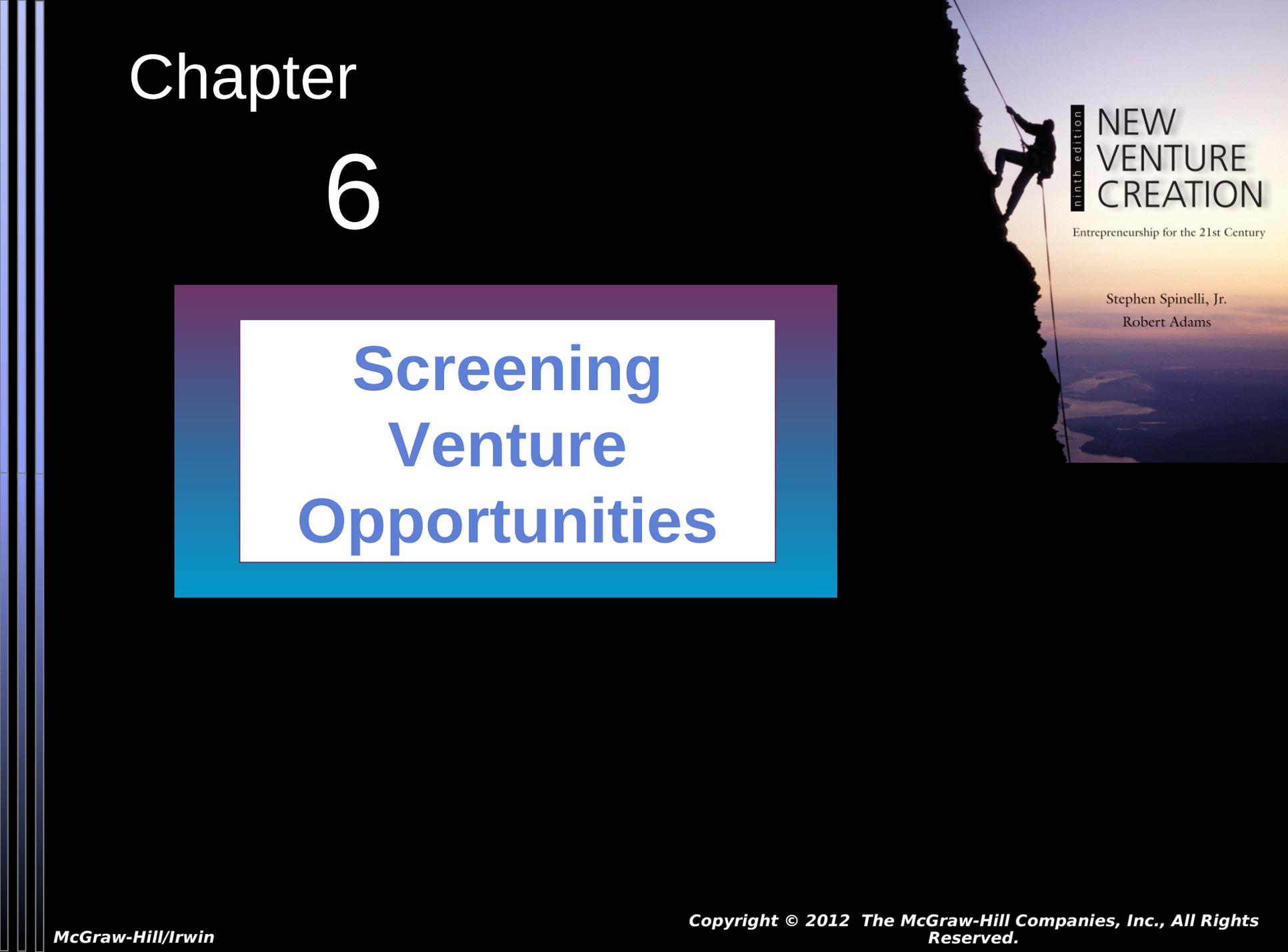


# Chapter

# 6

## Screening Venture Opportunities



ninth edition  
**NEW  
VENTURE  
CREATION**

Entrepreneurship for the 21st Century

Stephen Spinelli, Jr.  
Robert Adams

# Anchors of Superior Businesses

- Create or add significant value to a customer or end user
- Fix a real problem in the market, something that is truly a market pain.
- The need for the product or service is pervasive, the customer wants urgently to fix it, and the customer is willing to pay to fix it.

