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# Do It Again!

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# Who I am, What I did, Why I'm Here

- ◆ Eugen Bacic
- ◆ Founder Texar
- ◆ Computer nerd
- ◆ World renown IT security expert
- ◆ Raised \$20M in 3 rounds across 4 years
- ◆ Hired 100 people
- ◆ Had a blast
- ◆ This is my [cautionary] tale



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# The Life of an Entrepreneur

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# Life of an Entrepreneur

- ◆ Desire to build a company to be proud of
- ◆ Work with interesting people on interesting projects
- ◆ Change the world in some way
- ◆ Make a difference
- ◆ Build something cool
- ◆ Realize a dream
- ◆ Get rich? Maybe. It's nice to dream...

# Life altering event

- ◆ You won't be the same afterwards
- ◆ 20 minute intervals
- ◆ Travel
- ◆ Stress
- ◆ Friends
- ◆ Need to go in knowing the odds

# You Have to be Prepared

- ◆ It is so much more difficult than you can imagine
- ◆ Extremely tiring
- ◆ No one will understand
- ◆ You better have an understanding family, they have no choice but to put up with you!
- ◆ Joy ride...
  - Heaven
  - Hell
  - Find out at the end...

# Timeline for a Start-up

- ◆ Idea
- ◆ Business Plan
- ◆ Dog & Pony shows
- ◆ Investment / Financing
- ◆ Start-up!
  - Now the real work begins

# Now that you have the money

...

- ◆ Hiring & firing
- ◆ Setting up the company
  - Labs
  - Offices
  - Financials
  - Suppliers
  - Landlords
  - etc.



# Endgame:

- ◆ Three Possible Outcomes
  - Failure
  - Sale
  - IPO

# Endgame: Failure

- ◆ Easy to figure out
  - Everyone loses
  - Shares become worthless
  - Asset sale
  - IP? Who knows, different for each deal

# Endgame: Sale


- ◆ Two types:
  - Multiple of invested amount
    - Good all around
    - Everyone wins
  - Sale at Loss
    - Bad all around
    - Everyone loses
    - You lose for sure
    - Investors are first up for any value that can be extruded
    - Creditors and employees, etc. are at the bottom
    - Similar to asset sale

# Endgame: IPO

- ◆ VCs and other big investors win **big**
- ◆ Founders may win some
- ◆ Employees get some
- ◆ If you get really lucky (and big) everyone gets *really* rich (see Microsoft)
- ◆ Least likely scenario
- ◆ It's the *dream* scenario

# At the End...

- ◆ Would you do this with those folks again?
  - Yes? regardless of outcome? Congratulations!
  - No? Why were you in business with those people in the first place?



# Highlights, Lowlights, & Dynamics

# Highlights of a Start-up

- ◆ 90% or more of start-up companies fail
- ◆ No slack for success
- ◆ Everything has to go right
- ◆ Mistakes will be made
  - They use up slack
  - They are inevitable
  - If they use up too much slack (and goodwill) you're toast

# And This Life is Hard

- ◆ No matter where you are on the curve
  - Odds are lousy
  - 90% still fail
  - If you're not profitable you're at the mercy of investors
  - Customers have no pity
  - Did I say 90% fail?



# And Even When ...

- ◆ You think you have everything you need
- ◆ External forces can cripple you
  - Adoption rates
  - The Bubble
  - The Market
- ◆ Texar did better than most
  - Lasted 3 years from financing
  - 4 years from product inception
  - Part of the technology lives on
  - Too far ahead of the curve

# Focus is Paramount

- ◆ Focus, focus, focus
- ◆ Always ask:
  - Will this help you succeed?
  - Will this materially affect our chance of success?
  - How many customers will we lose if we opt to do X?
    - None? → ok
    - Lots? → don't do it
    - Will it **gain** customers → do it
- ◆ Constantly question deviations

# Revenue is King (again)

- ◆ Longer it takes the worse it'll be
- ◆ Partners are Crucial
  - Get good partners early
  - Can't guarantee success but bad partners can guarantee failure
  - Unfortunately, you can't easily determine who is a good partner and who is a bad one
  - Hence: end bad relationships early
- ◆ Partners facilitate revenue generation

# Group Dynamics

- ◆ Everyone must be focused on the same goals
  - Everyone is a critical resource!
    - Engineering
    - Marketing
    - Sales
    - Finance
    - Project management
    - Personnel
    - ...

