Calico's Early History

Bill Paseman
co-founder, Calico Technology

Introduction

As we grow, I get more and more questions about Calico's early history. So, in order to give the subject justice, I've written this document. The time period covered here occured before the FirstFloor Merger, before "eSales", before our Pricing Product, even before "Concinity". This is the period when we focused on delivering one high value application (a configurator), and how we took the opportunity to move it to the Web. There are many good tales from this time, but this paper covers my favorites during my tenure as Calico's CEO from October 1990 to January 1996. Thanks to all who've made the story possible.

Calico's History 1990-1992

I've always wanted to help create a successful company. Having been a part of a successful startup (Daisy Systems) and an unsuccessful startup (Atherton Technology), I've come to the conclusion that initial success requires a small focused team solving a tough customer problem well.

My first task was to find a partner. As it turns out, Marguerite (my co-founder and wife) fit the bill perfectly. Whereas I was able to create a vision, she was able to help fulfill it. I was comfortable enough in front of people to do the initial sales, marketing and consulting, and technical enough to do the architectural and algorithmic design, as well as the critical coding. Marguerite was structured enough to complete the engineering tasks well and dedicated enough to see them through quickly (often working in stretches of three days at a time). Working together in a startup also strengthened our relationship. With the initial team in place, the next step was setting and pursuing a business goal.

To do this, we formed "Paseman and Associates" and set out to "find a problem that was so bad, companies would pay us to solve it and let us keep the software". This mission helped us accomplish several things:
1) We financed operations out of revenue.
2) We identified a market (a solution applicable to many companies.)
3) We created a product that solved a critical corporate problem.
4) We successfully sold enterprise software; often against larger competitors.

We did the market search and initial product development between 1990 and 1992. The problem we settled on was: "Homologation of Network Hardware for International Markets" aka sales configuration.

Sales Configuration

The problem of sales configuration can be illustrated simply. Suppose you buy a computer and a printer from Fry's. After taking it home, you discover that the printer cable is missing. You inform the salesman and, to keep you happy, he FedExes the cable to you at no charge. A day later and after a few more hours of screwing around, you discover that the computer and printer are basically incompatible. In disgust, you send everything back.

Let's look at this scenario from the salesman's side. He has spent several hours and much money to make sure you never buy from him again. Clearly this is not optimal from anyone's point of view.

Calico's early software provided an electronic quoting form[1]. When the printer and computer are put on the form, the form says "Hey, these are incompatible!". When the salesman makes them compatible, the form says "Hey, a cable is missing". As convenient as this functionality is in a salesman-customer situation, it is indispensable in a WEB self-service situation. You don't want to ship a billion dollars worth of stuff over the web to simply have a billion dollars worth of stuff shipped back again.

Trilogy

Winning arguments with my mother, as well as gaining her approval, is important to me. When I called to tell her about this great new market I had discovered, she said "You know, I just read about a company that already does this." After assuring her that:

1) she was mistaken,
2) that this market was high tech (for which she clearly had no understanding),
3) that I had been looking at stuff like this for two years, and
4) that I had no competitors;

she sent me a Wall Street Journal article on Calico's primary competitor: Trilogy Development Group.

Disheartened, I contacted Trilogy's SGI reference to see if I could OEM a Trilogy solution to my current customer: NET. Mysteriously, Trilogy found out about NET and took the account away from me! This provided great motivation for me to continue.

Calico's History - 1993

As I continued to attempt selling our configurator on a product (not a consulting) basis, Marguerite and I continued to strengthen it. In addition to Engineering, Marguerite provided a sounding board for Paseman and Associates (P&A) business deals. Once, one of our clients wanted to buy our share of some co-developed code. The client's deal was this: "P&A charges 2/3 of their normal rate (2/3 of 100/hr = $65/hr) in exchange for joint rights to the co-developed software". As such, I felt that a client buyout should cost the equivalent of $35/hr; but Marguerite said that if 1/2 of the software was worth $65/hr, the other 1/2 must be worth $65/hr also! So we sold it for the equivalent of $130/hr. Her ability to increase our annual revenue by 30% in just one deal was quite helpful.