# Anchors of Superior Businesses

- The founders and management team have collective domain experience that matches the opportunity.

# Anchors of Superior Businesses

- Have robust market, margin, and profitability characteristics that the entrepreneur can provide
  - Large enough (\$50 million+)
  - High growth (20 percent +)
  - High margins (40 percent +)

# Anchors of Superior Businesses

- Have robust market, margin, and profitability that the entrepreneur can prove
- Strong and early free cash flow (recurring revenue, low assets, and working capital)
  - High profit potential (10 to 15 percent or more after tax)
  - Attractive realizable returns for investors (40percent + IRR)

# Screening Methodologies

- QuickScreen
  - Provides a broad overview of an idea's potential
  - Enables the entrepreneur to conduct a preliminary review and evaluation of an idea in a short period of time

# Screening Methodologies

- Venture Opportunity Screening Exercises (VOSE)
  - Segments the screening of ideas into extremely detailed but manageable pieces

**Management Team Biographies**

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**Martin Migoya, CEO**

Martin has extensive experience in business management, sales, and marketing. As Globant's CEO, his focus is to drive revenue, objectives, and profitability. He oversees the company's long-term objectives, planning, and analysis. Prior to cofounding Globant, Martin was director of business development and Latin America's regional business manager at a large consulting and technology services company, developing the IT and Enterprise Resource Planning (ERP) markets in Brazil and Argentina. He was instrumental in managing and developing high-technology businesses related to SAP and the Internet, with customers like Procter & Gamble, Renault, and Roemmers Laboratories. Previously Martín worked as project manager for REPSOL-YPF, Argentina's largest oil and gas company. Martin has lived and worked in Argentina, Brazil, Mexico, and the U.K. He holds a degree in electronic engineering from La Plata University and a masters degree in business administration from CEMA University.

**Guibert Englebienne, CTO**

Guibert has extensive experience in the information technology and communication industries. As Globant's CTO, Guibert is in charge of the software production process and the creation and management of strategic company technology partnerships. Prior to cofounding Globant, Guibert was a scientific researcher at IBM and later the CTO for CallNow.com Inc., a telecommunications company based in New York providing international callback services through the Internet. He also conceived and developed a U.S.-patented technology powering a service named 2Speak, using the Internet to anonymously connect two parties through phone lines. Guibert was responsible for the phone chat implementation in Chinadotcom Co., owner of the biggest Asian Internet portals. He has also worked as an IT development manager outlining and developing software for tax collection through Internet governmental portals. Guibert has lived and worked in Argentina, the United States, Venezuela, and the U.K. He holds a degree in computer science and software engineering from UNICEN University.

**Martin Umaran, COO**

Martin has extensive experience in executive and business management for technology industries. As Globant's COO, Martin is responsible for the delivery of products and professional services and is actively involved in capacity growth and process initiatives. Prior to cofounding Globant, Martin was CEO for Neuwagen, a company focused on selling cars to Caja de Ahorro y Seguro's customers (Argentina's largest insurance company). He also worked at several technology companies as senior business manager. At Santander Bank he was responsible for Customer Relationship Management (CRM) implementation. He also negotiated, implemented, and operated a state-of-the-art tax collection system in several Venezuelan cities. At YPF Ecuador Martin worked as a manager of facilities automation and maintenance. He also worked at Roman Logistics, where he managed several projects for the Argentinean offices of Ford, GM, and Unilever. Martin has lived and worked in Argentina, Ecuador, Venezuela, and the U.K. He holds a degree in mechanical engineering from La Plata University and a masters in business administration from IDEA University.

