

My life as an entrepreneur

Profit by loss

My life as an entrepreneur

Part 1: systems of record

Baan Company, 20th century

Jan Baan



Vanenburg Group B.V.

1st edition

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To
My dear wife Rinie

and

Our beloved children
Gert Jan
Arianne
Jan Peter (in memory)
Paul
Marieke
Jan Willem
Ardjan
Bernhard

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Preface part I:

May 1, 2018: a hindsight view after 40 years

On this day, 40 years ago, I started as an entrepreneur. Looking back over those years, I recall all the glorious highs and painful lows, all of which have brought me to where I am today. The glories of yesterday were triumphant but short-lived.

The pain of yesterday does not hurt as much today. However, they have left scars that will last much longer. My optimistic character helped me look at yesterday's failures and use them as tomorrow's lessons. In a way, talking about my past and helping young businesses has been therapeutic.

When I launched The Baan Company on May 1, 1978, I had no idea what would lie ahead. I realize now that it was not just vision but the circumstances and consequences of my choices as an entrepreneur that forged my path. Back then, it was hard to fathom the speed and the far-reaching changes brought on by information technology. I was never happy about optimizing the present. As my very existence was driven towards the possibilities of tomorrow, at Baan, we were never the 'next' in IT, but where we headed, hardly anyone had gone there before us.

I've seen how innovations and entrepreneurship always give rise to unrest and frustration in our immediate environment. In times of turmoil and uncertainty, I have always asked myself: 'Didn't most innovations begin with frustration? Frustration with the status-quo?'

Innovation has always been my focus. Thanks to the success of Baan Company, I met with various industry champions, allowing me to learn, understand and build cutting-edge technology. We implemented one of our largest on-premise installations in history at the Boeing Company. This deal put us in the spotlight, and in addition, after our IPO on the NASDAQ stock exchange, an army of analysts became interested in following our company.

I worked closely with various universities through Baan Company's 'university synergy program' and have had years of interaction with dozens of professors who had earned their stripes in their respective fields. Interacting with these titans has been of enormous value to me personally. It was not about commercial advice but more about scientific explorations.

When I became an independent entrepreneur, I thought I had complete freedom to organize my own time and define my agenda. Only to find out that this endeavor brought a lot more dependence than the freedom I expected. Especially financially, as cash went out for everything. An entrepreneur puts everything at stake financially to achieve his ideals.

You are motivated to realize your 'dream' to the end of your very existence. Even the taillight on my bike was mortgaged.

I used my private assets (mainly the family home) to start my business and had the luxury not to share my ownership with an angel investor who would have wanted a big piece of the pie with little investment. The only downside was that if my business were not successful, I would go bankrupt. I had a firm conviction in my ideas, and I knew that my personal 'market value' increased day by day. I undoubtedly would receive a much better job as a full-time employee, but it was the apparent freedom that inspired me to start independently with no boss above me. Ironically, in the end, my customers made it much harder for me than any boss I could ever have.

My dear wife Rinie has always been my greatest supporter. On the weekdays, I would go out as an entrepreneur. Sundays were reserved for my family, and I made sure these two worlds never collided. There was no room for business at home. I did not have much to tell at home since I got married, and until today my wife is still the boss at home. She has always performed this role very professionally.

In recent years, I have wondered if I could write about my 40 years of experience in a biography and pass it on to the next generation. Of course, I think of my grandchildren who have either not experienced the initial period directly or have been less involved in the business. But it might be helpful for them to learn from my experiences. In addition, I think this book offers interesting components of science and business.

When I look back on the growth of the IT industry, I realize that I have been able to set the direction of the industry for many years. The experiences from the past have deepened my understanding of business processes and exposed me to newer generations of internet technologies. You would not be wrong to assume that this book describes half a century of innovation in the IT industry.

I started three times: first with Baan Company, then with Cordys, and finally with Vanenburg. All three are in line with what Gartner, the world's leading research and advisory company, describes as the three phases of IT in the 'pace-layered strategy' model: systems of record, systems of differentiation, and systems of innovation. The connective layers between these phases are essential and unique. My journey in the past 40 years has been along with these three phases of IT.

On the way, I have also established a few startups that fit in these three phases. That is why I feel more like a serial entrepreneur.

New Year's Eve, 2019

It's New Year's Eve. I listen again with emotion to my brother Paul's musical birthday wishes: 'Whatever the future may bring, the hand of the Lord leads me.'

<https://www.youtube.com/watch?v=Ft3a943Do-A>

Together we had built Baan Company, placing the uncertain future in the hands of the living God, with childish faith. I am delighted thinking about how my brother Paul described the close relationship that has always remained between us.

For my wife and me, our family is the 'be-all and end-all'. We will welcome our children and many grandchildren to our home for a family gathering in a few hours. This is one of the greatest blessings you can experience as a person, and it transcends all my business successes.

After the intensive activities of the previous months and working on this autobiography, this day feels like a sort of completion of my past business activities. I was able to bundle together a lot of authentic material of the past in one comprehensive book with a vision for the future. In recent weeks I have spent a lot of time in my office at home, surrounded by the works of seventeenth-century writers, working through the details, while my wife again has been very forgiving while wondering several times why this makes sense. While it is in the past, it gives me a certain satisfaction to describe my entrepreneurial history and leave it for those interested.

I am thinking of something in particular that has often appealed to me personally. I see my personal life unfolded in a text in the Bible, namely Hebrews chapter 12, which handles about personal faith. The story points us to the merit of Jesus Christ as the most outstanding leader ever to accomplish this faith. This has been given to me by His merit. Because of this, I may nail all my faults to the cross of Calvary, where Christ died. But more than that, Jesus has risen and sits as our lawyer at the right hand of His Father. His return is my eternal hope. In our praying, Christ is active for us as our intercessor, which makes our shortcomings disappear. We are being cleansed by His blood. In this light, I can see my setbacks.

Paternal chastisements are not attractive to experience but have been necessary to correct my ego-driven performance. I also see this as a contribution to corporate social responsibility. Hence, I decided to name my book: Profit by loss.

Soli Deo Gloria! To God alone is the honor!

December 2020

It often takes longer than you think. I intended to publish my life story at the end of 2020. Last year, however, was a year of substantial change to our business. The Corona pandemic, in particular, placed many things on edge for a while. We felt it ourselves when the 'Kasteel De Vanenburg', which we had re-acquired in mid-2019, missed a lot of business due to two lockdowns. At the same time, an opportunity came out of the COVID-19 crisis. The change to online learning for a mass number of students required a different teaching approach and tools. One of our investments, Educator, became an attractive M&A target for companies in higher education solutions. We were able to negotiate a highly profitable deal with Breens Network here in the Netherlands to sell Educator for a successful exit from an investment we made 15 years ago, adding a considerable reinforcement for our liquidity.

The sale of Educator allowed us to focus more on Vanenburg, which is now approaching the scale-up phase. Our independent financial situation and still 100% ownership give us, in addition to our more than 40 years of experience, an excellent opportunity to expand as a strong player here in the coming period.

Last year we reaped the benefits of all the investments we have made in building our EVA and Collabrr tools for microservices with low-code/no-code platforms since we sold Cordys. Ultimately, you will see that hardly anything has changed in implementing our vision for software development. We still have the same attitude that relates to what we call the 'Baan culture'.

This attitude of repeatedly building innovations that did not exist before requires an entirely different mindset than a body shopper, focused on billing by the hour. Sharing knowledge throughout the organization is essential. Our slogan of the last century still applies: 'It is better to ask for forgiveness than for permission'. Young employees, in particular, are experiencing an accelerated growth phase as a result of the freedom to explore and innovate. We have strong leaders in India and the Netherlands who have been managing large teams of engineers intensively since The Baan Company days. Throughout my book, I have mentioned how the basics of Baan culture have accompanied us up to the present day.

Two years ago, when I celebrated my 40th anniversary as an entrepreneur, it looked like a kind of farewell with many old employees in the Netherlands and India. But Gert Jan, my eldest son, advised me to continue my work. I have taken his advice to heart, and while I am fortunately blessed with good health, I look forward to continuing to work as long as it makes sense to contribute. I am still quite active, and thanks to my daily walks, I feel that I

am in better shape than 20 years ago. My three sons Paul, Ardjan, and Bernhard, are fully responsible for operations. I help them communicate our vision to executives and use my time to encourage employees with their innovations by participating in reviews and discussions.

This book aims to provide an insight for the enthusiast looking to enrich their knowledge and, perhaps for the techies, an in-depth look at different areas of IT in the past and the future. It presents an overview of my highs, and, for sure my lows, of an experience that amazes me and for which I am grateful. I also hope that you and all those in my inner circle will find this story meaningful and helpful. I wish you a lot of reading pleasure and a deepening insight into this - for many quiet complex - business world.

Jan Baan, entrepreneur



Video: The best partner is your customer

I am adding a video of an interview I recently did. It was produced by Ronnie Overgoor, Founder of YouTube channel 7DTV, a professional producer of personal business executive interviews.

In half an hour, this video provides a bird's-eye view of the effects of my more than 40th year of development as an IT entrepreneur.

He titled it:

Jan Baan I.T—Entrepreneur 'the best partner is your customer'.

The topics of discussion in the video are:

- *running a business*
- *treating people*



- *growing a business*
- *family*
- *faith*
- *wealth*

I think this video is a good summary of my 40+ years of entrepreneurial drive.

http://y2u.be/WW6B-k_Zax0



1. The rise of Baan Company

I was born in Rijssen, a town in the eastern Dutch province of Overijssel. Rijssen is one of thirteen municipalities in Twente, the most urbanized and easternmost part of the province of Overijssel. There is a saying that goes: 'A person from Rijssen does not beat around the bush; his style is open and direct with a sense of humor.' We do not spare each other and are tenacious. This is evident in our dialect, preserved in its original form for centuries, and is considered one of the most potent dialects in all of Twente.



My parents married right after World War II on June 7, 1945.

I was born on March 9, 1946 and am the oldest of nine

children. My father, Gerrit Jan Baan, was a carpenter, a respected and versatile profession back in the day. As a devout Christian, my father was a great role model to me, living with a strong faith in God and the Bible. When I think back, I have great respect for how he lived his life, especially his wisdom and how he cared for his family. My father was a real go-getter. He was flexible in dealing with others, but there was a great deal of tenacity behind his actions. He exemplified perseverance. I recognize elements of his character in myself.

My father always encouraged us to move forward. He enjoyed hearing that one of his children received a promotion or purchased a new car. His reaction, however, was invariably: 'Fine, but do not put your heart on it.' By this, he meant: 'do not give your heart to worldly goods, but God'. He often referred to the book of Proverbs, chapter 23 verse 26 in the Bible: 'My son, give me your heart.'



My parents
Gerrit Jan Baan
& Maria Baan-Müller

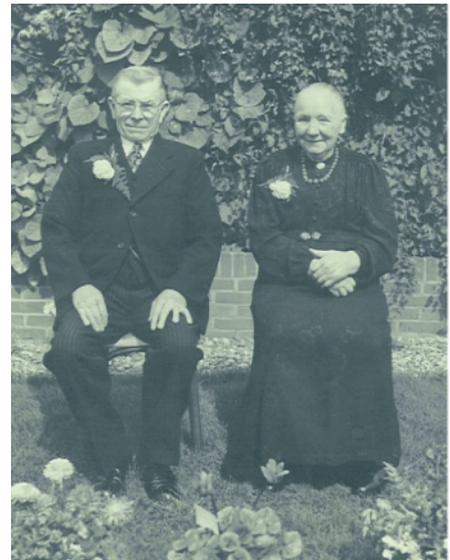
His death in 1974 (when I was 28) made an indelible impression on me. My mother was always very caring and could react fast in all situations. The family bond that tied us together was especially important to her. I learned the importance of family and its values from my mother.

My maternal grandfather Paul Müller, who was a natural entrepreneur, lived in the neighboring town of Holten. He started as a farmer and founded a transport company at the beginning of the twentieth century, operating freight services by horse and cart. Later, he bought trucks, which back then

were still a rare sight in the streets. He also co-founded a regional bus company, the OAD.

My grandfather was continually active in church and political life. In my family, we believe that his entrepreneurial blood flows through my veins.

Like my maternal grandfather, I love venturing into the unknown. Recognizing and responding to opportunities in new markets is a part of who I am. I enjoy the challenges that befall a pioneer. I have never deliberately pursued technological leadership. It just happened to me.



My Grandparents Müller

My first job

In 1961, I dropped out of secondary school and went to work as a clerk at Buijvoets, a meat factory. I was 15 years old and the youngest clerk in the office and made a modest 40 guilders (18 euros) a month. While working, I noticed that something was wrong with how Buijvoets kept track of their stock and thought to myself: 'I have to find out what exactly is going on.'

I asked my boss for a pair of boots and a coat to inspect the inventory in the freezer. My colleagues ridiculed me as some of them thought it was a trick to get promoted. For me, it was a problem that needed to be fixed. Despite being ridiculed, I did not give up and went down to find out what was going on. Although it was difficult initially, I soon understood how Buijvoets handled their inventory and mapped the entire logistic processes to improve how Buijvoets kept their inventory records. In retrospect, I realize that my journey with Enterprise Resource Planning (ERP) started when I was a 15-year-old boy, as inventory control is one of the critical ERP components.

Following this period, I had to fulfill my obligation in the military service. I was stationed at the infantry unit in Assen and was working as an encryptor. My responsibility was to code and decode secret messages for the army generals. The message traffic was not heavy, and therefore, I did not have much to do. In hindsight, I always wondered, I had plenty of time and opportunity to learn while working in the army, but I did not do much. I do not know if it is a lack of interest, but I regard my military service as a less useful period in my life. During my military service, I met my future wife, Rinie de Ridder from Middelburg, and we were married in 1968, after which we moved to her hometown in the province of Zeeland.



Following my military service, I went to work at the Van den Broeke & Zwemer administration office in Zeeland, where I took care of the annual reports for small companies. The accounting work was not that complex for these small self-employed persons. Still, it helped me enormously because here, I was able to delve into the basic principles of accounting, which came in handy in my later career.

In 1970, I became assistant controller at Louwerse & de Priester in Middelburg, a wholesaler of building materials. The company was later taken over by the German company Raab Karcher. This change meant that the financial reporting had to be done in a completely new format. My boss gave me the challenge to complete it on a very tight schedule. I worked from 5 am to 1 pm. After which, I went for a walk to the sea and swam a bit. At 3 pm I resumed my work and continued until 11 pm and finished the tasks my boss gave me on time.

My friends asked me what I earned for all those overtime hours; 'nothing, of course!' was my answer. They immediately declared me crazy.

Perhaps I didn't get paid for my time, but I did learn a lot during that period. With a bit of imagination, you could say that I got paid significant amounts of money for overtime many years later. Because of the knowledge and experience gained during this period, I built my own company later.

During these years, I followed seminars and administrative courses. While working for Buijvoets in 1961, I enrolled in evening school and obtained the practical diploma for accounting, after which I completed a modern business administration



As a newly married couple on holiday in the Eiffel with our first car, a Goggomobil

(MBA) course. When my boss at Louwerse & de Priester suddenly died in 1972, I succeeded him as head of the administration department. I was 26 years old at the time. When Louwerse & de Priester purchased its first computer, I gained my first knowledge of automation.



As a first-time manager, I had my own office at Louwerse & De Priester

In 1976 I joined Struik Conserven in Voorthuizen, where I was responsible for the administration as controller.

As I was not very satisfied with this job, I left a year later. It had nothing to do with the company, which was a nice organization. Under the entrepreneurial-driven leadership of Hans Struik, it would grow to be among the best in its industry. I have much respect for his charisma and enthusiasm. Despite the temporary employment, I learned a lot from him.

I then applied for a position in an accountancy firm Van Beek Franken & Co, which was looking for an organizational consultant for their offices in Amsterdam and Utrecht. I liked that job, and there was plenty to do. But after one and a half years, I no longer saw the value of working in an accounting firm and got the idea to establish myself as an independent consultant.

1978: The start

I started working for myself from my office at home in Barneveld, for many years our hometown. I had amassed a nice amount of capital by flipping houses three times in a rapidly increasing fashion, which provided me enough money to bankroll the first year. I decided to take advantage of this opportunity and officially started on May 1, 1978, at the age of 32.

Financial Management Bureau Baan (FMBB) was the name I chose for the company. Although a bit boring, this name was self-explanatory and reflected the work I did. Personally, it was a huge challenge to start a company, but it was more satisfying than just working for a fixed salary. Initially, my business consisted of consulting and developing better models for financial management in other companies. The idea behind these business models was that management often lacks the correct information to make good decisions.



From my house at Barneveld, I started my business in 1978

I had already established the need for such a service when working at the meat factory 15 years earlier. I named my services 'financial engineering' because I thought the name sounded modern. I prepared an attractive brochure to promote my work and personally delivered it to potential customers. Soon, as an enthusiastic young entrepreneur, it was a bit disconcerting that almost nobody was interested in my services. Thankfully, two companies that I worked for a while at Van Beek Franken & Co engaged me. The next step was to purchase a programmable calculator so that I could refine my business models. Slowly, the number of projects and clients increased.

During these early years, a change happened thanks to a project we did for Computron, a company that imported computers. After I finished the work, they had no money to pay me. So, instead, they paid me by giving me a Durango¹ computer, an unknown and certainly not prestigious computer brand.

What Is Durango?

CUPERTINO, Calif. — Durango Systems, Inc. was founded in August 1977 by three veteran computer industry executives who believed they had "a better computer."

The three executives are George E. Comstock, John M. Scandalios and Charles L. Waggoner, who founded Diablo Systems, Inc. and then sold it to Xerox. The trio envisioned a computer that would marry the significant increases in the capability of semiconductors with the similar advances in random-access storage devices and serial printers.

That computer is the Durango F-85, unveiled here last week. The F-85 will enter the market in late 1978 with full production scheduled for 1979.

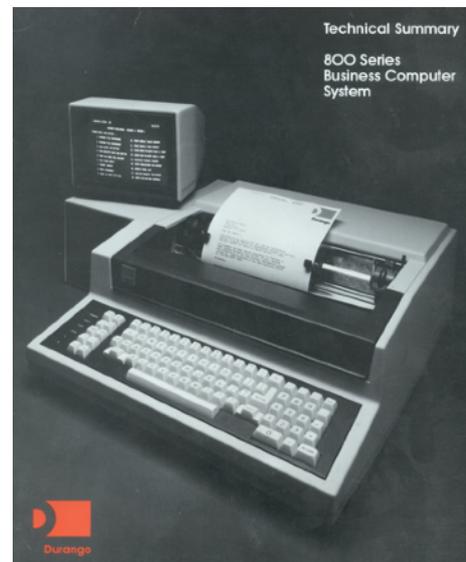
Comstock is the president of Durango; Scandalios, the vice-

president for marketing; and Waggoner, the vice-president for engineering.

Initial financing for the firm was accomplished in September 1977 with a \$1.5 million equity investment made by a group led by Sutter Hill Venture and Citicorp Venture Capital, Ltd. A planned second round of financing — an added \$2.5 million equity investment — was completed last July.

The original investors were joined in the second round by Genstar Ltd., a Canadian multinational listed on the New York Stock Exchange; Kleiner, Perkins, Caufield & Byers; and Mayfield II.

Durango Systems has also arranged a bank line of \$800,000 to acquire capital equipment.



<http://www.sydex.com/durango/durango.pdf>

It was a small, compact computer, regarded as a forerunner of the personal computer. The device included an administrative program, which was unfortunately American and not suited for the Dutch or European market. There was no good Dutch software package for Durango's, which turned the overall deal not precisely into a winner. However, I saw an opportunity in this setback. I asked an acquaintance to develop the first financial package in his spare time. The development of software packages meant that the second line of business was added to the company and the consultancy work. Completing the first software programs also made it possible to start a third activity: providing administrative services.

1980: Development of information systems

Since we had access to a computer with an accounting program, customers could let us take care of their bookkeeping. At the time, there was a great demand for this type of service because computers were expensive, and only a few people knew how to operate them. So, while we developed the software, I also acquired a dealership status of Durango Computers to start selling the computers myself. Once we had that in place, we expanded the administrative services to customers who had bought a computer system from us and started delivering software to other accounting firms, who were, in fact, our competitors.

Suddenly, the company had developed four different lines of business in just two years: consultancy, software development, administrative services, and the sale and installation of computer systems. Providing hardware and software as a total computer system meant that FMBB could operate as a system house. Back then, it was customary to offer customers a complete solution for automation at a fixed price. This was quite different from where we started initially, and I needed to learn a lot more to make this successful.

Wim van der Beek, the founder of Computron, has been a great help during this time, and I owe him a lot. Thanks to him, I had the opportunity to think internationally. At that time, Wim was a very experienced global executive who had worked in international business circles all his life. I established my first American contacts in Silicon Valley and was introduced to several other European Durango dealers through him. A dealer in the UK and another in Austria expressed interest in our tools, and he agreed on a licensing contract to develop software solutions themselves. Through this, we established our initial international presence carefully.

In April 1980, almost two years after establishing my company, we moved to a renovated farm in Terschuur (municipality Barneveld), where I lived with my family and ran the company out of one of the barns.

Towards the end of 1984, we stopped providing administrative services as well as financial advisory work. The company's name had changed from FMBB to Baan Automatisering in 1982. We would make another change in 1986, into Baan Info Systems to profile ourselves as a system house that sold total solutions.



From 1980 to 1987 the company was located in the converted barns at our house in Terschuur

My brother Paul had been involved with my company in the early days when he helped me design and create a company's brochure and the FMBB logo. During our youth, we did not spend much time growing up together. Mainly because I started working at a young age, married young, and moved to Zeeland. Because of the distance, it felt as though I had emigrated and only went home to visit family in Rijssen once every three months.

Paul is my only brother; at home in our youth, we shared a room. Paul is a hard worker, fiercer than me, and a critical thinker. He is very philosophical and is conceptually good at translating social visions.

In the summer of 1981, Paul and his family spent a short holiday with us in Terschuur. During his first night with us, we talked enthusiastically about my company, the opportunities in the market, and how we would complement each other if we worked together. Paul was open to this idea and agreed to join. We distributed the shares on a fifty-fifty basis. My main motive to get Paul into the business was that running on two engines is better than one.

Moreover, I considered myself more an entrepreneur and Paul as a professional manager. He had studied engineering and then did his master's in economics. Paul built a strong career after graduating, and by the age of twenty-six, he was already the youngest director of a medium-sized contractor firm. Paul had the theoretical know-how of operating a company that I did not have. We trusted each other blindly. We not only saw each other at work but also met each other every Saturday.

In April 1982, we officially opened the second branch of Baan Info Systems (in short: Baan), in Rijssen, our birthplace and Paul's place of residence. In the same year, the third

branch started in Middelburg, where I married my wife. Thus, Baan had three offices: Terschuur, centrally located in the country, specializing in accountancy firms and production companies; Rijssen, in the east, specializing in construction; and Middelburg, in the southwest, with a specialization in trading companies.

The first phase, from 1978 onwards, was characterized mainly by a variety of innovative entrepreneurial initiatives. Often, the initiatives were more based on our gut feeling than on vision. However, you learn from your mistakes and change course accordingly. Perseverance is perhaps the most essential success factor. Partly due to my restless nature, I regularly made time available for the necessary research. My first trip to Silicon Valley in 1982 laid the foundation for my industrial vision of IT.

This first long journey to Silicon Valley, together with Paul, was a memorable experience. In my archive, I still have a letter that I sent to my wife and children, it shows how naive I was, compared to the period of 1995-1998, when as the CEO of Baan, I traveled all over the world on a private jet every other week.

Hyatt Rickeys Palo Alto, 22 September 1982

Dear Rinie and children,

It is now 7 o'clock on Wednesday morning. Just a couple of quick scribbles. It was a long journey to San Francisco. We flew in a DC9 to London in 45 minutes from Schiphol airport and London to San Francisco with a Boeing 747. Such a big plane is enjoyable, and you hardly notice you are flying. We could not sit next to each other but could move around freely and visit each other, which breaks up the time. We flew via Iceland-Greenland-Canada. The glaciers of Greenland were impressive. What a small person you are when you let something like that affect you. The Lord has made it all beautiful. We are protected.

The flight lasted nearly 11 hours. That is awfully long in the end. We had two meals during the flight. After arrival, we went straight to the hotel, a real luxury. We share the room with a shower and a lounge suit. We are right by San José and went to bed early. At first, I slept well, then woke up every so often. We had a perfect day yesterday, and I think we can achieve a lot at Durango. Our proposals were well-received. Today we continue our conversations with them. Meeting them has been valuable and important. We talked to their most important people. Last night, we went for dinner to a Chinese restaurant with five of them and ate with chopsticks. Dinner was very tasty. We went to bed early again. That is why I am well-rested so early and writing to you. The weather here is splendid, about 28 degrees. Air conditioning everywhere. Yesterday morning I went for an early walk with Paul. Everything here is built up very spaciouly, and the roads here are very big.

Tomorrow we hope to go on a little trip to the countryside nearby in a rental car. Today more hard work to do. The Lord has also done well for us in our work. Everything is for the best. I will let you all go now. Give a kiss to everyone from me. Are you managing ok? Much love and heartfelt regards, also to Granny. Are you helping Mummy properly? (P.S. written quickly)

Introduction of the UNIX operating system

In America, I came across UNIX², a hardware-independent operating system. At that time, UNIX had a very modest position in the market for operating systems. The UNIX operating system was relatively unknown those days in Europe.

Most system integrators (SI's) preferred proprietary operating systems from strong vendors like IBM, DEC, or HP, which also gave them hardware support. But soon, it would become the industry standard worldwide. I did not know this at that time during the 80s, but I had a hunch. That is why I introduced UNIX to the Dutch market in 1982. Many declared me crazy.

During this period, I developed a vision for the independence of application software. Baan would provide software for the financial administration and production control, which would suit every (multi-user) UNIX system, regardless of the computer brand. To fully understand this vision, it is essential to know the development of software in general terms. In the early days, software was written for a certain computer brand; therefore, hardware and operating system dependent. A vital stimulus for thinking about the independence of the software was that in the seventies, there were hardware suppliers in the United States that replaced IBM computers and were considerably cheaper.

At the beginning of the eighties, Baan took a unique position on the Dutch IT market, which was still very traditional. The software was tailor-made for each customer. The companies that did this, the software houses, specialized in placements, or 'body shopping,' provided the people with the ability to develop the software and participate in project management.

² UNIX is an operating system for computer systems which became available at the beginning of the 1980s (UNIX is a product like Microsoft Windows). Like a patrolman at a busy crossing, this system controls the traffic within a computer system being used by several people simultaneously. UNIX was a totally new development in information technology which had significant consequences. The late arrival of UNIX compared with other operating systems was connected to computers becoming smaller and cheaper while their capacity increased massively. As a result, the number of computers in an organization grew rapidly, which were linked to each other. UNIX offered the opportunity to write standard software which would operate not only on a single brand of computers but on any computer system that worked with UNIX. For a software manufacturer such as Baan, this increased sales opportunities considerably. It meant standard software suppliers were no longer dependent on a particular computer supplier. Moreover, and this turned out to be a major advantage later, users were no longer dependent on a particular computer brand. It was mainly because of this that the UNIX based system became extremely popular. In 1982, Baan introduced UNIX onto the market in the Netherlands. It did not break through until the beginning of the 1990s, by which time Baan had gained ten years of experience with the technology. Having been an insignificant player at the beginning, Baan became market leader.

Virtually no system house (supplier of hardware and software) or software house dared or could leap to the international market. The industrial level of most enterprises did not reach beyond that of the workshop of a village carpenter.

As Baan thought in industrial terms, we invested in products for the future and our independent position. The industrial production of software meant flexibility for the end-user, and with our approach, relatively little effort was required to make the software customer-oriented. Instead, the various programs were developed as semi-finished products combined with customer-specific modifications into an information system. The idea behind this was that the costs per customer could be much lower than customer-specific written software. In addition, standard software was immediately available (off the shelf), while a customized solution had to be written first.

In practice, it turned out that the quality of a standard package was also considerably higher and could also be maintained at significantly lower costs. Therefore, a standard package can be very profitable for the supplier in those market sectors where many users use the software.

It fits in our vision to set up a software factory to develop the application packages for the selected market sectors. We further used our in-house developed tools to achieve high productivity in developing the software and the delivery.

Two types of activities took place that significantly influenced the commercial product's price/performance ratio. Firstly, this involved the tuning or customization of the delivered product to the customer's specific needs—secondly, maintenance, particularly the upgrading of already delivered packages.

This is how in the early years, the development of standard program functionality was added. We did deliver our standard packages, but these were initially written for a specific customer. Whereas in a subsequent sale, the program needed to be expanded to meet the more extensive wishes of the next customer. It was a formula that worked well for successful programs. Keep in mind that programs were written and sold to only one or just a few customers.

As the software sale often included the sale of the hardware, we could use the margin we made on the hardware, which was around 50%, as an investment in the software factory.

1983: Building our B-shell

Let's go back in history for a moment. Our computer supplier Durango converted to UNIX in 1982. Before that, they had had their proprietary (closed) operating system. Durango developed application software and hardware, and to be able to re-use it, the company had created a so-called DXU-shell. This enabled us to automatically run both their software and our applications on the new UNIX system. Theodoor van Donge was on to this concept in no time. Together with Johan Rosman, he began developing what we later called the Baan-shell or B-shell. Although I did not understand all the details, I gave these young guys complete freedom to achieve their goals.

Theodoor van Donge and Johan Rosman were the core team for the B-shell from the early 1980s. Theodoor was just at the beginning of his programming course. He came as a very young boy to our office in Terschuur's guided by his mother, where she told me what unique talents his boy had as a young programmer. A week later I delivered a Durango computer to the van Donge family in the Hague, who was given a place in the attic on the table tennis table. Dick de Koning, my first and most experienced programmer, saw a lot in Theodoor and taught him the programming tricks.

In October 1984 Johan Rosman came and saw Theodoor as his mentor. Due to his technical HIO training in which Compiler-bilding was also the main subject, he was able to help Theodoor write the C Converter that translated our basic programs into a "C" program so that they could work on all UNIX computers. Later this project has grown into the event-driven 4GL Compiler and the B-shell.

Following Baan Company's growth, we were struggling with space problems. We rented a house in Barneveld where Theodoor and Johan could work in peace, although new colleagues soon joined them. I regularly dropped by to see how they were progressing. The point of departure for the programming was Durango's 'star-basic-language'. Experts will know that this was a rich third-generation programming language, like Cobol.

A disadvantage was that the software which was developed with it could only run on Durango computers. Using tools such as Lex and Yacc, the team enriched this language version and converted it into its 3GL version. The B-shell then ensured that the software developed using this language would work on different UNIX computers. An advanced library was built to enable the software to be re-used. After that, they quickly created their relational database in Indexed Sequential Access Method (ISAM), with optimistic locking. We transferred from 3GL to 4GL in phases. The language was event-driven, and sub-processes were available in a window. This was very innovative for the 1980s. Led by Theodoor, the tools team created the basis for the construction of an extensive ERP system.

The built-in managers replaced the earlier components in our Star-basic libraries and powered the B-shell, to increase the programmers' productivity. The managers in the B-shell were database and operating system independent. Because all the components were written in the C-language, porting to other hardware components was like a twinkling in the eye.

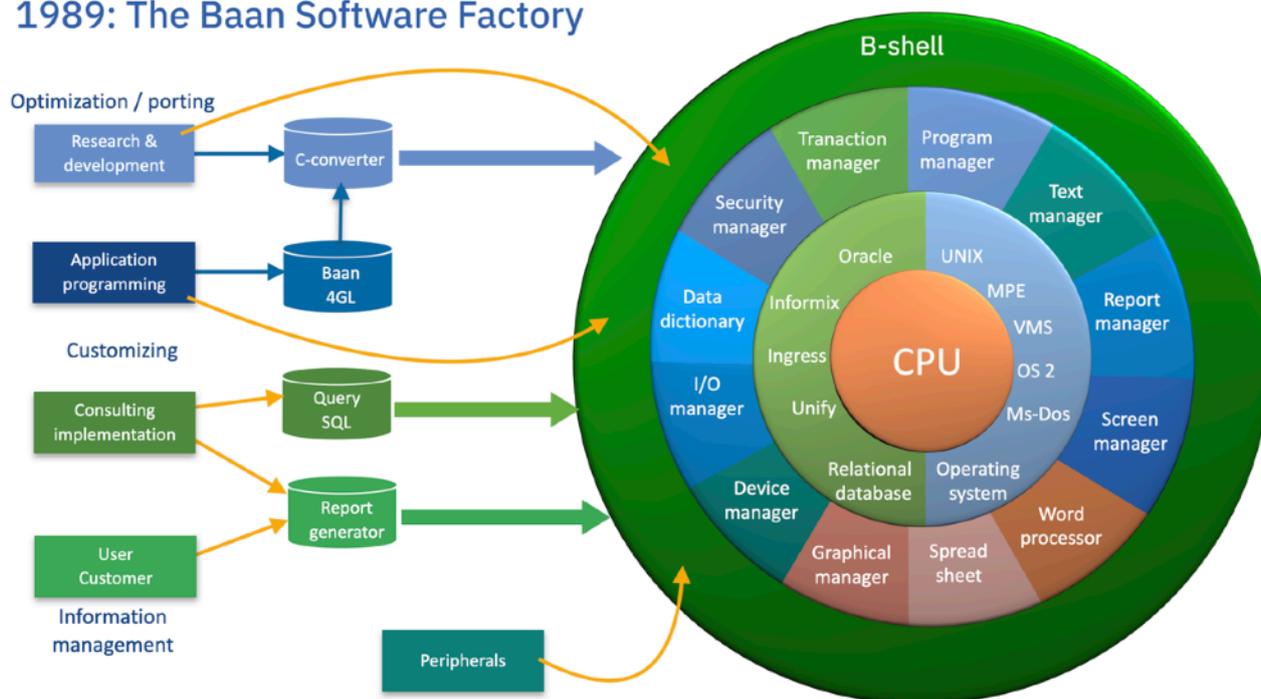
Already in the eighties, we had the opportunity to collaborate with many programmers and build one complex ERP package with a strong 4GL pseudo-language, automatically converted to the C-language mentioned above. The productivity was extremely high for those days, and we became an early bird for UNIX solutions on cheap microcomputers. Also, the end-users implementation was much simpler compared to competitors those days like SAP and Oracle.

Our goal with UNIX was to make Baan's software compatible with any hardware brand. However, the Baan software was not written in the usual C-language but a 3GL basic-language. Therefore, the decision was made to convert all existing basic programs into the C-language and program all new products in their addition C-language. Unfortunately, this was a time-consuming and complicated process impacting the programmers' productivity which dropped drastically by 25% when programming in C instead of basic. The Baan team developed its program – a tool – that converted programming written in basic into C to solve this problem.

Our tools Research and Development (R&D) team quickly built the convertor with Lex and Yacc, which turned this threat into a long-term strength. Thanks to this convertor, we could now convert our basic source code into the C-language, allowing us to enrich our basic-language to a new pseudo-language constantly. The focus of the Tools R&D team was on constantly improving the library components in UNIX. These components could be called from the pseudo-language. This enabled us to develop a robust 4GL environment that quickly became powerful enough for event-driven application programming by disconnecting complex components as an event and rebuilding them in a high-quality way by more experienced programmers. It would be called an event component in the application.

This created two R&D departments, one group responsible for building the tools and the other (application programmers) building the business logic. Besides that, productivity increased enormously, the quality of the source code was also much better. Many more components were built generically, and the convertor also had many built-in quality controls.

1989: The Baan Software Factory



After making these significant changes in 1989, Baan renamed the B-shell into the Baan-shell. The Baan-shell provided total operating system independence and created autonomy for the Baan software. When UNIX changed, Baan's standard packages no longer needed to be adapted, and in addition to this, the Baan-shell also created a database management systems independence.

The picture above shows the power of our famous B-shell. The operating system and database were disconnected from the CPU of each computer manufacturer and made porting of our software a breeze.

In addition, software services components were pre-built and available as semi-finished products to develop business logic. As a result, the application programming department was able to develop this business logic quickly at a much higher level of abstraction and more scalable for dealing with the capacity constraints of the minicomputers from back in those days when most software components were still generic.

The programmers could now provide the customizations requested by our customers in our consultancy and implementation department. In addition, tools like Query SQL and a report generator were at their disposal.

A documentation generator ensured that the documentation was available for the end-user when using the solutions. Thus, our customers' users could easily generate their overviews. Later, with our Dynamic Enterprise Modeling (DEM) tools, we could select all program assignments per user group and offer documentation per individual user. The

DEM tools greatly simplified the implementation of our rather complex ERP solution for the user. This industrial approach has brought many benefits. For example, a few years later, it enabled us to split our complex R&D activities over 12 different locations worldwide.

The development of an ERP product

An ERP package or system has broad functionality to support the business processes in purchasing, production, logistics, and the entire financial and HR administration. Therefore, ERP represents the bundling of various software modules that supply data to the users in a flexible and integrated system. In the early 90's most products available worked as standalone solutions. An integrated software package that connected different business processes was hardly available.

My visit to Silicon Valley in the '80s had given me a feeling that a fully integrated financial and production system would be interesting larger players in the American market. As a result, I worked hard to motivate everyone within the company. I cultivated a 'never give up' culture and encouraged staff to sacrifice our projects' success and get to an integrated software model.

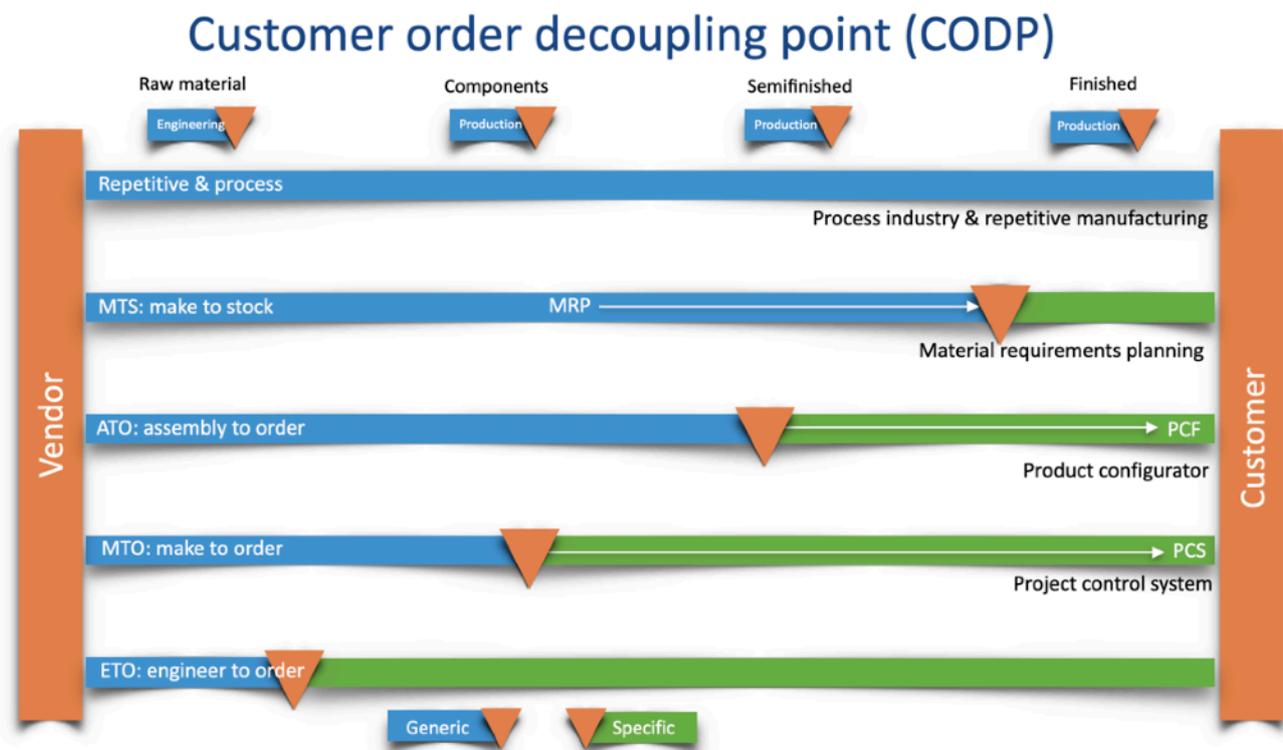
While the local Dutch market opportunities were far and few in between at the time, we managed to interest a few early adopters to our vision. In 1982 we closed a deal with an important customer at the time, Cambo. The company was founded in the Netherlands in 1946 and was the first studio camera manufacturer to produce an all-metal large format camera. As such, they already had quite a bit of experience with business process automation. Their order allowed Baan to develop a complete production control package, a so-called Materials Requirement Planning (MRP-I) tool.