Despite this boost, 1993 was not a particularly good year. The business had gone "gang busters" at the end of '92. We proved the concept at NET, did a follow-on deal with Make Systems and accumulated several good leads. But we won nothing in '93 and lost Siemens-Rolm, HAL, Deere, 3Com, Synoptics, Ungermann-Bass, Freightliner, and Centigram. Most of these we had lost to Trilogy. However, I was somewhat heartened when I noticed that although Trilogy had some successes, it never had a successful deployment in the Networking industry. So I used that as my Trilogy counter and concentrated on the networking industry.

Cabletron

Cabletron appeared as a prospect in August '93. In December, we had a key demo to give to them, and, due to various screwups on my part, had nothing to show. I was very depressed and considered calling the meeting off, because I didn't want my

[1] It still provides this, and much more!

sponsor to look like an idiot. However, Marguerite said "Gee Bill, you worked so hard over the last several months to get to this point, opportunities like this does not come by very often, why give up at the last minute?" She didn't mention that we'd had 8 "last minutes" resulting in zero revenue over the prior year.

So, I figured I ought to let my sponsor chew me out in person, and headed out to the East Coast, re-writing parts of the engine on my Mac Duo during the 6 hour trip. When I arrived at the hotel in New Hampshire, I set up the 300 baud modem and downloaded the UI portion of the demo that Marguerite had writtten back in San Jose. After 2 hours of sleep, I assembled enough of the pieces to create about 3 minutes of demo.

The Cabletron IT Director met me when I showed up at Cabletron. He said "Bill, you look a little tired!" I said "Yeah, that Coast to Coast jet lag is really tough on me." Then came the 1 hour presentation. To fill up the hour, I showed them portions of the Siemens-Rolm, HAL, Synoptics, 3Com, Ungermann-Bass, Deere, Freightliner, and Centigram demos. Then, I showed them the 3 minutes of Cabletron. How impressive was the demo? At the end, my sponsor summed it up by saying "Bill, you ought to hire a sales and marketing guy". At any rate, the deal hadn't died yet and Marguerite was right, that had not been the time to give up. That one hour meeting, in retrospect, was the most important meeting in Calico's history. Sometimes, surviving is enough.

Calico's History - 1994

Bart joined in February of 1994 for a substantial cut in salary[2] (and quite a bit of stock), based partly on the strength of a verbal agreement we had with CWC. CWC (Clear with Computers) founded in 1983, is a competitor located in Mankato Minnesota. CWC had the rights to bundle general configuration capability into their product line for $10/copy, but decided in March '94 to break their verbal agreement. (In retrospect, this was the best thing that could have happened, given that we were later able to sell this functionality for $2,500/seat using a direct sales force.)

Fortunately, the deal we had cooking from August of 93 with Cabletron materialized in March '94 just as Bart showed up. As it turns out, I was able to land a $10K "Strategic Consulting" contract after the Cabletron meeting. This "Strategic Consulting" deal allowed me to review and document Cabletron's order flow. That, in turn, allowed me to meet everyone that would eventually have to buy off on a "tactical" configurator deal.

The idea of doing a cheap "strategic consulting" deal followed by a pricier "tactical product" deal came from two sources. One was a Business Week article on how consulting companies structure their work. The other was Miller-Heiman's Book "Strategic Selling" which describes how to sell enterprise software. Meshing this "two stage consulting" idea with Miller-Heiman's ideas produced a sales process that:
1) covered our selling costs
2) provided the customer with something of value at each step with a predictable cost, and
3) had a lot of upside potential if it could be carried through to its conclusion.

