

Strangely Enough It All Turns Out Well

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Romeo and Ethel the Pirate's Daughter

Phillip Henslowe: Mr. Fennyman, allow me to explain about the theatre business.

The natural condition is one of insurmountable obstacles on the road to imminent disaster.

Hugh Fennyman: So what do we do?

Phillip Henslowe: Nothing. Strangely enough, it all turns out well.

Hugh Fennyman: How?

Phillip Henslowe: I don't know. It's a mystery.

Where We're Going ...

- The Brief History of Softway Systems
- Opening Moves
- Venture Capital 101 and Building the Business
- End Game – Acquisition Angst – and Assimilation
- Working for Corporate America
- Things I will do differently next time

A Brief History of Softway Systems

- The Mission: build an environment to allow UNIX apps to be ported directly to NT.
- We opened the company 26 Sep 1995 concurrent with a source license agreement with Microsoft
- We took 4 rounds of venture capital over the 4 years to a total of US\$8.5M
- We developed 3 products through 2 major and 3 minor releases
- At our peak we were 40 people (20 R&D, 20 Business)
- When the acquisition closed we had 40,000 paid seats (and some huge number of “free” seats).

A Brief History of Softway Systems

- We went through acquisition talks 4 times in 4 years with different companies
- Microsoft acquired Softway Systems in an asset acquisition 17 Sep 1999
- 9 Employees accepted job offers with Microsoft and they are all still on the team – no one has left

Opening Moves

- The Idea: April 1995 ... “This is all possible, I know where we could get the people....”
- The Passion and the Mission
- 1 Tech + 2 Business Types = Proposal
- Venture Capital – Round 0 – “You’ll never make us rich. Good luck.”
- From idea to proposal to deal to incorporation was 6 months

Venture Capital 101

- “The Silicon Valley Way”, Elton Sherwin
- If you’re the only one willing to invest then maybe it’s not such a great idea
- We talked to 12 VC in about 30 days, short-listed to 4, and they ALL walked away.

The Seven Things to Know

- What's the Product
- Who's the Customer
- Who Will Sell It
- How many People will Buy It
- How much will it cost to develop It
- What is the price
- **When will You Break Even**

Incorporation

- I can do it myself – we move forward self-funded
- Source deal with Microsoft and incorporation
- Three “offices” (San Francisco, D.C., Toronto)
- Ship deadline of 3 April, 1996
- Launch at Uniforum with Front Page coverage
- Release OpenNT 1.0 – 29 Mar 1996
- Venture Capital – Round 1 – Partech, Discovery Ventures

Grow the Business

- May 1996 – June 1998
- OpenNT 1.1 and the SDK, Sep 1996
- OpenNT 2.0, May 1997
- Distributed development in 4 locations
- Venture Capital – Round 2 – June 1997, US\$5M, H&Q and CMG@Ventures
- Staffed to about 27, Sep 1997
- “Crossing the Chasm”, Geoff Moore
- Rebrand to Interix 2.1, June 1998

Grow the Business

- Employees start to appear
- The Executive team grows

Grow the Business

- Venture Capital Round 3
- The company is beginning to look tired
- The same rules never seem to apply to the founders
- The “Internet” wave of funding has begun
- The Dell Deal
- Venture Capital Round 4
- Sales are in the US\$2M/year range

End Game

- Nov 1998 – We need a Big Brother
- Hire a “banker” and talk to every hardware OEM and software company known to man.
- Tantalizingly close once ... twice ...

Acquisition Angst

- 4 acquisition discussions in Softway's history
 - Sep 1996, Mar 1998, May 1999, July 1999
- “Five Frogs on a Log”, Feldman & Spratt
- Salesmen and “little things” and the information vacuum

Assimilation

- Fearless in the Face of Adversity
- July 1999 through Sep 1999
- Everyone goes to Redmond
- The hardest day of my career
- The Board is not happy
- Limbo ...
- September 16, 1999
- ... Transition for the entire team

Working for Corporate America (Microsoft 101)

- “The 12 Simple Secrets of Microsoft Management”, Dave Theilen
- 4:5 work ratio
- Bet the Company
- Hire the Best (Hire/No Hire and the Interview chain)
- Pay for Performance

Things I Will Do Differently Next Time

- Take more money sooner
- Focus on the Chasm
- More focus on the hiring
- Absolute focus on the Mission

True Fame