While this gave us a wonderful boost, we soon after closed a deal with MOBA in Barneveld. MOBA was founded in 1947 and is today a leading manufacturer of egg grading, packing, and processing machines. MOBA was a big win for Baan, as MOBA was about ten times the size of our next largest customer. Furthermore, the deal allowed us to develop the next-generation MRP-II software package for complete planning and production control in 1983. This package was named BMCS, which stood for 'Baan manufacturing control system'. We offered BMCS as a product for smaller and medium-sized production companies. BMCS was the predecessor to our next generation of business management software called TRITON.

TRITON had, for a large part, the same functionality as BMCS. Still, it was based on a new logistics concept for production control-based activities with integrated project control for serial and customer/sub-linked production companies. It was part of the latest generation of information technology, with features such as client/server technologies and database-

independent data storage and user interfaces using Microsoft Windows technology, a true early-stage ERP product launched in late 1989.

The enrichment of the 4GL language had made it much more powerful over the years. It encouraged us to use our experiences from BMCS to build our new event-driven TRITON ERP package. For this, I entrusted Jan Hasselman, my brother-in-law, with this work. As a graduate of one of the Dutch engineering colleges, Jan applied the basic ERP principles to our software. In the meantime, we had established a good relationship with the Technical University of Eindhoven, where professor Hans Wortmann had developed an innovative concept for manufacturing, namely the CODP. Hans Wortmann became Jan Hasselman's mentor and worked together on an innovative ERP concept, in which the CODP played a crucial role.



Customer Order Decoupling Point (CODP)

One of Baan's ERP software strengths was how it incorporated the CODP concept. The software was able to differentiate between four different types of production situations and control them simultaneously. The four production types are:

- **Make-to-stock.** The simplest production method is where goods are produced, put into inventory, and sold from stock.
- **Assemble-to-order.** A method of production where semi-finished products are placed in inventory, and final assembly takes place once a customer order is received.

- **Make-to-order.** In this case, goods are produced for a customer-specific order using raw materials and parts from inventory.
- **Engineer-to-order.** The most complicated method of manufacturing involves designing a product to meet customer needs first before manufacturing occurs.

Assemble-to-order, make-to-order, and engineer-to-order manufacturing are more complicated because the speed and suitability of delivery are also essential.

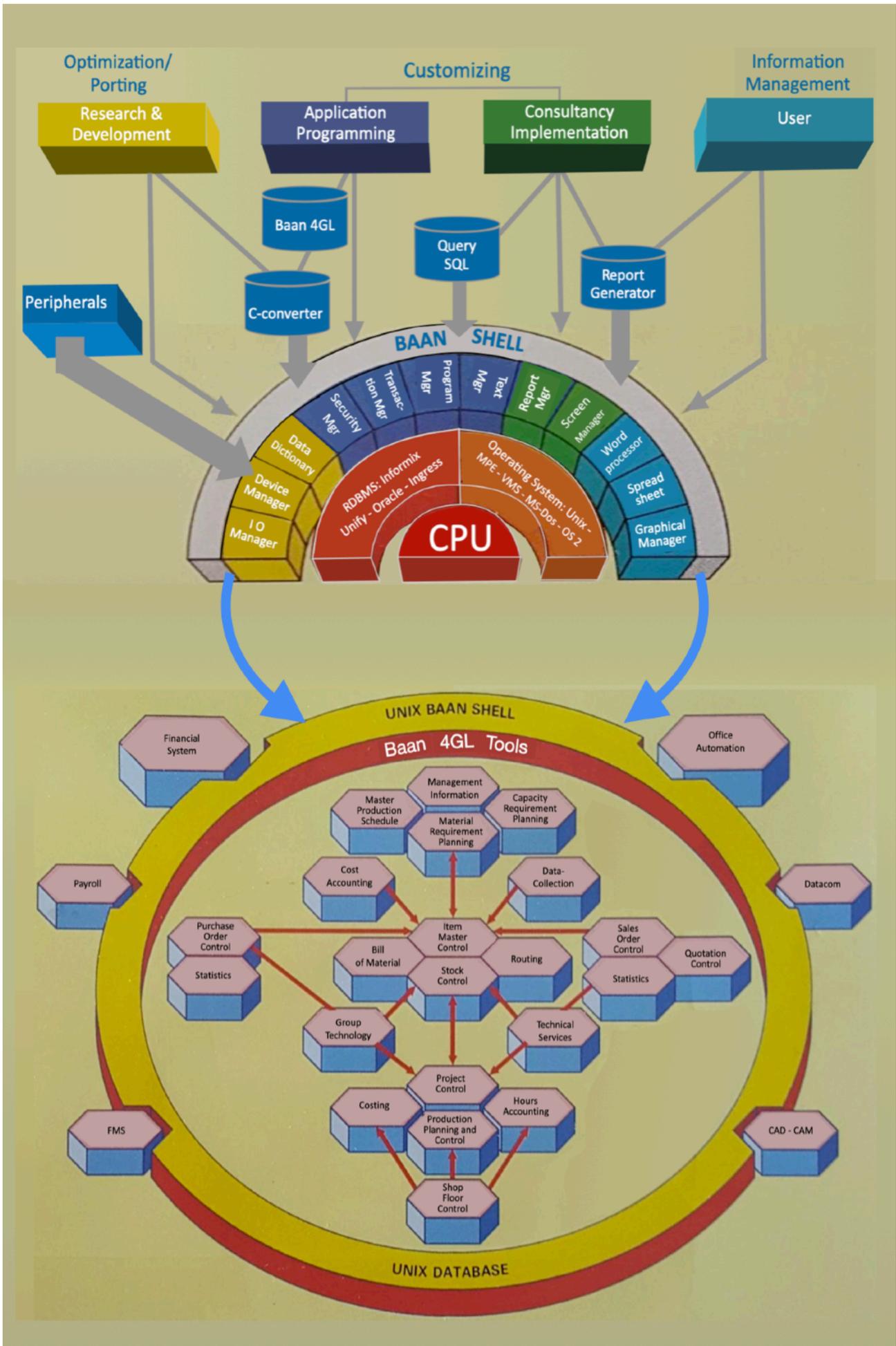
The significance of the decoupling point in production control is that it separates the prediction and planning part of the production system from the part related to actual customer orders. Demand upstream (to the left of the disconnection point) is purchased and produced previously and placed in stock. Demand downstream (to the right of the decoupling point) is initiated when specific customer orders are issued.

In these four manufacturing models, the decoupling point shifts from the end to the beginning of the production process.

Contrary to the literature in the nineties, Baan was market-oriented, and instead of focusing on the customer or the service, it went after the market trends. Our market orientation offered the opportunity to produce generic products as efficiently as possible. The customer could customize the product, but it had some limitations. It was a unique approach while most of the other software suppliers provided their customers with tailor-made solutions. All of these were delivered on a project basis, and generally, were much more expensive and took a lot longer to complete than what we offered and would require a lot of money and time before it was ready for use.

My reasoning for a more generic approach was akin to what we see in the automotive industry. When you consider buying a car, you do not think of building a car from scratch exclusively for you alone. It would be ridiculously expensive, and you probably would have to wait years before you can take delivery of your car. Instead, you choose a certain brand model, and with the accessories, you eventually put together the desired car. It is cheaper for the manufacturer, and it makes sense for the customer because now, the car can be driven much earlier and at an affordable price. This idea formed the basis for Baan's industrial approach to software development, giving us an advantage and an edge over other companies. It was an efficient approach and saved us lots of time, which we used for innovation and to build cutting-edge IT solutions back in those days. Other software companies spent around seventy percent of their time and resources on customizing their customers' products.

The success of our application software was mainly because of the Baan Tools, which we had built in the early '80s. The Baan Tools provided advanced solutions that fully leveraged the available but limited 64K internal capacity of the small microcomputers of that time.



We developed libraries where (generic) functions were stored, so they didn't need to be built for each program every time. Our programmers also developed special structures to build programs that further efficiently handled the limited capacity of the hardware while the software was adjusted. For example, a structure was built to allow users to personalize screens centrally instead of individually doing this in each program. This was called user-interface independence, where each program was built up from several standard functions or files.

Once again, the limitations of the microcomputers forced us to pay much more attention to the unnecessary wasting of internal memory capacity. This made it possible to build software that previously could only run on large mainframe computers. This method promoted a uniform efficiency in the design and development of programs. Moreover, it guaranteed that our software was well maintained. Any change in a vital part of the software was automatically implemented in all programs of which the relevant section was a part. Thanks to this approach, it was possible to make ongoing innovations affordable.

We started by offering our software exclusively in combination with Durango computers. These computers had their operating system that ran our applications. In 1983 we decided to build applications that ran on UNIX, a hardware-independent operating system, which allowed us to offer our software on other hardware platforms. UNIX was using the C-language for which we had developed a convertor. The convertor formed a layer between our applications and assisted our developers in improving their production time.

The convertor would go on to make an important contribution to the later success of Baan. It fit in well with Baan's philosophy to develop standard packages that were hardware, database (file management), and eventually, in 1987, operating system independent. These different levels of independence broadened our market and gave us the momentum to grow our customer base and revenue across multiple hardware and database platforms.

I have repeatedly criticized the high-tech image of the IT industry. In June 1991, in a interview in a Dutch business magazine, I made an analysis of the IT industry in general and shared the following:

- *You cannot speak of an IT industry at all, while most companies are mainly engaged in services. There is still little attention for the product itself, and software indeed generates services as a matter of course.*
- *At Baan, the anonymous product comes first; we clearly present ourselves as a software factory that differs completely from a system house.*
- *The image of high-tech automation is also not entirely justified. In fact, a lot of it is more like low-tech. A lot of the expensive software is developed with techniques and*

programming languages that are essentially outdated. You can compare current relationships in the IT sector with the industrial relations in the 1930s.

- You had the traditional blacksmith who supplied individual products to order during that time, like what we see at 'body shopping' outfits. While on the other hand, there was a car manufacturer who worked according to the principle 'every color is possible, as long as it is black.' That similarity currently exists in the automation industry.*

While we are using a car industry metaphor, we possibly can compare Baan with a modern car manufacturer:

- In the modern car industry, the customer can configure to order a car based on existing components. We are offering the same with our software. All components for an information system are available off the shelf at Baan. At the customer's request, these components can be configured into a whole package that fits their needs.*
- With this 'assembling-to-order' method, the customer is being served at a lower cost and faster while reducing intensive programming requirements.*

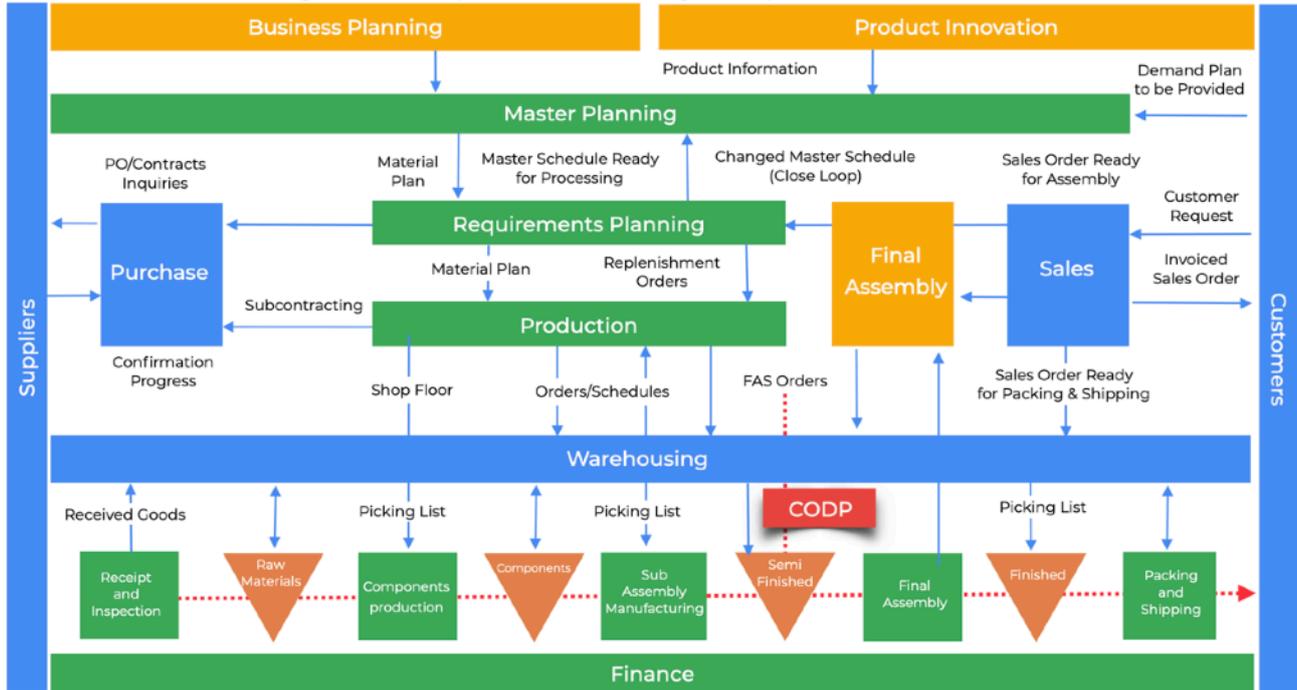
And in Baan's annual report of 1986, I wrote:

- System houses have the image of high-tech. However, it is embarrassing when one observes that the software produced in our industry predominantly is still written in outdated 3GL (third-generation languages, such as basic, Cobol, or RPG-II), while Baan uses fourth-generation languages.*
- Almost the same programs used ten years ago can still be found on the by now antiquated office computers. The high-tech possibilities of the new generation 32-bit with modern databases and new operating systems with the possibilities of subprocesses (windowing) have barely penetrated our industry.*
- Moreover, hardware independence and especially database independence is key. It is our conviction that the production of software should take place in a normal industrial way. This means that functions in the form of semi-finished products must be developed and assembled in the final phase.*

Earlier, in our strategy memorandum of 1986, the expectation had been stated that the IT industry would have a much more industrial character in the future. This would require product-oriented thinking instead of service-oriented thinking, turning a system- or software house into an ordinary product company. In our software factory, we manufactured components and semi-finished products that were generic in nature. They were not customer-specific but worked for numerous customers across multiple industries.

Using structured working methods and developing specific tools allowed us to make innovations in products delivered previously. The aim was always to increase the software developers' productivity and improve the quality of their work.

1995: Flexibility Baan-IV processes for hybrid production variants



Information systems need to be operational fast. The increasingly sophisticated technology needs to be easy to operate. The systems themselves need to be stripped of all the frills. This was only possible through an industrial approach in which the application software was built up from several standard components. The more complex a system is, the more costly the maintenance. In an industrial development approach, we tried again and again with fewer components and therefore with much less maintenance and were able to add more functionality at the same time.

In the nineties, the business community increasingly faced global competition, high customer requirements, and changing market requirements. As a result, many companies were forced to lower their production costs, improve product quality, and increase customer transparency. Companies tried to meet market demands by drastically shortening product development and delivery times and by improving the performance and quality of their new products and services.

These challenges required more streamlined organizations, more efficient processes, and more effective supply chain integration. By Business Process Redesign (BPR), many companies started restructuring to suit their environment better. Their information systems were essential for managing their business processes. BPR meant that many companies were faced with changing information needs.

In the past, companies provided their information requirements with next-generation manufacturing resource planning (MRP-II) and project management systems. These were

mainly designed for the management of manufacturing processes and related purchase requirements.

ERP systems had to control the use of resources throughout the company and integrate sales forecasts, purchasing and inventory management, production control, project management, distribution, transport, finance, and other business functions. Many of these ERP systems, however, remained legacy systems.

The ERP market blossomed between 1993 and 1998, partly due to the Y2K problem towards the end of this period. Lots of companies transferred to an ERP product to prepare their information systems for the year 2000. At the end of the 1990s, demand declined, partly because of disappointing returns on investment in ERP.



My son Jan Peter admires the Durango computer
at the grand opening at our office in Rijssen

Breakthrough in the Dutch market

The company achieved steady growth in its employees from 45 to 450, between 1985 and the early '90s. By 1993, it had increased to 650 employees, and not even three years later, the workforce exceeded the magical figure of 5,000 employees worldwide. It was an incredible growth for a company that only had a workforce in the Netherlands until the early nineties. After the Boeing deal in 1994, we grew extremely fast, especially in India and other places.

When we decided to grow and expand in 1985, we concluded that it would be best to expand at a central location. That is why we bought a piece of land along the A1 Highway in Barneveld, on which an office building with a capacity for seventy-five people was built. We were the first company to settle in the new business park. The building was modern and quite impressive, with a wide footprint at the end of the highway exit. At the time of the final delivery, however, the building turned out to be far too small, as our growth had outpaced the available space in the building. Later, we bought more land on the other side of the highway with the idea of constructing a technology park. Ultimately, we had to sell that land again without starting construction as we needed the money for other purposes.

The new building in Barneveld was set up on a property with two additional older buildings, which we used to place the different product groups together in their own spaces. The involvement and cooperation of our staff and employees who relocated to the new location allowed us to officially open the new facility in the spring of 1987.

With the publicity and opening of the new office building, Baan Company positioned itself as one of the leading UNIX system houses in the Netherlands. In the same year, various alternative methods were studied to find a solution for the lack of space to house the flow of employees and interns. In the woods near Ede, a former nursing home, the Zonneoord was refurbished and renovated into office space and would later become the company's head office.

In 1988 a 1.1 million euros Original Equipment Manufacturer (OEM) deal with Olivetti was closed. Olivetti, an Italian computer manufacturer, had a strategic position thanks to the American telco giant AT&T (the owner of the UNIX operating system), which made Olivetti strongly motivated to implement a UNIX-based ERP system in its product portfolio. As a result of this OEM deal with Olivetti, we managed to close 1988 with a net operating result of 0.5 million euros.

We were hemorrhaging money due to our constant employee growth and ongoing investment in our range of products. It was essential to stay afloat, and outside investment was required. Our first external shareholder was a friend: Jan van den Heuvel, an



Estate Groot Zonneoord Ede the office of BI (Baan International)

entrepreneur from Hagé international and Supervisory Board member who felt that a promising future lay ahead for Baan. He offered to invest 1.8 million euros in Baan for a 15.1% stake in the company.

Based on this investment, the Nederlandse Investment Bank (NIB) was prepared to provide a subordinated loan for another 1.8 million euros, a so-called AA credit. Through this joint investment, the company boosted its risk-bearing capital by 3.6 million euros. Even with this additional capital, the growth of the organization and the growth of our sales were out of sync. Our growing operation's workload on the management team interfered with our ability to acquire enough new customers. Baan was confronted with a financial crisis in the second half of 1989. As a result, we required an immediate reorganization.

Crisis in 1989

The rapid and rampant growth of the number of employees and the variety of business activities we took on almost led to the downfall of Baan in 1989. At the time, I anticipated that as the number of employees grew, so would the number of sales orders, but that was not the case. There was a change in the market as well. In 1989 the market showed a downward trend that continued for several years.

Aside from the market, several of our underlying operational issues were a threat to the business:

- The growing number of employees and expanding type of business activities increased our operational costs.
- The expansion of branch offices in the Netherlands tripled our real estate expenses from 360,000 to over 1 million euros annually.
- Our outstanding debt increased sharply; the long-term debt at the bank grew from 1.7 to 5 million euros along with interest charges.
- The branch in Germany suffered a loss of more than 0.5 million euros.
- Finally, our R&D investments required having many people on the payroll who were not billable. From 1987-1990, Baan invested nearly 7.3 million euros in software development, both internally and outsourced to partners. These and other external costs, including a 1-million-euro investment to start our Indian office, increased our R&D spending from almost 1.2 million euros in 1988 to more than 3.6 million euros in 1989. And unfortunately, the European subsidies we received for our R&D projects were far less than our R&D costs.

It is not an uncommon pattern for a company to have costs outpace income. However, at Baan, the decreased order flow without a strong cash position was the immediate cause of a financial crisis. It put our ability to meet payroll in danger, and after a quick audit, we started a drastic reorganization. We were faced with the challenge of turning the threat of bankruptcy into a new opportunity and quickly took measures to change our situation.

Through the wind

Our internal name for the reorganization was ‘Through the wind,’ after the nautical term where a sailor tacks the ship to set a different course to reach his destination.

The goal of the reorganization was to return to our core business of developing applications. Baan was a software manufacturer. We started selling, privatizing, and liquidating a number of our business units that didn’t contribute to our goal. We also established a separate company to operate the domestic software services business, so we now had Baan Info Systems and Baan International. We shopped around with our managed services team searching for the right company as a partner to complete the transition. Although several parties were interested in acquiring this team, we eventually agreed with Simac Techniek in Eindhoven. The acquisition amount was above book value, contributing to a profit of € 2.1 million in 1989. It was a deal that also worked out well for Simac because of the synergies between our two companies. While the measures taken were drastic, the most important change we made for the company’s future was to separate the activities between the two companies, Baan Info Systems (BIS) and Baan International (BI).

BI was built to handle the losses incurred and activities that involved risk-taking. This specifically concerned product development and further international expansion of the business. There were two hundred fifty employees at BIS and sixty employees at BI. BIS became the distributor for the Dutch market and provided customized services. This company eventually came under the supervision of Paul, and I took over the management of BI. I strongly believed in BI, and I knew that BIS at this point could survive independently from BI.

To give Baan International the best possible chance of survival, BIS provided a loan of 2.7 million euros with the property rights to the software as collateral. Should BI go bankrupt, BIS could continue to distribute the software and reposition itself. The separation between BIS and BI had a remarkable effect on the company's valuation and financing. Before the split, the value of Baan was nil. After the split, the value of BIS was 5.7 million euros. BIS also received two new shareholders: the IT company Simac and my friend Jan van den Heuvel. As a result of the new structure, BIS now had a stronger financial position than Baan ever had. This was good news for Van den Heuvel, who exchanged his interest in Baan Holding for a stake in BIS, and Simac paid 3.8 million euros for a 16.7 percent share. Simac and Van den Heuvel were eventually bought out in 1993, after an investment from the venture capital firm General Atlantic Partners (more about that later).

Personnel cuts were also part of the reorg, which was a huge shock for all employees. After all, they had joined a rapidly growing company and had great faith in the management team. We offered a generous premium of four months' salary to those who voluntarily resigned, an approach we took to keep the involuntary cuts as low as possible.

This strategy generated a lot of goodwill with employees who chose to leave and those who decided to stay. The employees who moved on could secure well-paying jobs based on the knowledge and experience they gained while at Baan, and we knew those who stayed were committed. There is no question that the changes were emotionally tough for everyone, but the team that remained was strong and included many of our best people.

As difficult as it was, the reorganization marked the beginning of a much more focused management team and was one of the crucial moments in the history of Baan. Baan entered a new phase. In 1990 the company was more mature, and we changed our approach from product-driven to customer-driven. As a result, on a national level, we belonged to the market leaders in our industry.

In 1993 we used venture capital for the first time from the American General Atlantic Partners (GAP), which resulted in a culture and character change of the company.

2. Becoming global

Going international

Until 1987, Baan was a Dutch-oriented company. In fact, no English was spoken in our offices except for IT jargon. Thanks to some international contacts we made because of good cooperation with the computer hardware manufacturer Hewlett-Packard, some foreign revenue was generated, but nothing significant. At this point, there were no international distribution contracts in place or channels for international sales.

We had a strong leadership team in place, and our software product was proven in the Dutch market. I felt ready to tackle two business issues that could not be addressed in our domestic market with this foundation. First was the high cost of development. The second issue was the relatively short lifetime of software products. That meant we needed to sell our product on an international scale to cover costs and make money. It was time to look outside the Netherlands for additional markets and more potential customers.

That spring in 1987, I planned a trip to Australia, Singapore, and India. I already had a relationship with Olivetti in Singapore, which I wanted to strengthen, and I had a contact in Australia that I wanted to meet. Still, the main focus of my trip was India. My goal in India was to explore the possibility of setting up a software development team. Programmers in the Netherlands were scarce and expensive, but there was an abundance of incredibly talented programmers in India. The idea of expanding into India was novel and risky at the time. In fact, we were the first company to set up a generic software development shop in India before any other major software company began outsourcing to India. As things would turn out, our software development department in India became one of our greatest strengths in the years that followed and gave us a technological advantage over our competitors in the nineties.

During my visit to India, I participated in a trade mission led by Wim Deetman, then the Dutch Minister of Education and Science. We explored the country and were meeting with various companies to discuss potential export opportunities. As we traveled and met with local businesspeople, I had an opportunity to observe the people's resources, culture, and integrity.

Based on what I saw, it seemed like common sense to set up a branch there. We initially settled in Bombay and had a large department of good, relatively inexpensive programmers. When the programmers there became expensive and scarce, we moved our offices to Hyderabad a few years later. Hyderabad was home to several good universities

and a large, available, and talented workforce. From this point forward, a significant portion of our software development took place in India.

While I was traveling in Asia looking for a solution to solve our high R&D costs, I met Kees Westerhuis, working as an individual export manager. He had a lot of experience and knowledge about marketing and selling in Asia and internationally. Kees was well connected, creative, and very driven and brought the international flavor we needed for Baan to grow. It made sense to contract him to help us expand our international sales activities. Kees oversaw what we would call the Export Department, which initially was a one-man department.

During his summer vacation from school that year, my sixteen-year-old son Paul (now the Co-CEO and CFO of Vanenburg) assisted Kees with some of the first international campaigns. They got brochures ready to mail and sent faxes to destinations all over the world. Before long, there was interest from companies who wanted to distribute our software, and we needed distribution contracts, which were far from standard, and mostly cobbled together clauses from other contracts.

Nevertheless, the campaigns worked, and we brought Kees and his team on board as full-time employees. His strategy to build our international business was based on three characteristics: speed, market familiarity, and minimal investments.

1. **Speed:** Westerhuis came up with the idea of arranging OEM contracts to get our software into new markets quickly. Under an OEM agreement, an original equipment manufacturer, such as Baan, gives another manufacturer or distributor the right to bring their product to market under their name. This was a business practice more common for coffee makers and shavers at the time. Still, it allowed our OEM partners to sell our software to their customers and prospects, which meant a faster time to market for them and new revenue-generating distribution channels for us.
2. **Market familiarity:** Computer manufacturers had established professional marketing and sales teams familiar with market needs and were already selling to customers around the globe. To move their computers, they needed applications that would add value for their customers. This meant that hardware sales teams were eager to work with software companies, whose applications drove sales for the servers, RAM, and storage they were selling.
3. **Minimal investment:** We didn't have a big budget to set up our international sales channel, so we devised a self-funding model. Our OEM agreements required an upfront payment from the channel partners. This ensured their commitment to us and gave us capital for marketing and advertising campaigns to build our brand and drive opportunities to the channel.

OEM contracts

The need to generate revenue to cover our high R&D costs put a high priority on our OEM contracts. The first agreement was signed in 1988 with the Italian manufacturer Olivetti, followed two years later by an agreement with Bull in France in 1990. Bull licensed our logistics package and branded it under their name StrategE.

They estimated the value of owning that solution to be eighteen million dollars: the cost saved in development time combined with their ability to bring a product to market four years sooner than planned. These first two agreements meant recognition in the market for Baan, 2.5 million euros in upfront capital, and income from royalties over the years. Most importantly, they paved the way for our growth internationally.

A year later, in 1991, a bigger, more complex, and more prestigious party came into the picture. We signed an OEM contract with industry giant IBM and set up a joint venture for the European market to market and sell Baan software under the IBM label. Then in 1992, we closed what would turn out to be our most important OEM contract with the American software company ASK.

This deal would have extremely big consequences for the future of Baan. At that time, these were two leading computer suppliers, and the agreement with Olivetti provided Baan products international recognition. We immediately generated a considerable amount of revenue. We invested this money in product development and international marketing.

HP Partnership

Our OEM approach caught the eye of Hewlett Packard (HP), the largest supplier of UNIX minicomputers at the time. In 1990 we had a joint approach to bundle their powerful reduced instructions set computers (RISC) with our BMCS MRP system. In the early 1990s,

The first RISC system was designed for a telephone switch to dramatically enhance call routing speeds. When RISC processors entered the mainstream market in the mid-1980s, they helped bring about a leap in speed for high-end machines and servers.

I do recall that RISC computers were hot stuff. Two Dutch HP employees Peter van der Fluit (executive in the USA) and Robert Jan Hageman (sales manager in the Netherlands), were our ambassadors in this immensely large computer company from Silicon Valley. As a result, our innovative approach with the B-shell became a breakthrough, and Baan changed from a local independent software vendor (ISV) to an international software company.

MIRACLE

Machine Independent Risc Architectural Computer
Language Environment

1998: Baan 4GL - Development Environment (Miracle)

| H.P. model 9000 | 330 | 350 | 360 | 370 | 825s | 835s | 840s | 850s | 855s |
|----------------------------------------------|-------|-------|-------|-------|-------|-------|--------|-------|--------|
| Relative MIPS Performance (multi-user) | 1.5 | 2.0 | 3.0 | 3.5 | 3.0 | 6.5 | 6.5 | 4.5 | 7.0 |
| Typical Users | 1-10 | 10-20 | 15-25 | 15-30 | 20-40 | 20-30 | 30-65 | 40-80 | 60-120 |
| Maximum Workstations | 37 | 37 | 37 | 37 | 64 | 30 | 78 | 128 | 120 |
| Processor | 68020 | 68020 | 68030 | 68030 | RISC | RISC | RISC | RISC | RISC |
| Memory MB | 4-8 | 8-32 | 4-16 | 8-32 | 8-112 | 8-112 | 24-112 | 8-96 | 32-128 |

How does MIPS measure computer performance? Computer processing efficiency, measured as the number of watts needed per million instructions per second (Watts per MIPS).

Key selling points

Under their respective OEM agreements, our partners were now able to market their offerings with several key selling points:

- DBMS-independent: Informix / Unify / Oracle / Ingres-SQL
- 4GL on-line debugger
- Automatic documentation generation
- Excellent performance due to RISC software processor

Worldwide distribution network

In the period of 1988 through 1992, we succeeded to sign OEM agreements with the following companies:

- 1988 - Olivetti (Italy) at a value of \$1.24M.
- 1989 - Hewlett-Packard (USA) at a value of \$0.54M.
- 1990 - Bull (France) at a value of \$1.75M.
- 1991 – IBM (USA), at a value of \$1.8M.
 - ✓ IBM and Baan created a joint venture Bridgeware, distributing Baan software for IBM computers on the AIX platform.
- 1992 – ASK (USA), at a value of \$3.6M.
 - ✓ The agreement with this giant was the biggest and most important contract.

While the OEM model with the hardware suppliers was successful and provided the needed name recognition worldwide, we had to add more sales channels to achieve our goal – a position in the Top 5 ERP vendors list. The economic life cycle of software was short, and you had to earn the investment in product development back in a short time to do it again for the next version. We needed more income than what we were making through the OEM channel. My objective for 1991-1993 was to build a worldwide distribution network and use our technological advantage over the competition.

The export department developed, in addition to the OEM model, three more tracks to achieve our internationalization goals.

1. The first one of our new tracks was through a software distributor model. We searched and selected companies that would work with us as software distributors for a certain market. Through an upfront investment of half a million euros, they would become the exclusive distributor for their region, which was for us a very cheap way to build an international distribution network.

The first distributor was PriceWaterhouse (then not yet merged with Coopers & Lybrand) in Brazil. Successively more distributors were appointed: in England, Germany, France, Spain, Singapore, and Japan. England and Germany were commercially interesting markets because both were neighboring countries to the Netherlands. Moreover, they were the largest European markets. The biggest advantage we had with the English market was that the language barrier for entry into the American market was broken.

2. The second of our internationalization tracks was our joint venture model with foreign partners. To accommodate this, we formed new companies in several countries to distribute our products. In practice, the joint venture formula meant that Baan brought in the product, the knowledge of the software, and the name. At the same time, the foreign partner provided market knowledge and financed the venture. As we were shorthanded to manage and operate a global model ourselves, this solution worked best for us for a little while.

We created joint ventures in America, Canada, Singapore, Spain, France, England, Switzerland, Austria, and Belgium, which worked well to expand our global footprint and visibility at a minimum expense. Unfortunately, it did not turn out as effective and successful as we had hoped. Most foreign partners were unable to give the joint venture enough attention due to other business interests, and as a result, they did not receive the expected return on investment. We had to buy out a partner and continue the venture as a Baan office on several occasions.

3. This brings me to the third additional track of the internationalization process. We established our first offices in Germany, America, and Singapore in 1989. Germany was an obvious decision because we already had a distributor. The intention behind

starting the American branch was to manage distributors and build a technical support department for distributors and customers, which we duplicated in the Far East.

These branches were barely functioning by the time Baan hit financial troubles in 1989, and because of the reorganization, we had to dial our activities back.

1990: Again, in the offensive

A wake-up call and a need for a course correction, as happened in 1989, is, of course, never fun, but you learn from it. Reorganizing was not a skill that I naturally had in me, not because I cannot but because I do not enjoy taking unpopular measures. However, this situation taught me how to deliver bad news and make it as painless as possible for everyone involved. It further made me realize that a hesitant approach in times of crisis does not make a difference. In fact, I have learned not to walk around for days with a difficult message but to convey it at the first opportunity. After the message has been delivered or the decision has been made, you can immediately turn your attention to other pressing matters. I always thought: 'In difficult times, you should not sit too long in the pit, while in times of prosperity, you should not waste too much time celebrating.' We need to keep our focus on what needs to happen next.

After the most crucial reorganization in the company's history was completed by the second half of 1990, we had a hard look at what was next. We executed a SWOT analysis to identify our internal strengths and weaknesses and our external opportunities and threats. The outcome of the SWOT analysis showed that the threat posed by the rapid growth of the market best could be prevented by improving our services package and shifting Baan to a more business-oriented approach.

This change process was communicated internally under a banner we coined TOPASS (Top Organization based on Products for Accounts with Services and Solutions). TOPASS offered us a way to develop and improve the company in a controlled and planned way while making significant investments in innovative products. This approach quickly proved useful, and TOPASS resulted in a few changes, where we first introduced a quality assurance department to improve the quality of our services. Secondly, we drove the organization's focus back to the core business, developing and selling our software solutions. The result was a transition of sixty employees to BSO/Origin (currently Atos Origin) in December 1992. They would remain closely connected to Baan and continue to provide customization and implementation services as a business unit called TRITON Professional Services. It was the beginning of a long-term successful global relationship with BSO/Origin.

While we took care of our internal situation, the outside world needed some time before engaging with Baan. It took till late 1990 before banks would be open to discuss business and customers committed to new sales orders. In the end, we closed 1990 relatively successfully.

Our changes did not go unnoticed on higher levels, and Baan was awarded the '1991 Export Award' in May. Former minister Deetman, at the time the chairman of the Dutch house of representatives, handed it to me based on our advanced product development, the unique design and rapid development of an international network, and our contribution to a positive image of Holland as an export country. It was the first time that this award was awarded to an IT company.

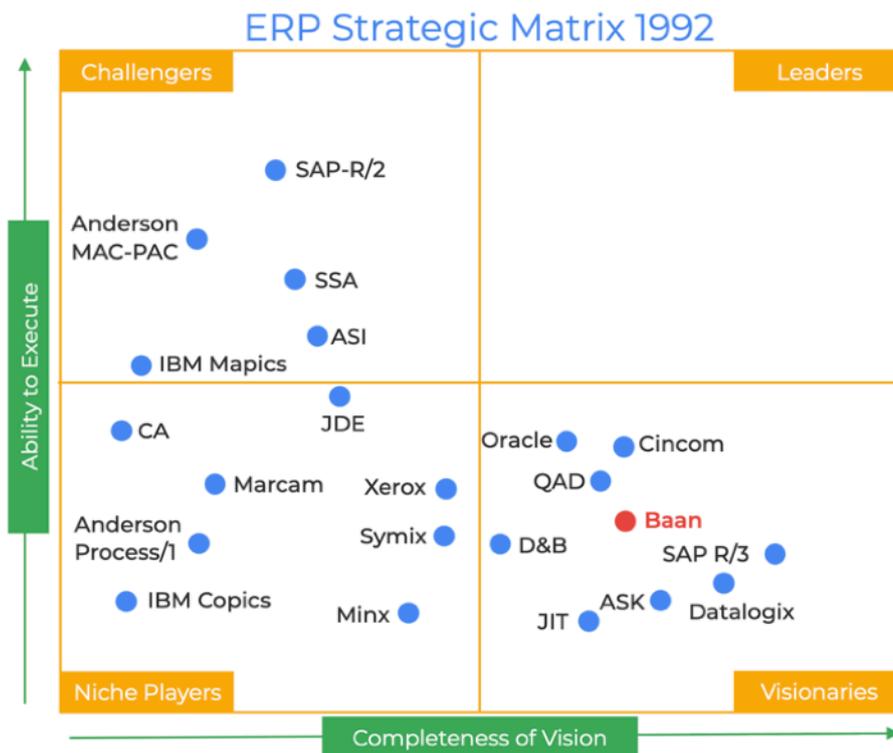


Wim Deetman hands over the '1991 export award' to me

Despite this award, I am the first to admit that our entire internationalization can be characterized as a process of trial and error, in which we adjusted and started over again more than once. Back in 1988, we had absolutely no strategy on how to conquer the international market. However, we had a view that there would be one global market, an idea that has proven to be right afterward. That is why Baan did not have to become a multinational organization.