# One For All ...

- ◆ Everyone pitching in where needed
  - No one is deadwood
  - If they won't play for the team, get rid of them
  - You have to be brutal
  - Those on the bus need to be willing to do what's necessary for the company
  - If someone is in it for themselves they'll be disruptive – toss them
  - Company first *all of the time*
- ◆ Business is not about *fair*

# Sharing the Joy Sharing the Pain

- ◆ Trials and tribulations are shared
- ◆ Highly likely that if a few go down, we all go down
  - We *have* tied our fortune to a single boat
  - We *do* have all our eggs in one basket
- ◆ Yes, it's risky – not everyone is cut out for this
  - Everything is very energetic
  - Everyone is empowered
  - Decisions are made at all levels all the time
  - Need to trust everyone to do the right thing



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# Building the Company

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# “Evil Necessities”

- ◆ Sales
- ◆ Marketing
- ◆ Finance Officer
- ◆ Project Management
- ◆ Product Management
- ◆ Professional Services
- ◆ R&D / Engineering
- ◆ Quality Assurance
- ◆ Administrative Staff



# Hiring & Firing

- ◆ Most crucial thing you'll probably every do
- ◆ Need to hire only the best
- ◆ If it's not a slam dunk, don't hire
- ◆ If you have to fire someone, do it as soon as possible
- ◆ Think hard about hiring friends
- ◆ Think doubly hard about relatives
- ◆ Always think: value add

# Sales

- ◆ Sales people are crucial
- ◆ If *you* can't sell, hire someone *early* who can
- ◆ Hold them to numbers and promises
- ◆ Keep good salespeople and toss the rest
- ◆ How can you know a good salesperson?
  - Easy... let me count the ways...

# Marketing

- ◆ Do you need it?
- ◆ What do you think?
- ◆ Now I'll tell you what I think...

# Finance

- ◆ Money is king
- ◆ It's precious, treat it as such
- ◆ Dot Coms blew hundreds of millions *each*
- ◆ Be brutally honest:
  - Do you need that gizmo?
  - Can you do it more cheaply?
  - Are you as frugal as possible?
  - Where can you *realistically* cut costs?
- ◆ You really need a *good* Finance Officer

# Product Management

- ◆ Crucial liaison between techies, management, and customers
- ◆ Precludes need for professional services
- ◆ A good one is literally worth their weight in gold
- ◆ They are rarer than emeralds
  - If you find one, don't let them go!
  - The good ones are easy to tell – once you've experienced the bad ones, that is ;-)

# Project Management

- ◆ Founders usually aren't process driven
- ◆ Process is crucial
- ◆ Too much is deadly, so is too little
- ◆ Need someone who is a detail person
- ◆ Must be sufficiently technical to understand what's going on
- ◆ Needs to be able to develop a process for development and for delivery
- ◆ Will work with QA and Sales and later, PS

# Professional Services

- ◆ You will need it ...
- ◆ But the question is *when!*
- ◆ Not early on:
  - What are they servicing if the product isn't done yet?
  - What value add are they giving you?
  - What can they do that R&D or QA staff can't do as well?
  - Be frugal, be cheap, every dollar you save is an extra minute of life...

# R&D

- ◆ Hire the best
- ◆ Can't? Don't hire anyone
- ◆ Why?
- ◆ R&D makes or breaks a company
  - More on this later
  - Techies need to be controlled
  - Control must come via respect
  - Respect comes only from those that have done it before
- ◆ Never put a sales guy in charge of R&D!



