Mini Case—Starting a New Software Company

You and three founders have just quit your high paying jobs at hot Silicon Valley companies to start a new software company. You have discovered an unmet market need for software that securely administers employee information within a corporation. Using the Internet as a new platform, your software will enable employees to serve themselves with respect to benefits programs (e.g. medical, dental, 401-K, stock purchase, etc), payroll information, and general employee information, and at the same time give the human resources department unequalled management information and functionality.

You and your group are widely recognized for your hero-sized contributions to the successes of your past employers (Siebel, Peoplesoft and SAP). Your past experience has been primarily in product management, and you were recently promoted to Vice President. Your founding team has contributed both as senior engineers and team leaders on several industry-leading products. Tired of receiving calls to join other peoples' startups, you finally decided to join forces and start one of your own.

Your business plan assumptions are as follows:

Operating forecast. Your best estimate for your revenues and pre-tax profits, based on approximately one year of product development and a five-year revenue ramp is as follows:

	2004	2005	2006	2007	2008	2009
Revenues	$0.0	$5.0	$20.0	$50.0	$100.0	$200.0
Operating Profit	-1.1	1.0	4.0	12.0	30.0	70.0

Product development schedule. You expect to be able to deliver a function-complete alpha version of the product in nine months. You'd like to enter beta testing with 2-3 customers in twelve months. With luck, you expect to ship for revenue in a little over one year.

Organizational plan for product development stage. You're confident in your ability to lead the company through the development stages. You expect to spend half your time managing the engineering effort and the other half talking to customers and making sure the product specs are on target. You figure it will take about 15 engineers to develop the first version of the product, counting all of the QA, documentation, and testing folks. One of your co-founders has run an organization of ten before, and you and she both believe that she can handle recruiting and managing the 15 person organization. The other four folks in your plan will handle marketing, financial and administrative duties during the development stage.

Now you have the task of going about getting financing for your company. Venture capitalists and angels are hounding you and your team on an almost daily basis. So far, you've held them off. However, it's time to get on with it!