A characteristic feature of this type of organization is that subsidiaries established in various countries have an independent position within the international company. Our strategy was to manage the different countries from one central point. Our conviction that the market would become global meant that Baan did not limit itself to Europe.

With our offices in America, Germany, and Japan, we felt we could coordinate our expansion on three continents, starting with these three countries that were economically the most important and were home to many international companies. In the early years, we suffered substantial losses in the new regions. This approach demanded a lot of management attention, and for sure, was not flawless. Despite the setbacks, by 1995, Baan was present in 35 countries, revenues had significantly increased, and 60% of the revenue came from the international channel.



This slide shows that, at the time the ASK agreement, Baan was a promising player, although it faced fierce competition. In subsequent years, its position would improve considerably

1992: OEM deal with ASK

The OEM agreement with ASK in 1992 was extremely important for our position on the American market. The previous contracts were concluded with hardware suppliers. In this case, ASK was a direct competitor to Baan. ASK was at that time one of the largest software companies in the world. The first contacts had been made a few years earlier through the mediation of Hewlett-Packard but did not go any further than a single meeting. By the end of 1991, the ASK marketing manager, Ian Williams, contacted us again, looking for a UNIX solution. They started too late, and the switch to UNIX was stalled.

The contract with ASK was the largest OEM deal we ever signed, and it allowed us to tap into a new sales channel in an important market, which we knew would be impossible to

achieve on our own. ASK's sales encouragement of the Baan software (a small Dutch company) in the coveted American market created a lot of name recognition.

As a result of this attention, we were noticed by market analysts like Gartner, who would introduce the term BOPS a few years later as the acronym for the four leading ERP suppliers: Baan - Oracle - PeopleSoft - SAP. Their recognition piqued the interest of General Atlantic Partners (GAP) in Baan. They saw Baan as an attractive investment candidate. The participation of GAP would come about in 1993 and would work entirely as a catalyst of growth.

Despite all the euphoria, the ASK contract also involved a threat. The danger was that Baan would be relegated to a supplier, which they were counting on. While some people at Baan considered the deal as the sale of the company, we were fortunate to avoid this threat. Prospective clients preferred to deal with Baan Company because we had a much greater knowledge of the product and could better serve the customer.

The ASK deal gave the company the start of the much-desired breakthrough in America, soon followed by a very important order from the tool manufacturer Snap-On. After months of consideration, they selected Baan's software, and with their 1.6-million-dollar order, Baan acquired a customer with an impressive image in America. Around the same time, things changed at ASK, and they slowly got into more trouble and were taken over by Computer Associates. One of their top managers, Amal Johnson, was very inspired by our work at Baan, and I was able to motivate her to leave ASK and lead the American Baan organization.

Along with Johnson, eight other top executives from ASK came to Baan and several consultants who helped our delivery model service our growing customer base.

General Atlantic Partners

In America, our OEM agreement with ASK drew the interest of some of the most important research firms that analyze the market, Gartner Group and AMR. In 1992, Gartner estimated the size of the global ERP market at about two billion dollars and predicted an average annual growth of 25 % over the coming years. An attractive market for investors, such as General Atlantic Partners (GAP), a venture capital firm based in Greenwich, CT, which had come to the same conclusion.

As a VC, GAP mainly invests in promising market segments within the IT space. The firm was set up by former partners of the management consulting firm McKinsey. Through their research and interaction with market analysts, Baan appeared on their list as a possible investment. While we hardly had any name recognition in the American market, our OEM

and distribution agreements with Olivetti, BULL, IBM, HP, and ASK made us stand out. Coupled with the fact that we were privately owned made Baan an ideal company for GAP to invest in.

In GAP's view, an investment in Baan as an unknown player in the American enterprise software market could be a very lucrative investment. Baan had an unusually good product, a distribution network with strong global hardware providers, still not broken through in the American market, and not yet listed on the stock exchange. A successful investment would result in a listing and an attractive yield on the investment.

Thus, in the fall of 1992, GAP's top management contacted us to discuss the European ERP market. Partners Dave Hodgson and Bill Grabe came to the Netherlands to attend several presentations and hold discussions with different managers. It was clear that GAP was not just interested in the market in general but also in our product development and the Baan policy. During the visit, it emerged that the Americans were eager to invest in Baan, which Paul and I already had surmised. They were impressed by our technology and our latest product and unusually positive about our business ethics and culture. At first, Paul and I were not at all interested in GAP's offer to invest in share capital because the ultimate consequence would be our loss of influence over the company. We did not want to share it; we were not yet ready for it and behaved a bit like children who do not want to let go of their favorite teddy bear.



GAP partners
David Hodgson (left)
& Bill Grabe (right)

While we felt it was too early, we had to face the painful reality that we had outgrown that teddy bear and had to give it up. While we were working through the emotions about giving up a part of the company to an outside investor, Dave and Bill from GAP would not give up and stayed in touch. During these discussions, they kept reiterating the necessary but costly growth and required internationalization of the company. It was a lot to process. To be honest, it was not just the monetary and control part but ultimately the company's future if we would not accept the investment and continue on our own. I used the automotive industry as an example earlier for our software development process and thought about how the automotive industry had evolved over the years.

Where this industry, in America alone, had at least a hundred independent car manufacturers before World War II, it had reduced to less than five only sixty years later. A fact, I was convinced, would be the same for the software industry. We had to make a choice. If we continued independently, we would not be able to scale beyond the level of a

tier-two supplier, selling our specialized components to our bigger colleagues. Another option was as a provider of a niche solution in just a few countries in Europe, which did not make much sense from a technical point of view as our product was strong enough to stand on its own worldwide.

The expected annual twenty-five percent or more market growth in the years ahead was another important decision-making factor. At Baan, we wanted to become one of the major players, and as the history of the automotive industry has shown, in every mature market, only a limited number of players remain because of market conditions and consolidations. We had to reach this position before the market stabilized and growth stagnated. GAP's participation was intended to develop Baan into one of the publicly listed major players in the software industry.

In the spring of 1993, the decision was made that allowed GAP to purchase a stake in the company. They paid 33 million dollars for one-third of the share capital. Paul and I considered that an enormous mountain of money, but the GAP people did not think it was such a big deal. Even our local banker could not believe that we had made this deal and called us in surprise when the payment had indeed been deposited into our account. GAP also stipulated that Baan would receive a stock market listing as soon as possible so that if everything went well, they could sell their stocks at a profit.

Because of GAP's investment, the company had to be swiftly professionalized. One of the first changes was to adjust our usual Dutch annual reporting model to a quarterly American reporting model. In addition to that, we now had GAP accountants reviewing our internal reports every month, which took some time getting used to but resulted in a more disciplined approach.

With GAP at the table and the American top executives who joined us from ASK, we were immediately introduced to a new phenomenon: stock options. According to them, this would be the most powerful tool to attract new American employees. Paul and I then decided to let many of our Dutch colleagues benefit from stock options as well, as a form of a reward for their loyal input. It primarily involved R&D employees who had provided crucial contributions to the company for relatively low salaries.

Our American shareholder was strongly in favor of setting up a generous stock options plan for the staff, which also strengthened GAP's motivation for a stock market flotation. As there were only three shareholders, dilution of the stock was not an issue. After all, we could settle everything quickly, and we decided to make ten percent of the total stock capital available for stock options. From a European perspective, that is an extremely high

figure. Some Dutch employees initially reacted somewhat uneasily, even though there was an attractive tax incentive for such an option plan.

The income from sales was tax-free, but the tax was deducted when the options were awarded. To ensure the support of our people, we decided to make the sum for the tax available as a loan, and as such, granted the options under relatively favorable conditions. The purchase price on exercising the options was very low, at US\$ 6.80. After the stock exchange flotation, many people could sell their options for many times that price, leading to many well-to-do Baan employees.

GAP's stake in Baan's stock capital had a big impact on me.³ At that point, I had a very strong sense that the family business phase was now over and saw it as a kind of farewell. I thought to myself: 'I will see how long I can keep pace with this new situation. 'Till today, I am still surprised about how long I was able to keep going. As it turned out, things were not too bad and not too difficult. Dealing with the stock exchange and with the analysts I even found enjoyable.

One result of GAP's involvement with Baan was that the two top men from GAP, Hodgson and Grabe, became non-executive board members of Baan and would advise and assist us. Within the company, people joked: 'Given the expected growth, it would be a good idea to turn the office building along the freeway in Barneveld into a skyscraper, thus making it easier for the American non-executive board members to find us.'

At the time of the deal with GAP, distribution outside the Netherlands was almost entirely in the hands of distributors. Due to inadequate product knowledge, the distributors were often incapable of providing proper support, resulting in customers reaching out to us and expressing interest in working directly with us. Through the investment made by GAP, we were able to spool up and improve the international network of our own offices.

³ Reflection 2022: How GAP approached us from Adriaan Meij, Expert publisher of financial & economic ICT research: *'I got to know Jan Baan in 1989 when I wrote an analysis weekly for the automation guide. I think that was about an I.T.-project at Bührman-Tetterode, which had asked me to analyze Baan Company as their partner of choice. In 1991, an acquisition from General Atlantic Partners came to me, who asked me to deliver a list of potential candidates for Nasdaq that he could visit. Baan was one of the few. General Atlantic then visited Jan and Paul. It was fascinating to experience that a booming stock exchange listing followed in 1995. That was the first time a Dutch company received a stock exchange listing on Nasdaq. This gave the goal of an IPO with an unprecedented PE ratio for the Netherlands an entirely new meaning. Investors went to judge companies on EBITDA and growth, no longer on performance in the past, which I kept doing.'*

Throughout 1993, Baan Company executed the main reason for working with GAP by investing ten million dollars in improving and extending our sales and marketing organization and achieving the desired expansion in America.

The contribution of a venture capitalist like GAP usually takes place from the point of investment until the stock market flotation. After that, a different agenda often surfaces because the investor mostly wants to get out fast, and GAP was no different.

From crisis to flotation

The development of the American organization certainly did not take place without problems. Shortly after their involvement started, GAP introduced us to Ron Weilert, a top sales manager at Oracle. He had total confidence in Baan and was prepared to develop and lead the American organization. It was surprising and, not to mention, rather premature that Weilert also displayed ambition to succeed me as CEO. But of course, there is nothing wrong with a bit of ambition.

Weilert eagerly got down to work in America and had recruited a team of more than a hundred people, mostly salespeople, in a matter of weeks. Not long after that, a meeting was organized in a hotel, attended by Paul, me, and a few members of our Dutch team.

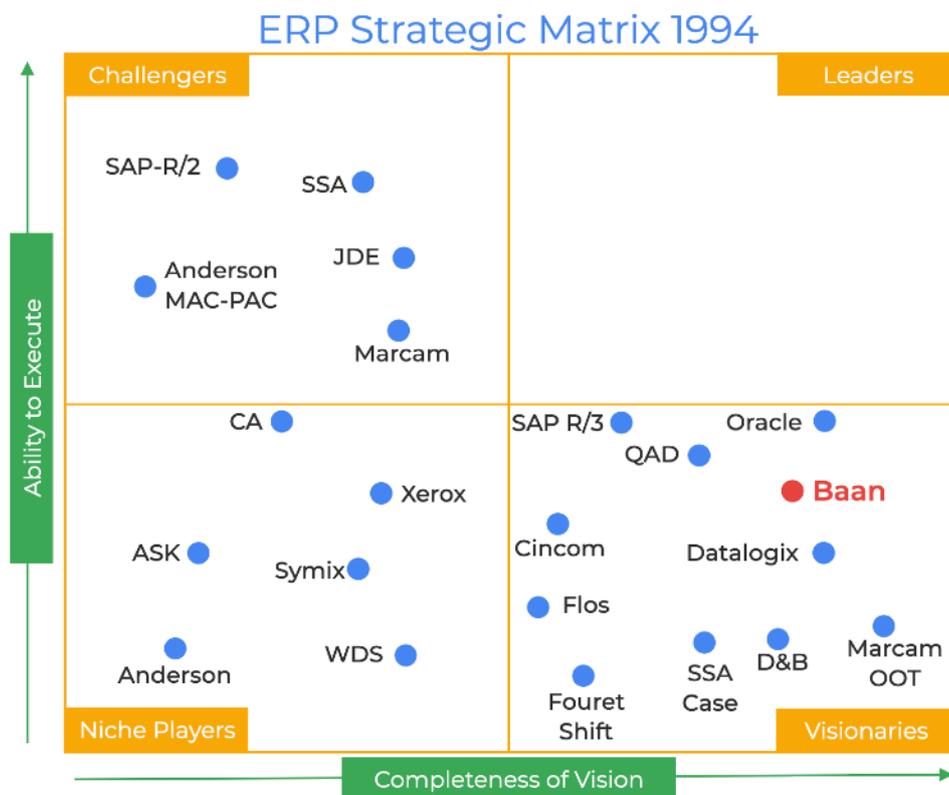


The expansion of Baan's headquarters in Barneveld

Other than that, laptops were handing out at the door, like hotcakes. We were extremely impressed by the meetings and outstanding presentations. Weilert proudly told me that he had gathered a team of excellent people around him. Paul and I nudged each other and said: ‘Then we definitely don’t belong here.’ Where Weilert spoke of a team of excellent people, we preferred to talk of an excellent team of people.

The difference would reveal itself quickly in 1993 when a bank employee in charge of international payments called one of our finance team members responsible for payments authorizations in Barneveld. He asked very politely: ‘Madam, I have to put through more and more transfers abroad for you, but I have never seen anything come back in this direction. Is that correct?’ As the American venture had burned through an enormous amount of cash in a very short time, he was absolutely right.

At the beginning of 1994, six months after his arrival, I found it necessary to let Ron Weilert go. This was quickly followed by a drastic reshuffle of the American organization to get it back on track, resulting in some serious concerns at the banks that refused to lend us any money. As it turned out, we had a substantial balance of accounts receivable, not pledged to third parties as financing security. So, Paul and I together lent about ten million dollars to the company, and since GAP did not want its stake diluted, it also put five million on the table.



This slide shows how the Gartner Group viewed Baan’s standing in 1994. Baan was a promising candidate for a top spot, which the company succeeded in achieving shortly afterward

It was not my first — nor incidentally my last — unpleasant contact with bankers. We quickly learned that when things are going well with your company, they roll out the red carpet, but nobody is home as soon as things start to look bad. When things went completely wrong for The Baan Company later, we were at the bank's mercy once they successfully maneuvered themselves into the driver's seat and managed to make much money from us.

It has been an expensive lesson, and I do not plan on making the same mistake again when I need to work with banks in the future. I would rather choose to have less for myself than give up my independence to them.

An international support organization

We knew from the beginning that the short life cycle of our software combined with the cost of R&D needed a different approach to be successful while not draining the company's finances. Our initial internationalization had been a bit too ambitious, perhaps even overconfident, and was one of the causes of our financial crisis in 1989.

After dividing the company into Baan International and Baan Info Systems, we took a closer look at Baan Development. Baan Development was responsible for our overall product development and was situated in our headquarters in the Netherlands, with a small team in our offices in India.

We had established a clear separation between product development and service delivery in our early days. It was our way to keep developers focused on the needed software development for future versions and not to be distracted by customer-specific project requests, which were handled by the consultants instead. As we were selling globally, we could no longer support everyone from our office in the Netherlands and decided to set up three International Service Centers and create a 24/7 follow the sun support model. The centers were in India, the Netherlands, and the U.S., supporting the customers and services teams in their territorial time zones.

By 1994 Baan had a global payroll of 850 employees, and the organizations in our indirect channel employed another 1,300 people. Baan International set up the indirect channel to extend our reach through a network of international distributors.

The division of the 850 employees was as follows:

- R&D - 100 employees
- Baan Nederland - 250 employees
- Baan foreign offices - 470 employees
- Baan International - 30

Meaning more than half (55%) of the Baan employees were employed by our offices in other countries than the Netherlands.

This approach also allowed us to change our R&D department into a much-needed international model. As our software was being developed in India since 1987, it was only logical to establish an R&D department there. Later, when specialization into the automotive, process, aerospace & defense, etc. industries was required we added departments from various other international branches to R&D. In the second half of the nineties, several R&D departments of companies that were acquired or in which we took an interest were added to the team. The global R&D team ballooned to a total of 1,341 employees. It was 32 percent of the total workforce. Our competitor SAP from Germany employed 22 percent of their team in their R&D department, which was, although a lower percentage, at almost double the cost per employee, compared to us with the majority of our team members in India.

Nevertheless, SAP has been a great competitor, and we can be grateful for their marketing efforts to publicize the ERP concept in the early nineties. SAP positioned ERP in the market in a way we could never have done. We did not have the money, people, and skills to pull off that effort. Conversely, we certainly contributed to SAP's ERP product success when companies interested in ERP software requested product information our competitors like SAP. Looking back, I must conclude that the internationalization process has indeed been a success.

In September 1994, Amal Johnson joined Baan Company as Executive Vice President America's and Worldwide Marketing. She had the experience of more than twenty years in IT. She had the attractive but not easy task to steer the rapid growth of activities in the right direction. Amal Johnson had learned a lot as a personal assistant to John Akers, the IBM Chairman, and had experience with Mergers & Acquisitions (M&A). She got along well with our board member Bill Grabe (also a former top IBM employee), who worked almost full time with sales support. In November 1995, we announced the appointment of Tom Tinsley as President, Chief Operating Officer (COO), and member of the board of directors.

Baan Company benefited greatly from its growth strategy, particularly in the US, due to the arrival of Amal Johnson and Tom Tinsley. My role was focused on product development and the input of 'self-learning teams' driven by the Baan culture. When it came to sales, we had, especially in the US, very talented sales managers. Kevin Calderwood (VP Sales) sure was a winner, who was involved in large and successful deals.

3. The Boeing deal

Spring 1994

In the spring of 1994, Boeing, the largest aircraft manufacturer globally, sent tenders to sixty suppliers of business information systems. The request for information also reached our Menlo Park office in California. However, the manager who received the request put it in his desk drawer because he felt that Boeing was not one of the companies, zebras in US sales jargon, he and his colleagues were looking for as a customer. The manager in question was underperforming, and shortly after, he was fired. The office manager emptied his desk and found Boeing's application between the papers. She handed it to her superior, Jim Gast, who was shocked to see what he had in his hands. More so because the deadline to respond had just passed. Jim immediately reached out to Boeing and was able to get a deadline extension until the following Monday, which only gave us that Friday and Saturday to prepare our response.

While we struggled with how we would pull this off, I also saw this as an incredible opportunity and worth the effort. Our US and the Dutch team worked very hard until eight o'clock Saturday evening and pulled it off. On Monday morning, a courier delivered a decent book of eighty pages at the Boeing headquarters in Seattle. Boeing then selected three suppliers: Oracle, SAP, and to our complete surprise, Baan Company. We received the disappointing news that Boeing had selected SAP a few weeks later, which turned the opportunity down shortly after. That decision placed us back on the list, and as Boeing did not want to award the contract to Oracle, we were invited to demonstrate our solution at their offices in Seattle. We had no time to lose and put together a team of eighteen mostly young but brilliant employees, whom we called 'the Baan Green Berets Team' and gave them two weeks to prepare the demonstration.

To make it work, I had selected experts from the R&D, consulting, and pre-sales departments. The R&D experts controlled all software components that were important to Boeing. They had the authority, if necessary, to adjust the software in support of the demonstration. They put in all they got, and never had so much technology realized in such a short time in our company, which was the main contributor to our victory. As this was a very important opportunity, and most of the 'Baan Green Berets' were young people, I decided to join them and be there during the five-day demonstration. While the American sales team didn't think it was necessary and that I should only have contact with people of my own level, I am glad I did.

Inexperienced in presenting to large organizations like Boeing, we expected to present to a group of nine or ten people. You can imagine our surprise when we entered a room filled

with more than three hundred people. Initially, the Boeing people euphemistically expressed that they were rather skeptical about our product. Still, while the week progressed, the sentiment changed, followed by a standing ovation for the Baan team at the end of the week. This meant that Boeing's management was faced with a fait accompli and only could give us the order. With a total value of twenty million dollars, this order was the largest software agreement ever based on the total number of users on one central database.

BOEING

June 24, 1994
G4150-BPR-SAF-219

Jim Gast, Boeing Account Manager
Baan International
2005 Gateway Place, Suite 400
San Jose, CA 95110

Dear Jim:

Subject: Letter of Notification, DCAC/MRM

References: (a) Boeing Request for Information, DCAC/MRM April 4, 1994
(b) Baan Demonstration June 20-22, 1994
(c) Telecon with Steve Feller June 24, 1994

Congratulations! This letter is your notification that the final evaluation of reference (a) and (b) was completed on June 24, 1994 and the Baan team has been selected for its MRM-Purchasing software product in support of the DCAC/MRM project. The major supplier roles in the project have been established and the executive review board has concurred. I will be the point of contact for your purchase contract award and all other related activities. There are preliminary activities required and you will be reimbursed for these activities under Purchase Contract Number: W305111.

In the near future, you will be notified in a separate letter of a series of meetings and visits that are currently being scheduled between you and Boeing.

We commend you for the high-level quality of your product demonstration in support of DCAC/MRM activities. You should be extremely proud of the professionalism and quality exhibited by your team. The requirements Boeing placed on you were extremely difficult and your team has performed in an exemplary manner. We especially appreciate the concerted effort that the Baan team expended on behalf of the entire DCAC/MRM Project Team.

If you have any questions about this matter, please feel free to give me a call.

Again, thanks for all your efforts and we look forward to working with you to make the DCAC/MRM project a success.

Sincerely,



Steve Feller
BCS Materiel

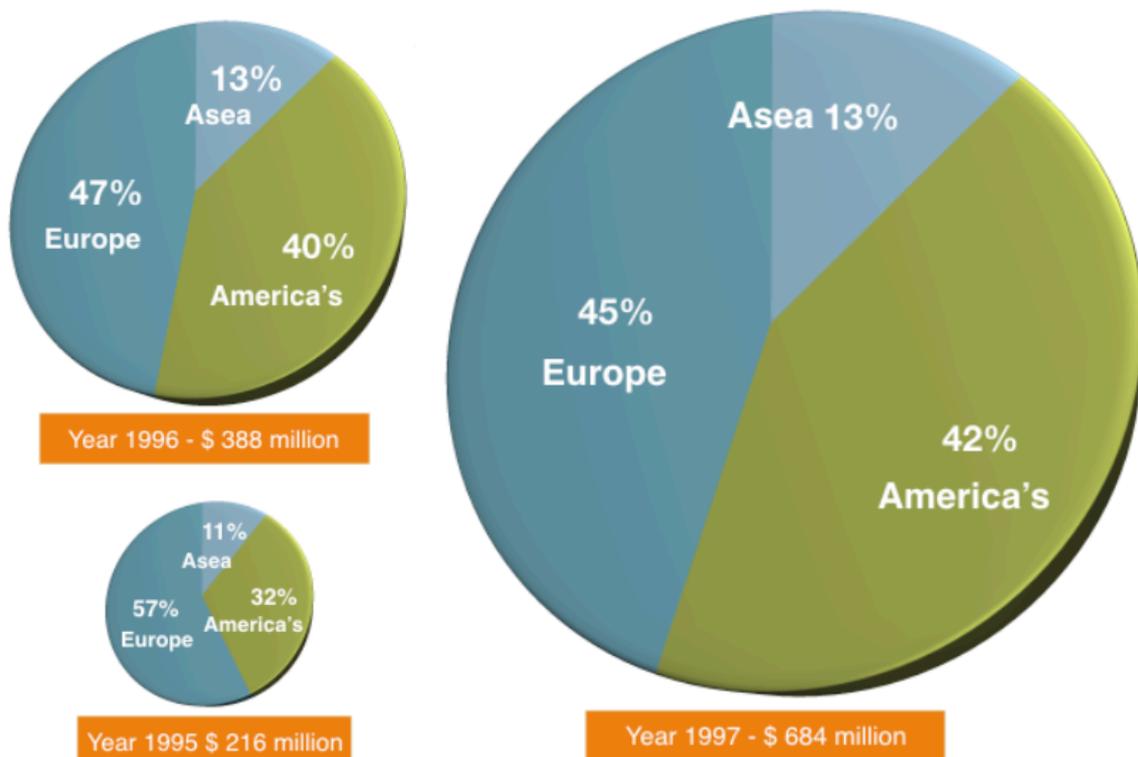
Boeing takes off with the Flying Dutchmen

Our win in 1994 with Boeing was a great breakthrough for Baan Company. Indeed, you need a market maker to break through to the world's top software providers. Such an installation with more than 40,000 active users and all that in 'one instance' had never been realized. And especially the rapid implementation was noticed in the market. In addition to our implementation methods with DEM, this was mainly due to the disciplined Boeing organization. There are hardly any comparable companies globally that know how to professionally deal with such complex business processes.

The Boeing Commercial Airplane group had narrowed the field to two outstanding companies. They entertained The Flying Dutchmen from Baan Company to make the largest and most time-critical process re-engineering commitment in history. Ninety days after our first visit and demo, Boeing placed an initial order valued at US \$20 million for Baan's TRITON software.

Suddenly we got all the attention of the analysts, which functioned as the stimulation for the IPO on NASDAQ and AEX listing that followed in 1995.

In 1995 we already had a nice distribution of our revenue of 32% in the USA, which continued strongly in 1996 with 40% sales in the US. The following year revenue grew with US \$296 million to US \$684 million, with a still balanced distribution worldwide. It seems practically infeasible, but in fact, this was, in retrospect, not a difficult process. From 1978



to 1994, we had sixteen years the opportunity to bring our innovative products up to standard with the adjoining methodology for services.

‘Boeing bought Baan's software to support our efforts to review business processes and our transition to centralized process management across a multitude of business processes.’

‘When we asked Baan to work with us on our restructuring of the business processes, we were given more than a world-class ERP solution. Baan also introduced two complementary concepts; a model for knowledge transfer and their implementation methodology. These concepts optimize the relationships between the owners of the business processes and the information experts.’

Scott Griffin, CIO The Boeing Company

Interview with Kelvin Calderwood

Here are a few words from Kevin Calderwood – VP Baan North America, during an interview after the Boeing deal was closed.

The contract with Boeing meant that everything Baan was doing was approved: his vision, strategy, and product. Prior to this transaction, few companies knew Baan. After Boeing opted for us, the general feeling in the market was something that needs something. Much attention was paid to the agreement in the press. Many people, therefore, wanted to learn more about Baan and our product.

Both Boeing's reputation and the size of the contract have helped us a lot. The contract worked like a lighthouse at night. The significance of this was that we were not only able to sell to other companies, but also to attract highly qualified employees for the sale and support of customers.

Since then, we belong to the top. A consequence of the agreement was that we were in the spotlight and were scrutinized by the press, analysts, other companies, and our competitors and had to be successful with the implementation.

We could not afford a misstep. Since the Boeing order, we have been high on the list of possible suppliers with almost all large companies. The reasons are the same as why Boeing bought our software package: speed of implementation, the concept and flexibility of Orgware (the implementation tools), the powerful functionality of the solution for the entire supply chain, our development department, and methodology, and the culture of Baan.’

Can you explain what the consequences of the agreement with Boeing were?

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Before the order was closed, did you think we would get it?

'One aspect is that if Jan Baan mobilizes all resources within the company, there is no longer any question of losing an order. I was also convinced that if we had the opportunity to tell our story and demonstrate our product, we would win. Our competitors did not have the same depth and breadth with their products. We came out of nowhere for Boeing and had to explain everything to get a chance. When we gave our demonstration, we fully realized what we had said, and Boeing was surprised and very impressed.'

Before I joined Baan, I was employed by two other software companies. I came from Oracle to Baan. In this way, I knew the market and Baan's competition very well. When I first had the opportunity to investigate Baan's product, I noticed that it had a lot to offer, and I knew it was a very attractive challenge to work for the company. Also, the fact that General Atlantic invested in Baan was a sign for me that there was much potential in the company.'

What is your main challenge now?

'The growth of American activities is enormous. Managing this growth is a big challenge, but it is certainly not easy. We need to balance the number of customers we receive and our opportunities to make these customers successful. The only limiting factor to growth

is formed by ourselves. The big bottleneck is finding the right people, training them, and integrating them into the organization. The new employees need to know not only our product but also the culture of the company. They are not individuals but members of a team. It is also essential to realize the right infrastructure. I like the challenge we face.'

Interview with Scott Griffin, director of Boeing

About why Boeing flew with Baan

'Boeing bought Baan's software for many reasons. It supports our efforts to review business processes and our transition to centralized process management across a multitude of business processes. When we asked Baan to work with us on our restructuring of the business processes, we were given more than a world-class ERP solution.'

Baan also introduced two complementary concepts — a model for knowledge transfer called Competence Center and their TARGET implementation methodology. These concepts optimize the relationships between the owners of the business processes and the information experts.

This is very important for the effectiveness of the new processes, the information systems installed, and the people who support this.

The Competence Center was presented as a model of knowledge transfer that supports all phases of the implementation process and of the life cycle of the system, from design to maintenance and customization.

The Baan Competence Center at Boeing is staffed with Boeing and Baan employees within one organizational structure. Every Baan employee, from the director to the analyst, has a Boeing 'buddy.' This model complements our BPR activities (to revise the business processes) so well that Boeing has adopted it as our own concept. We will use it for all our commercial standard software.'

What is the meaning of TARGET, Baan's implementation methodology?

'TARGET is an interactive model that initially configures Baan's software to support the business processes of the company. Then this system is changed as the business processes develop further. TARGET makes it possible for a broadly composed design and construction team to simultaneously model the new business processes and build the new information systems. This design and construction approach is in line with the way in which Boeing has designed its new 777 aircraft in collaboration with its customers and suppliers. This approach became very successful for us. This is one of the reasons why the flight that Boeing makes with Baan will be successful.'

The Boeing Company was very loyal to us, supporting an interesting marketing campaign. We were able to link the Flying Dutchmen image with the innovation power of the new triple seven and could design this interesting advertisement with these nice words:

Boeing Takes Off With The Flying Dutchmen.



The Boeing Commercial Airplane Group had narrowed the field to two outstanding companies. About to make the largest and most time-critical business process reengineering commitment in history, they entertained *The Flying Dutchmen* from Baan Company. Ninety days later, Boeing placed an initial order valued at \$20 million for Baan's TRITON family of client-server finance, manufacturing, distribution, transportation, service and project management applications.

If you are about to make an ERP decision, *The Flying Dutchmen* would be delighted to introduce you to a significantly new perspective. One shared by ABB, Hitachi, Mercedes-Benz, Northern Telecom, Philips, Snap-On Tools and ... oh yes ... by Boeing. The worst that can happen is that you'll get a free hat commemorating the take-off of two flagship products: Boeing's 777 and Baan's TRITON. Call Baan at 800-XXX-YYYY. Then clear a landing spot, along with some time on your calendar.



Baan
The Flying Dutchmen

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The Boeing order was crucial for our breakthrough in America, a deal that literally and figuratively gave us wings. In 1994 we recorded a growth of up to 90 percent, a year later 76 percent. This rapid growth was very much needed. We could not afford to grow at the pace of the market, which was at 25 percent. Of course, it was all great that such a small Dutch company had managed to acquire such a gigantic customer in America. CEO Paul Wahl, the American President of SAP, openly dared to doubt our ability to complete the assignment successfully. However, we did reap

Boeing's most favorable reviews for our implementation techniques, and all our employees at Boeing were awarded the Boeing certificate of excellence. This agreement meant a turning point and included an approval of what the company was doing and gained a leading position in the ERP software market. At the end of the last century, The Boeing system would count more than 40,000 users and made Boeing a very loyal customer. When Baan was in serious trouble in 1999, I received a letter from the Boeing DCAC/MRM team (responsible for business process redesign in Boeing Company):

'You are wonderful. It should give you a sense of pride that, wherever you see a Boeing plane, you know that you helped to build it.'

From: Scott Griffin Date: 2016-07-11

After his visit to the Vanenburg Castle in the Netherlands, celebrating our 20 years of collaboration.

'Jan, your note also caused me to reflect fondly on our time together in the 1990s implementing Baan ERP at Boeing. I was borrowed from my technical role implementing common systems (half of which we had built ourselves, of course) across Boeing Defense and Space Group to observe the DCAC/MRM procurement process. I witnessed the young Baan team, led by Jan himself, demonstrate the capabilities (and promised capabilities) of Baan ERP at the Bellevue Red Lion Hotel. You were competing against the mighty SAP (and frankly, competing with the Boeing Defense and Space MRP System which I owned). You won the day, and rightly so.

Little did I know, I was then loaned for the duration to Boeing Commercial Airplanes Group DCAC/MRM by the President of Boeing Defense and Space Group. It was an exhilarating ride, and I had the great fortune of working alongside all of you.

Mel Mills (1993 till 1999 VP Strategic Accounts Baan Company) and I worked literally side by side for two years. We took many, many trips together and enjoyed many a conversation/debate about religion, politics, hockey, and cars. Warmest regards always,'

Scott Griffin - Boeing Chief Information Officer, Retired



4. To the stock exchange

Preparation for IPO

In the summer of 1994, we began preparations for the stock market flotation, which at that point had another reason than to improve our financial position. Although the company had struggled with liquidity issues for years, the Boeing order brought us a breakthrough into the American market, and because of this, sales had increased enormously.

The main driver behind the stock flotation was commercial importance for the company. Not being listed on the stock market is an enormous impediment to getting orders in America. The business community sees a stock market listing as a guarantee of quality and continuity. In addition, it reinforces what is called market visibility, where financial analysts and the press notice you. Further commercial success is gained when their reports are positive. A stock market listing was tremendously important for Baan's reputation and indispensable for achieving business success.

We had gotten through the startup phase, and Baan was now a widely respected ERP supplier. In an analysis by the Gartner Group at the beginning of 1995, the market volume for manufacturing software was predicted to be around five billion dollars in 1997. According to Gartner, Baan, Oracle, PeopleSoft, and SAP (BOPS), belonged to the top four suppliers in this segment. The market researchers saw Baan as technically the most advanced company, with the most highly developed implementation technique compared to the competition. In summary, Gartner stated that Baan was years ahead of the competition. All the more, the reason to also become more visible in the financial world.

In addition, we more or less owed GAP a stock market flotation. After all, they had set that as an informal precondition when they acquired an interest in 1993, which is quite common for this type of investor. They are only prepared to step in when they have the possibility of withdrawing at the most optimal time.

Before the stock market launch, our legal and management structures had to be adjusted. The private holding corporation was converted into a public corporation called Baan Company. Per the American plan, Baan Company got a board of directors. In America, non-executive board members play a much more active role than in the Netherlands.

In the Netherlands, it is about control at a distance, while American non-executive members keep the management on a much shorter leash, which I would experience in person later.

In connection with the preparation for the stock market flotation, the appointment of David Cairns as Chief Financial Officer (CFO) was important. He started in the summer of 1994. He was solely responsible for financial reporting, internal control procedures, budgeting, and administrative organization. Cairns knew all the ins and outs: he had already assisted two companies in stock market flotations in America. Shortly before this, he had completed preparations for the flotation of another Dutch company, Uniface. GAP was an important investor in this company, but it would ultimately not come to a stock market flotation. Just before the issue prospectus was published, the big stockholder Bodo Douqué accepted an attractive cash takeover bid from the American firm Compuware. Not altogether coincidentally, GAP was also an investor in that company.

The timing of Cairns' appointment was perfect. Two days after he started, we signed the Boeing contract. All lights were green to make Baan ready for the IPO. Cairns immediately began to adapt our administrative organization to American requirements. Group reporting was modeled on the American accountancy guidelines (for financial reporting). Cairns being a smart fellow, organized the financial reporting model in no time, right on time for the flotation. He was highly professional, and along with his assistant, he knew how to get a company ready for the stock exchange. Very soon after the flotation, he left us.

Listed on the NASDAQ

Three weeks before our flotation on NASDAQ, in May 1995, I gave a series of presentations with my management team to investment specialists all over the world about the company. We held these presentations, called roadshows, and visited twelve cities in America, four in Europe, and one in Japan. Perhaps, it does not seem like much over three weeks, but the presentations combined with the travel and time differences were extremely tough. During the two weeks in America, traveling from east to west, time and time again, I had to sell the company and myself enthusiastically in an environment where it was all about money.

It was a bizarre circus. When back in my hotel, I only had a quiet moment, sometimes; the rest of the time, my life was essentially out of my control.

The roadshow started on a Monday morning in New York at the office of Goldman Sachs. In a kind of dress rehearsal, the first meeting would occur with their American sales team, and after listening to their comments, the face-off with the financial market would begin.

Because I do not travel Sundays, I would have to leave the Netherlands on Saturday and spend Sunday in a hotel in New York. Which by itself was no problem, except that I was already going to spend the following Sunday in America. I did not want to do this to my family, and after some creative thinking, I found a way of arriving on time by flying on the

Concorde. Early Monday morning, I took the first flight from Schiphol to Paris and transferred to the Concorde after a long wait. Now, I could walk into the New York office of Goldman Sachs the same day at 9 am. It was rather tiring, but I considered my family life to be more important. The next stop would be Philadelphia, to which we traveled by train. On Thursday of that week, at the west coast in a hotel in Portland, Oregon, while reading my Bible, I was gripped by the story of King Solomon (1 Kings 3:5-15), in which God appeared to Solomon in a dream and asked him what he wanted. Solomon answered: 'I am, but a little child, [...] give therefore thy servant an understanding heart.' He did not need money or long life but asked for wisdom to provide leadership to God's people. Given my professional responsibility, I felt the same way. Afterward, it felt as if my prayer went straight through the ceiling up to Heaven and was heard there by God.

On that Saturday, I flew to Rock Valley, because of my desire to spend the Sunday in a church that has relations with our reformed congregation in the Netherlands. It was very cold, and spent the night in a simple local motel for 35 dollars. The contrast with my workday situation could not have been greater. The hotels where I stayed during the week averaged over 500 dollars a night. That Sunday, I was a guest at the preacher's house between the church services. It was a day I still recall with fondness and much clearer than the roadshow, which was exclusively focused on money and financials. I derived little pleasure from it, and it gave me no fulfillment. In fact, it was nothing more than a necessary evil.

In the middle of the 1990s, the stock market climate in the Netherlands was unfavorable to IT companies because there had been several disasters. On the other hand, the climate was very favorable in America, especially on NASDAQ – the fastest growing and the second largest stock market in the United States. So, we chose NASDAQ, and after much perseverance, the Amsterdam Stock Exchange managed to persuade us that a listing in Amsterdam was equally attractive, which resulted in a dual listing. Still, the flotation was mainly in favor of the American market, with around three-quarters of the available stock allocated to American investors. The stock price was set on NASDAQ, and the Amsterdam stock market followed.

Baan's stock market flotation – IPO (Initial Public Offering) in American stock market jargon – was one of the most successful of 1995. During the subscription period, the price range of the stock was set between twelve and fourteen dollars. After the roadshow, it was clear that the demand was significantly greater than the supply; the stock was thirty to forty times oversubscribed. So, the flotation price was raised to sixteen dollars. This was unusually high. With a flotation value of almost seven hundred million dollars, the company was valued at about five hundred times its annual profit.