**Nestor Nocetti, VP of Corporate Services**

Nestor has a considerable amount of experience in the information technology industry, in both operational and advisory roles. As Globant's VP of corporate services, Nestor is in charge of determining the structure for business consolidation and expansion, aligned with the corporate objectives and vision. Prior to cofounding Globant, Nestor worked as Internet manager in an Argentinean information technology company, where he specialized in Internet marketing and Web portals localization with customers like EMC, a world leader in information storage, and Techint, an engineering and procurement services provider. He also worked on several projects related to geographic information systems for Light Rio de Janeiro, electricity provider in Brazil, and UTE, a public electricity provider in Uruguay. He worked as a consultant on issues related to IT development, strategy, and operations in the oil and gas market for ENAP Chile and YPF Argentina. Nestor has lived and worked in Argentina, Chile, and Brazil. He holds a degree in electronic engineering from La Plata University and a degree in business direction from IAE University.

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## EXHIBIT 2

### Globant's Service Offerings

CUSTOMER IT NEEDS LIFE CYCLE

Software  
Development

- Inception and design
- System architecture
- Product development
- Hard-core engineering
- Quality assurance

Infrastructure  
Management

- Operations control
- 24/7 real-time system  
monitoring and support
  - Network
  - Applications
- Security management

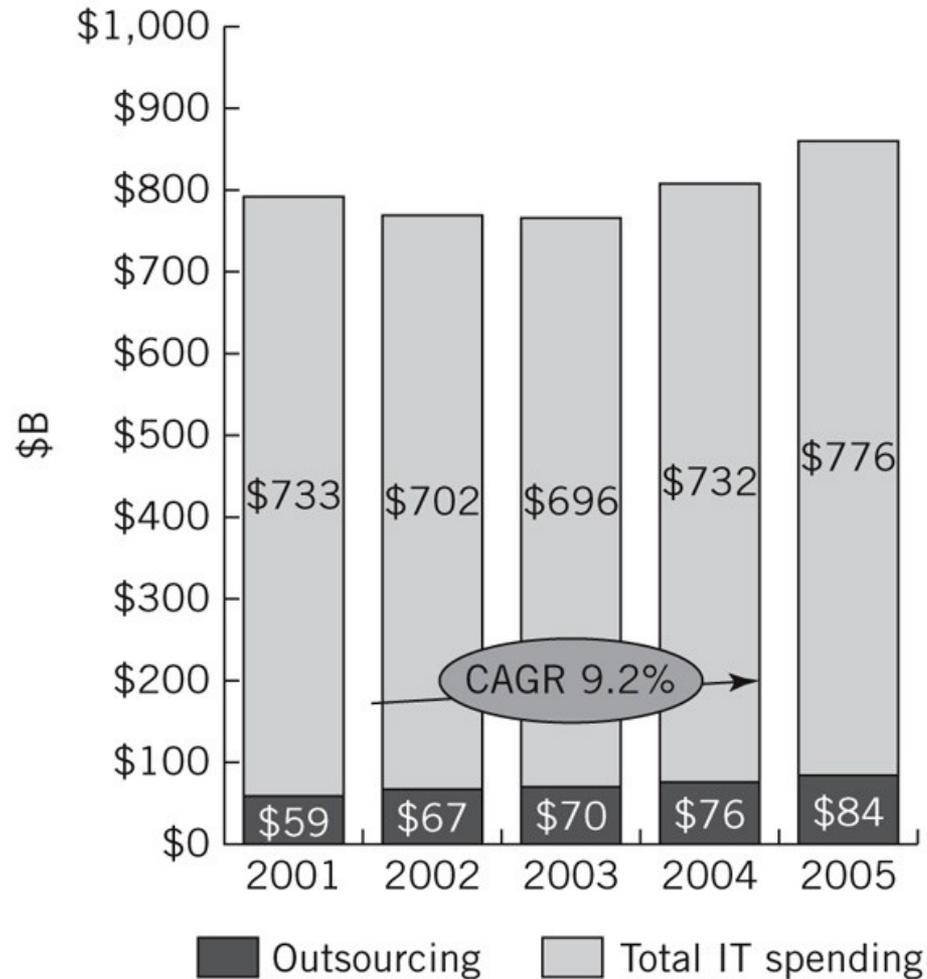
Globalization

- Web site design and  
maintenance
- Internet marketing
- Internationalization

Leverage on open source technologies and agile methodologies

### EXHIBIT 3

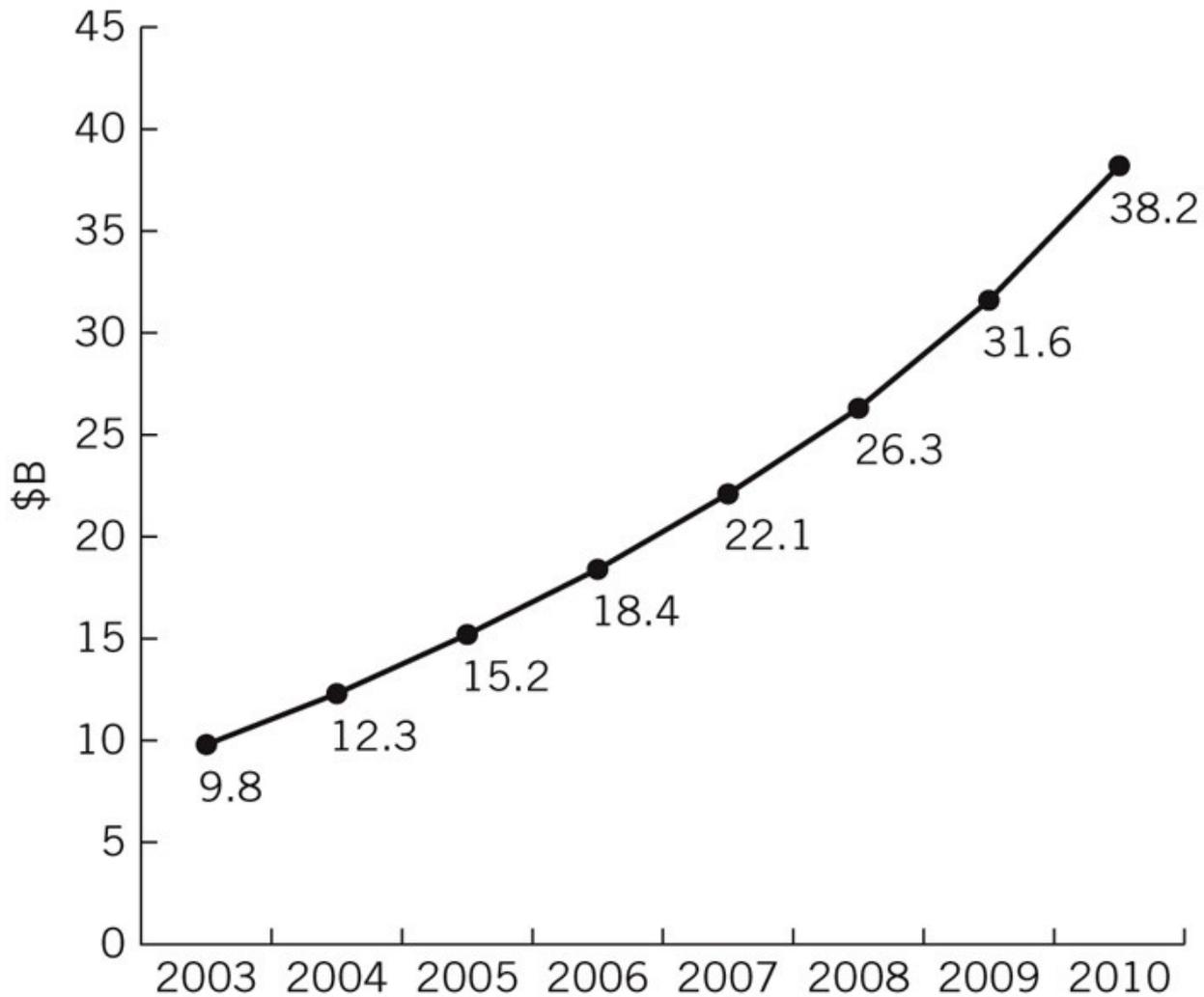
## U.S. IT and IT Outsourcing Spending



Source: Forrester Research.

