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# Soft•letter

BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS



Usability research reveals that an overly-aggressive BUY button may kill online sales. Details on page 6.

## How to Manage Geeks

*People who manage technology workers very quickly discover that traditional leadership methods are ineffective, says Paul Glen. Bonuses, performance metrics, career paths, deadlines, budgets, customer feedback—the “command and control” systems that guide most organizations simply don’t have much impact on “geeks” and other people who write code for a living.*

*But Glen, a veteran management consultant who has been a programmer and project manager himself, insists that it’s possible to “forge productive partnerships with geeks” and even find ways to motivate and guide them. He recently pulled together a fascinating collection of insights about managing technology workers for an upcoming book called *Leading Geeks: How to Manage and Lead People Who Deliver Technology*. Glen gave us a sneak preview of the manuscript, and here are some excerpts:*

★ **On understanding the geek view of the world:** “For geeks, the mental tool that organizes almost every situation is the ‘problem-solution’ model. When confronted with almost any solution, the initial response is to seek out *the* problem and then find *the* solution. That’s why geeks almost universally despise status meetings. These meetings don’t conform to the ‘problem-solution’ model of work. They can’t be clearly identified as solving a particular problem, so they must be a waste.”

★ **On personal judgments:** “Geeks generally don’t suffer fools gladly. First impressions count—a lot. Once a geek has decided that someone is a bozo, they tend to build barriers to communication, collaboration, and even to code. They will protect themselves and their work from the influence of the bozo.”

★ **On money and fairness:** “Geeks are generally not captivated by money. Their attitudes toward money are much more tied up in their strong sense of fairness and justice. Everyone wants to feel fairly compensated for their value. The passion for reason combines with a strong belief in meritocracy to create an atmosphere where money is a primary measure of the value that one delivers to the organization.”

★ **On measuring merit:** “Because they tend to see the world through technology-colored glasses, geeks often believe that the only valid criteria on which merit should be measured is technical knowledge. Not productivity. Not managerial skills. Not (continued on page 3)

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## On Lowering the Stress Level

These are stressful times. Sales quotas are in the tank, the stock market is dying, rumors of layoffs are in the wind, and the CFO isn't returning calls from the auditors. But the solution isn't just harder work and longer hours, says corporate trainer Mia Melanson. "Chronic stress doesn't make people more productive—it just makes them burn out."

Melanson says it's fairly easy to reduce the stress level both for an individual manager and for a company as a whole. Her advice:

- **Get to the root cause:** "Ask yourself *why* are you stressed," Melanson says. "Look for an answer beneath the surface responses of 'work overload,' 'no control of my schedule,' 'irate customers,' 'need 50 hours in each day,' etc. Identify the real stressors in your life, eliminate them, or change your response to them."
- **Learn to say No:** "Think before saying Yes to another project, additional work hours, or even a social event connected with work," says Melanson. "Be assertive. We become so accustomed to serving others that we forget the option of saying No to *unreasonable* requests."
- **Carve out some regular free time:** "Schedule an appointment with yourself," Melanson suggests. "You'll feel more in control and you'll actually have some time to yourself to catch up."
- **Hand out more gold stars:** Especially during stressful times, recognition and appreciation are a powerful motivator, Melanson says. "When a project is completed, recognize this so everyone knows they've reached a milestone. A motivating environment emphasizes rewards, which helps reduce stress."
- **Clean up your office:** "You may not think junk and clutter has anything to do with stress. It does. If you waste even ten minutes a day looking for a note or a file or the solution to a problem you solved last month, you're losing close to an hour a week."
- **Don't try to control everything:** "Your job title isn't 'hero,'" Melanson points out. "You're human. You're not expected to perform heroic deeds every minute. Do your job well and go home each evening knowing that you've helped a lot of people be more productive."
- **Develop a healthier lifestyle:** Continuous stress wears out the body, says Melanson. Exercise, sleep, and better eating habits will help you feel better and work better. "There is no corporate policy that demands that you work yourself into hypertension, insomnia, or panic attacks."
- **If all else fails, get a dog:** Research shows that "caring for a pet can help lower blood pressure and reduce stress," Melanson notes. In fact, people handle stress better with the support of a dog than with their own husband or wife—"though this in no way implies you should get rid of your spouse."