Listed on the Amsterdam Stock Exchange

On the Amsterdam Stock Exchange, companies are worth on average twenty times their annual profit. Before the IPO, experts estimated that the quoted value would come out somewhere between two and three hundred million dollars. Shortly after the roadshow, Grabe, Hodgson, and I had dinner in the center of Amsterdam. At Grabe's instigation, we

wrote down our predicted closing price for the first day's trading on our menus. The result was Grabe 26 dollars, Hodgson 25 dollars, and I 22 dollars, and I still have these menus. Friday, May 19, 1995, was the historic day of the IPO. The price of the stock on NASDAQ immediately shot up to 25 dollars. The Amsterdam stock exchange had to wait until Monday. After the flotation days, the price of the stock continued to rise steeply. The financial world could not believe what was happening. The press wrote about Baan's dream debut, and within three months, the quoted value had doubled. After nine months, those who had invested at IPO had achieved a yield of two hundred percent.

This upward course would continue until 1998. Baan soon became the darling of the stock market, and the stock became a real people's stock.

I experienced the NASDAQ IPO as if I was a seventeen-year-old going to university for the first time — the company was seventeen years old at that point. I was like a Dutch boy going to an American university and looked forward to all the things I would learn in the coming years. It was a high point in the existence of the company.

When the company reached in 1996 its eighteenth year in business, I compared it to a young man. Baan was youthful, competent, and promising, ready to join the big mature companies league. While the expectations were high, it had many fascinating challenges to overcome during its further growth and development. It was a process in which Baan would change, acquire new insights, and build new professional competencies. Under dynamic market conditions, successes were relative, and continuous renewal was necessary.



Event: Baan Company eighteen years old

BoundarySpanners from Baan Institute

In 1995 we laid the foundation for our global training center called Baan business IT School. Later this name was changed to 'Baan Institute.' It was a joint initiative from my brother Paul, me, and both professors in the Baan Board: Graham Sharman and Hans Wortmann.

The Baan BoundarySpanner had a good understanding of the customer's business processes, spoke their language, and knew how the ERP solution could add value. The school quickly became very successful and in 1997 already had 270 graduates..

The BoundarySpannerTM
Bridging Business and IT



BAAN Institute

Traditional organizations were divided into functional areas, often with their information systems and databases silos. For example, changes in competitive conditions to speed up the turnaround time of a product would require a re-engineering of business processes. To achieve this, a smooth connection needed to take place between the business and the IT worlds. We created the BoundarySpanner Program, a sort of a three-month mini-MBA. We trained young and energetic students on the Baan software and the related business processes. The students had a background in various disciplines and came from all over the world. The intention was to deliver a constant flow of BoundarySpanners, i.e., people who could ensure that our product would deliver the intended business results for our customers. Implementing and deploying disruptive business processes successfully delivered strong and effective Baan ERP systems to our customers, giving them a competitive advantage and driving their ongoing success. The school quickly became a great success and counted 270 graduates by 1997.

The expected rapid growth of The Baan Company fostered an urgent need for this kind of people. The program also contributed to the strengthening of the Baan culture and identity. Baan business Innovation, an innovative consultancy group, was set up in close collaboration with Baan Institute.

The establishment of Baan Institute was a key motivator for us to acquire Kasteel De Vanenburg, a 17th century estate in Putten. Besides the beautiful setting and its history, it also allowed us to utilize the outbuildings, including more than 50 hotel rooms, to house the initiative and the students in attendance.

The 'Baan Institute' reminds me now, all these years later, how important our initiative was to unlock the possibilities of a new generation of IT systems and translate them into business processes for the extended enterprise in the supply chain.



Kasteel De Vanenburg in Putten

This was where talented new employees intensively worked together for several months, after which they would return home and work from one of the many Baan locations around the world. I was elated to see that the Baan Institute alumni kept in touch with each other. They put what they had learned into practice and kept each other permanently informed to quickly translate new practical experiences into improvements for implementations of the complex ERP systems. Because of their accelerated careers, the BoundarySpanners were extremely motivated and have been ambassadors for innovations for many years.

There are all kinds of differences, important and minor, between companies operating in the same market. Derek F. Abell distinguishes between visible and hidden differences in his fascinating book, *Managing with Dual Strategies*. The performance factors of companies, such as revenue and profit growth, are among the most visible differences. What is equally important are the differences in product characteristics and market strategy. Some hidden differences are much harder to determine. Just think about that part of an iceberg that is under the surface. These are the strength and continuity of the company. It includes the quality of the employees and the organizational components, culture, and the organization's functioning.

The great importance of what they call the strategic intention has been pointed out by Gary Hamel and C. K. Prahalad in their Harvard business Review, May-June 1989 publication, 'Strategic Intent.' It is seen as the bottom layer of the iceberg. The strategic intention

largely determines the future success or failure of a company. It is about creating tomorrow's competitive advantages faster than the competition can imitate your current lead. We can safely say that Baan Company has always been strong in constantly innovating, which made us successful, and we wanted to remain successful in the future.

In 1995, the article 'Disruptive Technologies: Catching the Wave' was published by two Harvard business School professors: Joseph L. Bower and Clayton M. Christensen (Harvard business Review, January-February 1995). They pointed out that leading companies often fail to remain at the top when technology or markets change. In their opinion, the pattern of failure is particularly striking in the information technology market. For example, IBM, Digital Equipment Corporation, and Apple Computer all had dominant positions which were lost. A fundamental cause for this is that companies remain close to the customer. Customers have a big influence on the investments companies make, and because of this kind of single focus, a company can become blind to new and emerging technology.

In the past, Baan had been able to invest in new technology and advanced concepts. Two examples: In 1990 we came to market with the new generation of our software package. The way the 'customer order decoupling point' was developed was one of the strong points of the package and was unmatched by the competition in the mid-nineties. Another example was our Orgware package, which was introduced in 1993 and enabled a fast and accurate software implementation.

This also made us unique, and to not miss the next 'wave' in technology, the research & development department was separated into two different departments, one for research and the other for development. Baan Research had the straightforward task of developing the new generation of products without being guided by the customer's current needs, which became the task of the Development department. We were confident that we would be able to maintain our leading position in the future.

Ongoing Innovation: The way we built Baan

Our first book had this title. We released it on our 18th anniversary in May 1996, and we felt a bit grown up. At the time, we had a monthly magazine for the associates called 'BaanWare,' where employees and their family members were informed about our company's 'ins and outs.' In one of them, I wrote that time the following:

I look back with great pleasure on the creation of this book. It gives a picture of the ups and downs of our company and describes our learning curve, where I realize that we often had to become wiser through damage and shame.



A Baan account team. In the foreground our late employee Jaap van de Kieft

Baan Company is a leading company in the field of information technology. This position has been reached in eighteen years. When reading, you may get the impression that it all went by itself. That is not the case. The employees have shown a great commitment, and many have worked exceptionally hard. We mention some in particular here. This choice has something arbitrary. All current and former employees have contributed to the growth and prosperity of the company. The valuable results were achieved, especially in a team, where one could not miss the other. I want to thank everyone for this in the full confidence that all employees will continue to commit themselves. Then we remember with great appreciation the two employees who passed away, Jaap van de Kieft and Jan Kreijkjes.

We would never have become the company that we are now without our customers. They have allowed us to develop and improve our products.

My brother Paul and I are very grateful to our parents. We can look back on our father's life with respect. He could appreciate material prosperity, but above all, put it into perspective. His advice was always: 'Do not put your heart on it.'

Mineke and Rinie, our wives, and the children have always considered that our business took much time. Fortunately, the atmosphere at home is definitely not business. We have tried to separate as much as possible private and business. Recurring highlights in the family are the Sundays when the business activities are kept outside the door. Above all, we may notice God's blessing in our company. We depend on this, and our expectations are based on this for the future.

We have made this book because we want to inform our employees, their families, interested customers and shareholders, prospective employees, and other interested parties about the company Baan. We want to say something about strategy and policy, about corporate culture and ethics, particularly through events that took place. Of course, we cannot do more than share some facets. We hope that this publication meets your expectations and contributes to the further development of The Baan Company.

Baan basics

In 1995, we formulated the concept of Baan basics for the company. A document of the same name refers to matters such as the company's mission, its skills, and, last but not least, its values.

Baan has the ambition to be a global leader in ERP software and is on the threshold of realizing this. Global leadership means to be recognized as the best company in its field, but not necessarily as the largest. Baan strives to lead the software world in customer satisfaction, human development, and product quality. Realizing global leadership means:

- *On the one hand, it contributes significantly to the customer's success —particularly leading global companies — by developing, implementing, and supporting highly advanced ERP software in an open system environment.*
- *On the other hand, it provides for challenging growth opportunities and attractive financial returns for the strategic partners and shareholders and offers outstanding career opportunities for all Baan employees.*

Together these two aspects form the mission of the company. The skills that distinguish Baan Company in fulfilling her mission are:

- *Pioneering in applied technology: To ensure that the Baan product remains advanced, the company must be a trendsetter and not a follower. The early acceptance of UNIX is an example of this. This requires both a long-term vision and perseverance to continue the direction of the R&D effort, despite short-term disruptions.*

The building blocks include:

- ✓ *working closely with leading customers,*
 - ✓ *being open to and anticipating new developments,*
 - ✓ *training BoundarySpanners (employees who understand the solutions that IT offers for customers),*
 - ✓ *willingness to take responsible risks,*
 - ✓ *maintaining balance between short- and long term- opportunities*
 - ✓ *the ability to creatively combine apparent contradictions, such as the need for unique customer solutions and affordable standardized products*
- *Utilizing an industrial approach in manufacturing products and serving customers, with the aim of delivering consistent top quality worldwide. In a market where improvisation and traditional methods are often involved, the company wants to continue to invest in the development of standard products and tools and worldwide uniform methods for sales and services. Baan's industrial approach results in flexibility, simplicity, and speed. The software and Orgware factory are an elaboration of this approach.*

The building blocks include:

- ✓ *systematic feedback from customers distributed in the organization,*
- ✓ *standardization of product development and release of new versions,*
- ✓ *uniform approach to training at the operational level,*
- ✓ *measurements and evaluations.*

- *Supporting strategic partners that complement Baan's product range to provide a competitive total package of products and services. The challenge to remain faithful to an industrial approach means that Baan cannot be a full-service provider. Therefore, the company must excel in developing and supporting strategic partnerships in hardware platforms, software tools, implementation services, and change management to satisfy customers.*

The building blocks include:

- ✓ *selecting the right partners,*
- ✓ *harmonizing the goals, the products, and services,*
- ✓ *the business ethics and culture of Baan and its partners,*
- ✓ *continually investing in each other.*

- *Focus on the specific wishes of the customers who trust the company by investing in Baan's product. This product is often integrated with existing systems or implemented by the customer or a strategic partner. Nonetheless, Baan employees feel responsible to the customer for the performance of the systems based on Baan's products.*

The building blocks include:

- ✓ *investing in sales and service support,*
- ✓ *conducting customer satisfaction surveys,*
- ✓ *implementing an integral quality program aimed at continuous quality improvement,*
- ✓ *measuring the effectiveness of the strategic partners who install, adapt and support the Baan products to resolve customer issues adequately.*

- *Under Baan's skills lie the values of the company:*

Focus on its core activities. As a result, the company can further improve the skills it is good at. Baan only wants to be an innovative and 'industrial' producer of ERP software products, tools, and related services. The company wants to focus globally on strategically chosen market segments.

Encourage individual development and responsibility. Many new ideas from the company come from and have been developed by young Baan colleagues, who acted on their initiative and with their responsibility. In many organizations, management is a limitation for growth and development. Baan believes in serving supportive leadership. The organization is an environment where employees can develop their capabilities throughout their careers and where initiative is encouraged. They accept individual authority and responsibility to achieve agreed goals.

The building blocks include:

- ✓ *personal development plans,*
- ✓ *learning from mistakes,*
- ✓ *promotion based on merit,*
- ✓ *leadership training,*
- ✓ *automation or outsourcing of routine tasks.*

- *Emphasize teamwork and collaboration. From the very beginning, Baan has accepted talented people with relevant knowledge and who fit into its culture. In doing so, it has avoided employing people with a preconceived view or with extensive experience in outdated technology. The company has therefore been able to develop a strong team spirit.*

The building blocks include:

- ✓ *teamwork training,*
- ✓ *'home-grown' management,*
- ✓ *balanced remuneration systems,*
- ✓ *job changes,*
- ✓ *visible cooperation within the management teams.*

- *Aim for open and non-hierarchical communication. Baan wants to be a borderless organization. Employees are entitled to information unless this is disadvantageous.*

The building blocks include:

- ✓ *systematically informing employees about internal developments and events,*
- ✓ *integrated information systems,*
- ✓ *a flat, non-bureaucratic organization, using cross-border teams and an open style of communication among managers.*

- *Behave ethically. Values such as honesty, sincerity, and respect define the ethical behavior of the company. Dealing with employees is based on trust, the delegation of responsibility, and respect for personal views and convictions.*

The building blocks include:

- ✓ *guidelines and procedures for individual and company performance,*
- ✓ *hiring of staff,*
- ✓ *assessing performance,*
- ✓ *promotion and redundancy,*
- ✓ *remuneration, and dealing with family circumstances and religious beliefs.*

M&A strategy replaces our traditional R&D attitude

Supported by a few articles from the Harvard business Review, we described our company culture and our strategic vision in 1995. It pointed to the recurring failure in the IT industry where companies fail to retain their dominant innovative position at crucial moments, which eventually happened to us in 1998.

The transition (for many of us unnoticed) of Baan's ambition as a leading technology-driven company with a long-term vision towards a short-term strategy of M&A ultimately resulted in the abandonment of our ambitious vision. Despite having a separate research department, Baan Company was no longer building new generations of ERP products based on the core elements of the internet. Due to the changing of the guard, the highest priority was no longer with R&D. The core team in the board of directors (Tom Tinsley, Amal Johnson, and our GAP-investors) worked hard to convert the strategy into a 'shareholder cash value' accretion. In the end, the arrival of Tom Tinsley in late 1995, as President of Baan, led to a new leadership era.

Our company was known as a visionary company. However, when Baan started in 1978, we did not have the same vision of information technology as we have now. A vision is evolving and formed by being open to signals from the market, the university world, and your own organization. Nobody has the wisdom in his pocket, and I say that I don't either, with modesty and sobriety. Baan has taken several original and daring decisions during my tenure. I wish that the mentality and motivation that made this possible continued to develop our vision further. The constant renewal of products and services was a challenge that Baan unfortunately lost.

Looking back, I realize that I allowed myself to be impressed by the professional image of General Atlantic Partners and gave two of their non-executive representatives on the board too much freedom. I have been influenced by their partners Bill Grabe & Dave Hodgson and let them transfer my leadership position within Baan Company too early.

The board persuaded me to support their aggressive growth strategy and bring in a successor early on. They suggested Tom Tinsley from their McKinsey network. I tried to bring in Ray Lane, who was the second in command at Oracle. However, interested in the beginning, he declined my offer because he saw more career prospects at Oracle. I also had a good connection with the Belgian Wim Roelands, one of the top people at Hewlett-Packard and a familiar face in Silicon Valley.

The managing partner of GAP, Steve Denning, was a personal friend of Tom Tinsley. In addition, Tinsley was closely connected with McKinsey partner Graham Sharman, who had become a commissioner at Baan at the time of the IPO. GAP was basically a stronghold of

former McKinsey partners. Tom Tinsley turned out to be a top consultant. On behalf of McKinsey, he advised Steve Ballmer from Microsoft, Eckhardt Pfeiffer from Compaq, and the board from EDS.

When I met him, I really thought he was a great guy, a super consultant who was extraordinarily intellectual and knowledgeable about IT. I was not immediately sure if he would become my successor, but he thought he could be the man to run the show. Tinsley could do a lot of practical things much better than me. He even spoke a few Dutch words because he had worked at the Dutch McKinsey branch in Amsterdam.

In early 1996 Tinsley, our President and Chief Operating Officer (COO), moved his family from Dallas in Texas to Blaricum, an affluent town close to Amsterdam. As a consultant, Tom was used to treating the boss respectfully, and we worked well together. He helped translate my vision into operational execution, and I gave him all the freedom. Tom always provided critical remarks, which helped us sharpen our vision constantly. Tom brought along skills and knowledge that I did not have, which he immediately recognized and took advantage of. If I spontaneously gave Tom an idea, he would critically analyze it and usually come back with the message: 'Jan, your business instincts are not too bad.'

As a business development strategist, he had a positive input. Yet, I should never have nominated him as my successor. As a person with ultimate responsibility, he could not make decisions quickly, which showed that he always stayed a consultant at the core.

Paul had become the Chairman of the Supervisory Board at Baan and withdrew from daily business operations, and I maintained the role as CEO. Tom did not like this because he believed he could work better with more control. He saw too much power among the Baan brothers and found his title as COO too limited.

Not long afterward, Paul permanently withdrew from Baan Company. He devoted his time to Vanenburg Ventures (formerly known as Baan Investment – a Venture Capital firm that handled our business interests in Baan Company, Baan Web, TopTier, WebEx, etc.). The main reason was that he and Tom did not click, and Paul's opinion about Tom turned out to be the right judgment.

We agreed on a division of roles between Tom and me. Tom took responsibility for the business operations, and I maintained relationships with the analysts, who prefer a connection with the founder for investor relations. In addition, I managed the R&D department and the personal relationships with the large accounts. After all, I was used to traveling the world.

At the end of 1997, I decided to step back from day-to-day operational management and thenceforth to become a creditable figurehead as Chairman, without bearing direct managerial responsibility. I had total confidence that Tom could do it all much better than me. Informally he succeeded me on January 1, 1998, which officially went into effect on July 1, 1998. By the time Tom was appointed as CEO, it was unnecessary to adjust his salary as he already earned much more than me, on top of a very favorable options package.

In January 1998, a lot changed. Tom lived in Blaricum and worked at The Vanenburg Castle in Putten, where The Baan Company head office was located. He, however, figured out that it was better to move to America for tax purposes. We shared a professional secretary who followed Tom to the US to maintain an optimal relationship with the base in the Netherlands. With headquarters in the Netherlands and the US, I provided some counterbalance to Tom, but I was shut out of what occurred in America. Suddenly, it was just the Americans, except for the Dutch Chief Financial Officer (CFO), who had a say in our business matters.

Baan Company after the IPO - new management and M&A

The first years went very well, and every quarter we met Wall Street analysts' expectations. Baan Company was known for its stability. R&D could easily follow this development with the rollout of top products, and Amal and Tom never came to India. That was my job as the Founder and Chief Innovation Officer.

At the beginning of 1998, an amended strategy was introduced to the company. While the operational management team functioned independently, both Amal and Tom had plenty of time to focus on M&A, something which the GAP board members strongly promoted. Due to our high market capitalization, we were in a strong financial position to attract and buy other organizations.

Unfortunately, our long-term strategic focus changed to a greedy short-term cash focus, driven by the dynamic duo Tom Tinsley and Amal Johnson and encouraged by the GAP board members. The core elements of the Baan culture were completely abandoned in the short term, and GAP won the loot by cashing in US \$1 billion on their US \$33 million investment in Baan. Tom raised tens of millions of dollars and Amal multi-millions as soon as their shares were vested. More changes would come for Amal Johnson, who was previously responsible for the North and Latin America activities, when she was moved out of operations and went full speed ahead with Tom in M&A activities. Purchases were made too quickly, and integrations of the acquired companies got botched up. Although it was true that the company was well equipped for fast growth, it proved afterward incapable of handling setbacks. M&A only offers a real chance of succeeding when the companies are

properly integrated. In this context, the rigorous reorganization mentality of Jack Welch and his people at General Electric fits much better. Unfortunately, Baan's management team was not capable of doing that.

Meanwhile, Bill Grabe and Dave Hodgson from GAP continued to actively concern themselves with the management team. For instance, they thought Jan Westerhoud, David Cairns' successor, did not possess the right profile for CFO, even though they were convinced of his financial expertise. In addition to that, Tom Tinsley and Jan Westerhoud did not get along very well.

I thought Jan was great, sharp, had guts, and was an utterly dependable guy, somebody you could truly rely on. He liked to hold up a mirror to the organization. Jan had always been our permanent accountant while still working at Ernst & Young. After we had succeeded in bringing him in, he worked really hard and our accounting bill immediately dropped sharply, and Jan simply said: 'A good deal of the work that I previously did for Ernst & Young, I now do myself.'

The problems began for Jan – with whom I am still in touch, unlike with Cairns – when Tom became CEO. As mentioned, Jan could come up with insightful remarks, which he demonstrated during a board meeting by examining the results critically. I valued his direct style, but Tom had difficulties with it, and our American board members were not amused either. Instead of accepting the signal positively, Tinsley, Grabe, and Hodgson immediately wanted a different CFO. Their choice was Klaas Wagenaar. Klaas came from Cap Gemini and had a short stint at Vanenburg Ventures before transitioning. He became CFO while Jan Westerhoud was on vacation. Upon his return Jan was very unappreciative of this move and immediately resigned, leaving behind a very attractive stock options package.

My option had been: Keep Jan Westerhoud as Vice President for Finance and let Klaas Wagenaar be CFO concerned with operations. That seemed like a good model to me, but I did not sell it well to Tom- consciously or unconsciously.

At that time, there was also a serious interest from Parametric, a leading PLM Company, to merge with us. We were roughly equivalent in market capital and would thus become the first integrated software company with an integrated solution for the industry for both logistics and CAD / CAM. They wanted to merge, and as compensation for me, they proposed to do this under the Baan name. However, Parametric would manage the operations, which would be the end for Tom and Amal. Tom was fiercely against this, and (in hindsight, unfortunately) I remained loyal to him and turned the merger down. In hindsight, we should have never started the aggressive M&A strategy of incorporating all sorts of companies to improve our market capitalization. We should have consistently

taken care of the contribution of our company to a larger whole, such as a merger with Parametric.

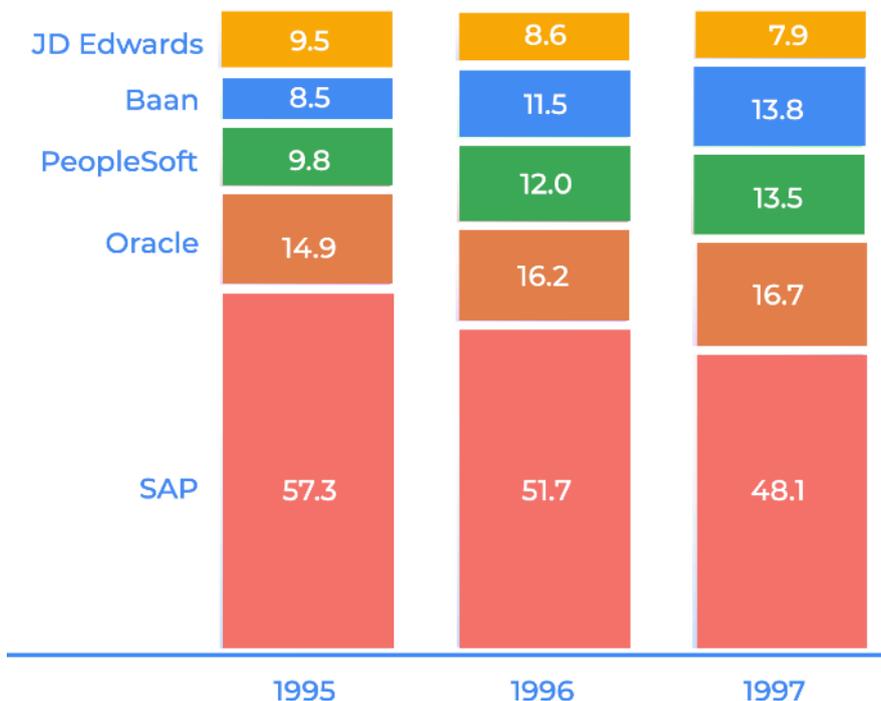
My brother Paul and I remained financially (too) loyal to Baan Company and, during that time, never sold shares of the company for our private interest. We did have a secondary placement a year after the IPO, which diluted our share, but the liquidity in the company improved by more than two hundred million dollars.

Growth, growth, and growth again

For 20 years, Baan was dominated by growth. Managing that growth was not a problem by itself. We did not manage the growth at all. We just let it run its course. This happened because we were far from mature, and in fact, it was all rather childish in design. Mistakes could be made by everyone, which we had to let happen without getting frustrated about it afterward. It has been claimed that we might have grown more successful if I had been tougher. There is, undoubtedly, a core of truth to that, while at the same time, growth is something that happens to you, and you cannot afford to get out of its way. Everything was about gaining market share in our business, which did not leave a choice to anything else. The effects of reorganization should not be underestimated. In addition to the pain that the process entails, it helps us sharply adjust our focus. A hefty pruning process like that in 1989 made flexibility for rapid growth possible. We then had to part with many employees but were able to continue with the most motivated.

Market Share ERP Vendors:

Percentage of Licensing Revenue



This slide shows how the licensing revenues of the four most important ERP players evolved in the mid-1990s. The growth of Baan's market share was the most striking. Baan's strategy was maximally directed to software sales to new customers. This was possible because it left the provision of services to partners.



The action 'Through the wind' that time really made us lean and mean. Moreover, the corporate culture of 'self-learning teams' was crucial to developing initiatives for extreme growth.

DEM

Dynamic enterprise modeling was developed by Baan in 1995 and introduced to the market in 1996. DEM was intended to simplify the implementation of the Baan software in the client's organization. Although it was a part of the ERP solution, it was possible to implement the DEM module standalone ahead of the ERP implementation.

The module included a wide range of models to reflect the client's business and their business processes. These models 'spoke' the language of the management and users of Baan's ERP package and bridged the gap between the world of information technology and that of the client.

The word 'dynamic' in DEM referred to the flexibility of these models, which were easily modifiable when business circumstances or requirements changed.

DEM offered our customers a unique way to share all information related to their business through its flexibility, which was then used to configure the system automatically. In other words, first, the organization and the business processes were modeled in DEM, and then the information system would function as desired at the mere push of a button.

Orgware, a methodology for productization of our implementation services

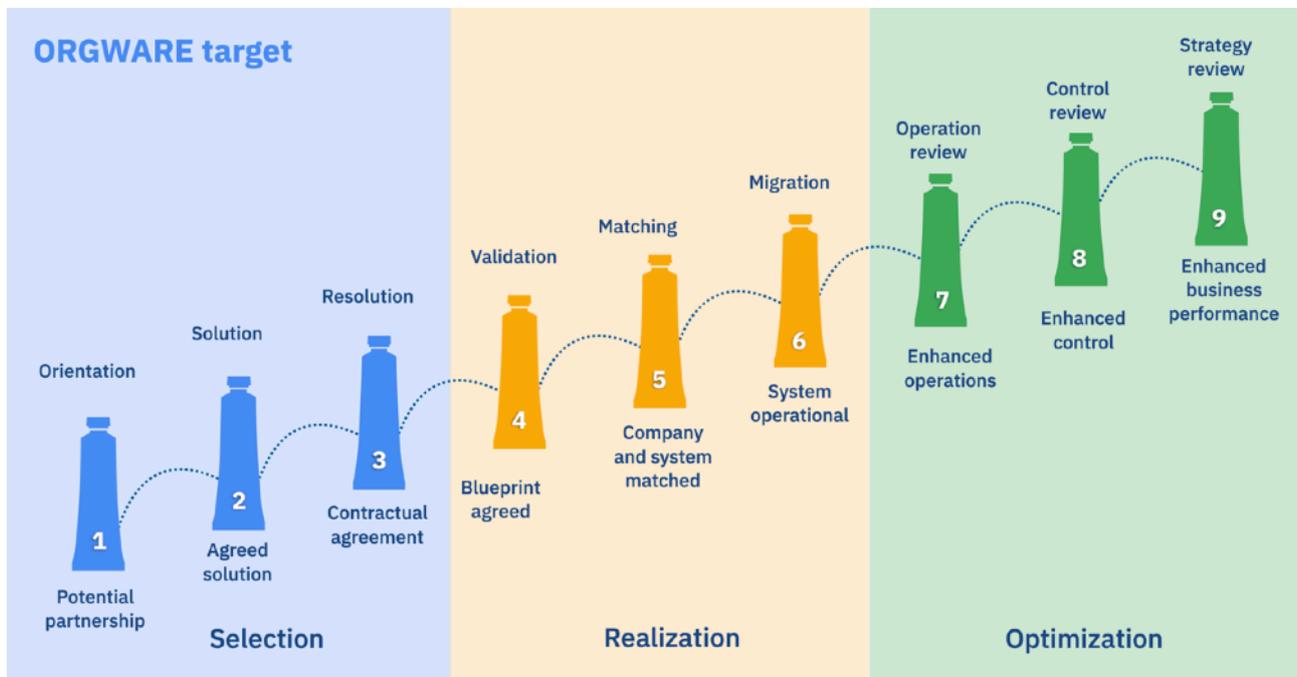
Early in the 1980s, we began implementing the software in a structured and standardized manner. This package of services was named BPM (Baan Project Management).

The application of this methodology enabled us to set up an individual client-tailored automation plan using identical building blocks. Risk analysis and tight monitoring of costs, time, and quality were included in the methodology. We called this the 'Orgware' policy, which combined with the DEM module was called the 'productization of services'.

In 1990, Structured Implementation Methodology (SIM) was introduced as the successor to B.P.M. This method was completely renewed in 1993, and from that point on, we spoke about TARGET, which is the methodology that divides the entire implementation trajectory into three routes and nine milestones. Typical advantages are speed, flexibility, quality, uniformity, and simplicity.

Specific services were defined and standardized in each of the trajectories, while related tools automated the execution of these services, turning the implementation into a controlled process. We called those skills the 'organizer tools'. An important part of this is the 'business organizer', the heart of Orgware, which enabled the automated configuration of the information system to be delivered..

By developing these methodologies (used as tools), we enormously simplified and accelerated the introduction of the Baan software, turning it into one of our biggest strengths in the early nineties. The models in Orgware covered a large part of the information needs of companies in a certain market segment. These best practice models stored business processes knowledge and would generate the right business process



solution in consultation with the customer. Once combined with the various models of the company procedures, the operational information system was delivered, saving the customer time and money throughout the project.

The shortening of the Baan software's entire trajectory meant that the payback period of investments in IT technology was significantly reduced.

Client/server computing

Simply put, this system provides users with powerful workstations – nowadays in the form of PCs – while a large computer and other apparatuses process enormous amounts of data and make network connections between the users and the central computer in the background. The large computer in the background is called the server.

These client/server systems are 'open' systems, meaning that the user is not tied to a particular hardware brand or software components. Others can replace all the components in the information system. This is important, as users require flexibility and quality. The primary need is for components that add value to a business.

Client/server systems quickly became popular after the introduction of the PC. Steve Jobs, the founder of Apple, discovered the PC. His idea was that everyone should have their own computer on their desktop. PCs – originally called microcomputers – spread like wildfire, and in the 1990s, they came to have greater capacity than the older large computers, the mainframes.

The first ‘multi-user’ systems came about at the beginning of the 1980s, when different microcomputers were able to work as a single system. From that point on, Baan specialized in client/server systems. Because of this, we were extremely well-placed when there was a large-scale transfer from the old so-called legacy systems to client/server in the 1990s. Many users found that their information systems represented a negative value, the legacy of the past.

The client/server systems were characterized by the fact that they were easy to expand and adapt to changing circumstances or requirements. For this reason, they were also called ‘open’ systems, whereas the old generation was ‘closed.’ The latter was also called ‘proprietary’ systems: operating systems customized for the client. Baan’s success was because it took advantage of two developments in the information technology market early on: the arrival of standard software and the introduction of open systems.

In the report ‘the business case for client/server computing’ (Butler Group, 1995), there was a description of client/server technology that Baan Company has focused on since the late 1980s:

- Client/server technology is the most important development in the use of computers since its introduction about forty years ago. New methods, management structures, developments in technology, and business stimulate the transition to client/server computer systems.*
- Although many organizations use the argument of cost savings, the real motive is business management. Users want direct access to the information that determines the organization's effectiveness and management wants much more information and flexibility from the IT system.*
- Butler Group defines an IT strategy based on client/server as a separation of the added value represented in the applications and business tools of the underlying information technology infrastructure (operating systems, networks, databases, user interfaces).*

This description confirmed that business was developing dynamically and that flexibility, speed of response, and ability to deal with complexity and innovation were the decisive factors for success. Information technology could only meet this requirement if the automation applications were freed from the infrastructure restrictions that were still present. Users should be completely independent of server technology so that the IT

infrastructure never limits business operations. The client/server concept came into being when management began placing computer capacity on the desk to increase their processing power.

Due to the growing significance of this category of customers and the increasing need for information, the demand for access to company data in combination with data from personal files increased. As soon as this need was recognized, the 'server,' the operator, was born.

Much of this argumentation still applies to the SaaS (Software-as-a-Service) solutions that have been realized for business solutions in recent years. In retrospect, it turned out that we were thinking 20 years ahead.

Baan-IV processes for hybrid production variants

The strength of Baan ERP lay mainly with the innovative production companies that were able to bring more flexibility through their traditional processes in the 'engineer-to-order' and 'make-to-order' situation and upgrading by applying innovative logistic concepts to change to an 'assembly-to-order' approach.

This meant much shorter lead times with more flexibility in delivery. A product configurator ensured that the constraints for production were controlled better. The customer order decoupling point managed to decouple the generic components from the 'downstream' of the specific components in the 'upstream.' This was an outstanding example of production control in the mid-nineties.

The analysts of Gartner were aware of this, and in 1992 placed us as a future candidate to achieve a top position in the leadership quadrant. This positioning allowed us to participate in the tender with Boeing. After three complete overhauls, the ERP package Baan-IV was successfully launched in 1996.

Our notable success was in the simultaneous development of the tools and the constantly innovative application functions that we learned from our experiences with many international clients. Our tools and applications programmers had worked closely together for years, which allowed us to realize successes in months where it took others years.

5. Strategic choices

Global organization Baan Company second half of the 1990s

There is a saying in the Veluwe (the Dutch region, where we live) that goes: ‘from behind it is easier to look the cow in the ass!’ which is like ‘Hindsight is 20/20’. From Dan Bricklin, an entrepreneur who created a handful of innovative companies, including VisiCalc, I learned:

‘An important lesson every entrepreneur must learn is that you are not your company. Remember that the failure of your business does not make you a pitiable person. Equally, the success of your business does not make you a genius; avoid this ego pitfall.’

Bricklin believes that entrepreneurs often overestimate their own contributions. The only thing you can do is try to cradle an idea. As such, you have an important role in creating something and forcing any breakthroughs, while for the rest, you must be careful not to give yourself too much credit and respect those you need to manage the operation. Further, you need to be careful with money and must be prepared to live like on a student’s allowance. When I started Baan Company, I was in a somewhat powerful and well-to-do position, but the company always came first. In Bricklin’s case, he even completely gave up his salary in the first year of VisiCalc.

Innovation is a broad process in which you create conditions, and you motivate. In which you try to develop an idea into something tangible, which must result in a prototype. Or what we call a Minimal Viable Product (MVP) these days. Like the automotive industry, we would take two months to create the car of the future. All it needs is the basic functions for others to see and so you can understand it yourself. It does not have to be able to drive. As an entrepreneur, you already focus on new breakaways while others in the company take over and develop the car further to be driven reliably.

They then take it to a customer and set up a maintenance module so that the car will continue to drive. This is a perfect scenario, and everything seems nice and good, it may even win you a nice prize in your industry, but you will probably never become a company that really breaks through. Therefore, it is better that the first initiative completely fails and that you need to start from scratch. And if necessary, then start another time. Even though I have been doing this for a while, you would think that I would have the wisdom to make quick and solid business assessments, which is easier said than done, and mistakes are made easily. In general, I need a longer runway, and only with a large dose of perseverance it is possible to set up something exceptional. Now looking back, it is indeed easier to look a cow in the ass.

Surviving and developing

Every person and every company has at least two fundamental driving forces. One is the will to survive, and the other is the will to develop. These two driving forces or tendencies are mutually dependent. Those who want to survive must make provisions that offer protection against all kinds of threats and must therefore continue to develop. At the same time, they also have a natural need to develop by learning or finding new things, gaining new experiences, and taking on new activities, and as such, they work on their survival.

A company must deal with the same forces by developing and working on its survival by, among other things, modernizing its products or services, by increasing its name recognition, and by providing sufficient liquid assets. There is no survival without development and no development without survival.

Both forces must be in a healthy and balanced relationship with each other. I think this has been the case for a long time at Baan Company and had everything to do with the concept of safety. Safety is both the starting condition for development and an independent struggle for survival. Developing is only possible with sufficient safety. And only by striving for sufficient safety can survival be guaranteed.

When we look at the life cycle of Baan Company, we see numerous examples that confirm the relationship between survival and development.

- I started the business after I had built up good wealth. The initial situation offered financial security and, therefore, development opportunities. This has given me the opportunity to fully use this capital for the growth of my company, especially to focus on R&D.
- I visited Silicon Valley out of curiosity and the need for development. UNIX offered the company the opportunity to realize an important innovation, which subsequently promoted survival.
- In the context of the reorganization in 1989, because of the financial crisis, the risky product development activities were separated from the consulting services. At the same time, the risky internationalization activities were separated from the activities in the home market. From this increased safety, we were able to realize new development opportunities.
- The participation of GAP and its capital injection offered financial security and stimulated the continuous development of the company. This improved the survival possibilities.
- The development of the American market led to the order from Boeing, which first benefited the livelihood of the company and subsequently offered new development opportunities.

- The recruitment, in 1996, of Tom Tinsley as COO increased the business development possibilities and, therefore, the chance of survival.

Coordination between ambition and market

Very enlightening for a good understanding of the strategy of Baan Company is the concept called 'strategy as stretch.' This concept was developed by well-known strategy professors G. Hamel and C. K. Prahalad. It means that a company does not remain satisfied with its existing position: it extends to the desired position. It extends to reach a higher ambition level.

Developing markets or technological leadership is always a stretch strategy, but a company cannot only strive for a strategic stretch. It must simultaneously work towards a strategic fit: it must keep pace with what the market demands and what the environment requires. For example, a company can be too early to place a product on the market. Then there is a strategic gap. We can often conclude that the management of a company has insufficient attention for market developments. As a result, for example, the product becomes obsolete, and there is no fit.

A company must find a balance between the strategic stretch and the strategic fit. The determining factors here are the resources and capabilities — or the competencies — they have at their disposal. Hamel and Prahalad call this the strategic balance. Determining and realizing what is feasible is determined both by what the environment demands and by what the organization can deliver. This makes the determination of the desired behavior of the company so complex. The management team must coordinate all three dimensions.

1. First: what do I want? = strategic stretch
2. Secondly: what does the market want? = strategic fit
3. Third: what can I do? = strategic balance

There is a constant tension between these three strategic dimensions. The management team can make changes to every dimension. It can reduce the level of ambition, steer towards alignment with new environmental requirements, or expand or strengthen the competencies.