## EXHIBIT 4

# U.S. Software and IT Services Offshore Spending



Source: Global Insight.

## EXHIBIT 5

# Reasons Firms Gave for Outsourcing Their IT Needs

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### Most Important

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- Cost savings
  - Access to outside expertise
  - Improve focus on company's core business
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### Important

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- Improve service
  - Access to better technology
  - Time savings
- 

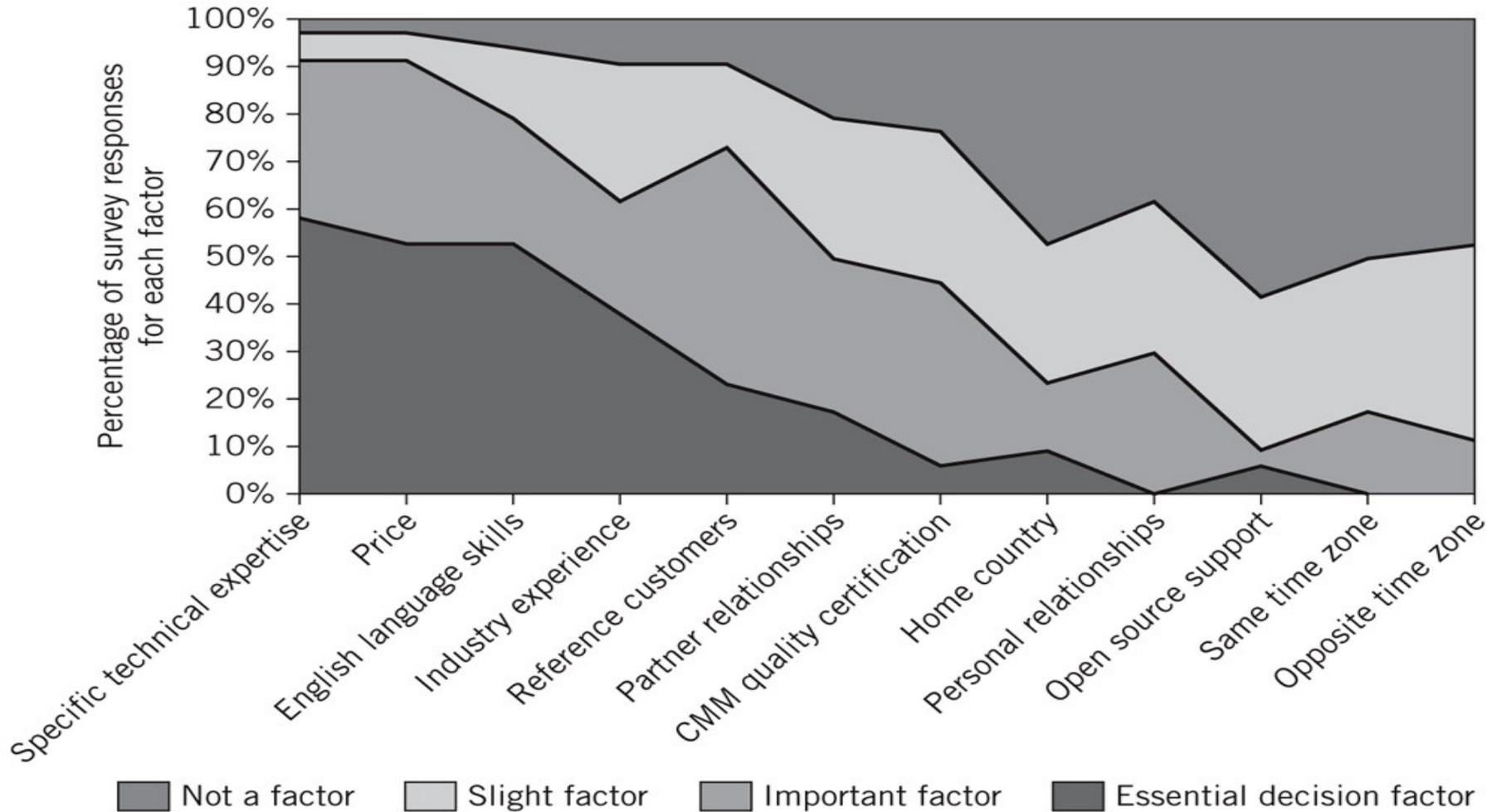
### Somewhat Important

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- Share risks
  - Make capital funds available
  - Cash infusion
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## EXHIBIT 6

### Selection Criteria for Choosing an Outsourcing Vendor



Source: Survey of CIOs and CTOs.

## EXHIBIT 7

### Reasons for IT Outsourcing Project Success and Failure

<b>Importance</b>	<b>Success Factors</b>	<b>Challenges</b>
High	<ul style="list-style-type: none"><li>• Ongoing management</li><li>• Well-defined processes</li><li>• Contract with clear goals and metrics</li></ul>	<ul style="list-style-type: none"><li>• Problems managing remote vendor team</li><li>• Loss of control</li><li>• Vendor team performance</li></ul>
Medium	<ul style="list-style-type: none"><li>• Work closely with vendor</li><li>• Proper vendor selection</li><li>• Communication</li></ul>	<ul style="list-style-type: none"><li>• Language and cultural barriers</li><li>• Poor planning</li><li>• Unclear contracts</li></ul>
Low	<ul style="list-style-type: none"><li>• Identify the details</li><li>• Many releases</li><li>• Simplicity</li></ul>	<ul style="list-style-type: none"><li>• Provider turnover</li><li>• Accountability</li><li>• Unforeseen expenses</li></ul>

## EXHIBIT 8

### Representative Salaries and Hourly Rates for IT Outsourcers across the Globe

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<b>Country</b>	<b>Programmer Annual Salary</b>	<b>Hourly Rates</b>