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communication skills. When promotions, bonuses, or awards are bestowed on those who excel at things geeks devalue, they feel the organization has violated its commitment to meritocracy, and are outraged.”

★ **On rebelliousness:** Although most geeks are relatively timid and quiet people, scratch the surface and you will find a strong rebellious streak. This rebel image touches on many concepts that geeks hold dear, including freedom, independence, self-determination, integrity, and creativity. What may seem like an insignificant request for conformity, such as a request that a geek wear a coat and tie to a client meeting, can be met with what seems disproportionate and impassioned response. Repeated disregard of this sensibility can easily result in a mutiny.”

★ **On motivating groups of geeks:** “It may seem obvious, but the most important way to help a team build intrinsic motivation is to pick people who want to be on the team in the first place. Since you can’t imbue geeks with internally-generated enthusiasm, select for it. There are many other factors that must be considered, but initial interest in the technology, the business, or a role on a project should be one of the primary considerations when making assignments.”

★ **On the geek leader’s role:** “To a geek, the word ‘control’ conjures images of a remote control for a television or stereo. Being controlled is not something that geeks typically aspire to. On the other hand, ‘coordination’ is quite different. A leader who focuses on coordinating activities is more concerned with ensuring smooth information flow, recognizing and satisfying interdependencies, overcoming obstacles, and assisting each person to fulfill individual goals. Geeks welcome coordination while they resist control.”

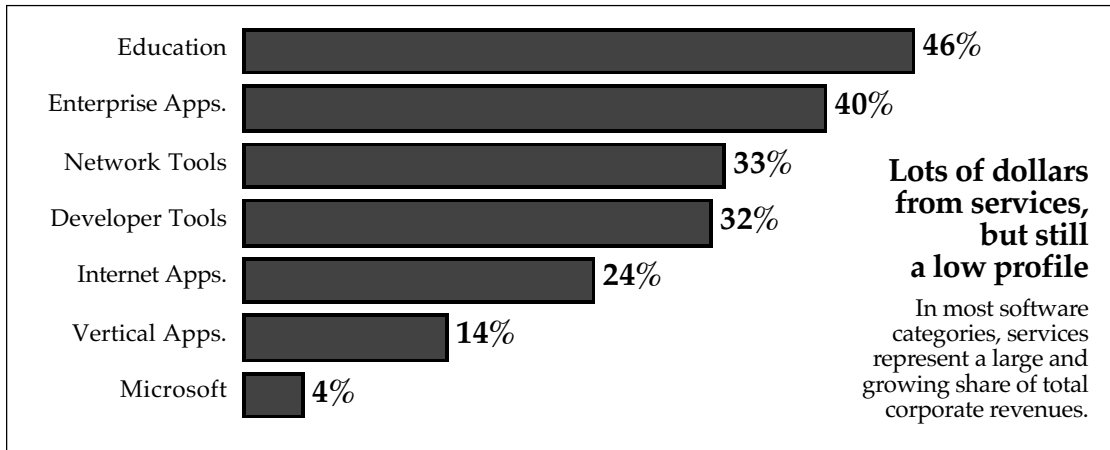
★ **On ambiguity:** “The problem-solution thinking pattern so common among geeks reminds us that geek work is all about ambiguity. Problems are mysteries that we do not yet know a solution to. Even discovering the right problems to address is a mystery. When a project starts, the team members don’t really know what they are going to do, what questions they are going to be expected to answer, what experiments they are going to have to do. If you fail to understand the fundamental ambiguity of geek work, you will have a very hard time organizing work productively.”