Examples within Baan of strategy as stretch

- The development of C-Library in 1983, a tool to make the Baan software suitable for UNIX.
- The development of an ERP package, which was delivered in 1989 and required huge investments and demanded the utmost from our R&D department.
- The conquest of the world market, an objective that was formulated in 1993.
- Entering the American market in 1989 with an ERP package for a so-called client/server architecture. The business community would not show interest in such systems until 1992/1993, at which time Baan Company was a strategic fit.
- Going beyond the development of an ERP system in 1996 was a strategic gap. The market was not there yet. Doubts about the accuracy of this strategy weakened Baan's competitive position. Other ERP suppliers did not offer a combination of ERP and customer relationship management (CRM) until years later.

An example of developing a strategic balance is the following. From the mid-nineties, Baan was one of the top three ERP suppliers. SAP was the undisputed market leader in the large customer segment. To push SAP from the throne was considered unfeasible. In the medium-sized customer' segment, the playing field was very different. There was no number one in this market yet. The desired strategic balance was very easy to achieve. It was, therefore, wise that Baan developed its mid-market strategy. In general, the successful realization of a strategic balance requires entrepreneurship and cannot be achieved with management skills alone.

Baan Company always wanted to be innovative, but this ambition has not always been leading. There also have been times when the level of ambition increased, and new competencies were developed based on the need for a closer connection to market demands. An example of this was our internationalization, which came about at the request of our international customers. In this respect, the fit motive was dominant over the stretch motive.

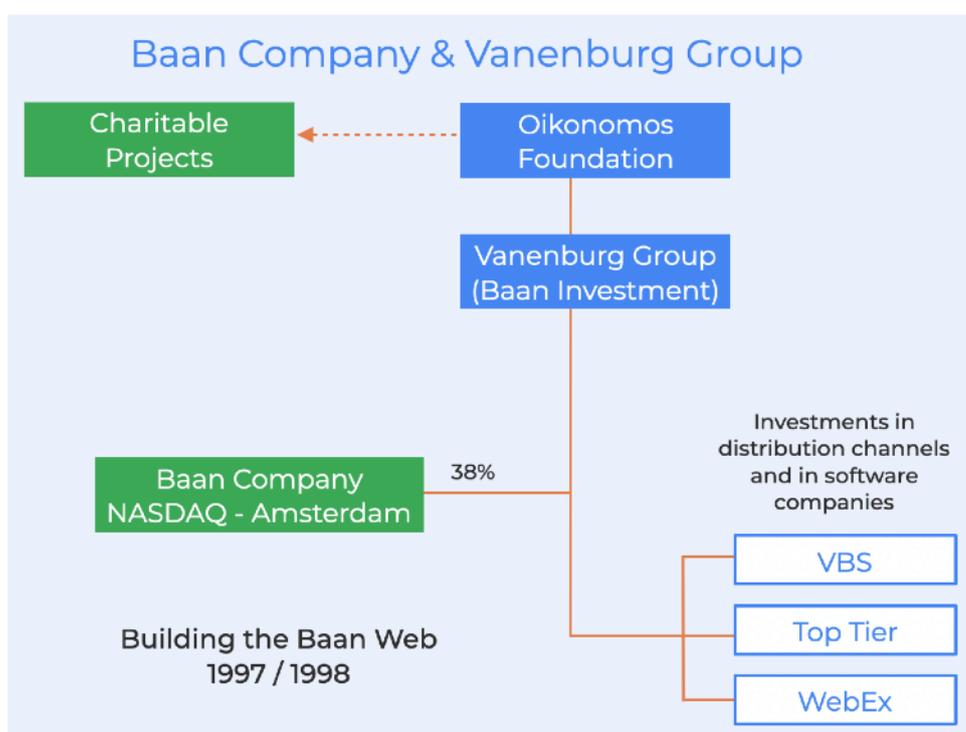
But in general, the emphasis at Baan Company was on the stretch motive. The company has always had a high level of ambition. In summary, Baan's strategic management was characterized by the following three essential elements:

- Investing in employees — both in number and in quality — is more important than profit or dividend. This determines the innovative product development, which forms the basis of our future market position (**strategic stretch**).
- Spending much time on formal plans makes no sense: you can work better on a vision, be flexible, and have an eye for reality (**strategic fit**).
- Building competencies is a primary responsibility for achieving the highest possible ambition level (**strategic balance**).

Oikonomos foundation & Vanenburg Ventures

When my brother Paul got involved in the company, we established Baan Investment, a holding company. We transferred all Baan Company shares for joint management to Baan Investment. In 1993 we sold 33% of our combined shares in The Baan Company to General Atlantic Partners and raised US \$33 million in cash. A third of the cash went into Baan Investment, and the remainder became available as cash in Baan Company for our expansion in America.

The sudden capital injection caused us some concerns, and we both began wondering if we could handle so much private equity. We both were not used to this and concluded that it would be absolutely unwise to expose our families suddenly to such extreme wealth.



We hired a financial advisor, and after an extensive exploration and approval from the Dutch tax authorities, we decided in 1994 to move Baan Investment into a charitable foundation called Oikonomos. Oikonomos is a Greek word that stands for stewardship. We sold our shares for an incredibly low price to Oikonomos with the condition that the foundation would handle our private debt. It turned out to be a win-win because after the deal with General Atlantic, the debts had disappeared. The Oikonomos foundation had several millions in cash to engage in charitable activities. We were delighted that we could make a social contribution with the added value of the shares in Baan Company. A few months later, the Boeing deal became a reality and allowed us to go public in 1995. The IPO did not bring any direct liquidity for the Oikonomos foundation. Still, from that moment on, the foundation had assets of several hundred million dollars due to its interest

in Baan Company as a majority stakeholder. A few months later, through a secondary placement, we raised a substantial sum together.

So, from 1994 onwards, we were no longer involved in the capital gains of Baan Company. It was owned by Oikonomos, which was strongly involved in educational projects in several poor regions in foreign countries. The foundation's motto was: 'empower the least.' I see God's guidance in this because we did not know how successful Baan Company would become, and this way, the money was no longer ours, and we were able to protect our children from extreme wealth.

When The Baan Company shares on the stock markets rose to unprecedented heights, it, fortunately, did not play a significant role in our private lives as the Oikonomos foundation had long owned the shares.

In 1997 we converted Baan Investment into Vanenburg Ventures, the name of our Castle that we had purchased in the town of Putten. Vanenburg Ventures was responsible for building the Baan Web in 1997 and 1998 through investments in Vanenburg business Systems (VBS), TopTier, and WebEx. At the end of 1998, Vanenburg Ventures's stake in Baan Company was around 38%.

At the end of the last century and after the sale of Baan Company, Paul and I decided to split our businesses as our interests had grown apart. Paul then started his social venturing initiative in his Noaber Foundation, and I continued with Cordys as an investment of Vanenburg Ventures.

Baan Sales kickoff in Liebherr's Interlpen hotel Tyrol

In January 1997, we had the largest worldwide sales kickoff. In addition to Sales & Marketing, all executives of Baan Company were present there. A beautiful 5-star hotel in Telfs, in the middle of the mountains near Seefeld, Austria. The Liebherr family has provided good employment for the locals in this village for decades. This goodwill allowed them to establish their prestigious family hotel in Tyrol, where they meet every year for Weihnachten.

Liebherr was one of our most important German customers for years. Because of their aversion to SAP, they chose us at the time, hence the choice not to keep this kickoff somewhere in Hawaii but in Austria.

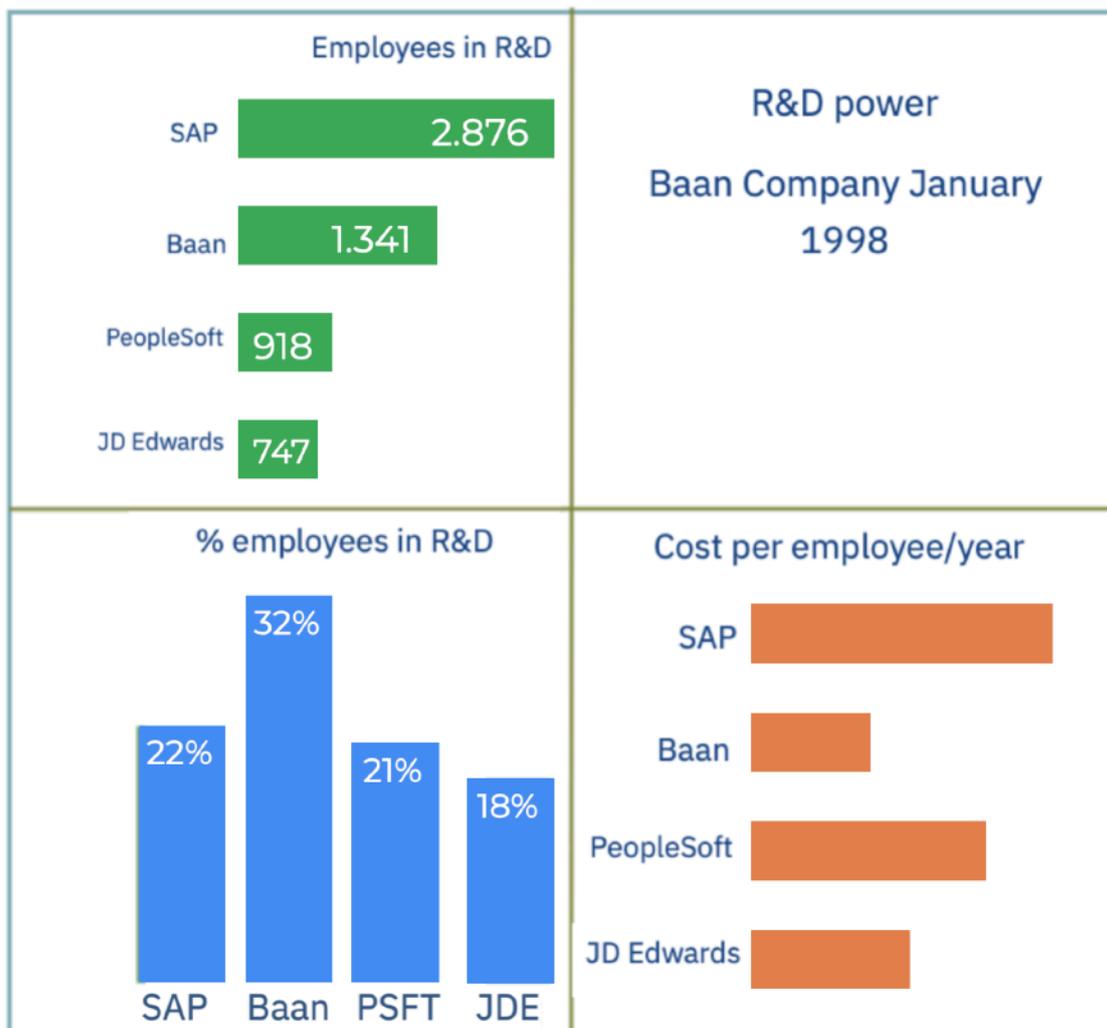
We had more than 250 managers, including most executives from all over the world, together in Austria. So, the core of the company was there for five days together. When I noticed this on entry, my first impression was: 'This doesn't come cheap.' But at the end of

this kickoff, it turned out to be a very effective meeting that had a particularly positive effect on the productivity improvement of the sales staff and improved communication between the executives internationally.

New CIO with vision

For the first time, here at the sales kickoff in Austria, I got acquainted with our new CIO: John Jendricks. Tom Tinsley recruited Jendricks, a topper from Silicon Valley, who introduced and switched the entire executive team to use the latest Microsoft Office products.

Previously, the extreme tranquility of this beautiful environment had never been so disturbed by Internet users. Suddenly everything was different here. John Jendricks had provided a special satellite connection that made the hotel a hub of the internet cloud for a few days. The entire ground floor with this very nice hotel's huge beautiful classic lounges was transformed into an internet cafe.



The CIO's team had decided that we all had to work with the same newest tools, and everyone had to be able to collaborate directly with everyone within Baan Company. We were turned around with product presentations in PowerPoint in a few days, while the pricing sessions could now be simplified interactively with the Excel Spreadsheets. Everyone had to forget WordPerfect and switch to Word. Furthermore, the internet fanatics who had done nice things with Netscape were kindly asked only to use Internet Explorer from Microsoft. So, for the knowledge worker, it was all Bill Gates, who struck the clock, and as such, we also participated in strengthening the monopoly position of Bill's company.

The advantage was that the productivity and speed of communication between each other increased enormously. In addition, everyone was given training on the PowerPoint slides, with each employee being able to make it a little more personalized to make a greater impression on the prospect.

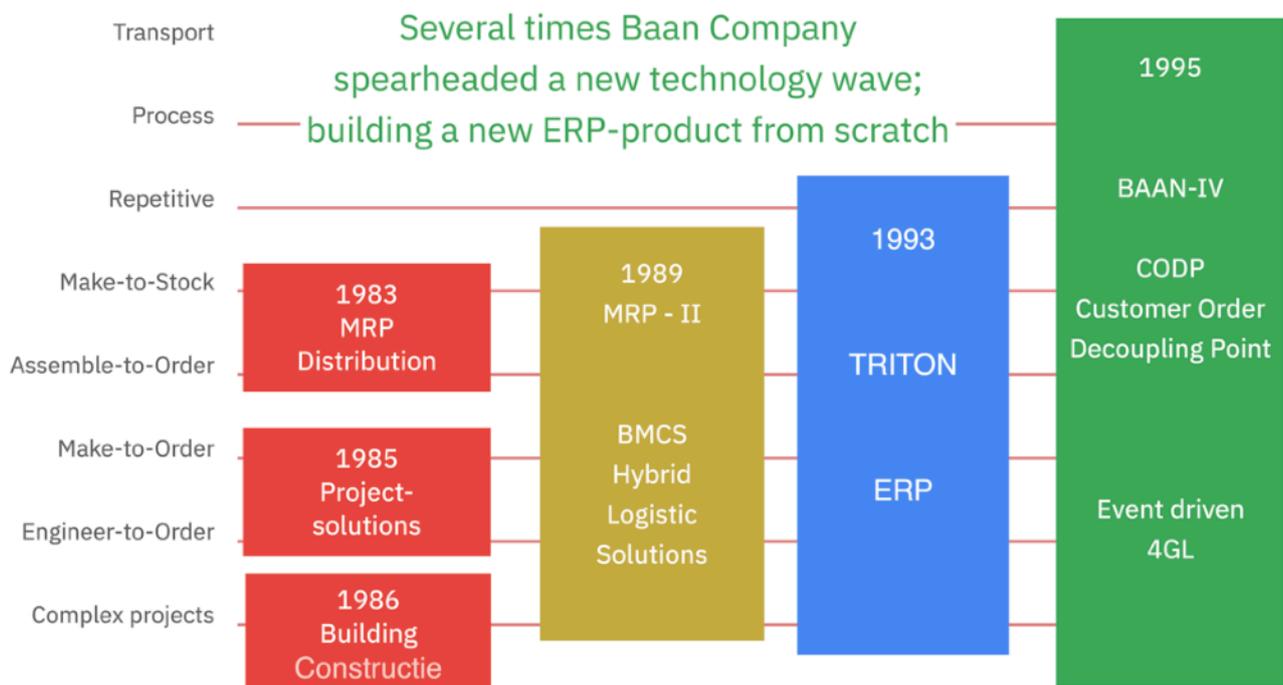
Tom Tinsley and the GAP board members were very much in favor of a closer collaboration with Microsoft. Here lay the power of a top executive like Tinsley, he did not have to deal with the development discussions around the product, but he had a full focus on the extreme growth of the operations. And at McKinsey, they were used to thinking big about growth.

Now everything was possible, too, because by issuing additional shares via a secondary placement, we had raised US \$300 million a few months ago, while the operations were now EBITDA positive. And both Tom from his previous top role at McKinsey and our VC GAP had contacts with the best recruitment firms.

There was a top reward for top players in the form of an attractive shares option plan. That is why we could now attract top talent, like Jendricks, very quickly during our extreme growth phase. Especially the stability of our ERP product was well under control. We had rebuilt all old functions from scratch with the latest (event-driven) 4GL tools. We had been able to include customer wishes and new ideas in this. We came with a **new Baan-IV** product to replace all the old product versions, making support very effective.

So, we were able to give a good boost to the sales process. Among our BOPS (Baan, Oracle, PeopleSoft, SAP) colleagues, we were percentage-wise ranked as the highest climber in the number of new licenses. This kickoff's main goal was to equip our sales reps with tools to speed up the sales process. Especially now that we could all independently communicate with each other, the team's productivity suddenly became very effective.

That was possible that week in Tyrol. Some others were active early in the morning on the long slats and in the Olympic (indoor) pool. But you could feel the dynamics of the



business. During the day, we participated in the many knowledge sessions and interacted together with colleagues in the specially created internet cafe, as if we were in the office. Everyone enjoyed fantastic dinners with a few nice drinks in the evening, followed by a few more work hours.

If I think back critically, I think that this approach had been crucial to the controlled growth of Baan Company. There was always a good atmosphere, and everyone in the world felt that we were working together as one company, and of course, the windfalls in the compensation were also very positive. In particular, we had a well-oiled sales machine, where the year 1997 was a year of an unprecedented breakthrough, well-balanced worldwide.

Our CIO, John Jendricks, also had excellent instincts for interesting start-ups from Silicon Valley. He told me about two very interesting initiatives from start-ups: The first was WebEx, a company that could synchronize screens across the internet in the browser.

Here you could give a demo from anywhere in the world. The two founders Subrah Iyer (Indian) and Min Zhu (Chinese) were looking for an investor, and John thought this could be very interesting for me. Furthermore, he mentioned an interesting club that had developed a Portal to use drag and drop functions to build beautiful views over applications, such as ERP. He really encouraged me to meet Shai Agassi, the founder of TopTier. I gave him the green light to invite these companies as soon as possible to the Netherlands.

Investing in India

In the time of Baan Company and later when setting up Cordys, we used resources in India. Ramanathan Subramanian helped us through the activities of Vanenburg Ventures in India. Ramanathan was one of the first employees in India and soon became responsible for all our activities in India. He understood the Baan culture after being in the Netherlands for a while. He started as a fresher, which means that age and inexperience are not constraints for a successful career.

From the second half of the eighties, he was my help and support in India. We were always in close contact. Ramanathan came to me almost immediately after I left Baan Company.

Thanks to his expertise, I built a team of a few hundred engineers for Cordys in India in a short period. I have given Ramanathan full responsibility for activities in India from the beginning. I do not believe in giving authority to ex-pats. You have to respect the local culture, trust local employees and give them responsibility.



In the time of Baan Company in 1996, we decided to open a branch in Hyderabad in addition to our Indian office in Bombay, the present-day Mumbai. The local government led by Chief Minister Chandra Babu Naidu was setting up a high-tech office city. Partly due to my personal contact with Naidu, we received support from the government to set up a facility in Hyderabad. We were initially offered two acres of land, but I found that far too little. With the commitment to create at least several thousand jobs, I bought 20 acres after much negotiation. I risked it. In 1998, however, Baan collapsed, and the incumbent management did not feel like expanding capacity in India, despite a personal commitment from Tom Tinsley. In the meantime, Ramanathan had moved from Baan India to Vanenburg. With him, I used part of the surplus space for setting up Cordys India. We quickly added about four hundred employees, who were trained extensively. We still had a lot of empty square footage.

Under Ramanathan's responsibility, Baan India has grown to an organization of more than eight hundred employees. He was not only capable of recruiting, but he also knew the way through the maze of rules. While the construction team completed its work, Ramanathan came up with the idea of actively recruiting under US companies to fill the vacant area. We offered an all-in concept: fully equipped workspaces instead of unfinished floors, including the legal framework. For us it was very attractive, because we could, for example, get good discounts on the furniture.

Moreover, we were able to set up an effective office building at a low cost due to our experience in the Netherlands with designing high-tech office spaces. We were the first overseas company that dared to invest in Hyderabad. After the difficult period of vacancy, the building quickly filled up, and we had twelve hundred workplaces in the rental.



Vanenburg Group welcomes:
Chief Minister N. Chandra Babu Naidu
and the Dutch ambassador
Mr. P.F.C. Koch



March 1998: Grand Opening Vanenburg I.T. Park in Hyderabad

What now? The construction team was ready, but there was still a lot of land available, and the market seemed very attractive. Ramanathan came up with the proposal to build phase two. This time more efficient than phase one. It was a venture to build an office complex suitable for more than two thousand workplaces. Until then, I had invested fifteen million dollars in India, and the rental income turned out to be extremely disappointing.

I challenged Ramanathan to arrange the financing for phase two based on rental income and an additional bank loan in India. Our plan succeeded. Phase two became an impressive building. We were able to get Deloitte from America to establish their competence center for their enterprise business.

There was also much interest from various call centers of American companies. Invensys, who had bought Baan Company in 2000, also liked the location. After the sale of Baan to SSA, it decided to locate the services for the company at our business park. In short, the construction of phase two proved to be a success. The relationship between building costs and rentable square meters of floor space turned out to have improved considerably.

Prominent companies, such as Motorola, were also interested. After this, we could repeat this game one more time. With the completion of these phases, the park was fully built. Vanenburg IT park has played an important role in creating approximately eight thousand workplaces in Hyderabad and is now one of the top locations in India.

At the beginning of 2005, we sold this business park. Ramanathan had led a complex M&A process for this. The City-State of Singapore, through its company Ascendas, became the new owner.



Development of Hyderabad City at the beginning from this century

Scrum

The cash provided by this transaction and the experience with setting up a software factory in India have helped Cordys implement new software development principles, particularly Scrum, a new concept of flexible development. This concept is based on industrial modernization, mainly from the automotive industry, called lean manufacturing.

The values of Scrum are trust, commitment, focus, openness, respect, and courage. I remember a visit to one of the Sony Computer Science Labs in Tokyo to develop new workstations in the mid-1980s. Dr. Toshitada Doi, a prominent member of the Sony/Philips Compact Disc taskforce earlier in his career, was in charge here and had just developed a completely new concept to improve team productivity. He had discovered that small, fully independent teams could build a much more sophisticated product with a much shorter turnaround time. In complete contrast with the existing culture in Japan, each employee had the same workstation: status was no longer visible within the development teams. Of course, the workstations were equipped with the latest technology. Cordys Scrum's concept was based on this vision.

In the late nineties, we were the first in India to start experimenting with a usability lab: user interface design team. A usability engineering team had at least 20 experienced consultants. The aim was to test the engineer's work in the scrums. The result was a much simpler usage for the user with the emphasis on a pleasant working method. This brought better efficiency for the business chain. The tasks in the team were: information design, interface design, interaction design, product design, graphic design & instruction design.

Setting up a multi-site team

To successfully start a new usability team in India, in the mid-nineties, a series of activities were planned over a year, starting with advertising and interviews with Indian candidates. Baan's vision was that the Indian usability team needed close collaboration with the usability team at the head office.

In the transition of the usability experiences of the Netherlands, the Dutch usability consultants emphasized the assertiveness in coaching their Indian colleagues in attitude. First by collaborating on projects, later by evaluating the progress of the work, and at last by giving advice. At the end of the transition year, the Indian usability consultants were thoroughly trained to become more assertive.

Culture had another impact on the design of the user interface itself. When defining a screen icon, the color palette was carefully chosen to be sensitive to cultural, religious, and

nationalistic beliefs. Icons with hand gestures were rejected to avoid all possible cultural misinterpretations.

The consultants' collaborations strengthened this rule because they realized from their interactions that certain acceptable gestures in one culture were objectionable to another.

Lessons learned by investing in India

Baan completed the transition successfully in various ways. Knowledge transfer to the offshore team was complete. Cultural adaptation was considered a success. The corporate-wide usability style guide that Dutch and the Indian usability consultants jointly developed was fully accepted by the development teams. Screen navigation developed in India was a significant improvement. And the icon design, also developed jointly, became a routine part of the screen design.

All this was realized at considerable cost: two European consultants took part in India for two years. In contrast to most offshoring efforts, setting up a usability team at Baan India was not driven by cost reduction but by-product and process effectiveness.

One of the consequences of this transition was that the organizational structure of Baan India was a mirror image of the head office of Baan the Netherlands, where usability was combined with development. This ensured clearer communication and reduced the ambiguity in roles and responsibilities.

There was, however, an area where things did not go well: giving more autonomy to the offshore team. Initially, the Indian consultants received too little authority and too little design freedom. Often the work from the Netherlands was given priority, leaving too little room for creativity in India. It would have been better if both teams worked together more closely, with mutual learning.

Similarly, Baan Company had learned to give more autonomy to personnel and daily management. Problems related to employee benefits, laws, policies, and practices require deep local understanding and experience, and it would have been better to delegate this to the Indian team manager.

Cambridge University Press about Baan's offshoring advantage

Our early outsourcing in India has noticed that Cambridge University has incorporated our strategy into a study paper, which I pass on below. It turned out afterward that we were one of the first foreign companies that set up its branch for the Development of Software Products in the eighties of the last century.

Cambridge University Press published a paper on Baan Company's Offshoring Information Technology in 2005. IT offshoring is mainly a reason to lower operating costs. This is the cost strategy of the 'offshore staging model.' Lowering operational costs does not necessarily translate into a company's strategic advantage, just as saving money on a new office lease is not a strategic advantage.

In some industries, IT offshoring, however, is a strategic necessity. Some call it 'offshore or die.' Offshoring becomes part of the larger context of hyper-competition: companies are swept up to faster 'competitive development cycles' to remain financially viable.

The first strategic lever is the increase in speed, dexterity, and flexibility. This means that companies active offshore can now get on quickly (by reducing the time to start the project) and limit the project duration (time to completion). In 2003, 77 global software producers established their captive R&D development in India. Many others outsource this on a contract basis.

Cultural collision

Offshoring into distant countries means working with foreign cultures. Every culture has different principles, values, convictions, communication norms, and deeply embedded behaviors in our minds. There is no consensus on whether all software activities can now be done offshore. There is, however, a consensus that there are certain activities that fit better at offshore locations, while others are better at home and abroad — onshore.

German companies are cautious about offshore for various reasons. Perhaps the first reason may be language and culture: good language skills are essential for working successfully with clients. For many German employees, it isn't easy to discuss complex matters in English.

The second aspect is the historical background: Unlike in Great Britain and the Netherlands, with their colonial past, Germany has fewer links with distant cultures. The Dutch have been engaged in offshoring for more than 20 years. Jan Baan, the technological entrepreneur, illustrates the long Dutch history of offshoring. At the end of the eighties, Baan still had a small software company.

When he built his software company into a global giant in the 1990s, he significantly expanded the Indian centers of his business. In the year 2000, Baan had reached a peak in India with 1,000 employees. After the sale of Baan Company, Jan Baan quickly built offshore activities with his company Cordys in 2001 with a 300-employees development center in Hyderabad, India.

Motivation for offshoring usability

Baan had been offshoring software development in India for years, but she had never done so with usability services. Usability is a bit different. Although the Indian engineers are well trained and respected and, there was no such heritage in India in the field of usability (also known as user interface design).

In 1997, the Dutch software company Baan was a US \$1 billion company and one of the largest global ERP companies competing with SAP and Oracle. Baan was one of the pioneers in offshoring software, with operations in India since the late 1980s. In 1997, Baan had established a mature offshore structure that provided cheap, highly standardized procedural software development. One of the characteristics of this mature approach was that not only did Indian centers manage a lot of product development, but that even for different core products, product management had been transferred to India.

Usability is a peculiar part of the life cycle of software development in software product companies. To create high-quality interfaces, the usability consultants visit customers, work closely with product management and collaborate with product consultants and developers. The usability consultants influence the development process throughout the life cycle. Usability has no veto in the development process and must work through cooperation and influence.

For a while, Baan saw its product usability functions increase, but these were all centered within the development unit of the Netherlands. Baan was concerned that several key product modules managed by the Indian centers would not contain usability improvements. It was difficult for the Dutch usability consultants to communicate with the Indian product consultants and developers, from a distance. Moreover, the Indian developers and product consultants did not have the expertise to include better usability in developing the software. Baan India also found it important to establish close cooperation between local usability consultants and the local development group. The decision was made to start an Indian usability team.

First major software product development company outsourcing to India.

In a blog post in 2020, Ravi S. Iyer wrote an interesting analysis about our first steps as a Software Product Development Company in India.

During his review of this autobiography, Ravi's curiosity was piqued by my claim of being the first company to set up a generic software development shop in India before any other major software company began outsourcing to India. With that in mind, he set out and did a background check which he shared with his audience via his blogpost:

Last updated on 14th Jan. 2021

Author: Ravi S. Iyer

In his upcoming (to be published in near future) autobiography book, Jan Baan, writes that he visited India in 1987 with the goal being "to explore the possibility of setting up a software development team". .. "The idea of expanding into India was novel, and risky at the time. In fact, we were the first company to set up a generic software development shop in India, before any other major software company began outsourcing to India." [14th Jan. 2021 note: The above paragraph of this post was updated with quotes from latest version of Jan Baan's autobiography. The previous version of this post had slightly different quotes from previous version of Jan Baan's autobiography.]

So Jan Baan claims that Baan Company was the first major software products company in the world to do software product development in India from 1987 onwards through outsourcing.

I think that this is an important statement or claim related to history of software product development in India for foreign companies. This does not seem to be currently reflected in Internet sources of such history. I doubt if it is known to software industry organizations in India, and to researchers and writers on history of Indian software industry.

Therefore I felt that the above statement's claim should be examined in depth by looking at history of software product development in India done for foreign companies till end of 1980s, which is what this post attempts to do. This post does NOT look at customised software development done by Indian software (services) companies for international customers, but only at software product development done by Indian software companies for international companies or done by international companies' own India offices for their (foreign country based) offices/headquarters.

Note that this post does not cover international software services companies and any outsourcing they did to India of such software development service needs. I repeat that

this post covers only software product development done in India till end of 1980s. Also note that some companies in India have done very complex software as outsourced work from foreign companies or through software development centre's established by these foreign companies in India in the period till end of 1980s but such work can be viewed as product software development work, at least in the context of this post, only if such developed software was sold by the foreign companies in the open world market to any customer who was willing to pay for it.

Given below is a summary of the information gathered along with some analysis followed by a concluding view. The detailed info. is provided in the Notes section later on

Ravi says that 'it seems that by generic software development, Baan is referring to software product development and claims that in 1987 The Baan Company was the first major software products company in the world to do software product development in India through outsourcing.' This is an important statement or claim related to India's history of software product development by foreign companies and is currently not reflected in Internet sources. Ravi doubts if this fact is known to software industry organizations in India and researchers and writers on the history of the Indian software industry.

Through his research, Ravi discovered several interesting facts about software product development done by foreign organizations using Indian organizations' offices in India or using their own software development teams in India.

In his research, Ravi could not find any other international software development company other than The Baan Company doing software product development in India from 1987 onwards through outsourcing. Baan's relationship with Datamatics in SEEPZ, Bombay/Mumbai, was the first of that kind. Baan Company may also have been the first major international software products company to do software product development in India through its own office (in the SEEPZ IT-park in Bombay/Mumbai) since 1989.

6. On being human in business

Christian entrepreneurship?

Every morning after getting up, I read ten pages from the Bible and some metrical Psalms or Creeds. I started this morning ritual around the time my business troubles began in the late nineties. This time of meditation is also the most enriching part of my day, which I never skip, not even after a late night. While I walk to work, I often gain valuable insights into what I have just read. At that time of day, I have not yet been bitten by the business bug and am open to religious matters. But by the time I walk back home in the evening, my head is usually overflowing with job-related emotions. The morning's good thoughts are then often snowed under by the cares of the day.

When I look into the mirror in the mornings, I think to myself: I'm still here, and I am thankful for that. Gratitude motivates me to do something meaningful, to add social value. That is the purpose of all my activities. Personally, I am driven by my Christian principles: do your duty and use your talents during your earthly existence. This has to do with the concept of 'stewardship' (in Greek, a steward is an Oikonomos). In business terms, I translate this as contributing to innovation. When I look into the mirror in the evenings, I once again see my shortcomings all too clearly. From the point of view of the most perfect prayer, which is called Our Father (Matthew 6 verses 9-13), the emphasis in the morning is more on: Give us this day our daily bread, and lead us not into temptation, but deliver us from evil, while late in the evening, before going to bed, I must confess: Forgive us our debts, as we forgive our debtors. As a steward, I have to take responsibility for the goods entrusted and the task assigned to me.



In May 1998 I received, together with my brother Paul, the royal honor as Knight in the Order of the Dutch Lion. The reason for awarding was the social value that we had created by building up Baan Company

The more opportunities you seize, the more mistakes you make. I regard difficulties as good corrective measures. The most helpful correction I receive is from my wife and children and my friends, even though I do not see them every day. It really comes down to a willingness to serve. This approach applies equally to my role as an entrepreneur. The first priority of a steward should not be earning money but helping others. If I offer my clients a better information system, I have added some social value: lower inventory, less pollution, better logistics. We help entrepreneurs to improve their businesses and this benefits society. I am a businessman who tries to view entrepreneurship from a Christian perspective. There is, in fact, no such thing as Christian entrepreneurship; the Bible certainly does not mention it. However, let me put it this way: the significance of my daily economic behavior is not always evident. It has to do with motivation, with one's driving force.

There are many entrepreneurs without a Christian background who nevertheless behave respectfully and ethically. There is, however, a difference, for the Christian businessman makes himself more vulnerable. He lays himself open to appeals of deeper reasoning. Does my being a Christian mean that I have an evangelizing function? No. At the very most, I may be a witness. Those around me will not always appreciate my motives, but I do expect that they will respect them.



With my brother Paul, in July 1998 I laid a wreath at the monument in the Yad Vashem holocaust museum in Israel, to which Oikonomos foundation had made a donation

Some people thought that Baan was a Christian company. Of course, that was not true, but many of those kinds of stories were making the rounds. Some people claimed that we held meetings of a devotional character with our staff. It may be a good thing that there are some institutions that do this, but in my view, this is not suited to a business. I firmly oppose mixing business and private life. Devotions are essential for me personally, but they belong in one's free time. The working day is for working.

Christian activities take place in the personal sphere, although it is desirable that something of this dimension also be publicly visible. But it is better to do this through deeds than through words. Baan was a commercial enterprise where Christians were working. Employees were recruited preferably from Christian circles. That worked well, logically enough, for these employees strengthened our corporate culture. Yet, there was always room for non-Christians. We were a nondenominational business, after all. We hired people first and foremost on the basis of their qualities.

Baan became so successful because it hired people on account of their personality, not their education. Young people thus got the opportunity to exercise responsibility early in their careers. Naturally, we advertised first and foremost in the *Nederlands Dagblad* (Netherlands Daily) and the *Reformatorisch Dagblad* (Reformed Daily) because their readers were generally the sort of people who would fit in well with our company. This has less to do with faith than because they worked well together, understood each other, and shared something that the outside world considers a sort of aberration. You say grace before meals, go to church on Sunday, and don't talk about soccer on Monday.

Such people, who might feel oppressed elsewhere, were able to flourish at Baan. In a different environment, they might be considered underdogs, but here they could feel at home. I have always gone by the principle that once you are inside, you are inside. Regardless of your experience or what you do, if you are inside, you belong here. That generates enormous loyalty. At Baan Company, our employee turnover was a mere two percent a year, whereas, for our sector, it was fifteen percent on average.

The source of the strength of The Baan Company culture was sometimes referred to as the 'Baan DNA'. This culture may be characterized by the three I's: Integrity, Initiative, and Innovation. Support for innovation means that one is always ready to accept internal change without complaint. Initiative implies that one must make one's own decisions, even if they sometimes turn out ultimately to be wrong. But it is often better to ask for forgiveness afterward than to ask for permission beforehand.

Integrity means that employees with different cultural or religious backgrounds are welcome, as long as they agree with the company's values. Hard work, sticking to

agreements, commitment to society, respect for the demands of family life, and setting aside one day of rest each week. You can be business-minded and tough with your competitors, but you should not seek to destroy a competitor unnecessarily.

Doing business is not the same thing as waging war. War is dangerous, but even a competitor may have social added value. Lying and deceit are, of course, out of the question. I believe that in marketing, too, we should tell the truth and not present things as better than they are. There were certainly employees at Baan who seriously disappointed me, but that probably happens in every company. Those are the people who take you for a ride, perhaps because they are so fixated on their own agenda.

Employees

By the mid-nineties, we had a very clear idea of what we wanted to do and what we did not want to do. People have always been the crucial factor in this. Hiring people is one of the most difficult tasks. In the 1980s, thanks to our excellent liquidity position, we hired anyone we thought could have added value for the company, even when we did not know if we actually had work for such a person. Hiring people was usually a short-term activity for me. After the first three to five minutes of a job interview, I usually decided. I used that precious time to motivate useful people. It is inconceivable what well-motivated people are capable of.

As an entrepreneur, I have three guiding principles in dealing with my staff. The first guiding principle, which is an incredibly important one, is the permanent motivation of people. I have always tried to convey something of pioneering entrepreneurship to my people. Even though I am not the manager type, managing and guiding people is crucial for success. Most of it starts with motivation.

A second guiding principle is: give people freedom and responsibility. I have the best experiences with situations in which I trusted someone and gave them a frame of thought, after which I stepped back and waited to see what came of it. Giving people freedom has a big impact on how they function and brings optimal satisfaction. Therefore, the servant leadership style is our drive. This management style is at odds with the traditional hierarchical style but fits well in a flat organization.

The servant-leader nurtures people and is an expert in his field. He is strong in terms of content and can delegate a great deal at the same time. This approach requires that you, as a manager, face and accept your limitations. It would be best to exploit what you are good at and then leave other tasks to those who are good at what they do.

Servant leadership was essential for innovative companies such as Baan at the time. At Baan, a boss could be wrong and would be open to feedback and input. This created a relaxed atmosphere where the freedom offered everyone an opportunity to develop as entrepreneurs or behave as intrapreneurs within their own workflow processes.

Finally, my third guiding principle is: hire people who fit into the team and culture. Until the end of the 1980s, most Baan Company employees had a Christian background. These characteristics were: a great sense of belonging, open communication, strong involvement with the company and the customer, and a deep sense of responsibility. In this culture, there were no 'politics' and no 'role play.'

