Starting a Business

The Story of Da Vinci Systems Corporation

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I have made these presentations available in the hopes that the ideas will be helpful to others.

I only ask that you respect my work by providing attribution as appropriate and not re-posting them.

Thank you and enjoy.
Bill Nussey

Da Vinci Systems Corporation

- Founded in 1985
- 60 Employees Based in Raleigh, NC
  - 15 CS, 10 TS, 10 Engineers, 8 G&A, 10 Sales, 7 Mkt
- 2000 Resellers World-Wide
- Venture Capital Backed
- Partially Owned by Novell
- Raised About $4 million in Debt and Equity Financing Over 5 Years
- 1-800-DAVINCI

Da Vinci eMAIL

- 3 million users in 45 countries
- 13 language versions including Japanese and Hebrew
- Product and service awards from nearly all industry publications
- Third largest installed base in the world
- "Best E-mail for Netware"

1992 World Wide Installed Mailboxes

Installed Base
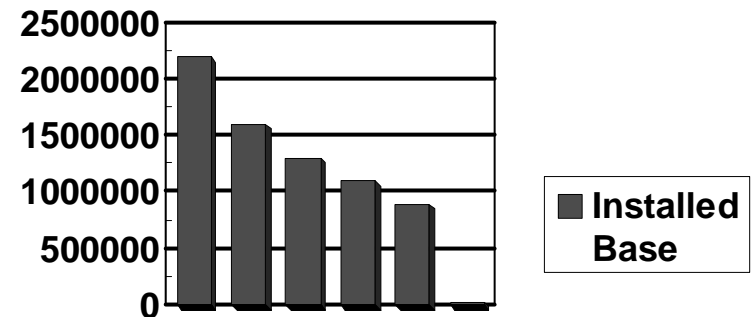
How It Started

- Four Friends from High School
- The Vision: The Art of Technology
- The Name: Da Vinci Systems Corporation
- First Exposures to the Industry
  - Data Age
  - COMDEX
- **Lesson: If there is more than one founder, create an iron-clad founders agreement.**

The First Products, 1985

- First Customer: North Carolina State University
- Custom Business Applications, Dbase
  - Payroll
  - Inventory
- Custom Systems Programming, C and Pascal
  - Borland
  - Software Publishing
  - Microsoft
  - Novell

The Birth of E-mail, 1987

- Microsoft and Windows
- Second Shipping App for Windows 1.0
- IBM Token Ring
- Lots of Free Press
- **Lesson: Getting the product complete is actually the easy part**

Sales and Marketing, 1988

- Old HS School Teacher Turns Consultant
- Hiring Sales People
- Everyone in the Company Took Sales Calls
  - Graphic Artist Was #1 Salesperson
  - Sales Started Taking Off
- **Lesson: It doesn't jump off the shelf into their hands by itself.**

Corporate Partner: Novell

- Invested in September 1989
- Took a Permanent Board Seat
- Strategic Alliance
  - Da Vinci eMAIL used Novell's E-mail transport
  - Worked together on products and testing
  - Novell became one of Da Vinci's key customers
- Closed Out All Custom Development Projects
- Things Really Starting Taking Off
- **Lesson: Survival during fast growth requires two things: Cash and Focus**

eMAIL 2.0, 1990

- Nearly Killed the Company
- Over-designed, Under-managed
- Beyond the Scope of Any Previous Project
  - Jumped from 75,000 lines (eMAIL 1.5) to 300,000
  - Tech support Jumped from 45 Call/day to 225/day
  - Shipping Fell Apart
  - Demand was Double Forecasts (at first)
- **Lesson: Great engineers don't always make great managers**

Raising Venture Capital, 1991

- Talked to Dozens of Firms
- Accepted Investment from Wakefield in 1991
- Used 40% of the Money Immediately
  - Paying debts associated with eMAIL 2.0
- **Lesson 1: Learned What VC's Really Look For:**
  - **Management Team**
  - **(VC's rarely are experts on specific markets)**
  - **4 -5 year payout (preferably acquisition)**
  - **4 to 5 times return**

Senior Management, 1993

- One of Toughest and Best Moves for Da Vinci
- Hired Senior People for Finance and Operations
- **Lesson 1: Hire the best people you can find**
- **Lesson 2: Don't be afraid to pay for them**
- **Lesson 3: Let them be better than you**
- **Lesson 4: Experience counts**

Sold in June 1994

- Needed to Expand the Product Line
- Looking for a Partner
- Merged with ON Technology, Cambridge
  - Founded by Mitch Kapor
- Managed as an Acquisition
- **Lesson 1: Like software development cycles, take your most pessimistic time line and double it.**
- **Lesson 2: Passionate Managers and Founders are the best sales people of a company.**

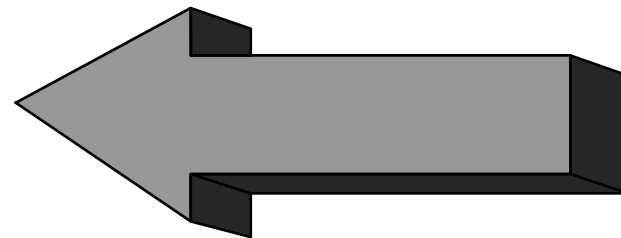# What's <u>REALLY</u> Important?

- Profits
  - Focus and Cash are Everything
- Leadership
  - Critically needed
  - The boss has no friends
  - They want to be you
  - Success is not a question of avoiding mistakes. Mistakes are inevitable. Success is about what you do <u>after</u> you've screwed up.
- Passion
  - The Only Edge You Have
  - If You Don't Really Believe,
  - It Will Never Be Worth It

Thank You

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