

Who is this man outside his house in Nevada?



Ronald Wayne, The “Third Founder” of Apple

- ž Drew first Apple logo
- ž Wrote the Apple I manual
- ž Sold 10% of Apple for \$2300 because of concern over a legal risk that could easily have been resolved
- ž Sells stamps from his home



Wealth of Opportunities Today for Startups...

- ž Cloud computing
 - Far lower cost of entry than in dotcom era
- ž Opportunities for disruption
 - Software as a Service (SaaS)
 - Multi device world
 - Massive UI disruption
 - Need for new infrastructure





Rod Johnson (@springrod)

THINGS I WISH I'D
KNOWN

What's This Presentation About?

- ž Essentially, a personal story
- ž More about business than technology

- ž Unusual starting point
- ž BA from Sydney University (1991)
 - Music
 - Pure Mathematics
 - Computer Science
- ž PhD in music history (1996)
 - *Piano Music in Paris from 1830-1848*
- ž Java developer/architect, UK (1997-2004)

Some Highs



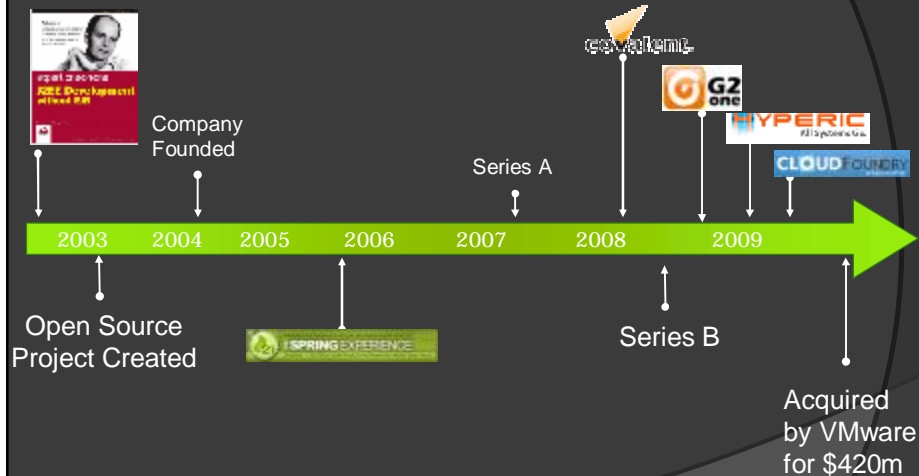
- ž SpringOne 2010
 - Spring community: 1000 attendees
 - Realization that my cofounders at SpringSource have become close friends
- ž Changing the world
 - We won the battle of ideas
 - Dependency Injection
 - AOP
- ž Financial success
 - Building a real business that creates jobs

The Lows

- ž Making UK payroll in 2006
 - Juergen and I went months without being paid
- ž Layoffs in late 2008
 - Having to let good people go
- ž Years of obsessive work
 - Personal toll on myself and cofounders



SpringSource – Quick History



The Crucial Questions

First Things First

Where Is The Opportunity?

- ž Technology must come first
 - I don't believe in "created" opportunities
 - *Let's raise money and then create a product vision*
- ž Must be an opportunity for disruption
 - Why is there a market gap?
 - Did everyone else fail to see something?
 - 99% chance you're delusional
 - Did someone else screw up?

Validation

- ž Be your own toughest critic
 - Why is there a business here?
 - Far less painful to abandon a thought experiment than a business
 - Agile approach can apply to business
 - There will always be another idea
- ž *Do* have a business plan, even if it seems boring and old-fashioned

Belief

- ž Vision must matter to you at an *emotional* level
- ž You must believe your software or service is better
- ž Align your team on the vision
 - Is it a lifestyle business?
 - Do you want to take risks to try to get rich?

Do You Want to Win?

ž Not a rational thing



“Messianic sense of purpose”

“Reality distortion field”

Are You Prepared for Success or Failure?

- ž Success = Years of obsession
 - Impact on family, friends, hobbies
 - Reduced lifestyle compared to regular work
- ž Failure = ?
 - Range of outcomes
 - At best, improving a personal brand
 - At worst, significant financial impact, wasted years

Entrepreneurship == Risk

- ž Many successful entrepreneurs have repeated failures and bounce back
- ž Something Americans do well
 - The good side of lax bankruptcy laws



Nevada, 2008

Accept That it's Partly Luck

1. Rise early
2. Work Hard
3. Strike Oil



Categories of Mistakes

- ž Surprising amount you can get away with
 - Don't need your definitive business model upfront
 - Can change tack
- ž Only a few types of mistakes you can't escape from

You Can Get Things Wrong

- ž Don't need to get everything right the first time
 - ...So long as you are ready to change
 - Agile approaches work in business, too
- ž But need to be able to bring everyone along with you when you change
 - Change is hard