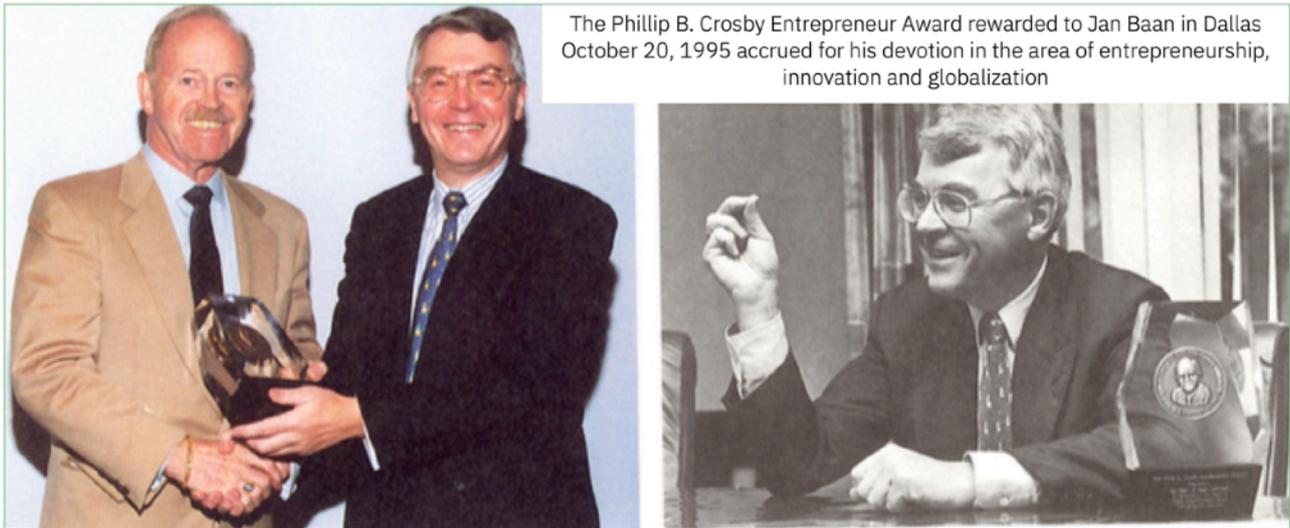
There was respect for everyone's personality. People made mistakes without being afraid to be punished immediately. You did not have to walk on your toes, which gave a certain relaxation within the organization while each employee as a team member strived to deliver top performances.

I am someone who learns from the past; instead of trying to develop a vision about what I can achieve in ten years, I prefer to think: 'what did I learn from yesterday, what am I taking with me today, and what can I do with it tomorrow?' Much vision is not needed for that anyway, but continuous improvement drives me.

I often enter places, and within 20 minutes, I have an idea in my head on how to refurbish the place. The same happens in business or, for instance, on how our headquarters 'Kasteel De Vanenburg' has been in a constant state of renovation over the past 20 years. There is always something new or something to improve.

When it comes to technology, I use the vision of my architects without getting too deep into the content. I will, however, share my views on the improvement and how it will solve a business problem. During meetings with customers, I often cannot explain exactly how everything works from a technical perspective, but I focus on the solution. I have a strong affinity for technology, and I try to motivate my employees and optimize their products with technical innovations. Bringing things together is my strength.

Sometimes I see something that someone else does not see, and I get the persuasiveness to motivate and get others involved. By all possible means, I try to get people to go that way by removing all possible bottlenecks in the process. My strongest side is in building the creative process. As the business becomes more mature, the value I add decreases, and it is time for me to delegate all work to others.



Leadership

I believe that I am an entrepreneur who has leadership talent. Yet, I wonder whether I am all that disciplined. I am not too bad at making presentations or writing reports. Sometimes I am also lazy. If I have to take part in a meeting, I make sure that someone else takes minutes for me. I myself don't want to have any homework. When I look at the work that is awaiting me at the beginning of each week, I wonder who else could take on some of the tasks. I try to delegate as much of it as possible.

Entrepreneurship is what suits me best. As an entrepreneur, I am particularly aware of the need for ongoing renewal and breakaways. Innovation within R&D (inbound) gives me the opportunity for a more conservative approach to sales and support (outbound).

My influence is focused more on the inbound activities while I leave others to take care of outbound activities. I have never made the operational level my primary interest; thus, I feel less inclined to be a manager. Aware of this, I have always known that I need to delegate operational tasks. I leave to others all those areas where I myself lack expertise. I don't worry much about whether things will go well or not. What I have lost, I have lost. So many other opportunities come up all the time.

I believe that I am a good listener, but also a fast one. Often, I have heard enough after just half a word. That certainly has to do with my impatient nature, which is not always an advantage. Unfortunately, I often unwittingly make the mistake of interrupting others too quickly. I think it comes from the fact that an entrepreneur sometimes sees things others do not (yet) see. I am used to making snap decisions without spending too much time weighing the pros and cons. If I realize that it was not the right decision the next day, I turn right back again. That may seem a bit fickle, but I think it has a certain consistency over the long term. Naturally, I discuss matters with the appropriate professional experts.

Internet Entrepreneurs

WebEx
Communications, Inc.



Industry veterans Subrah S. Iyar and Min Zhu founded WebEx in 1996 with a vision of developing a network and platform technology architecture to enable services that would make the world an easier place in which to do business. Till Cisco acquired WebEx in 2006 for \$3.2 Billion USD, that vision has made WebEx the leader in real-time, interactive multimedia communication services, with over 5,000 corporate customers and hundreds of thousands of individual users.

I think that with my multi millions investment in WebEx at the end of last century and as result of this my contribution to participate in many board meetings with WebEx in San Jose California, I contributed to the entrepreneurial capabilities to the WebEx founders Subrah S. Iyar and Min Zhu.

I am not someone who always wants to decide everything by himself: I am also good at delegating decision-making. As a leader, you have to have a bit of charisma. I try to radiate something of the sort. After all, it is important to motivate high potentials, and you become a sort of father figure. I am not always an easy person to work for, but luckily, I usually gain my employees' respect. And I do want to represent something for them.

As a result, together, we have been able to create new leadership talent. Jan Westerhoud became the CEO of GTI and now fills the same function at ECT. Joop de Jong is the founder of Profuse. Wim Heijting was named CEO of Watermark, and Laurens van der Tang was appointed President of Baan-Invensys. At SAP, there is a man in his thirties, Shai Agassi (born in 1954), who has a good chance of becoming the new top man in that company. He also worked for me at TopTier. I am proud of that and proud that I was able to help train him. I was also able to play some part in training Subrah Iyar and Min Zhu to be successful entrepreneurs and leaders of WebEx.

Stewardship

The notion of stewardship suits me well. It is an attitude I inherited from my parents: the highest level you can reach in society is that of steward. In practice, this means that you can never call yourself an owner. You are always acting in the name of someone else. This

also means that you cannot take all the credit and praise at times when things are going wonderfully. You must put your own contribution into the proper perspective.

My mission is this: to add social value. In this sense, it all comes down to respect. If I treat my employees well, I have the best possible chance that they, too, will behave well with other people who are important to the company. I certainly don't think of this as being 'soft'. On the contrary, we work hard out of respect, building on Christian principles. My values and norms are essentially the same as those of my great-grandfather. Many people find that old-fashioned. I don't mind, as long as they are respectful.

As you take advantage of many possibilities, you make more mistakes. For me, pain is a valuable teacher. I have been corrected by my wife and children. As well as by my friends, even though I do not see them every day. What matters is that you are of service. That interpretation also applies to me as an entrepreneur. A steward will not want to earn money in the first place; he will want to help. If I offered my customers a better information system, then I had social added value. Through less inventory, less pollution, and better logistics, we helped entrepreneurs to improve their business, which benefited society.

I have been an entrepreneur who tried to engage in entrepreneurship from a Christian perspective. Christian entrepreneurship does not actually exist. You cannot find a detailed vision of this in the Bible. At least, let me put it this way: the interpretation of my daily economic activity is not always clear. It is about my motivation and about what drives me. There are many entrepreneurs without a Christian background who nonetheless respectfully deal with ethics. One difference is that the Christian entrepreneur is more vulnerable, as he is approachable from a deeper background. Does my Christianity mean

Our 3 I's as the core company values supporting our customers



that I have an evangelistic function? The people around me will not always appreciate my motives, but I expect them to respect it.

Ego tripping is your biggest pitfall. It is very tempting to believe in your myth at a time when the outside world is going to call you the Bill Gates of Europe. Or when the American weekly Newsweek published an article in May 1997 under the heading 'Why does Europe have no more Baans?'

If you start from the idea of stewardship, you have a duty to do your utmost. If you do that, you do not have to worry too much if things go wrong. It is like in a vineyard, which I can take care of today to the best of my ability, while a storm causes havoc the next night. I am not responsible for the storm, but I am responsible for fixing the vineyard after the storm. With such an attitude, my approach in the business could be relaxed. My mission was: adding social value.

Everything revolves around respect. If I treated my employees well, they would treat others who were important to the company in a good way. I did not think that was soft; on the contrary, we worked hard out of respect, building on Christian principles.

My values and norms were, in principle, the same as those of my great-grandfather.

Time and time again

If there is one thing I can't stand, it is meetings. Why do people have meetings? Often because they don't trust each other. If two people talk to each other in a company, the others sometimes get scared and want to join in, too. Before you know it, there are ten of you sitting around a table. If you have a relationship based on trust, you don't have to meet all the time. You don't have meetings at home, after all, do you? I believe in the principle of half of the half of the half. If you take twenty meetings as your starting point, you may only really need ten. And instead of meeting with ten people, you could also get the job done with five. Then a meeting will not take four hours but only two. In this way, you don't spend 800 people-hours in meetings but only a hundred: half of the half of the half. Reaching agreements through meetings is no longer necessary in every case: we can usually accomplish the same with little one-on-one sessions.

Everyone is always going on about money. You can spend it today, and if you have enough of it, you can spend it again tomorrow, but time you can only spend once. I don't judge people by their balance sheet or their profit-and-loss statement. The crucial question is rather: did I blow a chance last year when I went home early one day? Or, to the contrary, when I worked overtime, did I actually accomplish anything? It is important to know what I am leaving behind. This is not something tangible that you can see, but it is essential.

Sometimes just by working an hour longer, you may accomplish something for the following day as well. Thus, I find time is actually a more important factor than money. About fifteen percent of my time is spent accomplishing something really meaningful.

About forty percent is purely routine, and the other forty-five percent might be considered reasonably important, and of which a large part of it is spent on management. Yet that is the work that frustrates me the most, and in any case, someone else can do it twice as well for half the price. If I consider the indirect costs of the support structure behind me, I cost ten times as much. So, I must not work like that, for the problem is that when people listen to me in that forty-five percent of my time, my presence is sometimes overly dominant. That means that I am less effective and make the organization less effective. That is really dangerous. I could end up being quite threatening in a stable organization.

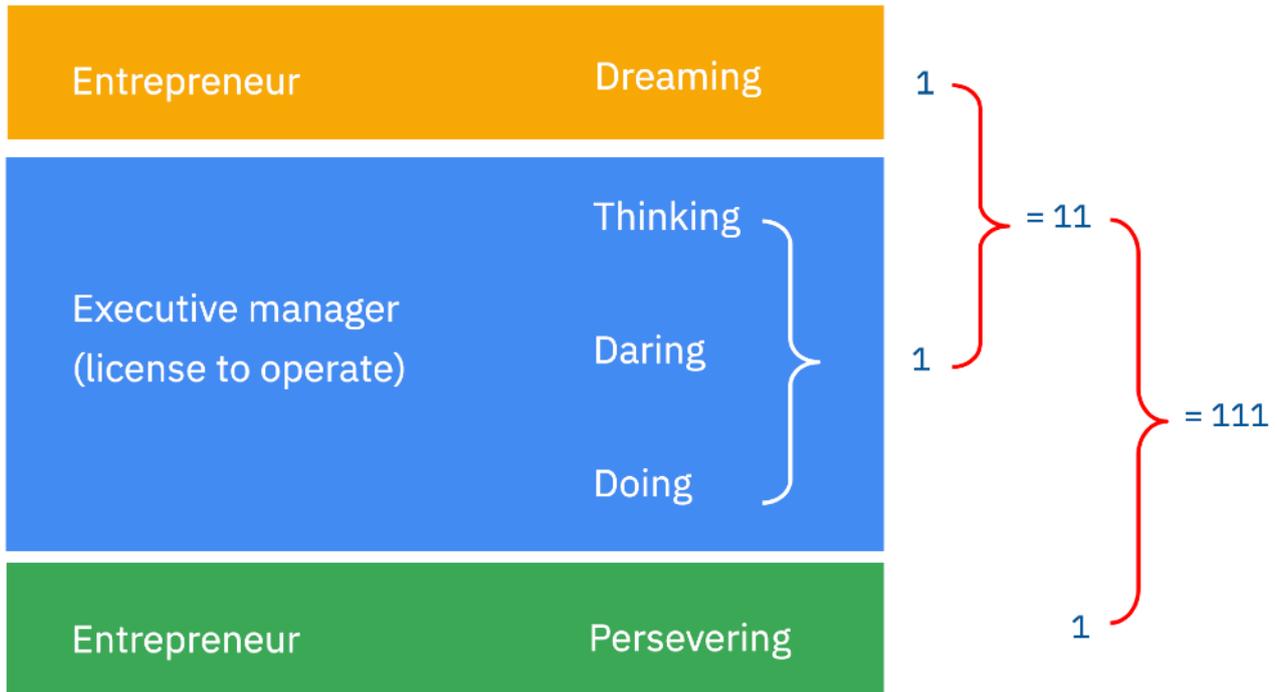
My timetable is now necessarily different. I am trying to spend twenty-five percent of my work on entrepreneurial leadership. If, in addition, when absolutely necessary, I devote about ten to fifteen percent of my time to taking part in management, call it knowledge transfer, if you will. That still leaves me with sixty percent for hobbies. Entrepreneurs always have all the time in the world. I earned the most when I had an empty agenda. Hobbies are, in any case, a sort of extension of my core business.

Others might think I am a workaholic if I spend Saturday morning playing around with a Keynote presentation, but I call that my hobby. When I think of great leaders, like the car manufacturer Henry Ford or President Ronald Reagan, I wonder: would they really have worked this hard? You can learn a great deal from their personalities. Leaders try to clear up the bottlenecks so that others can do their jobs effectively. As for the rest, you just have to act as if you understood what was going on.

The five principles

I am in touch with many interesting people who inspire me. I read newspapers and journals; I skim quickly through the management reviews. I am no great fan of books about management, for which I simply don't have the patience. If I had to read all of that.... I have no mindset for all those facts, names, ages, and dates in any case. I am not so motivated to spend too much time in reading them, I think often, 'try to stay original.' This has allowed me to do things I would not otherwise have done. If I had listened to more warnings about reality, I might not have had the courage to do certain things. As an entrepreneur, you have to be willing to endure uncertainties. You need to understand that you don't have to know everything now. Often it is a matter of 'time will tell.' This is probably the result of my perseverance. Five important principles for me are: dreaming, thinking, daring, doing, and persevering. Thinking, daring, and doing: most people are good at those. But they are not enough.

Entrepreneurial and management capabilities

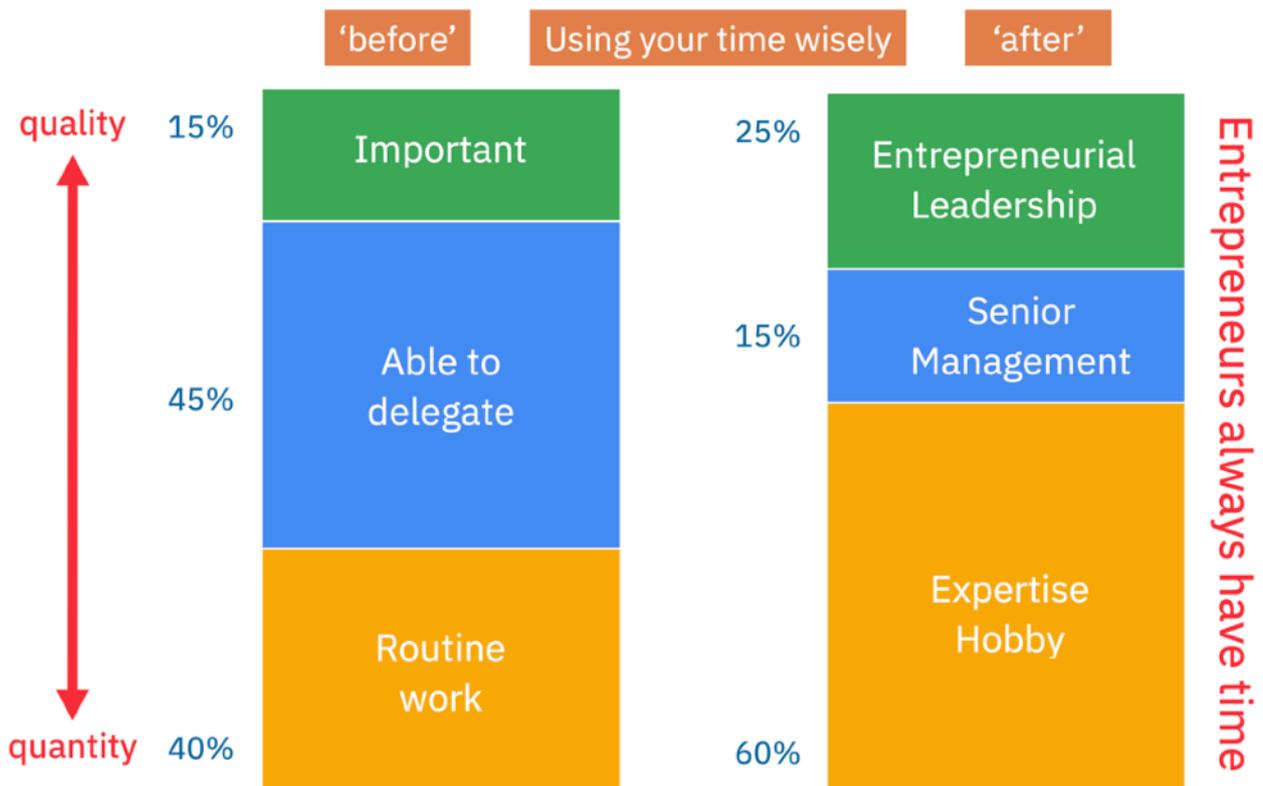


People say, $1 + 1 = 2$. Fine, but some people find that $1 + 1 = 3$, for then you have synergy. I myself am not satisfied with that. If you practice four of the five principles, then I figure that $1 + 1 = 11$.

If you add the fifth – perseverance – you can even, make it $1 + 1 + 1 = 111$. The art of reaching breakthroughs consists of bringing things together that reinforce each other. Out of thousands of projects, maybe one or two initiatives will emerge that really amount to something. Nonetheless, I am no slave to my dreams or my thoughts or persistence.

My daily work resembles utter chaos: I am often unstructured and just putter around. But in the long term, I do see consistency in behavior. It is just like needlework: if you look on the back, you see a complete mess, but when you turn it over, you see the pattern. The best learning experiences for me were my monthly business trips abroad and to congresses or seminars since I was frequently asked to give talks. These were rarely in the Netherlands, by the way, but often in America. There, you meet interesting people, especially in the corridors. Recently it has become fashionable there to be wary of ‘business idols.’ I think one shouldn’t exaggerate; the real danger is when the egos of these ‘idols’ swing out of balance.

In our field, there is very little you can do with ordinary people. We try to bring out the best in people. You can’t attract good employees solely with a large paycheck; the work must also be interesting. If you start to delegate, you realize that the other person might do the



I was too much involved in operating management which could be done more effectively by somebody else (blue box at the left, 'able to delegate'). I have changed this into the scheme on the right, which resulted in more time for expertise and hobby. Professional managers are twice as effective as myself and also at least two times more cost-effective.

job worse than you. You got to the top because you are good, but to delegate is also to give others a chance to mess things up. Let go of what you have delegated to someone else and only step in if things are going seriously wrong. In theory, there was, and is, room for everyone. We never said to a good employee: sadly, we can no longer keep you on; you have grown in your position, now move on.

Manager of the year

In 1997, the business magazine Quote named me 'manager of the year' for the Netherlands. I had started from scratch and suddenly found myself number one on their annual list. The magazine referred to 'the most progressive company with the most conservative entrepreneur.' I don't know if this makes me a conservative, but it is true that I go to church twice every Sunday and that I have not traded in my wife for a younger model. That does indeed appear to be unique.

The distinction of being named 'manager of the year' for the Netherlands is certainly an ego boost, but it is, of course, based on an unfortunate misunderstanding. I am not a manager at all but an entrepreneur. That is why in 1996, I made sure to hire a top professional to manage Baan Company, in the person of the former McKinsey man, Tom

Tinsley. It is wonderful when a manager and an entrepreneur respect each other's contributions. It is completely untrue that the heights of success the company reached at that time has been entirely my doing. The achievements were the result of teamwork. As it happens, I was the company's spokesman and figurehead. My challenge was to ensure that people inside the firm did not take offense because everyone's attention was constantly focused on that figurehead. At the same time, I had to be careful not to become the target of the very cult of heroes that I so detested, and that is so common among the business elite. It should not become a one-man show.



The true value of a leader can be measured by the make-up of their team. Praising only the leadership or describing it as 'visionary' fails to do justice to the value of the team. Each player on the team is important, though none is indispensable. Naturally, we do not wish to lose any players; we want them to grow. If someone was doing the same as what they were doing five years earlier at the same company, then it is clear that there has been no growth. That is not how it should be, nor would I personally want to be in that situation. In an ideal world, one would say: right now, I am doing things that I had no idea about five years ago.

I used to think that I would never be able to lead a company with a hundred employees, let alone five hundred. It usually takes several lifetimes for a company to reach the size that The Baan Company had attained at its pinnacle. Usually, three generations are needed to create a company with a market capitalization of 10 billion dollars. The first generation builds up the company, the second nearly destroys it, and finally, the grandchildren are forced to bring in professional management to save the day. My brother Paul and I realized that the company was growing so exceptionally fast that amateur managers like us would not be up to the task of providing the necessary leadership.

Going back to the beginning of this chapter, then, if there was a manager of the year at Baan Company in 1997, his name was Tom Tinsley. Although I hardly knew the first thing about the job, there were undoubtedly situations where I assumed a managerial role,

perhaps without even realizing it. I hope that in those situations, I acted according to Thomas Teal's principles regarding what he calls great management: imagination - integrity - respect - empowerment.

Great management requires imagination. A business must distinguish itself in terms of what it offers, and it must have a competitive advantage. This requires originality and an underlying vision. Being original means being unconventional and sometimes even contrary. Innovation and wisdom are essential to bringing diverse people and elements together in a new, unique combination.

Another characteristic of great management is integrity. This calls for clear and consistent communication, honesty, keeping your promises, knowing yourself, and avoiding hidden agendas. Integrity very closely resembles honesty. It also involves taking personal responsibility, meaning that you open yourself up to criticism.

Great management also implies respect for one's colleagues and empowerment. This means delegating responsibilities and sharing power with one's subordinates, recognizing their competency, and challenging their creativity and sense of responsibility.

Great management is, moreover, an ongoing exercise in learning, teaching, and persuasion. This is how you get your employees to do their best – for the clients, the company, and themselves. There is often a considerable struggle before everyone understands what the best thing is and then acts upon it. Great management, finally, is the ability to create tension and excitement, to generate the adrenaline needed to build a great company. This calls for certain heroism: adding value where there was none, sustaining or creating jobs and careers, standing alone, often without support, developing a vision, and remaining faithful to it. There is no excuse for failure. You cannot avoid responsibility.

Wealth

In 1993, my brother and I sold part of our Baan capital stock to General Atlantic Partners. Given the enthusiasm of GAP at their acquisition of shares in the company, Paul and I soon concluded that we had valued the company far too low for the purpose of this sale. On the other hand, we were not too concerned about letting someone else have a part, too, especially if their expert knowledge and contribution would help capture the American market. And if the plan were to succeed, we, as the largest shareholders, would stand to make the greatest profit.

This financially attractive scenario for the short term nevertheless gave us some cause for concern. Would we be in a position to handle such a vast private fortune? We were not yet used to it, given our background. Thinking this over, Paul and I came to the conclusion that



Picture of the Baan family in April 1999, during the wedding of our son Paul. Standing from left to right: Jan Willem, Arianne, Jan Baan and Rinie Baan-de Ridder, Paul, Marieke, Jan Peter, Gert Jan; sitting from left to right: Ardjan, Bernhard.

it would be totally unreasonable to saddle our families with extreme wealth. As a result, we brought in some advisors. After taking some time to familiarize them with the situation, it appeared that it would be highly advantageous for us to sell the company to a charitable foundation.

After consultation with the tax officials, who were most generous in working with us on this, it turned out that the shares Paul and I held in Baan could be sold at a low price to the Oikonomos Foundation. However, there were still a number of uncertainties regarding the company. It is true that in 1994 the future looked very promising, but the day-to-day financial worries were on the rise. By that time, almost all of the thirty million dollars that GAP had invested when it became a shareholder had been spent.

Since we personally had no further direct incentive as a result of selling the shares, the other board members thought that we should divide up our share options as well. Paul and I received equal packages. Both of us saw this as a long-term investment. During our time at Baan Company, neither of us had ever sold any of these.

After my departure in July 1998, I kept these shares on account of my ongoing emotional investment in the company. It was only between May and December 1999 that Paul and I

liquidated our options. If we had done so earlier, it is estimated that we would have earned four times as much. All in all, these transactions (the private sale of shares to GAP in 1993, the sale of our stock package to Oikonomos, and the liquidation of our stock options) brought me far less than was generally believed. The perception that Baan Company made me a billionaire was based on a misapprehension. The vast majority of my assets were already in my possession in 1995. The annual ranking of the wealthiest Dutch citizens in Quote 500 also got it completely wrong. When the list was calculated correctly based on my private wealth, I was somewhere near the very bottom. In any case, I never strove to get rich; it just happened.

During the periods when The Baan Company shares soared to unforeseen heights on the stock market, this spectacular rise, fortunately, did not have any significance for our private lives. By then the shares were long since the property of the Oikonomos Foundation. After 1995, Oikonomos began to be active in supporting charitable causes in the Third World countries. Given our unfamiliarity with this new terrain, we proceeded very cautiously in the beginning. In 2005, Oikonomos was working with an annual budget of five million euros, with which projects in developing countries in South America (Bolivia), Africa (Ghana, Nigeria, Malawi, Zimbabwe) and Asia (India, Indonesia) were given support and financial aid.

Stress

Over the course of my life, I have learned how to deal with stress, although I found it much more difficult at the beginning of my career. When the wholesaler Louwerse & De Priester of Middelburg was sold to a German company in 1970, they looked for a young controller who would get along with the slightly aging chief bookkeeper. This lovely man died soon after that, and because I was the one who had the most practical competencies at that time, I became the new boss.

Suddenly, I had to provide leadership to someone who was 48 years old and assumed that he would be the new head. But it was I, a mere youngster of 26, who suddenly became his boss. At the time, I was too frugal to spend very much, for instance, on an external accountant, so I often worked several hours overtime to get the work done.

When I found that the accountancy costs needed to come down, I really worked myself sick. The result was that I slept badly, and I muddled along in this way for two or three months. I was stressed out and thought that I had a heart problem. I was literally scared stiff and truly learned to recognize the fragility of life. Following a doctor's advice, I worked only half days for a couple of weeks. That was very useful in discovering my own limitations. It was also a difficult time for me personally, as it was then that my father died.



Our family in September 2001

After that, I no longer really felt that being the head of a company was so physically debilitating as it is often said to be. I am blessed with good health and can still withstand frequent flying. Luckily, I can switch things off quite easily and sleep well. The average CEO is, of course, much busier than I. He or she can often work as much as 80 hours a week. Because I delegate a great deal, I have a less full agenda and am often more relaxed as a result.

They say that it is not only slippery at the top but lonely as well. I can imagine; now and then, I, too, feel a bit lost. Within your own circles, you suddenly become somebody else: very wealthy, and everything that goes along with that. It can create a certain distance. That is peculiar, for I don't speak differently to the painter or the gardener than to top managers. Many people put up barriers, whereas I try to pull them down.

Sometimes you feel lonely and may wish to discuss something with someone else, but it is not always possible. I do not want to take home the business matters I am wrestling with. I consider myself lucky to have good friends whom I have known for a long time. The frenetic times we lived through with The Baan Company did not do anything to change that.

They are as good as gold as far as I'm concerned. I can discuss all sorts of business issues with them in full confidence since they – themselves entrepreneurs – have a keen understanding of these matters. They can hold up a mirror to me, as they are not too dependent on me. We also share many personal interests. It is a privilege to have them as friends. People always judge you by outward appearances. Some people envy me as soon as they see my house. I indeed have a nice house and a great car, but a Ferrari would be wasted on me. I once had a Lexus. That sure made a good story for the press. 'Jan Baan is so modest that he drives a midrange Toyota,' they wrote. That gave me a good laugh.

Moreover, I am not someone who does things for sheer pleasure. Owning something generally means the end of enjoyment. Though I like good times, I don't care much for parties. Drinking a glass of champagne and having your picture taken is not my idea of fun. Collecting seventeenth-century art, namely paintings, has become one of my favorite pastimes. I rarely go out –maybe to a concert or a museum now and then. I don't like being idle in my free time. I believe in keeping busy with meaningful activities.

IF ... by Rudyard Kipling

A poem that has always appealed to me is 'IF' by Rudyard Kipling. In this beautiful poem I read many recognitions about strong contrasts that I have experienced in recent years.

This English author was born in Bombay, India, in 1865 and died in London in 1936. In 1907 Kipling received the Nobel Prize for Literature. He wrote novels, poems, and short stories.

If you can keep your head when all about you
Are losing theirs and blaming it on you;
If you can trust yourself when all men doubt you,
but make allowance for their doubting too;

If you can wait and not be tired by waiting,
Or, being lied about, don't deal in lies,
Or, being hated, don't give way to hating,
And yet don't look too good, nor talk too wise;

If you can dream — and not make dreams your master;
If you can think — and not make thoughts your aim;
If you can meet with triumph and disaster
And treat those two imposters just the same;

If you can bear to hear the truth you've spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to broken,
And stoop and build 'em up with worn-out tools;

If you can make one heap of all your winnings
And risk it on one turn of pitch-and-toss,
And lose, and start again at your beginnings
And never breathe a word about your loss;

If you can force your heart and nerve and sinew
To serve your turn long after they are gone,
And so, hold on when there is nothing in you
Except the Will which says to them: 'Hold on;'

If you can talk with crowds and keep your virtue,
Or walk with kings — nor lose the common touch;
If neither foes nor loving friends can hurt you;
If all men count with you, but none too much;

If you can fill the unforgiving minute
With sixty seconds' worth of distance run—
Yours is the Earth and everything that's in it,
And — which is more — you'll be a Man, my son!

7. Stepping down

After the investment by General Atlantic Partners in 1993, Baan Company grew extremely fast, from \$64M to \$684M in revenue by 1997.

Despite the strange support of the two General Atlantic partners: Bill Grabe and Dave Hodgson, I could continue my entrepreneurial capabilities at the helm of The Baan Company. This daily involvement of our VC partner paid off handsomely for them and turned their \$33M participation into a value of more than \$1 Billion in cash by 1998.

By 1996 I made for myself the decision to choose a successor, and at the end of 1997, this choice went into effect. This change had a major impact on the company culture. The head office was immediately moved to America, and the management team Americanized overnight.

In 1998, the focus changed again, now from a shareholder-driven culture to an M&A-driven one. Entrepreneurs actually have little in common with this because they prefer to build up their product themselves rather than grow via expensive takeovers. The acquisition choices seemed to be strategic, but the integration of products and companies proved to be a fiasco in hindsight.

Starting in early 1998, I was decreasingly involved in day-to-day policy. My role was restricted to running R&D and propagating the Baan culture and the product vision to international organizations. As a kind of ambassador, I also fulfilled the role of company figurehead, especially for the analysts and the major customers.

Thursday, July 16, 1998, was an emotional day for me. Surrounded by the tranquil beauty of Lake Louise in the Canadian Rocky Mountains near Calgary, I decided to leave the company.

On Monday, July 27, 1998, I sent an email to all Baan Company employees in which I announced my departure. With this emotional letter, I concluded my Baan period.

Farewell letter to Baan employees

*From: Jan Baan
Sent: Monday, July 27, 1998, 9:33 PM
To: Baan Company employees
Subject: Personal letter of Jan Baan*

To all Baan Company employees, Farewell to 20 years with Baan Company

'Saying goodbye is like dying a little bit,' our French neighbors say. In the last few days, I have experienced something of that. On the evening of last Thursday, July 16, in the tranquility of Lake Louise in the mountains – to me the most beautiful place in the Canadian Rockies – I made the decision on my own to completely step down from Baan Company. The holiday with my family gave me the opportunity to make this mature decision in complete tranquility. First of all, I have made my decision coram Deo, before the face of God.

I asked myself what this means in my role as a steward on behalf of the Oikonomos foundation. I weighed up the influence of my role as a figurehead for Baan Company in connection with my other possibilities for Oikonomos and Vanenburg Ventures. I have experienced the roughly twenty years of being active for Baan Company primarily as an accumulation of changes, the speed and extent of which have increased. I have taken part in them with great pleasure, at first more as an active builder but in the last few years more as a stimulator on the leadership team. At Paul's request, I then set myself up as a figurehead for the company. Through the involvement of General Atlantic in 1993, Paul and I duly realized that the company needed to be transformed from a 'family culture' to a 'public culture.'

Taking on American talent (including Amal Johnson and Kevin Calderwood) made it possible for us to conquer America, just like Columbus in his time. A logical consequence was our stock market flotation in May 1995 on NASDAQ and Amex. As a top performer with a billion-dollar market capitalization almost immediately, we were also able to attract outside talent to our company. This made it possible to transform the company's dependence on the Baan brothers by 1993 into complete independence today.

The arrival of Tom Tinsley almost three years ago contributed strongly to this. At first the distribution was as follows: Jan Baan, CEO; Paul Baan, COO; and Tom Tinsley, President. However, Paul very soon felt he had gotten all he could from it. As usual, he was two steps ahead. His opinion was that you just do not get under the feet of a class act like Tom. In the last two years, he has actively thrown himself into building up Baan Investment (now Vanenburg Ventures) as an active investment company. Tom was immediately made fully responsible for all operations. He took on the pressure of quarterly performance himself.

A few months ago, I asked Tom to take over the job of CEO from me. Klaas Wagenaar was promoted to COO. I remained available as an effective Chairman and continued the role of figurehead for the company. I have now given this role up. In an interview with the monthly magazine Quote, published last February, I said that I would rather move on to the Oikonomos foundation. 'That is where my heart is and that is what I would actually rather be doing today. But I think that I cannot do it yet.' Sooner than I had expected a few months ago, I have now made this decision. The main reason for this decision is a desire to create maximum clarity between Baan Company and Vanenburg Ventures.

I feel the close of the latest phase as a more emotional decision than previous changes. After all, your own ego is involved. As a person, you are linked to the success and influence of Baan Company. That feels great while the problems were masterfully delegated to the leadership team. But it is time. I still feel like a builder. And Oikonomos and Vanenburg Ventures offer plenty of opportunities for this. Baan Company finds itself in a stronger position than ever before.

In particular, you get a buzz from the recent activities of Baan World in Denver, with over 5,000 visitors. Two weeks ago, the sales kick-off for the Americas in Seattle proved this once again. Steve Ballmer, President of Microsoft, the keynote speaker, was 'highly enthusiastic' about our joint possibilities. The current benchmarks with NT and Sequel Server 7 offer unknown possibilities. Here Baan has the potential to become the market leader in the central segment. In a different market segment, we have high expectations from the collaboration with IBM with the porting onto the AS400 and the 390 Mainframe. That this is not attractive to Oracle will be clear. Incidentally, I have no problem with that. Partly due to the acquisitions of the last two years, our range as an enterprise applications company is quite complete.

Most of all I am deeply impressed by the paradigm shift that Laurens van der Tang and his team within Baan Development have affected. By building software objects, a balance has been created between the integration of these components and the optimization of company processes in specific market segments. In this way, we have made the transition from 'mass production' to 'mass personalization.' Primarily because of this, the Gartner Group continues to regard us as a market leader in terms of vision. Never before have we possessed such a complete product package and in a very willing market.

With a peaceful heart, I say farewell to Baan Company. It gives me a glorious feeling to concentrate on Oikonomos and at the same time once again conduct further investment activities with Paul as Baan Brothers. Ample activities, in countries such as Israel, India, South Africa, Indonesia, Malaysia, the Philippines, China, Bolivia, Nigeria and Ecuador, as well as Europe and America. As representative of by far the largest stockholder in Baan Company, I will naturally follow both closely. From Paul I hope to take over a non-executive board member role in the company. In this way, I am on call at all times in

both word and deed. I'm really not just sitting around! The last twenty years have provided me with some unique experiences as the founder of Baan Company. In addition, the management of a world class IT investment fund gives me a powerful influence on society. However, being in charge of my own agenda gives me a particularly nice feeling. It is like a sabbatical. Because the European head office is moving from Putten to Barneveld, I luckily do not need to clear out my office in The Vanenburg, and everything seems the way it was.

Looking back, gratitude is due to God, who has given me insight and strength to be able to provide twenty years of leadership to this great company. Soli Deo Gloria! Baan Company, farewell. God be with you.

Putten, July 27, 1998 – Jan Baan, entrepreneur

Some reactions on my farewell letter

Subramanian Ramanathan

Personal (warning; please do not take this as flattery)

I have often found myself asking the question why I am so attached to this company, when in general this industry has the most turnover. The answer I received from myself was:

- 1. I received a high responsibility and trust from this company, which made an average person like me perform very well. In most other companies I would not have the atmosphere to perform the same way as in Baan. Hence I came to the conclusion that there is something unique here that makes even average people perform very well.*
- 2. There is true value for people in this company, a fact that I am very proud to say to everyone. I firmly still believe that this is the main reason for our success. This gives me the most satisfaction as a manager in performing my duties to others around me.*
- 3. Baan for me is always the 'Pioneer' company. A company that tries to go to far away places to SEARCH for a business advantage, compared to others who only go when they SEE a business advantage.*
- 4. Of course I am paid very well by the company, and was generously given stock options by the company, a fact that I can never forget.*
- 5. The fact that there was a Jan Baan who knew me and whom I could talk to, made me feel very proud and often motivated me to do many things. To a large extent because you were so close to me I felt that this is my company, and never bothered much about barriers in departments, divisions, companies etc. I felt extremely loyal to the company because of your presence.*

The above is just a sample of how I feel. There are many more thoughts, but these would simply take too much time to describe. The conclusion is that I am feeling a sense of vacuum and loss. It also makes me wonder if I would continue to experience this kind of a special feeling when The Baan Company in the future. I look forward to your advice here.

Official

- 1. Your stepping down from Baan Company, would it have impact on the IT park that we are building in Hyderabad? Would it happen that the main occupants (here R&D, Global Support) decide against future investments/expansion in India?*
- 2. Would you still continue to personally promote the Vanenburg Ventures (VV) activities in India (like IT Park, All Finance, healthcare etc.).*

When I hope I will receive your answers and advice on this mail, I would like to assure you that I would continue to do my best both for Baan Company as well as VV.

Looking forward to your reply and continued association...

(Jan Baan; Januari 2022, this continued association is still there today, to my joy)

Mr. Baan.

We have worked together since the ASK days when we were attempting to resell the Baan software. I know you are getting many of these messages, but I couldn't let the opportunity pass to say a few words to you.

First I am sad to see you leave The Baan Company. I envy your ability to spend time doing the things that really make you happy, such as the Oikonomos Foundation. In between ASK and Baan I took some time to myself to look at what I wanted to do. During this time I coached young children who wanted to play basketball. I would never have understood what a fulfilling it could be until I tried it. I forget all about the 'high tech' industry and I found that my own self worth can be derived from helping others. My value as a person wasn't based only on my job.