Cabletron's closing was rather memorable. I was in Massachusetts for another assignment, and Cabletron called me in for a talk. I was summoned to the director of IT's

[2] Bart suplemented his salary during this period with credit card debt.

office and there sat my sponsor, the IT director and representatives from many other groups. My sponsor was smiling, as was everyone else. The IT director said "We were impressed with your work and we'd like to buy. How much does it cost?" I panicked. I had no clue! With all my planning, I hadn't actually expected to have to make the opening bid! So I said to my sponsor: "Well, as per your suggestion, I've hired a sales and marketing guy, and he is working on the pricing now. Let me give him a call."

We still have a copy of the initial proposal, in case anyone would like to see it.

Cabletron has been a long and valued customer to Calico. We've always attempted to serve them responsively and well (beyond reason in the opinion of some), but have gotten back returns in many forms beyond even good references; they have helped us make our quarter at two critical periods. As such they are an object lesson to me about the value of a good customer relationship.

Bart

Bart started his tenure working in my stable. He then convinced us to move full time to our time-share office on Airport Parkway. (I still think that was a mistake, Marguerite and I were ready to buy a sign that read "Calico World Headquarters" and mount it over the stall doors. Besides, the sheep had grown rather fond of Bart.)

Across the hall in Airport Parkway was the remote sales office of a Massachusetts company that did "Intelligent CAD" called ICAD. I, ever paranoid, said that we should start keeping our doors closed because their market was too close to ours. Bart, ever patient, complied. However, he felt that my concerns were a little exaggerated. The company later renamed itself and went public as "Concentra". They are the only public configuration competitor who focuses exclusively on the Sales Configuration Market.

During the initial Airport Parkway timeframe, Bart did sales, product marketing and IT. I did the Cabletron consulting. Marguerite did engineering (with some help from Joel and I). "Joel" is Joel Menchavez. As "employee #2.5", Joel worked for a Filipino consulting agency and helped us with some of the coding at an initial rate as $10/hr. Since neither Marguerite nor I took salaries, we were able to pay all our bills and Bart's salary from our Cabletron consulting income.

Once Cabletron looked like a sure thing, I decided to incorporate. I was going to call the company Calico Systems. Companies are difficult to name, so I started collecting names in 1990. Calico was the one I liked best. It was short, non-technical, and easy to remember[3]. Calico Systems' logo was a "C" with an embedded "S" that looked like a yin-yang symbol (I still have a binder of our original documentation with this logo). Our lawyer said that the name was taken. I suggested that we call ourselves Cascade Systems (It was next on the list, and we could keep the logo!), but a networking company already had that name. Bart suggested Calico Technology, and that passed the name police.

The next decision was when to end our fiscal year. I was persuaded that we end it on March 31st, so that "we could have the benefits of two Q4s". That is, customers would be incented to close business at the end of their year (December) and Calico salesmen would be incented to close business at the end of Calico's year (March). As it turned out, this gave us the "disadvantage of having two Q1s" instead. Customers have no budget left at the end of their Q1 (March), and Calico salesmen have no special revenue incentives at the end of their Q1 (June).

[3] It's amazing to me how unsatisfying people find this explanation for our name. As such, I've made up another one: Calico stands for CALIfornia COmpany just as Texaco stands for TEXas Company. That seems to satisfy most people. I tell others that it stands for CALifornia Internet COmpany.

Bart's biggest initial impact on the company came from three things: his enthusiasm for technology, his optimism, and his unflappable ability to think on his feet. After seeing the cross-platform UI problems Marguerite and I were having, Bart insisted that we standardize on Windows and VB. I strongly questioned this, but in retrospect it was the right decision. Although the initial idea for a Workbench came from me, Bart's knowledge of how hardware could be modeled, together with Marguerite's ability to learn quickly (this was her first VB project), let them put together a general VB WorkBench application that could do a PC demo well.

Bart and I have many seemingly incompatible characteristics: I tend to see nothing but problems, Bart sees nothing but opportunities; I tend to live rather simply, Bart likes a more elaborate lifestyle, etc. However, our two disjoint views of a situation served the company well in this timeframe because we could look at any situation from our two perspectives, and then agree on a common path that incorporated both views. As with Marguerite, this approach worked only because of our mutual respect for the other's views.