★ **On projects as a model for organizing work:** “Project teams are much less tolerant of non-contributing members than are people engaged in other forms of work organization. When a team believes in its goals, is truly focused on completion, and believes that deadlines are real, participants have few excuses for allowing limited project resources to be squandered on poor performers. The foxhole-type loyalty that team members develop for each other prevents them from allowing their comrades to become victims of incompetent or incapable co-workers.”

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**“Geeks are different from other people. If this comes as a shocking statement to you, you’re either oblivious or unusually charitable with your opinions about others. But let’s face it. Stereotypes exist for a reason, and although they can be cruel and insensitive, they often contain a kernel of truth.”**

**“What is it that makes projects such a productive approach to geek work? There is a special interaction that takes place, a synergy between geek personalities, the character of geek work, and the nature of projects that makes them ideally suited to one another. All my travels have convinced me that projects are the optimal format for geek work.”**



### Benchmarks: Services Contribution

Services have long been the software world’s step-child. Marketers rarely spend money on promoting professional services and maintenance, sales reps routinely give away thousands of dollars worth of custom development to close licensing deals, and service and support managers tend to rank fairly low on the corporate totem pole. And when software entrepreneurs write business plans, service contributions often don’t make an appearance even on detailed revenue forecasts.

Yet for many software companies, services contribute a surprisingly hefty chunk of total revenues. Among our Benchmark 50 group of public companies, 33 treat services as a “material” part of their income—and for these companies, services now contribute 34% (median) of total revenue.

Moreover, services revenues seem to be growing throughout the industry: Just two years ago, the median contribution from services was 27.1% of total revenues, and since then 24 companies have seen their services contribution grow, compared to only eight that reported a decline. One reason for this upward trendline, clearly, is the economy: Customers may be reluctant to invest in new products these days, but—especially in the enterprise and education markets—they’re still willing to spend money on customization, training, and other services that leverage the value of software that’s already in place.

The one notable exception to this pattern is the desktop software segment, where services are traditionally delivered by third-party resellers, system integrators, and consultants. Services still generate a good deal of revenue in the desktop category—but those revenues don’t show up on the income statements of the publishers themselves.

*Data for this analysis has been drawn from the Benchmark 50, a group of 50 public software companies whose financial results are broadly representative of trends in the PC software marketplace. The 50 companies are divided into seven product- and market-related segments, plus Microsoft in a category of its own.*

