Dan Whitaker

Building a Successful Software Business
OSU CS Seniors
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Who is Dan Whitaker

- Serial Entrepreneur – 16 companies
- Centralia Sawmill Company – New Sawmill
- Hotdata – Selling Data over the internet an address at a time – 3 to 35 people, VC
- Rogue Wave Software – Software development tools, 2 to 300 people, #93 on INC 500, VC, IPO
- Evergreen Technologies – CPU upgrades
- Software Association of Oregon – Startup Executive Director
Agenda

- What is success
- Function of a company - start and finish
- Axioms
- The process
- Functions
- Summary

Define Successful Software Company

- IPO Candidate Company
  - Fast growth, high stress, a lot of travel, VC financing, a product company with big market potential, experienced management team, need barriers to entry, boom or bust financials
- Lifestyle Company
  - Slower growth, less travel, more service than product, few good people, good money
  - Define your vision, corporate culture, strategies
Company Functions

- Sales
- Marketing
- Administration
- Development
- Quality Service
- Customer Service
- Starts out dominated by Development and Sales

Company Functions –Start and Finish

- Two people can get it growing
  - Sales, Marketing, Customer Service, Admin
  - Development, Quality Assurance
- In the end
  - Sales and Marketing is 45% of sales
  - Administration will be 15% of sales
  - Development & QA will be 20% of sales
  - Profit (hopefully) will be 20% of sales
Axioms I believe

- Partners are the most important decision you will make
  - Spouse, must be willing to take risk also, support you
  - Business Partner, respect and trust, more time than with spouse
- Quality is more important than function
- People – trust them and back them, or get rid of them
- Do the right thing – people want to do the right thing
- You can learn something from anyone, life long learning
- Do what you like to do, you will be much better at it.
- New business models are tough.

The idea

- Keep you eyes open
  - Read the rags, read the Internet, go to tradeshows
  - Network, SAO, AEA, trade functions
  - Sawmill was with a soccer dad
- Listen to the customer
  - “I hate this”, “this takes too long”, “I spend too much money on that”, “I am tried of doing this”, “that person makes too many mistakes”
- Eliminate the job, don’t just make it easier – data entry
The Funding

- Sweat Equity
- Customer!! Deposits, development contracts, etc
  - Strategic Partners
- Friends and Family
- Angel Money – $25K to $500K
  - They want to find you and help you
  - They must have exit option
- VC – Have to have an introduction, credibility
- Banks are not intentional investors – 2 sources of repayment
- Technology does not get funded, solutions do!
- Raising money is a big job, full time, a lot of work

The Customer

- If you don't have customers, you don't have a company
- Ask for the check early, funding, buy-in, Proof of concept, get them to test the product
- Talk to them early and often
  - Amazon cycle time is hours
Functions - Development

- Get smart people
  - Get them to buy-in
- Let Developers concentrate
  - Don’t interrupt i.e. not customer service
- Give them the tools they need.
  - Simple is better than complex- sccs, etc
  - Adopt industry standards – don’t develop you own tools, purchase them
- Things must be tested !!!!

Functions - Administration

- Make sure you understand accounting – sales
  - The basics are simple – learn them
- Do accounting timely!
  - Minimum of one a week
- Keep it simple
  - QuickBooks is good up until about 50-75 people
- Keep clean corporate records
  - Minutes, Cap Table, contracts, etc
Function – Sales

- Most companies start with inside sales
  - Telephone, internet, Web-Ex,
- Move to combo of inside and outside salespeople
- Concentrate on average order size
- Don’t get caught in price never land
  - $2K - $5K can’t sell without sales call, can’t support sales call.

Summary

- The customer is the key
  - Everything revolves around the customers
- People
  - Make careful decisions – Get the best
- Clearly communicate your vision, culture