# Development vs. QA

- ◆ 50:50 effort
- ◆ You need good QA people and good QA tools
- ◆ Don't listen to those that say otherwise
- ◆ Tools to assist QA-development loop increase productivity and limit cost
- ◆ First to market is still crucial
- ◆ Senior vs. Junior QA resources
- ◆ QA Manager

# Quality Assurance

- ◆ Need to continually raise bar
- ◆ Quality may be your only differentiator
- ◆ As a small company, if your quality sucks you won't have buyers
- ◆ You are *not* Microsoft
- ◆ Trying it out on the customer will inevitably backfire
- ◆ Remember: "Their bug is our bug!"
- ◆ Never put a sales guy in charge of QA!

# Administrative Staff

- ◆ Admin Assistant
  - If you want to get work done, hire one early
  - It's simple economics:
    - Engineer @ \$100k photocopying is bad
    - EA @ \$35k photocopying is better
    - EA sending it to Business Depot is best ;-)
  - Scheduling
  - Travel
  - Logistics
  - Dealing with and coordinating staffing, etc.

# Administrative Staff ... 2

- ◆ Other positions of interest:
  - IT
  - HR
  - Comptroller
- ◆ Which do *you* think you *need*?

# What about Executives

- ◆ VCs will want to install executives
- ◆ Be wary:
  - Not all executives are worth it
    - Big company executives
    - Start-up executives
- ◆ Running it yourself
- ◆ Installing additional senior staff
- ◆ Is it ever time for an external CEO?

# Structure of the Company

- ◆ Don't fixate on titles
- ◆ Use them for outward facing necessities
  - CEO, CTO, Director, etc.
- ◆ Keep your organization flat

# In the Beginning ...

- ◆ Initially you'll need:
  - CEO/President
  - Sr. Sales
  - R&D and QA heads
  - Product Manager
  - Project Manager
  - Admin (Executive) Assistant
  - Finance Officer
  - R&D and QA teams
  - IT Admin



# Business & How to Lose It



# Annoy a User – Lose a Customer

- ◆ Surprising how easy it is to lose a customer:
  - Slightly distracting "cosmetic" defect
  - Too many steps in common task
  - Mildly surprising UI interaction
  - Unexpected error message
  - Browser, OS, file system, compiler problems
  - Bad internet weather
- ◆ You need to make it easy
- ◆ Users use computers in ways computer scientists would never fathom

# Things Everyone Does Wrong

- ◆ Competing with the wrong competitor
- ◆ Not doing the little things competitors do
- ◆ Underestimate how long things will take
- ◆ Believe you're smarter than the competition
- ◆ How long can it take?
- ◆ Lose focus
- ◆ Get it to work on only *certain* hardware
- ◆ Assume developers will flock to you
- ◆ Not thinking like a business

# Ease of Use

- ◆ Very important
- ◆ Think Mac vs. Windows
- ◆ Getting customers/users is very hard, you can't afford to lose them.
- ◆ Easy for whom?
- ◆ Assume nothing!
  - assume the customer hasn't read the manual
  - make it as fool proof as possible
  - assume they'll do stupid things and plan for it

# Going Off the Chosen Path

- ◆ Once you've picked a path stay on it
- ◆ Eschew anything that doesn't add to the user experience and that the user will pay for!
  - Don't waste cycles on "cool"
  - Start-ups are small
  - Focus on what needs to get done
  - Keep focus
  - Even so you'll go off on tangents, but at least you'll do so less often
- ◆ If it isn't core to the company's business, toss it



# Puritanical Techie-ism

# KISS

- ◆ Choose a platform and stick to it
  - Think it through and choose a platform
  - If you need to use something exotic, hide it initially
- ◆ Use as many standards as possible
- ◆ Try to foresee and use forthcoming standards
  - You may end up betting the company on them,
  - Anything with XML is a safe bet
- ◆ Build only when necessary

# Product Functionality

- ◆ Useable or disgusting ? So long as it works!
  - Focus on customer needs
  - Make it work, fix it later
  - If customer can't use it in his environment he won't
- ◆ Worst case is *always*:
  - Loss of sale
  - Loss of reference account
  - People talk