## The Benchmark 50: Services Contribution

	Revenues (000)			Services Ratio			Avg. '99-'01
	1999	2000	2001	1999	2000	2001	
<b>Microsoft</b>	\$19,747,000	\$22,956,000	\$25,296,000	4%	5%	3%	4%
<b>Desktop Applications</b>				<b>n/m</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>
Intuit	\$940,435	\$1,093,825	\$1,261,461	9%	8%	8%	8%
Adobe Systems	\$1,015,434	\$1,266,378	\$1,229,720	n/a	n/a	n/a	n/a
Macromedia	\$153,243	\$264,159	\$389,600	n/a	n/a	n/a	n/a
Aladdin Systems	\$10,197	\$10,169	\$7,627	n/a	n/a	n/a	n/a
Ontrack Data	\$43,372	\$52,931	\$55,847	73%	69%	74%	72%
Scansoft	\$31,629	\$49,055	\$63,855	n/a	n/a	n/a	n/a
Corel	\$243,051	\$157,487	\$134,320	n/a	n/a	n/a	n/a
<b>Vertical Market Applications</b>				<b>15%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>
Innoveda	\$53,499	\$89,859	\$91,417	12%	10%	12%	11%
Timberline	\$55,114	\$51,176	\$57,308	19%	24%	25%	23%
Autodesk	\$893,832	\$848,051	\$936,324	n/a	n/a	n/a	n/a
MapInfo	\$74,356	\$96,160	\$110,034	8%	9%	10%	9%
Eagle Point	\$14,560	\$17,702	\$16,959	28%	30%	34%	31%
Moldflow	\$20,221	\$27,369	\$39,943	7%	4%	4%	5%
Informax	\$10,014	\$17,147	\$25,184	27%	19%	15%	20%
<b>Enterprise Applications</b>				<b>35%</b>	<b>35%</b>	<b>50%</b>	<b>40%</b>
SPSS	\$181,453	\$186,114	\$176,556	n/a	n/a	n/a	n/a
Witness Systems	\$22,973	\$43,908	\$61,778	27%	31%	35%	31%
Serviceware Technologies	\$6,783	\$17,136	\$11,932	50%	35%	50%	45%
Accrue	\$4,684	\$18,864	\$25,634	89%	59%	39%	62%
Concur Technologies	\$37,013	\$34,024	\$39,734	35%	62%	56%	51%
Previo	\$13,856	\$7,804	\$6,273	n/a	n/a	n/a	n/a
Net Perceptions	\$15,129	\$36,588	\$10,163	26%	30%	61%	39%
<b>Internet Applications</b>				<b>17%</b>	<b>21%</b>	<b>33%</b>	<b>24%</b>
NetIQ	\$21,569	\$47,920	\$166,937	15%	22%	25%	21%
RealNetworks	\$131,242	\$241,538	\$188,905	20%	22%	34%	25%
Ultimate Software Group	\$55,757	\$60,030	\$57,483	43%	42%	46%	44%
Media 100	\$47,384	\$47,210	\$31,245	19%	21%	28%	23%
Radview Software	\$5,110	\$10,790	\$8,646	8%	17%	33%	19%
Smith Micro Software	\$10,700	\$13,738	\$10,762	n/a	n/a	n/a	n/a
Virage	\$3,350	\$5,561	\$11,401	8%	20%	45%	24%
<b>Network Tools</b>				<b>29%</b>	<b>32%</b>	<b>37%</b>	<b>33%</b>
Symantec	\$592,628	\$745,725	\$853,554	n/a	n/a	n/a	n/a
Novell	\$1,272,820	\$1,161,735	\$1,040,097	n/a	n/a	n/a	n/a
Citrix Systems	\$403,285	\$470,446	\$591,629	n/a	n/a	n/a	n/a
Network Associates	\$683,668	\$745,692	\$834,478	31%	32%	33%	32%
Tarantella	\$223,624	\$148,923	\$66,662	n/a	n/a	n/a	n/a
NetManage	\$79,200	\$104,072	\$79,970	29%	39%	60%	42%
Tumbleweed	\$16,756	\$37,338	\$29,048	18%	22%	37%	26%
<b>Developer Tools</b>				<b>33%</b>	<b>26%</b>	<b>38%</b>	<b>32%</b>
Rational Software Corp.	\$411,816	\$572,190	\$814,935	37%	38%	41%	39%
Rogue Wave	\$53,104	\$54,442	\$57,653	39%	44%	47%	43%
Pervasive Software	\$58,038	\$52,078	\$42,158	14%	17%	23%	18%
Starbase	\$6,832	\$17,532	\$41,640	13%	17%	24%	18%
Red Hat	\$37,828	\$52,822	\$102,652	29%	32%	34%	32%
Raining Data	\$5,859	\$6,210	\$10,847	39%	20%	42%	34%
Borland	\$174,806	\$191,067	\$221,771	n/a	n/a	n/a	n/a
<b>Education</b>				<b>42%</b>	<b>52%</b>	<b>46%</b>	<b>46%</b>
SmartForce	\$197,754	\$168,197	\$260,875	n/a	n/a	n/a	n/a
Click2Learn	\$34,733	\$42,557	\$45,091	40%	50%	38%	43%
Centra Software	\$8,595	\$22,973	\$39,117	18%	19%	26%	21%
DigitalThink	\$1,847	\$10,815	\$38,658	44%	54%	53%	50%
Lightspan	\$10,870	\$16,916	\$99,074	n/a	n/a	n/a	n/a
American Education Corp.	\$8,564	\$10,741	\$8,902	n/a	n/a	n/a	n/a
Saba Software	\$1,939	\$17,992	\$53,076	68%	56%	53%	59%
<b>All companies</b>				<b>27.1%</b>	<b>24.3%</b>	<b>34.4%</b>	<b>28.6%</b>

Note: "Years" may not correspond to company fiscal years. n/m = not meaningful.