Siebel

We had one suboptimal experience this period. As part of our plan to grow via partnerships, we had gone through technical due diligence with Siebel systems. Siebel had insisted that we do it without signing a non-disclosure. Bart convinced me that this was worth the risk. In fact, on Halloween, Siebel said that he would give us an acquisition offer by Friday! As it turned out, Gartner Group called us on Monday, November 7 and said that Siebel had called to say that he was developing his own configurator! After the call, Bart said "Wait and see, in six months this will be the best thing that could have happened". Making that statement in front of me brought Bart as close to death as he would come that year. However, as it turned out, he was right (to the month!).

I've had mixed feelings about this episode through the years. Although it upset me, Calico has suffered worse from employees (and one customer) who've actually signed contracts with Calico, and then deliberately violated them. Though sometimes tough to deal with, Siebel has never violated a written contract with us, and we continue to attempt to partner with them. (Although I do recommend using NDAs going forward).

Trond

FLEXcon was our next customer (we acquired it through a partner named RTS), and it posed a rather interesting problem. I was completely consumed with Cabletron, Engineering and CEO duties, and could not take on another project. So our next hire was critical. Calico ran the following ad in the San Jose Mercury news: "Application Engineer- Our small startup has booked $1M in our first 6 mos. Help us ride the wave. Your interpersonal and OO development skills will help you deal directly with customers. Travel req'd. VBasic, C++ a plus Resume/Salary History to: Calico Technology, 50 Airport Pkwy, SJ 95110."

Trond-Henning Olesen answered that ad. He had a very strong resume, having just got a CS PhD from the University of Bergen in Norway doing work on Thinking Machines hardware. He had also done some graduate work at Parc as well as having experience in teaching Eiffel (an object oriented C variant) as well. We initially hired him as a consultant saying "Look, if this project goes well, you'll get enough stock to make you a millionaire. If it doesn't, you have some job experience to put on your resume, and I'll give you a good reference (if you do a good job)." Actually, Trond didn't do a good job, he did a great job, deploying FLEXcon in three months, and earning

Calico a $10K early delivery bonus. At the '94 Christmas party he got a $1K bonus for this work. He also decided to join Calico as a full time employee instead of a consultant. As such, he got a salary decrease but more stock.

Calico's History - 1995

San Jose Software Business Cluster

After Bart saw an ad for the San Jose software business cluster (SJSBC), we moved there in December 1994. Since the rent was $1.25/ft2 vs the $3.75/ft2 that we'd been paying, we were able to triple our floor space in the new facility. Calico's relationship with the SBC has been mutually beneficial. Via the cluster we were able to:
1) reduce our facilities costs
2) access consultants who helped us with two early deployments
3) get PR in the San Jose Mercury News, Japanese T.V. and Korean T.V.
4) get leads on relocation, which got us the 13th Floor at 4 N. Second Street at $1.25/ft2.

In exchange, we've acted as the SBC's first success story. We entered the cluster with 4 people and left within a year with a headcount of more than 20. We were the first members to get venture capital, the first to show significant revenue, the first to outgrow the place and move out. We've explained benefits of the cluster to representatives from other states and other countries (Japan, Korea, Sweden and Germany). We've given our presentations to the Germans in German (my cousin helped create the presentation) and to the Swedish in Norwegian (Trond helped here). After we left, the SBC invited us to sit on their board. Calico has helped contribute to San Jose's recent growth by proving that a software company can do well in the downtown area.

I'm particularly proud of this win-win relationship we've been able to establish with the city.