Ireland	\$23,000–\$36,000	\$40–\$80
Canada	\$20,000–\$40,000	\$40–\$80
Singapore	\$9,000–\$20,000	\$30–\$60
Mexico	\$7,000–\$12,000	\$20–\$35
Russia	\$5,000–\$9,000	\$20–\$40
India	\$5,000–\$9,000	\$20–\$40
Philippines	\$5,000–\$9,000	\$20–\$40
Vietnam	\$3,000–\$6,000	\$15–\$25
China	\$3,000–\$7,000	\$15–\$25

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Source: Meta Group.

**EXHIBIT 9**
**Descriptions of Various IT Outsourcing Companies**

<b>Company</b>	<b>Location(s)</b>	<b>Estimated Staff (Onshore–Offshore) Revenue</b>	<b>Services</b>	<b>Model</b>	<b>Client Types</b>
StarSoft	San Francisco, CA St. Petersburg, Russian Federation Dnepopetrovsk, Ukraine	400 (NA–NA) \$10.5M (2005)	Custom, maintenance, R&D, internationalization	Heavy offshore, ODC*	Corp. IT, IT services, ISVs**
SoftServe	Fort Myers, FL Lviv, Ukraine	450 (7–443) \$6.5M est. (2005)	R&D, QA, maintenance, minimal corp. IT	Heavy offshore	ISVs, small to midsize
Lohika	San Bruno, CA Lviv, Ukraine Odessa, Ukraine	120 (15–105) \$3.5M est. (2005)	ISV, R&D, including embedded SW	Hybrid, U.S.: system architects	ISVs, hardware/ device
Virtusa	West borough, MA U.K. Chennai, India Sri Lanka	1,800 (200–1,600 est.) \$50–100m est.	Corp. IT, ISVs, maintenance, QA	Hybrid, leveraging offshore resources onsite (50+ H1s!)	<i>Fortune</i> 1,000, small->midsize ISVs, technology cos.
Patni	24 sales offices Cambridge, MA	11,000 \$326M (2004)	IT, IT management, BPO***, R&D	Full IT services, hybrid model	Corporate IT, technology cos.
Sonata Software	7 sales offices 4 offshore locations in India	1,100 \$77M	ISV, enterprise/corp. IT, embedded	Full IT services, hybrid model	Corp. IT, ISVs
E5 Systems	Reston, VA China India	NA	IT outsourcing	Heavy offshore	Corp. IT
Foliage	Burlington, MA India (partners)	150 (150–?) \$30M est.	Consulting, systems development	Heavy onshore— “offshore ready”	Corp. clients, embedded systems
Array Software	Agawam, MA Partners: India, Russia, Ukraine	150 (20–130) \$15M est.	Software maintenance	Hybrid, with offshore partners subcontracted	Technology cos.