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## Usability: Shopping Cart Snafus

**“Typically, when people shop in a store, they are rarely aware of their shopping cart, unless it has a squeaky wheel or is hard to steer. If that happens, at least they can trade it in for one that runs smoothly. Online users, unfortunately, do not have that choice.”**

**“Requiring users to read instructions on how to update the shopping cart is, in itself, a sign of poor design. If written instructions are required, then the shopping cart interface must not be intuitive.”**

Why do so many online buyers go to the trouble of finding products and adding them to a Web site’s “shopping cart”—and then abandon more than half of their purchases at the last minute? Blame the shopping cart itself, says usability researcher Barbara Chaparro. Buying online should be a fairly simple process, she points out; instead, “we’re always surprised by the inconvenience of ‘convenient’ shopping.”

Chaparro has put dozens of Web shopping carts through formal usability tests to find what frustrates buyers, and she’s come up with a list of the “top ten mistakes of shopping cart design.” Here are our personal favorites:

- Requiring users to click a BUY button to add an item to the cart:** “Buying is the final step in the shopping experience,” says Chaparro, “and it should not be presumed that adding an item to the cart is a commitment to buy. Users in our studies are very hesitant to click the BUY button and search for an Add to Cart button on the page instead.”
- Forcing users to visit the cart for every item:** Ideally, the current contents of a shopping cart should be displayed on each page a user visits, says Chaparro. “There is really no need to take the user to the shopping cart page every time an item is added. In fact, it is disruptive for multi-item shoppers, requires extra mouse clicks to continue shopping, and potentially limits how many items a person buys.”
- Making users register before adding an item to the cart:** “This is a turn-off to users who may be browsing or comparison shopping,” says Chaparro. “They definitely do not want to commit personal information just to fill the shopping cart, and will leave the site because of it.”
- Requiring a user to change the quantity to zero to remove an item:** “Updating the shopping cart’s contents can be tricky to program but should be seamless to the user,” Chaparro argues. “Many sites still require a user to enter ‘0’ in the quantity field and click an Update button or link to delete the item.”
- Upselling in the middle of a transaction:** Some shopping carts pop up offers for additional items whenever a user adds an item to the cart, Chaparro notes. “This is not only irritating but also disorienting,” she says. Instead, add-on items should be displayed alongside main products or even shown as an option on the shopping cart page itself. Giving users control over the add-on sales process “makes them more willing to purchase,” she says.

Barbara Chaparro, director, Software Usability Research Laboratory, Wichita State University, Wichita, Kansas 67260; 316/978-3683. E-mail: barbara.chaparro@wichita.edu.

## Behind the Scenes

- Insystems Technologies:** Founded in 1912, Standard Register is keeping up with the times in the business forms market. Insystems' integrated document automation software enhances Standard Register's paper forms business and strengthens its position in the financial services vertical.
- Acta Technology:** Comprehensive solutions are in vogue, and for Business Objects, data integration was a missing link. This is a technology buy driven by Acta's data integration technology and its ties with the most popular ERP applications. This should improve Business Objects' competitive position against rivals Cognos and Informatica.
- EdVision Corp.:** President Bush's No Child Left Behind Act of 2001 equates to opportunity for Scantron. Leveraging its penetration in the K-12 market, Scantron is positioning itself to become the leader in student assessment. EdVision's complementary product is in line with Bush's act, enabling teachers to measure students' performance and manage their growth such that they meet or exceed state standards.
- Innoveda:** Driving this deal is Mentor's need for superior printed circuit board and wire harness design software. Mentor sees a market growth opportunity and is positioning itself to capitalize on it. This is an all cash transaction providing Innoveda shareholders a 65% premium. Backing out cash and adding debt, Mentor paid a 62% premium.
- Category 5 Technologies:** Not your traditional deal. C5 sees opportunity in being acquired, despite the fact that MindArrow is trading at 50 cents per share, has negative operating cash flow, and has less than \$13 thousand in cash. For C5, MindArrow represents a quick and relatively inexpensive path to a Nasdaq listing. MindArrow survives, but C5 will control the merged entity. This is an interesting way for C5 to scale up in a non-existent IPO market.