...Except for Legal Things



- z Getting these wrong can be deadly
 - Get your company structure right from the start
 - Pay for good legal and accounting advice
 - Manage lawyers and accountants well

As Soon As You Can, Hire a Good CFO

Ronald Wayne: Just One (Extreme) Example

- z Before SpringSource, one of our founders had lost \$1m in options due to a legal error



Some Things We Got Wrong at SpringSource

- ž Took time to find scalable business model:
Changed from...
 - Services business to subscription software
 - Framework to server/management business
 - Selling to developers to selling to ops
- ž Overinvested in dm Server (OSGi) for 2 years
 - Seduced by technology in search of a problem
 - Spent millions of dollars that would better have been spent elsewhere

The Big Things We Got Right

Technology and Vision

- Our vision of simplifying enterprise Java remains the same today as in 2004
- Remained true as we evolved our strategy
- Continues to underpin Spring

Team

- A great team makes a great company
- What investors look for

Building a Team

- ž About complementary skills
 - Understand yourself
 - Know what you're good at and *believe in it*
 - Know what you're bad at and *find those skills* in your partners or employees
- ž Be sure to share vision and ambition
 - Can't afford different goals

Things That Worked For Us

- ž Raising Money
 - Great valuations in each round
- ž Understanding the investment game
 - Aim is to achieve an objective with each round
 - Series A: Prove the technology
 - Series B: Prove the market
 - Series C: Scale the business
 - Valuation inflection points

On Taking Investment

- ž VCs are not (necessarily) evil
- ž Rule of Thumb
 - If it's a services business, don't get investment
 - If it's a software business, do get investment

If It's a software company, You Probably Need More Money than You Think

- ž Dilution is not the enemy so long as you spend wisely
 - Can grow your value by more than dilution
- ž Try to keep ability to make a course correction or weather a bad quarter or two
- ž Spending *will* go up when you raise money
 - Try to control it but it's inevitable



You Will Be Married to Your Investors – Choose Wisely



- Investors aren't all equal
- A great investor will lift you to another level
- A poor investor won't help and may exploit you
- **Silicon Valley investors are generally less valuation sensitive and think bigger**

Our Biggest Challenges

Geography

- Founders and customers in 3 continents

Cultural issues

- Building a business while respecting open source values
- Transitioning to a software vs services model

Rapid growth

- Puts pressure on any organization

Mistakes We Made

- ž Too much focus on technology in early years
 - We knew our technology was great
 - “If you build it they will come”
- ž Too little focus on business
 - Didn't do TAM analysis
 - Didn't always have a business plan
 - Didn't have financial projections

Mistakes We Made And Fixed

- ž No option pool before Series A financing
- ž Inconsistent contracts with employees
- ž Messy corporate structure

Mistakes We *Didn't* Make, And That You Should Avoid

- ž Customer contracts with uncapped liability
- ž Unequal “partnerships” with larger companies
- ž Disputes among founders

Mistakes We Didn't Make But We've Seen Other People Make

- ž Pissing people off
 - Karma matters
 - Two stories
 - A recruitment attempt, 2004
 - An acquisition attempt, 2007 (\$25m)
 - *So you want to roll the dice*
- ž Letting individual customers control product roadmap
 - Wall St banks make an art of this
 - Many large companies will try



Business Opportunities Today

- ž The most exciting period I've seen in software
 - Not just different technology
 - *Requirements* have changed
- ž Lots of business opportunities

Cloud Computing, SaaS

- ž Software as a Service
 - Opportunities to tackle many incumbents
 - Salesforce taking on traditional CRM
 - OpenTable becoming standard for US restaurant bookings
 - Countless little software niches
 - Every time you see someone looking at a screen, think about whether a SaaS play with great device support might work
- ž New data paradigms
 - Need for new infrastructure

YOW Covers the Topics That Matter Today and Tomorrow

- ž *aaS
- ž A new level of productivity, with prescriptive frameworks suited to cloud computing
 - Rails
 - Spring Roo
- ž Parallel programming, driven by new chip capabilities
- ž Non relational data access
- ž Mobile topics
 - Android, iPhone
- ž In-memory data grids

Australian Startup Opportunities

- ž Lots of talent here
- ž Lots of drive
- ž Access to global markets through Internet and cloud is a huge win
 - Avoids the problem that the Aussie market isn't big enough
- ž Companies based here can make it big
 - Atlassian
- ž Major factor is funding
 - Silicon Valley still has an edge

Today, Everyone's An Entrepreneur in Their Own Career

- ž No such thing as a secure job any more
- ž Even if you're not interested in starting a business, these disruptions are huge chance to get ahead of the curve as an individual contributor
- ž Take advantage of YOW: Challenge Yourself
 - Attend sessions about topics you don't already know
 - Pick up on newer technologies



Thank You, and Enjoy the Show!