Venture Capital

Bart had closed Tech Data by the time we'd hired Trond. Bart then closed Lam. We were cash flow positive, with $100K in the bank. Still, we often lost deals because we were perceived as being too small. We needed more leverage. So we went back to the VCs that had originally funded Atherton (Mayfield and Kleiner Perkins) with the following pitch:

- Product
    - Already developed and in use
    - Small, component-based, easy to use, easy to customize
- Distribution
    - Direct and Indirect
    - 2 reference accounts (Cabletron, FLEXcon)
    - Add on Order from Cabletron
    - TechData
- Market
    - Sales Configuration Systems
        - Ensure Correct and Complete Orders
        - Make complicated product accessible to the untrained
        - Extend ERP to your customer's desktop
    - Electronic Commerce
- Competition
    - One startup who got to $35M in 4 years and is screwing up.
    - Consulting Firms

People

One winner (Daisy)
One loser (Atherton)
Known personally (no risk)

Financials

Booked $1M in business after 1st 9 months of incorporation
Realized $.5M in 1st year
Cash positive since inception

We got a lot of interest in the deal from several venture capitalists. These included: Bill Unger of Mayfield, who had provided counsel from the company's inception; Vinod Khosla, my board member at Atherton who introduced me to Jim Hammock, an angel who did due diligence on us and helped us form our initial strategy; and Doug Leone at Sequoia. In fact, the interest was so intense, that I sold some of my personal holdings to the VCs to get them into the deal. This made up some for the absence of salary Marguerite and I had endured for several years. The day the financing closed, my horoscope read "Some insisted that you would never make it. You made fools of them." As Bart had predicted, not getting acquired by Siebel was the best thing to ever happen to us.

I assured the investors upon funding that I would hire another CEO. In the process of interviewing CEO candidates, I discovered that Oracle was working on a configuration product, as was KPMG. All these threads came together at Cisco.

Cisco

Bart had been calling on Cisco for months, and was unable to get us in for a meeting. Finally, he succeeded in a way typical for him. First, he hired Meg Carson as our East Coast sales rep. Meg had a personal relationship with Pierre Lamond of Sequoia. After Meg's recommendation, Sequoia had a meeting with us, and showed immediate interest[4]. In order to do due diligence on the deal, Don Valentine, Cisco's Chairman asked Cisco's executives to check us out. We had a Cisco meeting within the week.

After Bart checked into the details of the meeting, he warned me that there was a "little bad news". "What is it?" I asked. Bart said "Well, we've got several Cisco Vice Presidents, as well as representatives from Siebel, Oracle and KPMG." "J---s C----t", I exploded, "Why not just invite CWC, Trilogy and Antallys and we'll have a party!!! I'm not going to demo my software to them!". Bart then patiently explained to me that, if he was to sell the software, he would first have to demo it. And if we wanted to sell it to people who would value it, chances were good that they'd seen stuff like it before. Bart then proposed that we demo our "non-proprietary" stuff first, then show them the "crown jewels" later. Worse case, we'd have to come back for another visit and I could re-evaluate.

We decided to lead off with a Web-configuration demo, which we'd thrown together for another prospect. In the middle of the WEB demo, Bart was drawing on the whiteboard and the Cisco CIO got very excited. He tried to take the white board marker away from Bart to draw a picture, but was having little success. Finally I shouted "D---it Bart, give him the marker!". Bart proceeded to carry the deal forward to the largest sale in our history. We closed in September 1995 and delivered the product in a plain brown paper bag with hand labeled floppies. The Cisco rep signing for the deal complained that for the money he was paying, he expected pre-printed labels in a box. We delivered those to him next release.

[4] Meg Carson passed away in 1996. We owe her a great debt for getting us into Sequoia.

As a result of our initial efforts at Cisco, we got the “Supplier of the Year” award in 1996. This was quite an achievement, given that 6 awards were given out and Cisco has more than 600 suppliers.

The first lesson here is that sales leads often come in a roundabout fashion. It is important to contiually prospect and to continually leverage the presented opportunities.

Cisco has also taught us the value of paying close attention to a customer after the sale is complete. Whenever we’ve dropped that ball (especially with them), it has always cost us. However, they’ve always paid their bills and continue to be a good reference. Last December for example, Dell bought after talking with the person in charge of Cisco’s web site. Also, as recently as the August 17th 1998 issue of Fortune Magazine, Cisco’s CIO mentions us.