# Think Things Through

- ◆ Latency through networks
- ◆ Latency through firewalls and VPNs
- ◆ Plan on large numbers
  - It should scale early
  - Customers won't wait for you to get it to scale later
- ◆ Think about this and come up with a solution
  - Think hundreds or thousands of users/computers
  - This will (usually) be a key differentiator



# Leverage

- ◆ Leverage free performance upgrades:
  - Improved VMs
  - Improved servers
  - Better hardware
- ◆ Do whatever it takes to keep yourself in the lead
- ◆ Think about it and be prepared to go there when necessary

# Rules of Optimization

- ◆ Rule 1:
  - Don't Optimize.
- ◆ Rule 2 (for experts only):
  - Don't Optimize, yet.



# VC Speak

# Investors

- ◆ Self funding
- ◆ Angel
- ◆ Venture capitalists
- ◆ Friends and family

# Valuations

- ◆ You won't own a huge percentage
- ◆ Pre money
- ◆ Post money
- ◆ Crunch down
- ◆ Down rounds
- ◆ Influencers:
  - Cash flow positive as quickly as possible
  - Revenue positive
  - Barriers to entry

# Your Dream

- ◆ Does it fit with your vision
  - who cares: customer pain = revenue
- ◆ Nerds are rarely right (unfortunately)
- ◆ Are you likely to be right first time, *no*; 3<sup>rd</sup> time? *yup*
- ◆ Validated by competitors
  - competitors are a good thing
  - validates space
  - makes VCs happy
  - encourages new money, etc.
  - gets marketing going – magazines talk about it

# Darth Vader: Venture Capitalist

- ◆ I find your lack of faith disturbing.
- ◆ No one will stop us now.
- ◆ I am altering our deal. Pray I don't alter it any further.
- ◆ The Emperor is not as forgiving as I am.
- ◆ Don't fail me again.
- ◆ Perhaps I can find new ways to motivate them.
- ◆ I'm here to put them *back* on schedule.



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# The Obvious

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# Some Things Should Be Obvious

- ◆ Make sure your product is actually used by *customers*
- ◆ Call and check
- ◆ Offer help
- ◆ Ask if they have ideas for new features
- ◆ Bend over backwards to ensure customers use it
- ◆ You'll lose money on the first N transactions
  - Who cares!
  - You want customers that gush over your product
  - They won't if they don't use it

# Love the End-User Be the End-User

- ◆ Eat your own dog food : Be that End-User
- ◆ End-user experience improves the product
- ◆ End-user experience provides credibility to:
  - Bank on
  - Industry rags
  - Potential customers
  - Investors
  - Potential partners
- ◆ Your biggest fear should be *shelfware*

# How to Do Things Right

- ◆ Pick the right application early on
- ◆ Stumble upon it if necessary
- ◆ Listen to those strange, crazy ideas, they usually come from customers who have problems
  - solving those problems = sales
  - so long as you can equate the solution to an ROI
- ◆ Try ideas on potential customers
- ◆ Make sure they get it FAST
- ◆ → Easy, right?

# If Possible: Sell a Platform & an Application

- ◆ But what about focus?
  - VCs say choose one or the other
  - Not usually necessary
  - Obviously depends on the application
  - Application has bigger market potential
  - Platform is a steady source of revenue
- ◆ Investors will be schizophrenic on this subject
  - Sell the platform as a license
  - Find ways to leverage what you've built
  - Don't be afraid to sell to competitors
  - Think "lock in"
- ◆ Hard to sell infrastructure
- ◆ But if customers buy the infrastructure you really have them



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# Questions?

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A decorative vertical bar on the left side of the slide, composed of numerous thin, horizontal, light-colored lines stacked vertically. The word "Questions?" is centered in a dark blue serif font within a light olive-green rectangular area. This area is framed by a dark blue horizontal line at the top and another at the bottom, with the bottom line starting further to the left.



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# Thank You!

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