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Company/Description	Acquired by	Price/Terms	Revenues	Multiple
<b>Insystems Technologies</b> • provider of e-business solutions	Standard Register (SR)	\$89,000,000 Terms: Not disclosed	\$24,000,000	3.70
<b>Acta Technology*</b> • data integration technology	Business Objects	\$65,000,000 Terms: Cash	\$25,000,000	2.60
<b>EdVision Corp.*</b> • educational software	Scantron Corp. (JH)	\$29,000,000 Terms: Not disclosed	\$13,000,000	2.23
<b>Innoveda (INOV)</b> • electronic design automation	Mentor Graphics (MENT)	\$156,433,000 <sup>(EV)</sup> Terms: Cash	\$79,900,000	1.96
<b>Category 5 Techs. (CFVT)*</b> • e-commerce enabling technologies	MindArrow Systems (ARRW)	\$12,000,000 <sup>(EV)</sup> Terms: Stock	\$24,000,000	0.50

\* This deal has not closed yet. Terms may change. (EV) Enterprise Value = Purchase price plus debt minus cash & equivalents.



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## Software Packaging

- *Marketer's Guide to Successful Package Design*, by Herbert Meyers & Murray Lubliner—Hands-on advice, from concept development to focus group testing.
- *The Total Package*, by Thomas Hine—Insightful history of “packaged goods”; \$14.95.
- **Levy & Wurz** ([www.levyandwurz.com](http://www.levyandwurz.com))—Package design and channel marketing.
- **Re:launch** ([www.relaunch.com](http://www.relaunch.com))—Package design and channel marketing.
- **eCover Generator** ([www.ecovergenerator.com](http://www.ecovergenerator.com))—Graphics program that helps create software packages and book covers; \$97.
- **Uniform Code Council** ([www.uc-council.com](http://www.uc-council.com))—Bar coding resources.
- **Software Marketing Resource** ([www.softwaremarketingresource.com](http://www.softwaremarketingresource.com))—Good list of CD replication and packaging services.

**MICROSOFT** corporate vice president of worldwide services Mike Sinneck on his company's decision not to compete with resellers for services business: “At Microsoft, services is a means to an end. We're not confused. We had MCS [Microsoft Consulting Services] focused on profits... and then we got the wrong behaviors. I think we have [put] the brakes on that.” (Quoted in *Computer Reseller News*, 7/22/02)

**HALBRECHT LIEBERMAN ASSOCIATES** president Beverly Lieberman on the current job market for high-level technology executives: “We're at rock bottom. Nobody I talk to is giving me anything definitive about when they'll hire.” (Quoted in *Information Week*, 7/15/02)

**MICROSOFT** senior director Pete Higgins on his company's controversial appearance as a Linux World exhibitor: “The furthest thing from our minds is showing up and trying to inflame people.” (Quoted in *The Wall Street Journal*, 7/11/02)

**EDVENTURE HOLDINGS** industry analyst Esther Dyson on the growing importance of customer networks: “Amazon and eBay succeeded because they empowered their users and made them visible to each other. Your best representatives won't even be your employees. The lesson of the Internet is that you can't control things, and you've got to relax about it.” (Quoted in *Fortune*, 5/27/02)

**CAPITAL THINKING** chief technology officer Dan Woods on a California state auditor's report that accused Oracle of persuading state officials to buy \$95 million in unneeded licenses: “I know the Oracle sales process and their sales people are relentless and well-organized. They knew what they were doing when they took these guys for a ride.” (Quoted in *InfoWorld*, 6/24/02)

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