Strangely Enough It All Turns Out Well

Stephen R. Walli
Microsoft
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
• “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 Theilenen
• 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

USER FRIENDLY by Illiad

MICROSOFT TODAY ANNOUNCED THE ACQUISITION OF SOFTWARE SYSTEMS, THE PRODUCERS OF INTERIX PRODUCTS FOR INTEROPERABILITY BETWEEN WINDOWS NT AND UNIX-BASED SYSTEMS...

THE PURCHASE HAS CLEARLY CEMENTED MICROSOFT'S INTENTIONS TO SABOTAGE THE UNIX COMMUNITY BY SHIPPING PRODUCTS THAT LEAD TO UNIX-TO-NT MIGRATION.

ALTHOUGH MET WITH PRAISE FROM SOME QUARTERS, IT IS WIDELY HELD THAT THIS ACQUISITION IS JUST ANOTHER SLAP IN THE FACE OF THE PURE UNIX HIERARCHY...

THERE IS A BEAUTY IN THE PURE HIERARCHIES, I MUST SAY.

DA, AM THINKINK "FOOD CHAIN."

Copyright (c) 1999 Illiad http://www.userfriendly.org/