Grass Valley Group

One situation where we got in over our head was Grass Valley Group. Grass Valley Group’s configuration problem was so complex, that were unable to create an acceptable pilot for them. As such, I refunded their money, including the money we had sunk into consulting. I was asked if I would have returned the money if it had been a multi-million dollar deal. I said “no”. With a deal that big, we generally discover the issues only after we are well into it. As such, we need to find a way to be successful in such situations, not a way to withdraw.

Calico’s History - 1996-mid 1997

Bob

At the end of 1995, I was reasonably pleased. We had moved company revenue from $150K in March of 1994 to $600K in March of 1995 to $2.5M in March of 1996. Still, it was clear to me that we were entering a new stage, and that we could use some professional management to move us to the $10M range. The spec for the CEO I wanted was equally clear. In essence, our business model was one where we had applied expert system technology to a high value vertical. What better choice could there be than picking a CEO who had run an expert system company before? Such a candidate would be familiar with the technology, would have sold configurators before, and would be familiar with the support issues. How did this transition turn out? Perhaps Fortune Magazine summarized it best:

“Paseman couldn't come to grips with managing a larger company. One example: each Friday he gathered his small troop around the conference table so groups could bring one another up to date and get feedback. But when the staff outgrew the conference room, he couldn't figure out how to maintain the give-and-take.'

At about the same time, it became apparent to the board --made up of Paseman's investors--that there were other problems. They wanted to expand the sales force and aggressively build up both indirect and direct sales. They didn't think Paseman could do it, and they didn't have time to find out. Instead they launched a CEO search and perhaps too quickly found Bob Payne, a sales executive who had worked with highly specialized products like Calico's. He grew the staff more than fourfold, and sales tripled.

So why did the board conduct another CEO search after only 16 months? The internet heated up and Calico had to adapt to compete in electronic commerce. Paseman wanted to build up customer service to add value over competitors, while Payne, who had no experience running a service company, was happy focusing on sales. A bigger problem was that Payne's top-down management style wasn't in sync with the culture Paseman had tried to create, something both the board and Paseman overlooked during the job search. "There were values, total employee involvement among them, that I wanted the company to maintain," Paseman recalls. Calico eventually hired Alan Naumann, who had come up through a company that had grown in ways Calico wanted to. Happily, his ideas about running the company--and his corporate values--matched Paseman's.”

Was bringing Bob in a mistake? I don’t think so. I know I couldn’t get the sales to $6.0M. Would another candidate have been better? None of the ones I saw. Was it the right decision to bring in another CEO (Alan) with a broader vision? In my opinion, Absolutely.

Calico's Recent History

Alan

Alan's key motivation for joining Calico, and our key opportunity, is the chance to define an industry. Any of our customers' balance sheets will show you the problem we're addressing. 50% of all income is spent on Sales and Marketing. Anyone who can knock a corner off of that number for a company will have one hell of a business, and the internet will enable someone to do that. Now, maybe it will be Calico, or a competitor, or someone we've never heard of, but the market forces in place will surely make it happen. Calico has a better shot than most in defining that market.

What value is this broader vision to Calico? Taking a bigger picture approach allowed Alan, Chris and Mike to sell a deal to Gateway that was bigger than the revenue number for the previous <u>year</u>.

Values

Scaling a company past the $10M mark is tough. As mentioned above, the path I've taken to make it easier is to leave the CEO position and transition to being co-founder. This role's function is to assist in building the company and transitioning it to the new team (by communicating values and purpose) but not to run it. I picked Alan as CEO, and the board approved the choice, because I believe his values matched those necessary to make the company successful:

- flexibility
- competitiveness
- total employee involvement.
- an orientation toward customer service
- speed

Let me hit each of these in turn.