I learned a lot from you. I found that helping a person keep their dignity is very important. I remember when you came to the ASK offices to learn about how ASK developed our Repetitive Manufacturing Module. There was no one in management to meet you and act as host, so they assigned me. I was nervous and you were so gracious. You travelled all the way from Holland to gather information and visit with your new partners only to find an engineer to greet you. You could have been upset but you made my day very easy. I never thanked you for that. THANKS!

I will miss seeing you at the conferences. I was always looking forward to your handshake, big smile and positive attitude. You know most everyone's name and treated each person with respect. I hope that moving from a 'family culture' does not diminish the respect we should all have for each other. I am proud to work for Baan company.

I wish you luck and hope to see you again in the future.

Respectfully

Patrick Di Staso

To be frank, I was a little shocked to hear the news. At first I thought: "This can't be true." I do understand your decision however, and I appreciate the manner in which you handled it. To say goodbye and distance yourself is a difficult decision, but probably has to happen at one point or another. At that point you may have more important things to focus on. You already indicated that you will focus on managing the excellent Oikonomos foundation.

I will admit it makes me sad to know you will not be leading the company any longer. It also makes me worried about potential changes around company norms and values. I realize this is partly in the hands of us as employees and also know we still have managers that are fully committed to the Baan culture.

I want to express my sincere gratitude for your leadership, also during difficult times. Your take a personal approach in which you really want to know your employees. In addition, you have meant a lot to us in the material sense, which we will not forget. I hope and wish that God, to whom you also expressed your gratitude in your goodbye letter, will support you both personally and professionally in time ahead.

Jan Hoepel

Via the email I want to personally thank you, but also convey my sadness at learning your decision, even though I fully understand it. The openness and spontaneity in your letter clearly express your intense involvement with both the company and its employees.

This is something I have always valued, and has made me feel like I am a person in your organization as opposed to just a number amongst 5,000 or so employees.

I am convinced that the common initiative, employee culture and the underlying mutual respect uniquely positions Baan Company in the business world.

Over the past years you have always supported and lived by this unique approach, and I hope these elements in your personality will live on unencumbered.

I wish you and your family the absolute best in life, including God's blessing, and hope that our paths will cross again one way or another.

Matthijs van Leeuwen

It was a surprise to read your recent mail. From it I could make out and deeply made decision. Your work and immense energy has been truly inspiring for me personally. It was always with pride I mention that I work for Baan Company and have been part of this institution. It was fascinating to see the will from your side and then see you go forward and create it. To see a vision and then make it happen. This lesson has been a strong chapter in my learning and I try to simulate this in the goals I set for myself.

I have seen upper 'un-reasonable' (and passionate) vision and will, more than sometimes and also I have seen you change circumstances more than once with tremendous positive results to give this quote life and credit.

I also applied your vision of the Oikonomos Foundation and have found it one of the primary sources of meaning to my regular work. It's exciting to know that such a high percentage of the economic wealth being created in Baan Company is being redirected for such worthy causes. I take this as one more chapter in my learning. I am excited about what you will further create in this effort by giving more of your attention. The 'Jan Baan' effect in this direction will be tremendously positive to see.

Thanks for everything and sincerely wishing you the very best for the future.

Sandeep Kapadia

On my personal side, I will miss you very much. You have been a very motivating factor in my life and whatever career I have built upon as of today, a lot of it is due to you. I do remember in Holland in our initial days you meeting us in your office and giving us valuable guidance which has helped me a lot in the future.

I cannot forget the day when you informed us that we had been given stock options. More than the value, what was important, you had valued us Indians and held us in such high esteem.

Also I cannot forget how understanding you had been to my problem when you had wanted me to shift to ~Hyderabad, but I wanted to stay in Bombay due to family reasons. I remember your words, 'Dara, family comes first'. I cannot imagine hearing this words from the Chairman of a top company in the cut throat business industry today.

I will definitely miss your personal touch. But I am sure that you would have taken this decision after a lot of soul searching and an entrepreneur like you will definitely rise to great heights with your focus on Vanenburg Ventures.

Darayus

It was a shock and a very sad moment for me personally to read your e-mail. I remember the days when we all people from Baan interacted with you directly. It was your full support which made us gain respect in Holland.

For me personally, your leadership was always a source of inspiration. I remember the day when you had called me at my residence during the time I was sick in India. My parents were so proud that their son works in such a great company were the president cares to enquire about the health of their son. These are moments I will cherish for all my life.

I also hope that Baan Company will continue to get your attention on the path of rich culture and values which have been set by you.

Nitin Wani

Even though rumors have speculated throughout the past year, your definitive departure still came as a surprise. Nonetheless, it fits the overall 'Baan style': unique and surprising. Via this letter I want to thank you for the stimulating manner in which you have led the company. As personifications of Baan Company, you and your brother Paul have been a pleasure to work for. Your 'one of the people' attitude combined with your drive and vision have been strong drivers. I have also very much appreciated your efforts to always portray a Christian attitude and perspective towards earthly business success by highlighting the more important aspects in life, even during large events such as the one in Denver.

I have great respect for your decision to take a step back in this phase of the company, as well as for the manner in which you shared that news.

Wim and Carine Hasselman

It was a great experience in associating with you very closely during your visits to Hyderabad. I have gone through the mail addressed by you to the entire Baan World. It is indeed a difficult decision to leave the child (Baan Company) whom you have groomed for 20 years to become a world class company and as leader in its own right.

In our language we have a saying 'to get something you need to give something'. I am sure, to fulfill your vision for social cause and to build these two children as world class emperors (they already possess those strengths) you need to give up the other grown up child.

I pray to God Almighty to give all the strengt and support to you in realizing your vision. And in your mission of achieving the vision I am always available for any assistance that you may require.

A Suresh Chandra

Jan, I know you will receive many replies to your message, and I am compelled to add mine to the chorus. Your individual attention to each of us has been an inspiration and a unique part of our experience at Baan. When my wife Michelle met you at the Leadership retreat in Austria one and a half years ago, she instantly saw you as Papa Baan. I will never forget the personal interest you took when I decided for many reasons to leave Baan, nor the warmth with which you embraced me upon my return.

Meanwhile, I know this is not 'goodbye'. I will miss you at the meetings and events as a constant reminder of the value and ethics that I so deeply believe have made us a success. I commit to you to do my utmost to preserve and live by those values every waking moment, and to struggle against any attempts to lose sight of what is right as we focus on our financial performance and growth.

*My heart is full of emotion and I say simple, Thank You, and Godspeed
Hartelijk dank, and may the universe return to you and your family as much as you give in our service and devotion.*

Don Drury, Friend and Colleague

Jan, It's been a great pleasure to work with the Baan Brothers for nearly 9 years. Starting from scratch in Spain and realizing how Baan Company has grown at a high speed has been very motivating and has provided me a great satisfaction as well. I have always appreciated very much the entrepreneurial spirit of ~baan. I constantly remember your statement: 'I prefer being asked for forgiveness than being asked for permission'.

Josep Rof

I want you to know that I respect you and the culture that you have instilled in this company - it has differentiated Baan Company from the majority of the high-tech industry. As I have moved into different positions within The Baan Company and now BMS, I often talk to new employees, partners and customers about the 'Baan culture' and 3-I's philosophy that you and Paul have cultivated throughout the organization.

I wish you the best and know that your active role within Oikonomos and Vanenburg Ventures will be as dynamic and adventurous as the building of The Baan Company. I am glad that we will still see your influences throughout the 'Baan Web'.

You have touched many people in a very positive way - once again, Thank You

Beth Parkinson

I have always greatly enjoyed working for you. I frequently think back to the many times you 'circulated like a whirlwind' through Groot Zonneoord, with great enthusiasm for new developments. Particular highlights were the preparations for the Boeing demo and the development of the DEM (Dynamic Engineering Modelling) tools. I'd like to wish you lots of success with the work you will now focus on with Oikonomos and Vanenburg Ventures, depending on God, as his steward. I hope our paths will cross again one way or another.
Rine le Comte.

I read your 'goodbye' note several times yesterday and I am very saddened by your departure. You are a shining example of strength, yet so full of kindness. You have taught many of us to be thankful for the most important people in our lives, our families. You demonstrate this once as you leave us, that your faith and faithfulness give you the peace and understanding to have made this very difficult decision.

I joined this company because of its culture, principles and values. We were less than \$200 million and only 2 years old in the States. You have never faltered in your example as we have grown. Integrity is key to your principle and it shows. The Chrysler Company saw integrity and so much passion in every thing you did. I can not thank you enough for the opportunity to work with you. My fondest memories are watching you depart from the airplane with your fast walk and a huge smile on your face and then asking me what you can do to help me. Jan, CEO's don't ask, they tell, yet you were there to help. Thank you. And of course, I will not forget about the powerpoint slides that Tom Tinsley couldn't do!!! It still makes me smile. I have always respected you as my leader and as a person and it will always be fondly that I will think of you. I wish for you God's continued blessings and guidance.
Gayla Burns

Thanks for making such a difference in so many people's lives including my own! I'll never forget your devotion to family and to God, keeping the sabbath day holy, integrity, and your kind, genuine personality - even as a corporate executive among fledgling students. I have always admired your great leadership, your commitment to excellence and innovation in business, and your willingness to empower employees' initiative. You have certainly been one who 'went about doing good' (Acts 1-0:38), and your influence will be missed greatly. I wish you untold success in your adventures with Oikonomos and Vanenburg Ventures.
Adam Fairbanks

This is truly shocking. In no other company that I have worked or know I have seen the top most boss of the company come and sit next to me and discuss everything at all stages of my career. From programs, design and all the localizations from Germany to USA to all others. I cannot imagine this company without your active presence. In my 10+ years with Baan Company I have seen one after other brilliant and positive decisions taken executed and successfully implemented. I refuse to believe that this is one of them.

Please take your decision back and be with us!

Your quote expresses your thoughts and I understand how you feel right now. As one of my uncles used to say, a very small percentage of people in this world are real geniuses and true leaders who carve their own path. Rest of all are just the followers in one way or the other. I will wait for the day when you as my leader will be back actively among us in your own Baan Company.

Mukesh Desai

The 10 years I have worked at this company are mostly because of you. You have given me and many others the opportunity to grow into what we have achieved to date.

Personally, I have always been very impressed by the manner in which you kept in touch with your employees. Despite the ever-increasing amount of work, you have always taken the time for us.

My sincere thanks to you, and please continue to be exactly the person you are.

Ronald Haantjes

This is one very sad day for me. The past 9 1/2 years that I have worked with Baan - first with Baan India in Bombay and then with Baan USA in Grand Rapids - you have been a Father figure and a role model for me and the many others in this company. I have loved the culture, the discipline, and the family type working environment here which taught me to treat my fellow workers with courtesy and respect.

While I am disturbed by this happening. I take courage from the fact that your decision must have been more painful for a person who has founded the company and transformed it into a global entity. I will continue to deliver my best to The Baan Company for the years to come and keeping the Baan name and flag flying high!

Ravi Dhareshwar



With friends on a journey to Israel in October 1998

Failure and mockery

In November 1998, the third phase started for me, that of failure and mockery. Baan Company did not fulfill the third-quarter earnings forecast, which took me by total surprise. Because of the financial crisis in Asia, people stopped buying and, as an upshot of this, we suddenly suffered losses over the third quarter of 1998. This meant we did not meet analysts' expectations. Panic broke out on the stock exchange, and the Baan stock price plummeted.

All at once, everything came crashing down. Although I was no longer directly involved in the company, I personally received a lot of attention. After all, my name was still on the building. I was branded a lame duck. In July, I had said goodbye, and I had aimed to restrict myself to the role of a non-executive board member. Now I had fallen between a rock and a hard place: I no longer had a job on the management team but had not yet been officially appointed non-executive board member.

At that time, Tom Tinsley (my successor as CEO, Chairman & President) and the two board members, Dave Hodgson and Bill Grabe from General Atlantic Partners were pulling the strings. The three of them proved to be in complete agreement with each other and had totally different interests than I had. In the meantime, General Atlantic Partners had largely achieved the desired returns on its thirty-million-dollar investment, and the remaining stock in Baan Company was no longer of appreciable interest to them.

The CEO had also cashed in a large part of his options. Now that their incentive had been amply realized, their objective was to integrate Baan Company into other companies. Should I have felt frustrated by this? Absolutely not! Rather, in hindsight, I can blame myself of being too naive. A look back at the price trend of Baan stock shows that many people had won, especially in the professional-institutional corner.

But there were also many losers, including many relatively small, private investors. They had often bought our stock for emotional reasons and with little investment experience. But the Oikonomos foundation ultimately proved to be the biggest loser. We believed in the Baan Web and had held onto our shares. The foundation would certainly have gained a lot with success, but now, unfortunately, it lost a lot. From that standpoint, Oikonomos was the biggest victim. Our dream of continuously seizing opportunities wherever they arose was suddenly over.

The company had been painfully brought down to earth again. Articles appeared in the newspapers that hurt me deeply. Analyses made much of the business failures, along with reproaches directed at me and loaded with insulting remarks about my Christian lifestyle. For me it was a difficult period of chastening and looking deep inside, in which I considered my shortcomings.

Business model as public company

Our business model between 1993 and 1998 was based on generating additional revenue because this was more fruitful than cost control. You can be a perfect manager and have your costs fully under control, but in our field, that is not enough because you cannot earn enough that way. If you compare software with water, the intellectual property tap is running at full flow. Any extra bottles of water you can put away is pure profit.

For this reason, there is no point in concentrating too much on the cost side of things when the potential lies in revenue. The energy you put into reducing your company's annual costs by twenty-five million dollars a year is in fact, misplaced: the same amount of energy could earn you an extra sixty million dollars in income by generating extra revenue.

I was well aware that efficiency profits were falling in the company, but that has never really bothered me. First and foremost, you must conquer the market and allow the tap to flow.

Of course, all in all it was a strange business model because there was not really any connection between costs and operating results. It took three to five years to recoup R&D investments. Whenever we closed large deals, which we may have been working on for a year, we had a large amount of cash at our disposal, for which the costs had already been run up.

Costs were high in any quarter which lacked such a deal. Whenever we netted a deal, the following quarter was very easy because we did not have any acquisition costs; we had cash as a result of the deal and a maintenance fee was also paid the following month. And all the while the system is not really being used because your partners are still at the implementation stage.

All in all, it was a very strange business model in a market which was still showing limitless growth at the time. The sales costs for acquiring large clients were very high, mainly because it took a long time to finalize a contract. When that finally happened, nearly all costs had already been incurred because the client was buying a standard product that had already been developed. There is also the fact that there are no limits to your selling because your factory is never full.

In every other business, if your factory is full and you are at the limit of your capacity, tough luck. One Friday evening in the summer, we had a fire in one of the buildings in Barneveld. On Monday, the factory was operating as normal at a different location in another place. It was not too bad for the staff either, the new building had air conditioning unlike the old one.

In the software industry, 'winner takes all' – market share is everything. The number one in the market has a market capitalization equal to ten times revenue (not ten times income), number three a market capitalization equal to three times revenue, and number five a market capitalization equal to revenue. However, there is not actually much difference in revenue between these companies. The number one company in size for software is Microsoft. For an investor, it is important to list a Microsoft-type company. If you have one of these, you can have ten other investments that flop.

In our business, you target price/earnings (PER) much more than profit and loss. It is not particularly difficult; you just have to manage your 'prospects'. In effect, that is also your NASDAQ insurance premium. As a company, you do not just do what you can, such as sky

high results one quarter and rock bottom the next. Rather, you give analysts information which they use as a basis for their projected expectations; your job is to meet them. There is not really any reason for it to go wrong: you know that you will potentially bring in one hundred deals but can count on around twenty of them. The 'pipeline' must therefore be four to five times revenue expectations.

Tom Tinsley and the other Americans had perfect mastery of this game. Of course, people were paid, too. Anyone who could make a good deal could earn as much as a million dollars; no one thought twice about that. I did ask myself why a salesperson should earn a million dollars. Because for that kind of money, I could possibly have hired five other salespeople, all prepared to come and work for us for two hundred thousand. Was that not enough? But others thought – rightly – that I should not keep harping about that. It was part of the game.

It was all terribly predictable until the 1998 Asia crisis, the consequences of which particularly surprised me. I had left the company a few months earlier and was convinced that Baan Company looked promising. My conviction was supported by analysts from Gartner Group. My farewell letter to the employees also bore witness to this. But because of the decline in the market, Baan Company took comparatively much worse knocks than its rivals. This was because it generated far less revenue from services.

The Asia crisis was less painful for rivals. In 1997, we had a market share of nearly fourteen percent in licenses and were thus the third-largest company in the ERP market. Licenses were the engine behind our company. More than 60 percent of our revenue came from licenses, while for Oracle and SAP this figure was just one-quarter. These companies had focused much more on service offerings.

From stock market darling to problem child

After the IPO in May 1995, Baan Company was the stock market favorite for three years. When Tom Tinsley moved to Reston, the management team Americanized straight away with an increased focus on takeovers. It was Amal who succeeded in convincing Tom to take over Aurum.

Well-known bankers like Goldman Sachs, Morgan Stanley, and First Boston were regular visitors, especially once the market value surpassed five billion dollars. They regularly came to us with suggestions for takeover candidates with attractive presentations. Their only goal was to show that a deal would prove to be accretive.

I feel that the highpoint for Baan Company was reached with Baan World in April 1998 in Denver. Every year we held such an event for employees, customers, and partners, but this one exceeded all previous occasions. This was the event for Tom Tinsley. Through his good relationship with Steve Ballmer and Bill Gates from Microsoft, he succeeded in bringing Gates himself to Denver for a keynote speech.

The event was a huge success, with over 5,000 people attending. After Bill Gates' presentation, a team of techies demonstrated our new products from the podium. Bill was particularly impressed. The demonstration by Shai Agassi, then CEO at TopTier, was particularly impressive. Then Tom left with Bill to see him off, and, as the other keynote speaker, I gave my presentation.

I was nervous about my presentation. Although I am generally not nervous about public speaking, I was awake the night before my speech. I was worried because I was becoming more detached from the company and feared that the Baan culture would be lost. On this occasion, in addition to the visionary part about new concepts for building software and things like Beyond ERP, I tried to bring the Baan Basics (which I explained in chapter 1.5) into the spotlight once again.

I was primarily concerned about the disappearance of respect for Sunday as a day of rest. I concentrated on the danger of workaholism and the drudgery of being engaged in business 24/7. The physician and psychiatrist John White writes about this under the title The Bogeyman of Overwork, cited by J. Packer in A Passion for Faithfulness:

'Work does not produce nervous breakdowns, despite what anyone may have told you to the contrary. Sometimes we work too much, not because the work is essential, but because we are driven by fear. Workaholics are driven. Workaholics try to keep their consciences clean by working. Consequently, they work too much and become slaves to their own neuroticism. Workaholics cannot easily rest; they begin to look haunted when relaxing.'

I took this as the starting point for my presentation. I was relieved to note that my message did not fall on fallow ground. Little did I know that this had been my last official act for Baan Company.

In the afternoon of the same day in Denver, there was suddenly an urgent discussion. We were at the end of the first quarter of 1998. Our accountants unexpectedly came to us with the message that the rules of the SEC, the American stock market authority, had suddenly been changed. The new accounting rules set different conditions for so-called revenue

recognition, the sales calculation. In fact, this meant that everything supplied but not yet sold to an end-user could not be included in the results.

Within Baan, we said: Bite the bullet; maybe it will turn out okay. But it did not turn out okay. To make matters worse, a story spread that the commercial relationship between Baan and Vanenburg was obscure. In retrospect, I am pleased that the same accountants audited both companies. They knew everything, so we could not keep something in one company hidden from an accountant at another company.

The entire management team was present in Denver. Kevin Calderwood and Mary Coleman, both responsible for sales, began to get a bit nervous. After all, people who have not achieved quarterly targets usually hear: 'You're fired.' I calmed everyone down with the statement that we did not have a hiring and firing mentality. Tom was somewhat indecisive in this process.

What struck me was that Mary quickly succeeded in coming up with initiatives. That was certainly needed because we had to discuss our policy with the financial analysts that same evening. I was never particularly interested in this matter; I found the SEC terminology especially difficult. From the start, I always surrounded myself with experts in this field, like the accountants from Ernst & Young. Moreover, I had top people from General Atlantic on the board, with Robert Goudy as expert general counsel and Tom Tinsley with his McKinsey contacts.

After the first quarter of 1998, the Baan share price fell for the first time. The same analysts that had earlier cheered on the plans for the Baan Web (see later the explanation) were now somewhat confused. Thursday, July 7, 1998, a negative article about us appeared in the Wall Street Journal, under the headline 'Dutch Software Firm has extensive links to founders interest.'

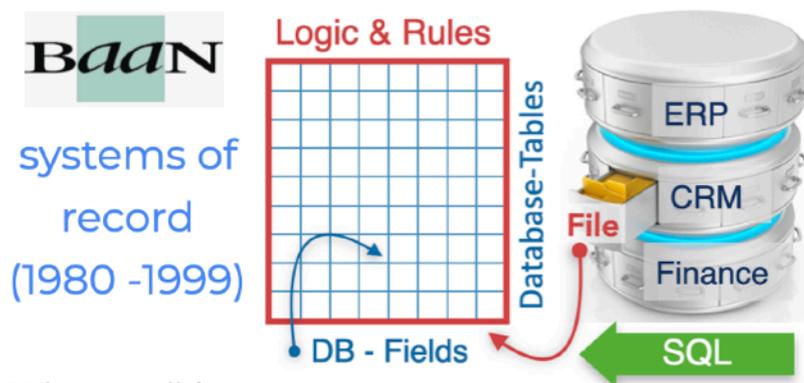
This article heralded the end of the Baan Web. The spotlights were focused too much on the acquisitiveness of the Baan brothers with Baan Company.

After deep reflection, I concluded that my definitive departure would create clarity. I had not been involved in the day-to-day activities that entire year. It felt like a load off my back.

I left voluntarily, with no golden handshake. Personally, I do not agree with this current popular system for the departure of top managers. I think you should be rewarded as long as you deliver for the company, and not when you leave. All in all, I had stood at the helm of Baan for twenty years, and my departure only cost the company the small sum of thirty-thousand dollars, just a consequence of the two months' legal notice.

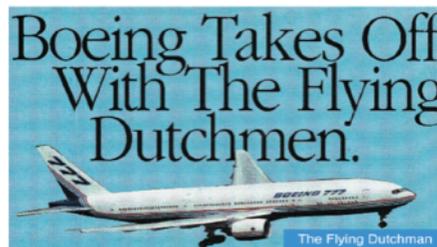
Whereas the price had dropped about twenty percent over the last few months due to criticism from the analysts, my decision immediately caused a price rise. Clarity had been created. Baan Company was in a very strong position concerning the product range, and the management team buckled down with new enthusiasm.

The press reactions were positive. On the day after I had left the company, the price stood at seventy-five percent of the highest point ever reached. Shareholders who had gotten on board at the beginning had seen the yield on their investment grow by more than five hundred percent. In other words, the air seemed to have cleared completely.

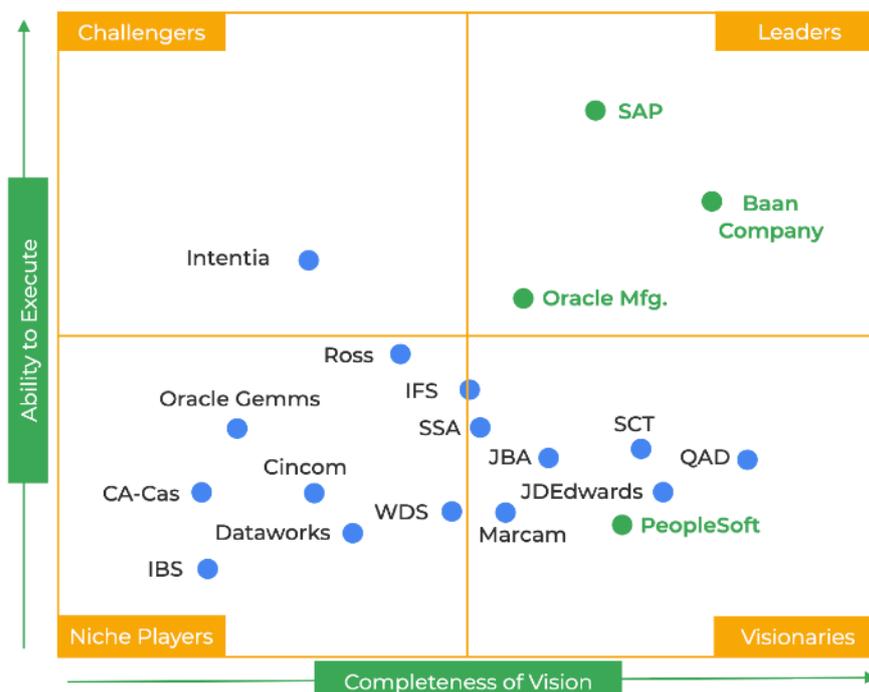


What we did...

- 1981: Early user of UNIX
- 1995: Winner Boeing deal
- 1998: \$10 Billion Market Capital



ERP Strategic Matrix 1998 (Eric Keller BOPS)



Baan Company was ranked as the most innovative ERP player in 1998

What was IT like?

- Baan-ERP became a masterpiece
- ERP systems were not suitable as a cloud solution, because they were not connected to a browser

8. Case study Baan crisis management

An ambitious plan in 1997: The Baan Web

Broadly speaking, my story could be entitled 'From one crisis to another.' In a crisis, you can achieve something by making adjustments. An entrepreneur can learn a lot from a crisis. The crisis surrounding the Baan Web was crucial to the development of Baan. The concept was brilliant in itself, and I believed in it completely. But although the idea was good, the timing was not. We were far ahead of our time, which led to failure when we tried to implement the idea. There came a time when making adjustments no longer seemed an option.

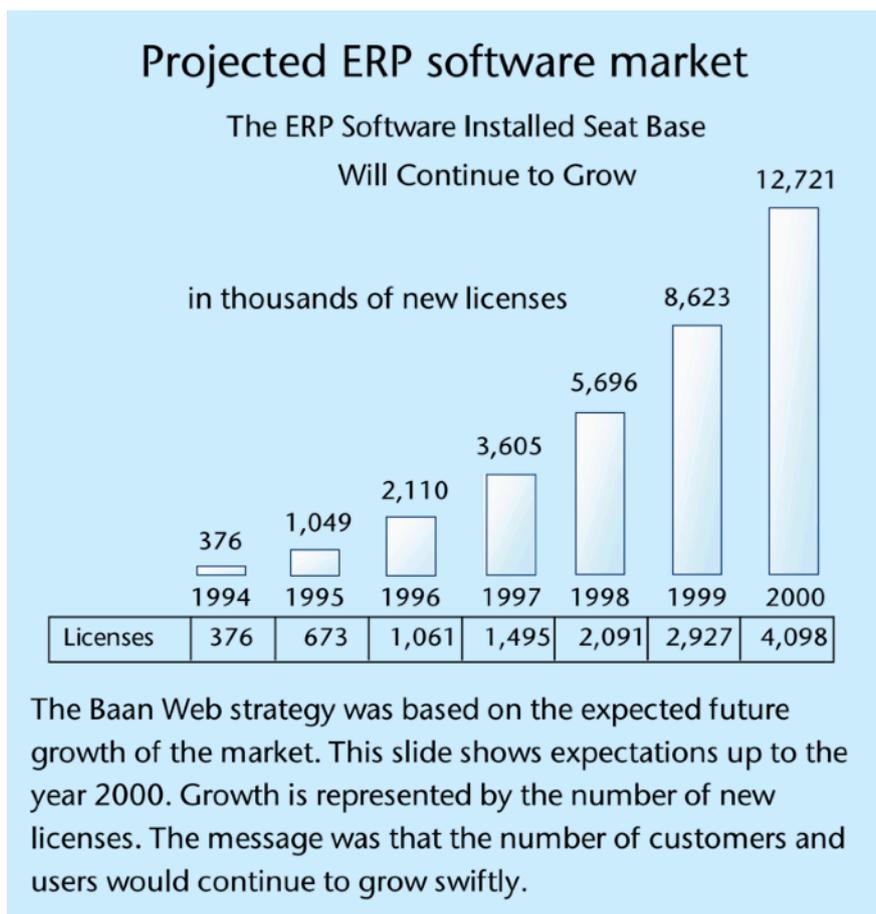
| ERP vendors in 1998 | | |
|----------------------|--------------------------|--------------------------|
| ERP software vendors | Licenses as % of revenue | Services as % of revenue |
| Baan Company | 60% | 40% |
| SAP | 35% | 65% |
| Oracle | 25% | 75% |
| PeopleSoft | 42% | 58% |
| J.D. Edwards | 37% | 63% |

We were in the business of developing software. Software is intellectual property. Clients purchase licenses, that is, the right to use the software. Licenses are like diamonds in the rough: you cannot see their value until later. The licenses created a revenue stream. The software's purchasing went hand-in-hand with buying hardware, database, network software, and consultancy and implementation services.

Clients often entered into support contracts, too. In due course, they would also buy complementary software modules or products. Of course, all the revenue did not just go to our company, but also to various suppliers, most of whom had cooperation agreements with us. Baan used service providers when and if necessary, picking and choosing the functions it wanted to perform itself. This meant we got all the juiciest tidbits. Of total revenue from the sale of licenses, only a small portion went to Baan, perhaps just twenty percent. This revenue nevertheless had a very high gross margin of eighty to ninety percent.

License sales made up the 'installed base.' We aimed to expand this activity as quickly as possible, which was much easier in a growth market than a stable or shrinking market. Moreover, the installed base ensured revenue for Baan in the future. For us as a software supplier, there was no limit to the sale of licenses. The product was ready; supplying it required merely making a copy. A wide range of specialized companies was able to carry out the implementation, and they were only too glad to take their share.

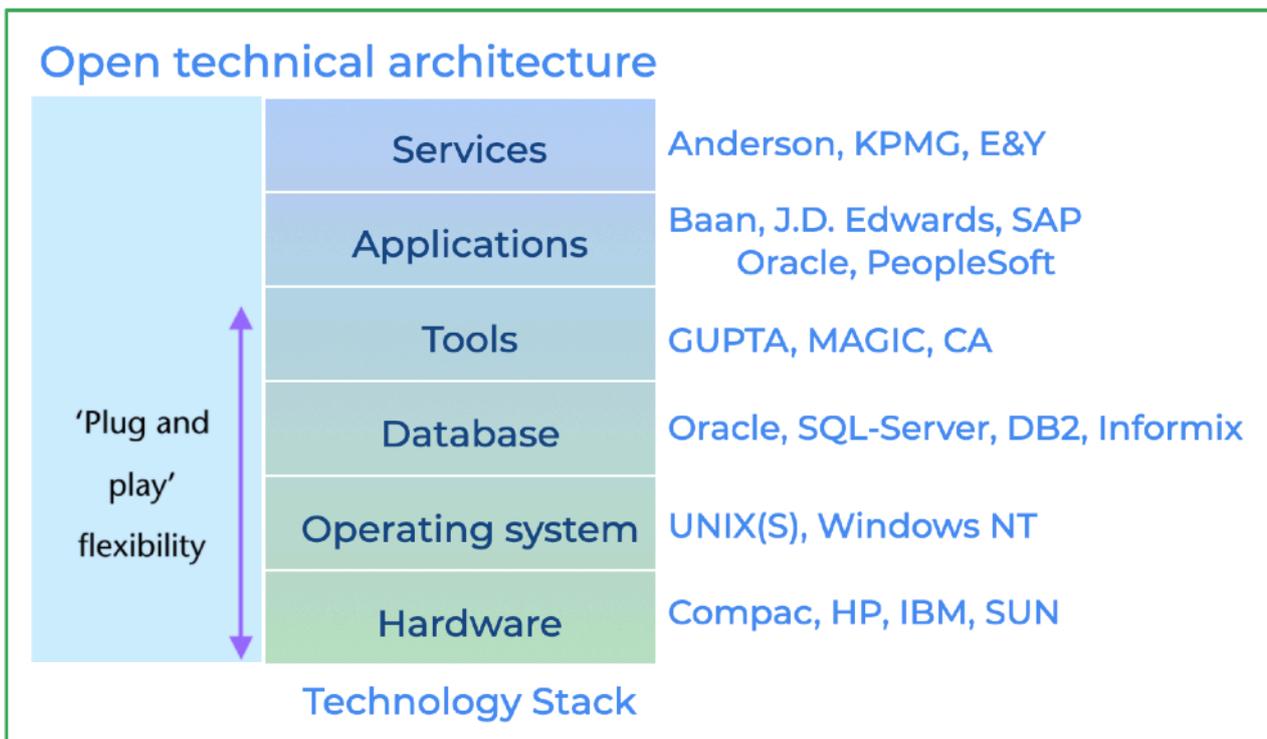
This implied that there were no limits to Baan's growth in terms of both production capacity and cash flow, at least not from the company's own viewpoint. We did not pay much attention to controlling costs. On the other hand, managing the order flow was key so that revenue growth matched analyst and shareholder expectations. Market share was the predominant factor for the price/earnings ratio (PER). The company's PER with the largest market share was ten times higher than that of the company with the smallest. A characteristic of this market was increasing returns, leading to accelerated growth and dominance of larger vendors. Microsoft is a good example of this. It boils down to a 'winner takes all' scenario.



In the mid-1990s, Baan Company was the sixth largest software company in the world, behind Microsoft, SAP, Computer Associates, Oracle, and PeopleSoft. In the market

segment for ERP software, Baan was the second-largest player. One year after the stock market listing in 1995, we launched an ambitious strategy for rapid growth based on ongoing innovation and a dynamic network approach. The aim was to take the lead in the market for business software. As a pioneer in the open client/server market, Baan wanted to continue innovating its products and services to be able to offer clients greater flexibility and more user-friendly products while noticeably reducing their investments and costs.

To be successful and achieve the desired growth in this expanding market, Baan had to establish a network of strategic partners and co-developers. The network was to develop, sell, and distribute the company's products and offer support services. Called the Baan Web, it was based on the idea that 'less is more.' An important result of this mechanism, which characterizes the Web dynamic, is that while the Web builder's share in the Web falls, the Web generates higher revenue, considerably higher even than would have been the case without the Web.

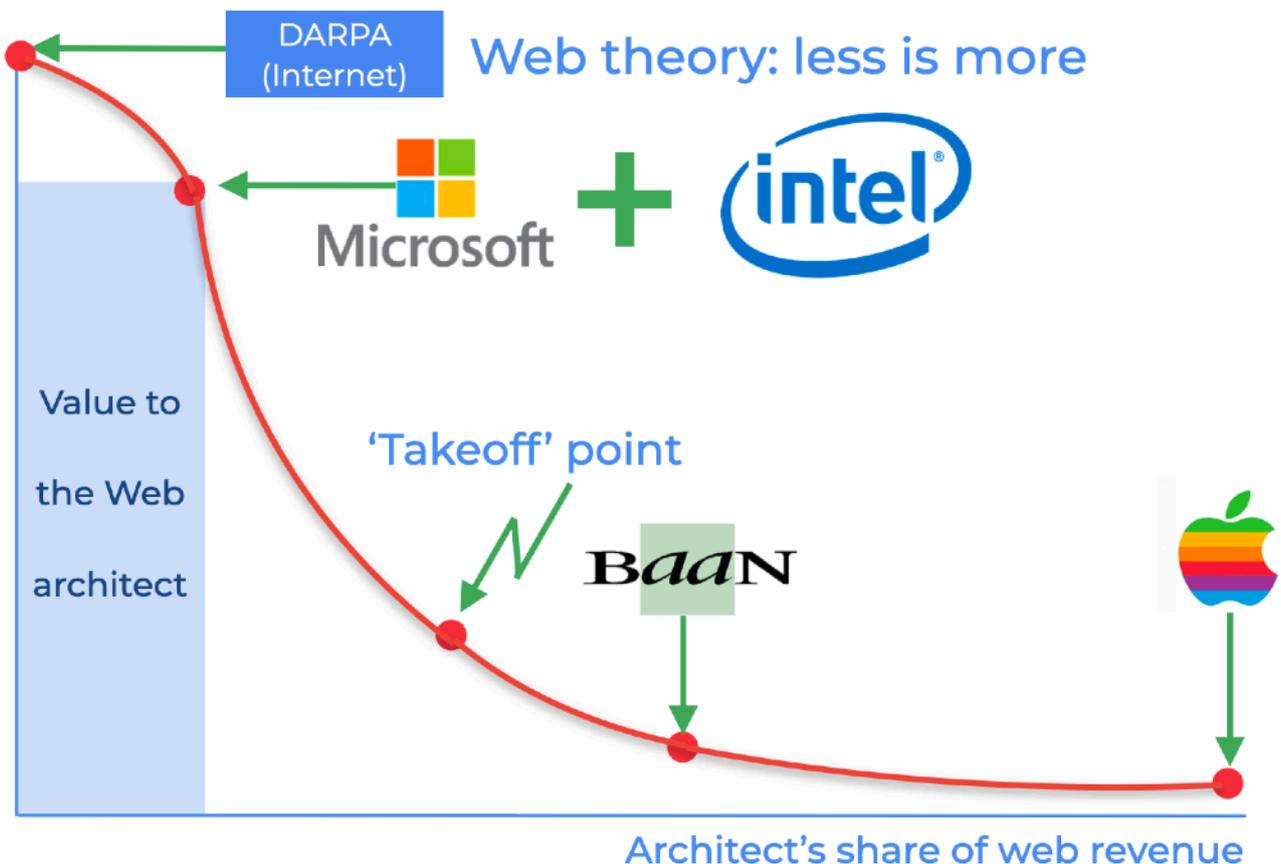


The intention was for Baan Company to reduce its contribution gradually to the Baan Web compared with its partners. At the same time, the Baan Web would grow in terms of both the number of partners and clients and total revenues and profits. Our role model was Wintel, a very successful Web set up by Microsoft in collaboration with Intel. A significant underlying factor was that people were talking about increasing returns in the software market: exponential profit growth on increased sales.

For the development of a Web, it is essential that the partners cooperate on the basis of a joint platform: architecture, technology, applications, and brand name. When a company

decides to participate, it enters into a growth cycle. At the same time, the platform will offer a wider range of products and services. This attracts new clients and increases the loyalty of existing clients, which results in higher total revenue for the Web, making it even more attractive to potential participants and clients.

Vanenburg Ventures played a crucial role in the development of Baan's platform. During that time, Vanenburg Ventures was called Baan Investment and changed to Vanenburg Ventures in 1998. Vanenburg was a venture capital company whose sole mission was to invest in the Baan Web. Its task was to develop the Baan Web: if it managed to pull this off, it would be successful. The first challenge was to achieve 'lift-off.' After that, the expectation was that the Baan Web would not stop growing. Vanenburg Ventures invested in the development of Baan's platform partners, particularly in the 'productization' of services. This meant the development of products that would simplify the implementation of Baan software for clients, giving the company a significant competitive advantage.