\*ODC: offshore development center.

\*\*ISV: independent software vendor.

\*\*\*BPO: business process outsourcing.

Source: Mark Kapij, MIT Sloan Fellow.

# EXHIBIT 10

## Sample List of Customers

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### **High-Tech**

EMC, Dell, Accenture, Sun

### **Telecom**

Arbinet, 2speak

### **Travel**

lastminute.com, Travelocity,  
Sabre, OAG

### **Financial Services**

Citibank, Grupo Santander

### **Media**

Google, Scottish TV, Sky

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**EXHIBIT 11**

**Potential Market Size (East Coast and Texas)**

	<u>Number of target companies</u>	<u>Total sales amount</u>	<u>Market for outsourcing</u>
Travel/leisure	174	\$51,850M	\$149M
Telecom	229	\$66,782M	\$493M
High-tech	343	\$94,843M	\$387M
Retail	766	\$210,759M	\$286M
Finance	747	\$222,921M	\$1,348M
			<b>Total \$2,663M</b>

**U.S. Market Segmentation by Number of Subsidiary Companies**

	<b>East Coast</b>	<b>Texas</b>	<b>Rest of United States</b>
<b>High-Tech</b>	295 (40%)	48 (6%)	396 (54%)
<b>Telecom</b>	195 (55%)	33 (9%)	125 (35%)
<b>Financial Services</b>	636 (44%)	111 (8%)	705 (49%)
<b>Travel</b>	151 (43%)	23 (7%)	186 (53%)

**U.S. Market for Outsourcing (in Millions)**

	<b>East Coast</b>	<b>Texas</b>
<b>High-Tech</b>	\$372	\$56
<b>Telecom</b>	\$471	\$77
<b>Financial Services</b>	\$1,227	\$202
<b>Travel</b>	\$139	\$25

## EXHIBIT 12

### Outsourcing Trends in the High-Tech Industries

Subsegment	IT Focus
High-tech manufacturing	<ul style="list-style-type: none"><li>• Better utilization and analysis of data</li><li>• IT cost containment</li><li>• Compliance</li><li>• Lean manufacturing processes</li></ul>
Prepackaged software	<ul style="list-style-type: none"><li>• Building in SOA to all applications</li><li>• Specific IT services requiring specialized knowledge (e.g., firewall maintenance)</li><li>• Application development</li><li>• SaaS for noncore activities—HR/payroll, recruiting, professional services automation</li><li>• Further refine business process IT</li><li>• Infrastructure support (including help desk)</li><li>• Business analytics (how to evaluate implementations of software packages)</li></ul>
Data processing and preparation	<ul style="list-style-type: none"><li>• QA for applications</li><li>• IT development and support</li><li>• Further refine automation for data collection and analysis</li><li>• Upgrade and retire legacy applications</li><li>• 24/7 data collection and analysis</li><li>• Large mainframe applications</li></ul>
IT services	<ul style="list-style-type: none"><li>• Web development</li><li>• VOIP and other “distance-killing” applications for mobile workers</li><li>• Infrastructure management</li><li>• Mainly sales and HR applications</li><li>• Security for mobile workers</li><li>• Programming services during projects—low rates, body shop</li></ul>

# EXHIBIT 13

## Travel Industry Structure: Major Players