Flexibility

Our market is big, new and in flux, so a flexible, general background in a CEO is more important than industry specific knowledge (since the industry is currently being defined). Alan fits the bill quite nicely in this respect. He has had personal experience in many roles: Technical, Sales, General Manager, International Sales, Merger and Acquisition. In addition, his former company, Cadence, has grown through many routes: Product Development, Geographic Expansion, Partnerships, Acquisition and migration from Product to Service. So regardless of how Calico choses to grow and adapt: Partners, Acquisition, Geographically, or more Service focus, we can do it with Alan.

In addition, Alan believes in "Inquiry versus Advocacy", which aligns nicely with Calico's flexibility value.

Competitiveness

The Ecommerce market has some pretty big guns looking at it (e.g. See IBM's Ecommerce Ads), so in the process of figuring out our place in it, our CEO needs to be competitive and have a growth attitude. Again Alan's references indicated that this was a particularly strong trait, and Cadence itself has a strong track record in that area:

- Moved from #10 in the Market to #1
- Grew from $10M to $1B while Alan was there.

Alan's key value is to win, and he has no preset assumptions about how to get there.

Total Employee Involvement

As a small company, we've always had to leverage the abilities of everyone here. In addition, I believe that total involvement boosts energy, morale and expertise within the company. When the company was small, every Friday afternoon I'd gather us together around a table to discuss the previous week's events and the next week's plans. This provided incredible synergy and buyin and utilized the energy of everyone in the company. Unfortunately, I was unable to figure out how to continue the practice in a scalable way.

When Alan first came in, he emphasized the need to understand our competition. He then had the whole company break into groups. Each group looked at a particular aspect of the competition (Product Approach, Sales Approach, etc.). Although each group had an executive sponser, each group was run by a line person: someone with no direct reports. This provided an incredible sense of involvement and energy. Each group presented their results and strived to outdo other groups (again a sense of competition). Finally, the group which did the best job got a chance to help define the company's strategy in that area: In this case verticalization.

Unfortunately, there is no ongoing approach that Alan can dictate to maintain involvement. As such, maintaining involvment is a task for every Calico manager and employee.

Customer Service

The company was founded with the value of being 100% referenceable. In fact, in the early days, when we could ill afford it, we refunded our product and service billings to a prospect whose needs we couldn't fulfill.

Also, service is a key element in the enterprise software industy. Fortunately, Alan has had experience in shifting Cadence's focus from Product to Service.

This also relates to our key purpose, which is to utilize everyone's ability and energy to solve each customer's problem.

Though we've made some progress, we still need work in this area. However, as Siemens seems to be showing, we can come from behind in this area if there is enough commitment.

Speed

We will make mistakes. The only people not making mistakes are those who aren't doing anything. As such, it is important to decide on a course, fix issues if necessary, and move on to the next decision quickly[5]. Things are moving faster now than a year ago. I am still a fan of making them move faster still.

Going Forward: Calico's Future

Several common themes from these stories should be clear.

1) Customers are important to us.
    That's where the money comes from. Once they've closed a deal with us, we're obligated to serve them.
2) We work together as a team.
    In the beginning, Marguerite and Bill depended on one another to deliver. Now, closing deals are not possible without Salesmen selling, SEs demoing, Engineers explaining and Executives negotiating. And after the close, we have to continue to work as a team to deliver our obligations.
3) We're Flexible.
    Since we are dealing with a new market and a lot of new technology, a key part of succeeding is being able to adapt to new conditions and trying new things. Merging with First Floor is an example of this.
4) Speed of execution is rewarded.

[5] To quote my father "Often wrong, but never in doubt."

As the FLEXcon example shows, we try to share the results of exceptional work with those who make it possible.

5) We're Competitive.

We've passed Concentra, Antallys and CWC (by most measures). CWC took 14 years to get a buyout offer of $90M last year. We're valued at more than that just 4 years after incorporation. (You've no idea how satisfying that is to me.) Trilogy is next in line.

There are many other stories (for example, you might ask why I insist that no sales rep be a soccer fan). But the important point to remember is that Calico's story is continuing, and you are a part of it. Whether it turns out to be a disaster flick or an adventure story is up to you.