Second Time Around

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agenda

• Who
• What
• Why
• How
who?

- Musicology PhD: Piano Music in Paris from 1830-1848
- C/C++/Java
- Creator of Spring
- Cofounder & CEO, Interface21/SpringSource
- Acquired by VMware 2009 ($420m)
  - SVP @ VMware for 2 years
who?

• Board member/investor since 2012

• Learnt more about
  – Open source business
  – Company financing
  – Financing
what?
why?

Be sure you really want it

- Hard on family, friends, hobbies
- Likely to fail
my personal why

• Want to build something great
• Love working with great people
• Happier when I work hard
• Miss playing the game rather than coaching
• Money matters, but well down the list
I assume some interest in creating a startup
  - Useful in navigating your career
• Some advice may seem obvious
  - ...yet it’s often the basics that people fail to get right

Going to share what I’ll do myself, second time time around
success factors:

thesis

- Have a thesis on how the world will change
  - Position for when it does

- Investors look for genuine problems
  - Teams can iterate on product more easily than on problem
success factors:

great team

• A great team can iterate on anything
  – Slack started as a game company

Execution eats strategy for breakfast

– Peter Drucker
assembling founding team

• Best to have > 1 founder
• Range of skills & personalities
• Understand values & goals of cofounders
  – Everyone should be aligned
what we’ve done

• Myself
• Three strong technologists
  – Specialties from vision to management
• Experienced executive (startups & big company, corporate development, business development)
assembling a team

• Allocate equity among founders sooner rather than later

Difficult conversations only get more difficult with time
equity allocation resources

- foundrs.com
- Google “allocating equity among founders”
what we’ve done

• Transparent equity allocation process
• Proposal based on data shared with all cofounders
• Open conversation
  – No back channels
(note on startup resources)

• Lots out there
  – Unlike 2004 when we founded Interface21

• Use them
  – Google is your friend
thinking about the opportunity

• How fast to run
  – Competition
  – Need time and/or money?

• Business model
  – Long sales cycle?
    • Allow for payment delays as well
outside money?

- Depends on what you want to do
  - Rare not to need investment for a product company
  - Costs less than it used to, but more than you think
- Angels may not add value
- VCs not created equal
  - Location, brand/reputation & rapport
  - Some terms more important than valuation
outside money?

Those who most hate VCs, most need what good VCs offer

Successful entrepreneurs who could self fund a new venture, usually don’t
pitching investors

• Problem + Market opportunity
• Team
• (Product)

• Even if you don’t want money, create pitch deck as sanity check
  – If there’s no strong, natural narrative, rethink
• Think about milestones to next stage
on dilution

• Don’t underestimate $$ you need
  – Enough runway
• Don’t short change option pool
  – Inexperienced entrepreneurs think this is a win, but it’s not

Dilution isn’t the enemy:
Failure is the enemy
corporate setup

• Set up company ASAP
  – Keep it boring
    • Your company is probably not different
  – Anticipate multiple rounds of DD
• Don’t solve for tax efficiency
• Do consider tax implications for founders

Innovate in technology, not corporate structure
what we’ve done

• Decided we need to run fast
  – Friends & family seed round
  – Quick Series A
• Large option pool to help attract talent
• SF HQ and raise from Bay Area investor
  – Today, London is a great choice
• Distributed engineering team from the outset
what we’ve done

• Delaware topco
• Hired good law firm
• Legals as simple and conventional as possible to reduce friction and cost
people

- You’ll need good managers in your company
- Model behavior you want to see
  - Don’t overrate policies
  - Larry Ellison
networking

• Talk to everyone you know who may have a useful perspective
• Interview potential customers to validate product ideas
• Best means of hiring
  – Can’t rely on technical recruiters
• Maintain network of potential advisors and investors

If you want money, ask for advice.
If you want advice, ask for money.
tech -> business

• Consider what you’ll sell and how, not just what you’ll build and how

• Recruit or grow business people
  – IQ alone not enough
  – Different skill set
  – One technical founder typically needs to transition

• Pay for good advice
final thought

It’s about people, not software

…but then, so is software
Please remember to rate this session.

Thank you!
Thanks !