employees will be able to chat with software agents to get more done, working alongside bots as well as their peers.

Mr. Butterfield is not the typical leader of a striving startup. Called “Dharma” by his hippie parents, he spent his early years on a commune with no running water or electricity; he changed his name to Daniel Stewart when he was 12. A self-professed introvert, which is fitting for a company that sells itself on textual communication, he values efficiency and candour. After Yahoo bought Flickr, he worked there for a few years. “Everything was horrible, ugly, slow, difficult to use and confusing,” he says, frankly.

**Dharma chameleon**

In retrospect, Flickr was sold too soon. The sale marked the beginning of the technology industry’s resurgence after its crash in the early 2000s. Now, Mr. Butterfield has a second chance. Investors do not want to see him sell Slack too early. Earlier this year there were reports that Microsoft considered bidding around $8 billion for the company. Mr. Butterfield says that Slack has never received a formal offer from anyone and is planning to go public. Last year it started submitting itself to voluntary audits, in what appears to be preparation for a public debut. But it seems even more likely that a large tech giant will see the strategic value of Slack and try to snap it up first for an even splashier sum.

Mr. Butterfield says that Slack could achieve $10 billion in revenue if it signs up 100m knowledge workers, of which there are around 850m worldwide. That is far easier said than done. For one thing, Slack still needs to woo larger companies outside the technology world. Currently it holds particular appeal among workers at firms in the internet, media and advertising industries, and among teams of software developers within larger firms. Conquering traditional businesses may prove harder. Slack’s yearly minimum of $80 per employee is steep for companies with tens of thousands of workers.

For another, Slack has rising competition to fend off. Already, rival products are taking aim at the market for workplace collaboration, including one, Atlassian, from an Australian software company, which is called HipChat, and bundled with its other services. There is also Symphony, a rival startup backed by several banks that specialises in highly regulated industries such as financial services, which require more compliance controls. Tech giants such as Microsoft, Oracle and Facebook have collaborative work apps, but these are only modestly successful.

Slack’s greatest challenge may be people’s own habits. To some, its endless stream of chatter may be worse even than e-mail, because the barriers to commenting rapidly are lower. The introverted Mr. Butterfield should welcome the chance to appeal to people who do not want constant interaction, even when it comes in textual form.