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To: Forethought Directors

From: Bob Gaskins

Subject: Lessons from the Experience of the Restart

It is true that we have at last succeeded in the Forethought restart plan, but there are definitely degrees of success, and we could very probably have succeeded to a far greater degree. We were dedicated, of course, and technically sound, untiring, resourceful, —, thrifty, brave, clean, and reverent. It does seem though that we made a fair number of mistakes from which we could learn.

(1.) In beginning the restart, we were overly optimistic about the sales forecasts for our new MACWARE products — completely new products from a completely new company. Hence we were not as severe in cutting back our expenses immediately as we should have been. We should have gotten our burn rate down further, earlier, even restricting the number of products we could do. This is related to a lack of focus (see below).

(2.) When the MACWARE plan got into trouble, we spent far too much time and far too many dollars trying to fix it. It was only a tactic, and only one of many possible tactics we could have used. If the MACWARE products were not self-financing, then they were a diversion of effort. In retrospect, we would have done better in early 1985 to have cut FileMaker entirely from our schedule, and used our first million dollars to develop PowerPoint.

(3.) We were even more stubborn with FileMaker Plus, accepting a contract which was ludicrously unfavorable to ourselves. Again, we should have had the sense to call off the publishing strategy and get on to the main event. As long as our operations were not profitable — and under this contract there was no chance of profitability — they were simply something we had to finance in addition to development.

(4.) In repeatedly delaying and then starving PowerPoint development, we delayed investment in the only high-profit activity we could undertake. For this reason we very nearly lost the market window. We surely delayed PowerPoint by six months, and almost certainly by a year. As it is now, we will have competitors within six

months of our first customer shipment. This has to be charged to a lack of market knowledge and market judgment.

(5.) Among broader issues, there were frequently extremely poor hiring decisions. There was a distinct pattern of hiring weak and negative people, and retaining them for a long time; there was apparently a fear of hiring strong and capable people. This is evident in hiring as few high-level people as possible, while hiring more low-level people (who can take orders rather than responsibility). It is also evident in a pattern of hiring people of inadequate ability for the high-level positions which were filled.

(6.) And closely related, a pattern of failing to delegate real responsibility to senior managers. This is probably a lack of experience and lack of comfort in managing senior subordinates, of managing people who are themselves responsible executives. Where strong and capable managers have been hired, they have had to tolerate a great deal of poorly-informed meddling.

(7.) There has been a poor job of focusing on central goals and accomplishing them. We have had too many targets, and have gotten involved in too many side activities. This again is a lack of experience in general management.

(8.) There has been a poor job of putting systems in place by which to manage the business. All of our administration, finance, and operations areas have always been on the edge of collapse, and they are so today.

Despite all these difficulties, it is satisfying to have raised the \$400,000 to get PowerPoint developed, and to have sold \$1,000,000 of it in a single month for a net profit of \$400,000. The result is to boost the value of the company based on anticipation of the future potential for the category and the product. But insiders know that Forethought does not now have the strength to deliver on that potential.

Because of the mistakes listed above, we have not built a strong company structure. We have a strong group of software developers, a strong group of sales people, and a widely-known evangelist of great personal effectiveness. We have little strength in other areas. In order to remedy these problems, we would have to begin with a new President and CEO. That person would have to hire a new CFO and a new VP of Marketing, to rebuild their respective areas.