The best example of a Web is DARPA (the origin of the internet). After all, the internet is for everyone. Then came the Wintel concept (Microsoft and Intel). These companies attained a dominant market position with very high profits with relatively low revenue. Apple is the opposite example. Although a very successful company from a technological viewpoint. According to McKinsey, Baan had a good chance of passing the takeoff point and breaking through as market leader, given the many big players in Baan's slipstream.

Overtaking and winning

We discussed the details of the Baan Web concept a lot with analysts and journalists. Below is a passage from an interview I had with the Dutch business publication Quote in May 1998.

How do things stand for Baan Company?

There is a reasonable chance that we can achieve revenue of two billion dollars in 2000. Analysts expect us to make a revenue of one billion dollars this year. That means we have to achieve hundred percent percent growth for the next two years. That seems like a vastly ambitious aim, but it should be possible in view of the development of the market. If we are not successful, we will have to ask ourselves whether we are willing to put our own independence on the line. Either way, we will have to aim for above-average market growth.

And what about market share?

Our market share has skyrocketed to fourteen percent in recent years. SAP, our largest competitor, has seen its share of the market fall from two-thirds to fifty percent. We are expecting this trend to continue. SAP will continue to lose market share, and we will continue to make gains.

How will you achieve this growth?

We want to cooperate with more partners. In recent years we have made a large number of acquisitions; around seventeen. That has made us fairly comprehensive. Now I want to move towards a sort of supply chain production. This has never really been common in the world of IT but has long been widely accepted in the car industry. For example, Chrysler makes just 25 percent of car parts itself, while partners supply 75 percent.

The last quotation from the interview is a good reflection of the idea behind the Baan Web, albeit somewhat amateurishly expressed. Of course, there had also been a scientific study into the Web idea. John Hagel and Marc Singer describe the power of the Web concept very accurately in their book 'Net Worth: Shaping Markets when Customers Make the Rules.'

Why do economic webs matter? Economic webs create market incentives to mobilize a much larger and more diverse group of companies than joint ventures or alliances, with their cumbersome legal arrangements, could hope to mobilize. The companies in a web act independently in response to these economic incentives but reinforce each other by adding value to the overall web, both for customers and web participants. Companies can freely join webs whenever it is in their economic interest and leave webs whenever the Web ceases to deliver enough value. 'Joining a web' means adopting a common architecture, design, or set of standards that provide a common platform for various companies to do business. A 'shaping platform' owned by the web shaper generates the economic incentives for companies to join the web. While patents or copyrights often

protect the ownership rights of the web shaper in the shaping platform, the most significant protection is the ongoing effort by the web shaper to enhance the functionality of the shaping platform over time. This functionality makes it very difficult and expensive for anyone seeking to 'reverse-engineer' the platform. Increasing returns make the incentives created by the shaping platform even more powerful over time by increasing the value of web participation as more companies join the Web. The more companies and customers that join in, the stronger the Web gets.

(...)

The web shaper owns the shaping platform that creates the economic incentives for other participants to join the web. At the outset, the web shaper assumes primary responsibility for driving others' adoption of the shaping platform to ensure that it becomes a de-facto standard. In the later stages of web development, the web shaper focuses on enhancing the functionality of the shaping platform and encouraging new applications to sustain the growth of the overall Web. (...)

A company web is a powerful instrument for encouraging other players – both technology companies and support services – to contribute to both money and innovation.

Traditional players take exclusive advantage of joint-venture and alliance mechanisms to use other people's money. An ambitious Web creator can make progress much more quickly by focusing on the economic motives to mobilize other players.

The Baan Web strategy was developed between 1996 and 1998. Careful consideration was given to the following motives of this strategy:

- The market of the large companies – where most of the revenue was made – would soon be saturated.
- The medium-sized company market – which was becoming larger and larger – was waiting for a suitable offer.
- Baan had already built up a lot of experience with medium-sized companies as clients and was thus in a good position to conquer this market.

The Baan Web strategy included various elements:

- Baan was going to broaden its product range, from ERP to 'beyond ERP.' ERP is the 'back office' part of the enterprise information system. There is also the 'front office,' and Baan intended to begin supplying this, too. It also planned to buy other companies and enter into alliances.
- In cooperation with Baan Company, Vanenburg Ventures set up an international distribution network for the medium-sized company market.
- Baan planned a large-scale expansion of the network of partners and aimed to step up existing cooperation agreements. This was the 'Web' from which the strategy took its name. The essence of the Baan Web concept was to speed up Baan's growth by allowing others to share in it. The company was to become the undisputed market leader.

Baan everywhere

On July 10, 1997, advisors from McKinsey gave a presentation on the Baan Web concept to the management of Baan Company and Vanenburg Ventures together. Paul and I were there, along with the rest of the top managers of Baan Company. McKinsey boardroom consultants would not normally have worked for such a comparatively small company as Baan, which had revenue of fewer than one billion dollars; however, it was in their interest to advise us in view of our market capitalization. We paid them a few million dollars a year for this service.

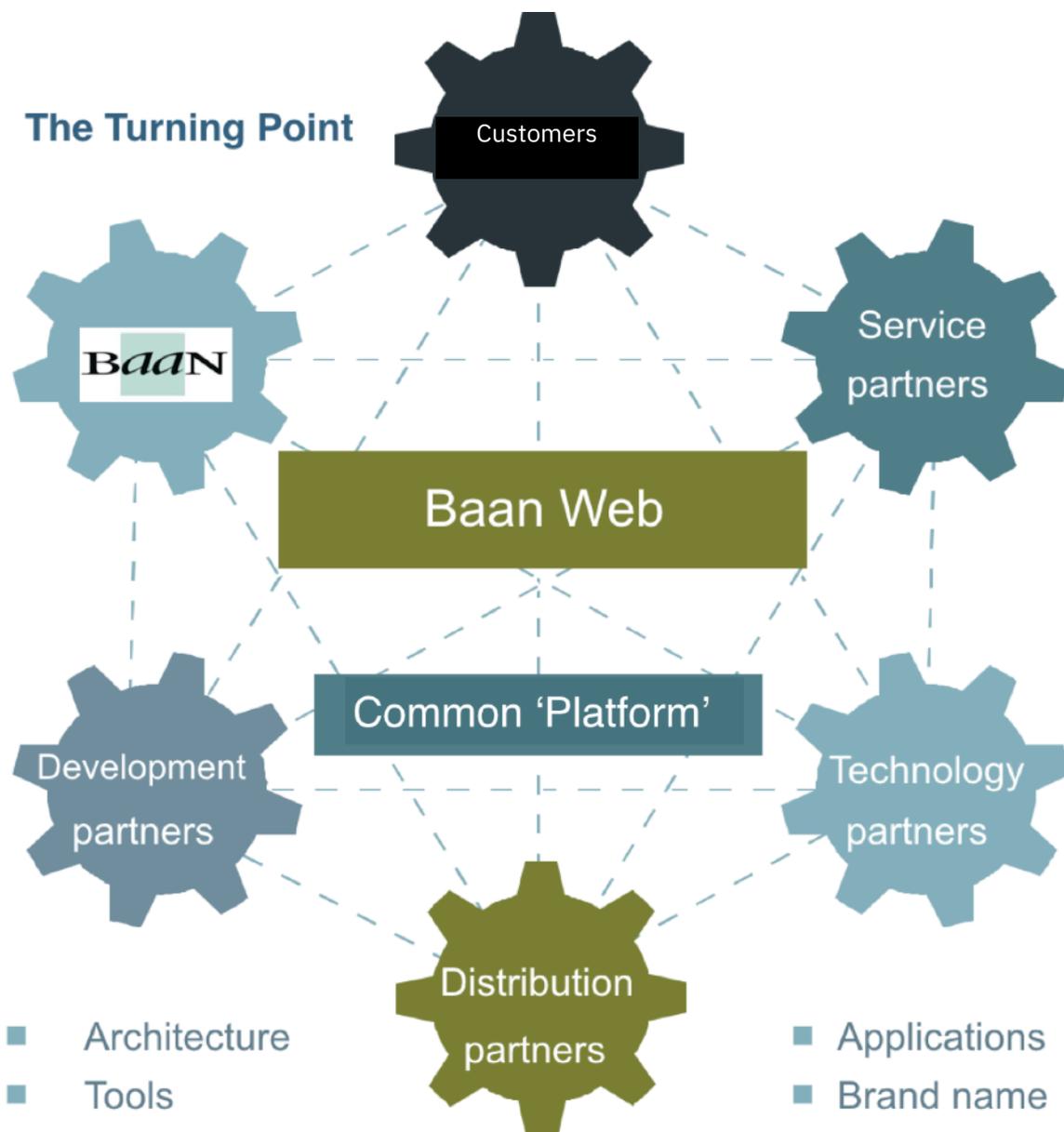


An interview with a Japanese business magazine

In 1995, a few of Tinsley's former colleagues wrote an article named 'The paradox of fast growth tigers' for The McKinsey Quarterly, the McKinsey in-house magazine. Their analysis of growth companies completely substantiated the Baan Web strategy. The authors elaborated on the subject of increasing returns. According to the McKinsey authors, tigers offer new or modernized products or services, thereby creating an entirely new market. Through their innovations, they shape the industry structure in the markets they create. They then build a whole structure of companies around themselves. Tigers play an

important role in defining inter-company relationships. They create new markets with few or no rivals and maintain their competitive advantages for a long time. Baan recognized itself in this portrait of a tiger company. In the mid-1990s, this portrait was part reality, part attractive future perspective.

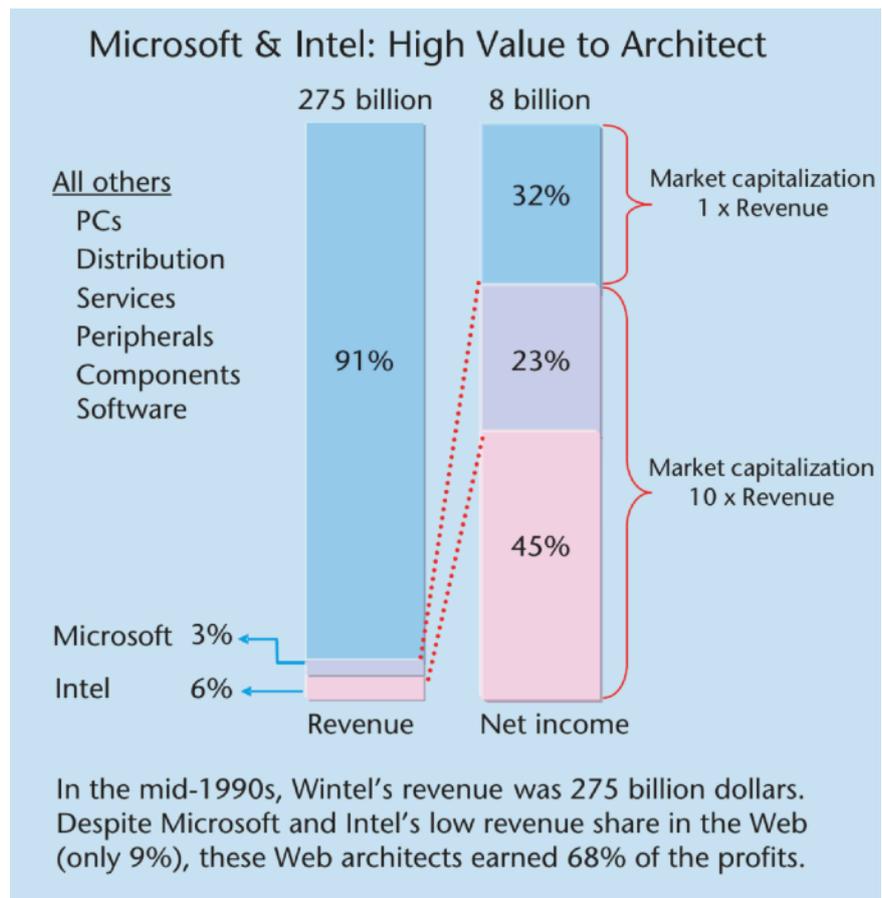
In the opinion of the McKinsey authors, increasing returns are an essential motive for tigers to achieve rapid growth. The return from additional investments goes up instead of down. If a company continues investing in this scenario, profitability increases so that ultimately one or two companies dominate the market. The authors point out that the more companies join the group around the tiger, the more companies are attracted. Tiger companies are characterized by rapid growth, which fuels itself and leads to a cycle in which a certain momentum is released, rendering rivals unable to stop the tiger.



Presentation McKinsey consultants to the Baan Leadership team on July 10, 1997

McKinsey confirmed that an ERP Web existed that would be associated with Baan but would not belong to any single company. Baan Company would be part of it, but so would clients and a whole range of partners in the areas of service provision, technology, software development, and distribution. With each partner that joined, the Web would double in size because each company would bring its business. McKinsey agreed with the dynamic Web theory that less is more. Apple, for example, did everything itself and did not have a Web. In contrast to Apple was Wintel, the alliance between Microsoft (Windows) and Intel.

These two companies carried out less than ten percent of activities themselves, yet they had an enormous influence. They gave 91 percent of the business to other parties, which accounted for 32 percent of the income. With only nine percent of the revenue, Wintel took no less than 68 percent of the income, and its market capitalization was equal to more than ten times its revenue. They were the Web creators at the pivotal point of the business.



The other parties, who were active in distribution, software, components, and service provision, were pleased even though they received a much smaller share of the income.

They reasoned along the lines: 'I am growing 60 percent a year because of Wintel. If I go from 40 million dollars a year to a minimum of 80 million dollars a year, my company is worth twice as much in just one year.' An unprecedented proposition, naturally. The other parties were happy with a significantly lower PER, about equal to revenue, because of this growth. Therefore, the essence of the dynamic Web theory is that most companies are happy with a lower PER when it is accompanied by rapid growth, while the Web creators, representing less than 20 percent of Web revenue, gain 80 percent of the market capitalization.

Elaboration of the McKinsey presentation of July 10, 1997

Tom Tinsley had since taken over my role as CEO at the beginning of 1998. Together with some old colleagues from McKinsey, he had developed a vision report based on the popular strategy based on increasing returns. The basis for this was strong growth propelled by an M&A strategy. The Baan Web was given an attractive position in this.

On July 10, the McKinsey team presented their vision report at Kasteel De Vanenburg. Due to the strong position of Baan's results, as well as the ranking of Gartner as the # 2 ERP vendor, Baan's growth expectations were very high. Given the enormous future need for ERP software, it was expected that our company could grow to \$2 billion in revenue by the year 2000 in a few years.

For our partners in the Baan Web, this would create an additional 8 billion in sales. Mainly due to the strong position of our product, the investment in the R&D amount would be an advantage of better scalability.

This would have a direct positive effect on the price development of our shares. So, all in all financially very attractive. For me, as chairman and main shareholder, Tinsley was running the operations, my role was a more relaxed one, supporting our R&D vision as a Chief Technology Officer and paying regular visits to our Hyderabad software factory.

To support the attractive growth opportunities, Tom Tinsley and the McKinsey team came up with the interesting thought of investing in what they called the Baan Web, which could then act as a catalyst for the growth of the slipstream business of the Baan partners. After all, with our 40% interest in Baan Company, we had enough opportunities to borrow several hundreds of millions of dollars with a pledge of our shares as security. Because I was no longer so active operationally, I thought it would be much better to focus mainly on the expenditure of Oikonomos funds.

These were the underlying thoughts of my farewell letter, which I have included above.

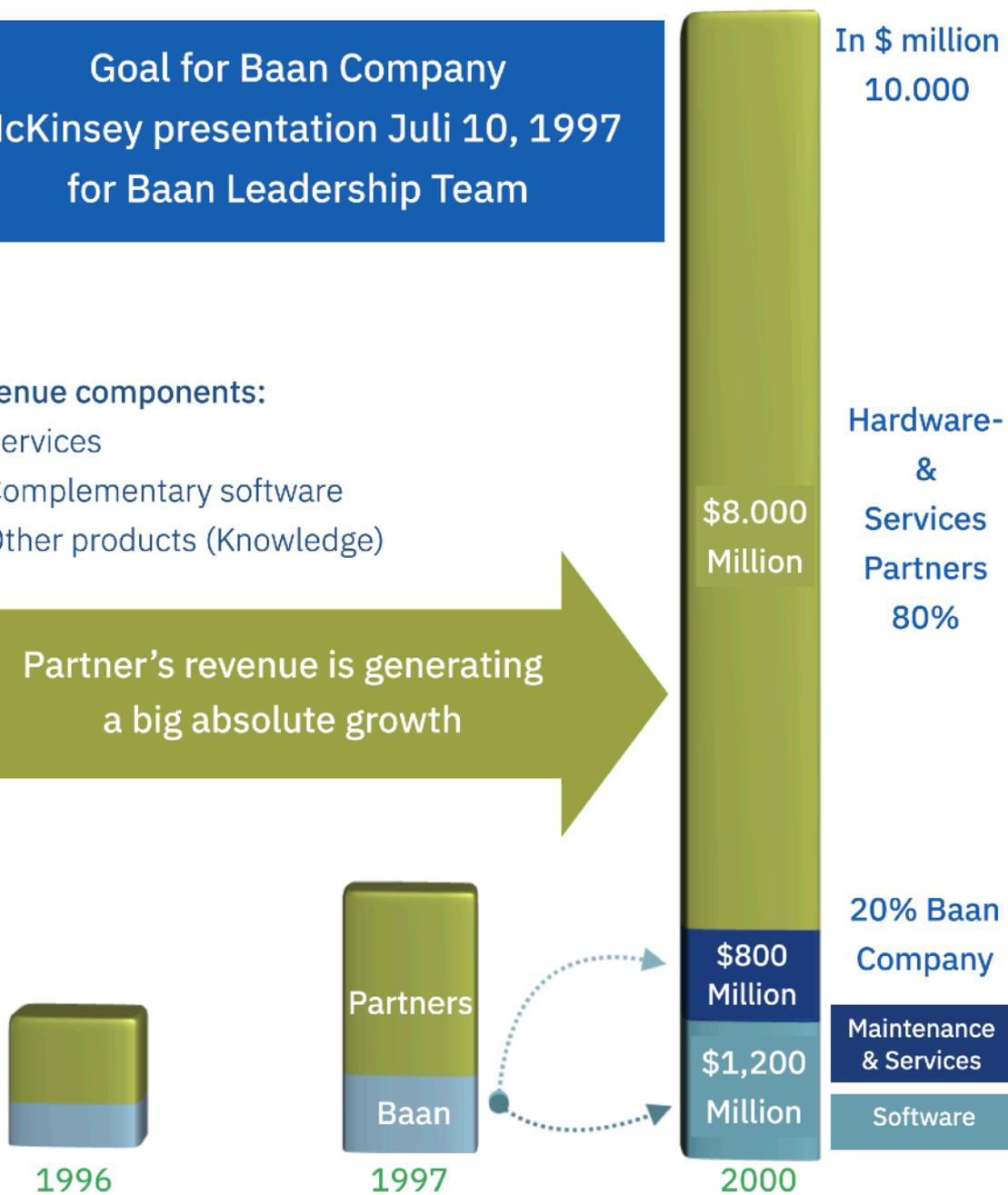
Based on the July 10, 1997, McKinsey report, Baan Company had tremendous potential as a Web shaper, and sales by 2000 were expected to reach \$2 billion. Tom Tinsley had worked this out in the business model below. Because relatively less R&D effort would be required, the Operating margin would increase significantly annually, leading to the expectation that earnings per share EPS would increase from \$0.80 in 1997 to \$4.00 in 2000, per share. So, a five-fold increase is also expected to yield a much higher multiple for the market cap. Everything was aimed in Baan company to increase the current market cap of \$10 billion to a projected market cap north of \$50 billion.

**Goal for Baan Company
McKinsey presentation Juli 10, 1997
for Baan Leadership Team**

Revenue components:

- Services
- Complementary software
- Other products (Knowledge)

Partner's revenue is generating
a big absolute growth



In 1996, market penetration of the Baan Web was already over one billion dollars. A year later, this had doubled to 2.3 billion. In view of the then-favorable market factors, a revenue of \$ two billion in 2000 seemed achievable for Baan Company. The Baan Web would then grow to ten billion dollars in revenue.

But the practice turned out to be completely different, and I have described that in detail in the next chapter. In hindsight, I learned a lot from this, but it did cost money. Yet, I have seen that this has protected and increased my happiness in my family. These lessons made me decide to change the title of this autobiography to Profit by loss.

In 1996, our revenue was 388 million dollars according to official figures. McKinsey disagreed: 'Baan's revenue is more than one billion dollars because other parties represent 700 million dollars of business in services and hardware deriving from your company.' McKinsey added: 'We thus expected you to have revenue of two billion dollars in 2000.'

And that was a conservative estimate. The idea was that Baan would achieve 1.2 billion dollars in revenue from software licenses and 0.8 billion dollars from maintenance and services. The remaining eight billion dollars of business would be left for the Web partners. The Web was around us: the hardware and software guys, the 'big five' consultants, and the rest of the service industry. Everyone was joining in and partaking in the feast. We wanted a sort of supply chain production.

According to McKinsey, the question was whether enough partners would want to join the Web and create a new sort of Wintel. Hence their advice to Vanenburg Ventures to play a key role in the Web. This venture capitalist was to invest exclusively in the Baan Web in a very targeted fashion, in line with the Web concept. The task was to develop the Web. If this worked, their mission would be successful. In particular, Vanenburg Ventures was to invest in companies that would supply the mid-market with ERP software. The market was not yet saturated, and it was very large to boot. According to analysts from AMR Research of Boston, software sales to medium-sized companies (revenue of 50 to 250 million dollars) grew by 51% in 1998. For smaller companies (revenue of between ten and fifty million dollars), the increase was as much as 112%.

ERP-Vendors after 2000??

The mid-market is becoming the center of activity in the ERP-market. By 2001, Baan's strong distribution model and market momentum will enable it to capture the largest share of the North American ERP Mid-market of all Tier 1 focused ERP vendors (0.6 probability).

In four years, Baan has made the transition from a European-oriented manufacturing specialist to a regular contender for the largest enterprise application deals. By leveraging its 'out of the box' thinking with concepts such as Dynamic Enterprise Modeling and industry initiative focus, Baan has been able to capture the attention of more-aggressive organizations.

Bron: Gartner Symposium 1997

Analyst support for the Web theory

Cowen & Company on Baan (February 18, 1998)

'Strong buy'. One of the key points: 'Venture activity in Vanenburg is building the Baan Web around Baan. Seeing powerful leverage of Vanenburg – 40% of Baan is held in a foundation (Oikonomos) that funds Vanenburg – a broad set of activities that benefit the company, and the stock. Activities from Vanenburg have been targeted to recruit and train new employees around the world, *build new business process models for DEM* (the implementation product suite Orgware), kick-start the mid-market channel worldwide, and create (>40) VARs (value added resellers).'

Moreover, the AMR analysts concluded that these ‘mid-markets’ would continue to offer growth opportunities. Companies that could operate in the ERP market were everywhere. And Vanenburg had plenty of money, so that posed no problem. Moreover, in this way you were investing money in your own company; that is the best thing about it.

Another issue was something Tom Tinsley said: 'The branding of the Web is essential, so let's call everything Baan.' This is how we came up with the name Baan Web. This is also why Vanenburg was called Baan Investment at the time. Of course, we told our Baan Web story to analysts too at the time, and their reaction was: 'Excellent, splendid! Buy Baan!'

Even in February 1998, analysts from Cowen & Company thought that the purchase of stakes in other companies by Vanenburg was highly advantageous for Baan Company and its shareholders. They recognized that these investments were clearly aimed at generating growth for the Baan Web. Baan Company had a strategic advantage in this. They, therefore, gave the Baan stock a 'strong 'buy' recommendation.

In 1997, the specialists from Gartner were still saying that the mid-market would be the most important playing field for ERP suppliers after 2000 and that Baan would have the largest share of the American market. In general, everyone thought it was a clever formula.

Baan Company and slipstream partners (determined in 1997 & 1998 - 2000 prospective)

| | 1995 | 1996 | 1997 | 1998-E | 1999-E | 2000-E |
|----------------------|-------|-------|-------|---------|---------|---------|
| Revenue \$(000) | \$200 | \$370 | \$670 | \$1.100 | \$1.600 | \$2.200 |
| Operating margin | 11% | 15% | 18% | 22% | 25% | 28% |
| Equity per Share-EPS | 0,17 | 0,38 | 0,80 | 1,50 | 2,75 | 4,00 |
| License | 67% | 67% | 67% | 64% | 59% | 55% |

Share price developments on NASDAQ

The plan was to spend more time building up the Oikonomos foundation, which Paul and I had set up in 1994 to assist and support projects in developing countries.

In 2000, Paul and I harmoniously decided to split Oikonomos into two independent foundations. This was done to prevent the following generation from having to deal with tangled management succession problems. Paul’s family is now involved in the administration of the Noaber foundation, and my family in that of the Oikonomos foundation.

| Year | 1998 - Q2 | 1997 - Q2 | Growth |
|-----------------------------|--------------|--------------|--------------|
| Sales & marketing | 1.104 | 797 | 38,5% |
| Services & support | 2.112 | 1136 | 85,9% |
| Research & development | 1.785 | 970 | 84,0% |
| General & admin. | 517 | 517 | 0,0% |
| Total Baan employees | 5.518 | 3.420 | 61,3% |
| Employees by partners | 15.000 | | |
| Customers | 6.000 | | |
| Instances | 20.000 | | |

In the middle of 1998, I hoped for a more restful period in the future. I would never have guessed that nothing of that kind would occur. On the contrary, a lively and very difficult period would ensue. Although I was busy withdrawing from the company, I still believed in the course set with the Baan Web.

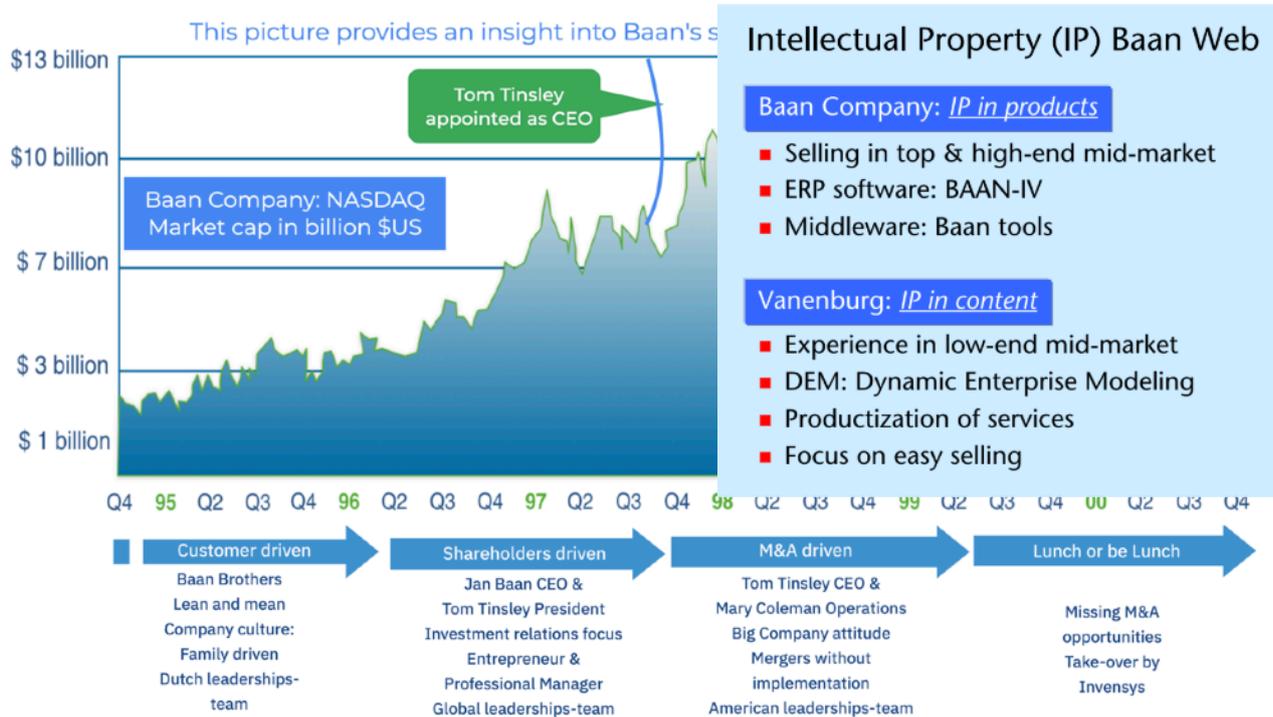
As shareholders, Paul and I remained true to the company. For example, after May 1997, the share price had risen sharply, but we sold no shares in that period, given our future expectations of Baan Company. In hindsight, that wasn't very smart. Had we done so; we may have been able to avert the financial crisis within Vanenburg Ventures – the business vehicle of the Oikonomos foundation. General Atlantic Partners, however, was permanently in the process of selling its stock and realized a profit of more than \$1 billion on their purchase of \$33 million investment.

It was not until May 1999 before we began to sell The Baan Company shares on the stock market, so that we could finance the operating costs of the Vanenburg Ventures.

On the first day of the launch in May 1995, we became a Unicorn, and we were still the majority shareholder.

In 1993 GAP acquired a 33% interest in Baan Company and paid us \$33 million for it. My brother Paul and I received \$20 million of this personally, and it would have been more than enough for a nice easy life.

The proceeds from the IPO in 1995 became fully available to the company, as both GAP and the Baan brothers had no need to sell shares, leaving us still with a majority of the shares at the IPO. A year later, we completed a secondary placement of shares, resulting



in losing our majority stake. Still, with these two equity placements, our company had raised some \$500 million in cash to create a comfortable liquidity position for the growth of our company. In the meantime, the ING bank was interested in a 5% share participation, which was bought around 1997, direct from shareholders GAP and the Oikonomos foundation, which created a substantial liquidity position for our charity activities. Despite the positive share price development, we as Baan brothers did not sell any shares, given our future expectations of Baan Company.

From our side, we still had about 40% of the shares, owned by the Oikonomos foundation. As I had stated in my farewell letter of July 27, 1998, my goal was to focus mainly on the charitable side of the Oikonomos foundation.

Increasing returns for Baan Company and slipstream partners

Our vision of a simplified ERP approach for the middle segment may have been premature, but the idea behind it was brilliant. Baan Company had the intellectual ownership of the product and sold it to large companies and businesses at the top of the middle segment. Moreover, with a strong 'middleware' concept (the technology that makes it possible for the software to do its work), Baan held the key to building sound applications. Vanenburg had extensive experience at the bottom end of the middle segment with the distribution channel belonging to Baan business Systems (BBS), later called Vanenburg business Systems (VBS). This market was too complex for both Baan and the other ERP suppliers.

The BBS network quickly expanded to forty offices in twenty countries employing 1,200 staff. Revenue increased from seventeen million dollars in 1996 to 142 million dollars in

1998. The plan for the coming years was to focus on consolidation. Revenue was expected to reach 200 million dollars in 2000.

DEM, a powerful tool for installing Baan software for clients, provided Vanenburg with various sector-specific solutions.

Thanks to DEM, clients no longer had to think about how the software should be set up. They only had to specify how they wanted to work with it regarding organizational structure and company functions and processes. For a small company, this meant a greatly simplified approach to implementing the software. We called it 'Baan out of the 'box. The concept was 'productization of 'services,' focusing completely on 'easy 'selling.'

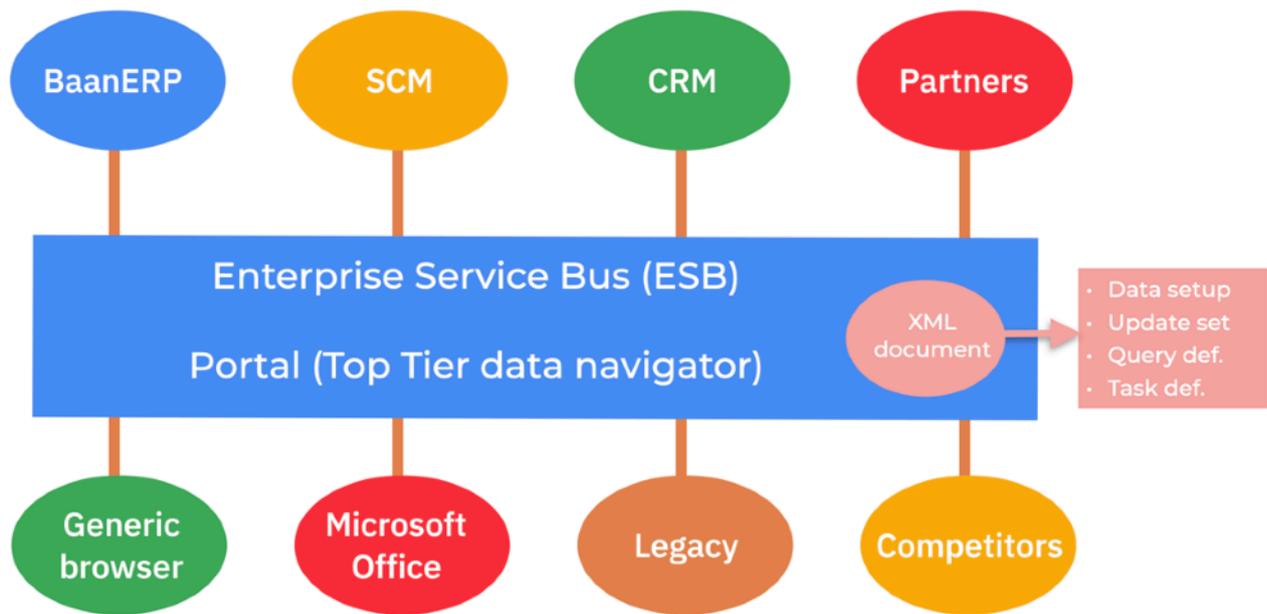
Microsoft became active in this market just a couple of years later with the acquisition of Great Plains in America and Navision and Axapta in Europe. Microsoft has invested billions of dollars in these companies but integrating them and their products is proving to be very difficult. The release of the new joint product – code-named Green – is some years behind schedule. In regards to functionality, it is a far cry from what BAAN-IV was. Moreover, they still have no concept of an approach based on business processes and continue to stick with their outmoded data-driven approach.

At the end of the 1990s, we had ceased to think in terms of integration and we were thinking more about collaboration. Applications from different suppliers were linked to each other by an Enterprise Service Bus (ESB) and represented on a single computer screen via web services (an Internet technology). This view of a simplified way to deal with a business information system, as realized by Vanenburg, could really have brought about a revolutionary breakthrough for BAAN-IV. This could certainly have been the case if combined with the portal technology of TopTier, which we co-owned.

In the meantime, SAP had also set its sights on the smaller company segment. Having acquired the Israel-based company, business One in 2002, owned by Reuven Agassi – Shai Agassi's father – it now had access to a simple ERP version, which enabled it to take an aggressive approach to this market. Hi-tech entrepreneur Reuven Agassi retired from SAP in January 2006 to cultivate violets. Acting via the family holding company QuickSoft, his next dream is to create an Adobe company in Israel, just as he set up SAP Israel in the past. Reuven Agassi's company had used TopTier technology, hardly surprising, given that Shai Agassi was the founder of TopTier.

After we sold TopTier to SAP, Shai joined SAP's board and fixed his attention on his 'father's company. But here, too, it was a question of a data-oriented approach instead of a business process-driven approach.

Bus Architecture



Using the Enterprise Service Bus (ESB), linked to the Portal, by 1998 it was already possible to build a composition application on top of existing applications, such as Baan-IV, Supply Chain Management from Berclain and CRM from Aurum, while at the same time integrating with Microsoft Office. Other legacy systems could also be integrated into this architecture. It was possible to access data from all these systems on one screen using a generic browser with the help of web services technology, and thus to effect collaboration. At that point, this architecture was a breakthrough in the new world of internet.

Baan and Vanenburg were progressing alone in the second half of the 1990s, and McKinsey was well aware of this. Had the Baan Web been successful, we could have been the 'Microsoft for business applications.'

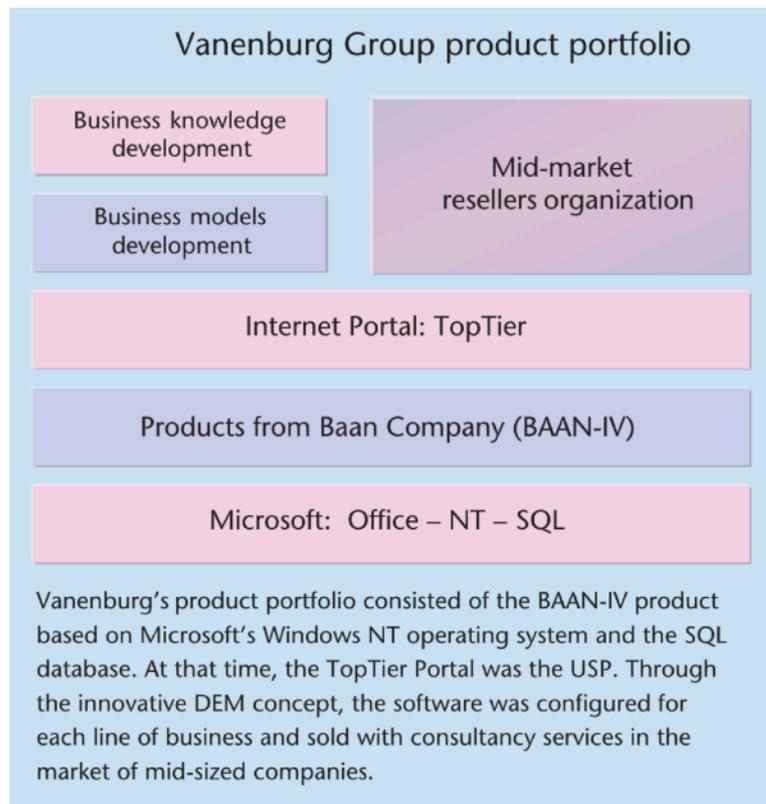
Vanenburg Business Systems as the mid-market segment solution

To realize the Baan Web, my brother Paul began buying up companies rapidly through Vanenburg Ventures from 1996. As part of the Baan Web, Vanenburg boosted and sped up the growth cycle for Baan Company. The involvement of clients and partners stimulated this growth cycle. The addition of new partners strengthened both Baan's technology and the software product. This, in turn, attracted new clients and new partners, creating a snowball effect. The partners had the leeway to focus on new services and additional products or develop new technology and products. New clients brought new opportunities for new products or services. Vanenburg was able to offer partners reliable access not only to new technology and products but also to new markets, clients, and geographic areas, as well as to new services (distribution, implementation, optimization), Baan contacts and culture, the brand name, and venture capital across the whole world.

We thought it was fail-safe. Paul was buying attractive companies with annual revenue of between five and twenty-five million dollars. He was good at that. Personally, I am more of an entrepreneur than a venture capitalist. At one point, Paul had more than forty offices in around twenty countries employing about 1,200 people in Europe and America. This resulted from around seventeen acquisitions: a virtuoso performance achieved within a very short time. It was, after all, a professional organization following a sound acquisition formula.

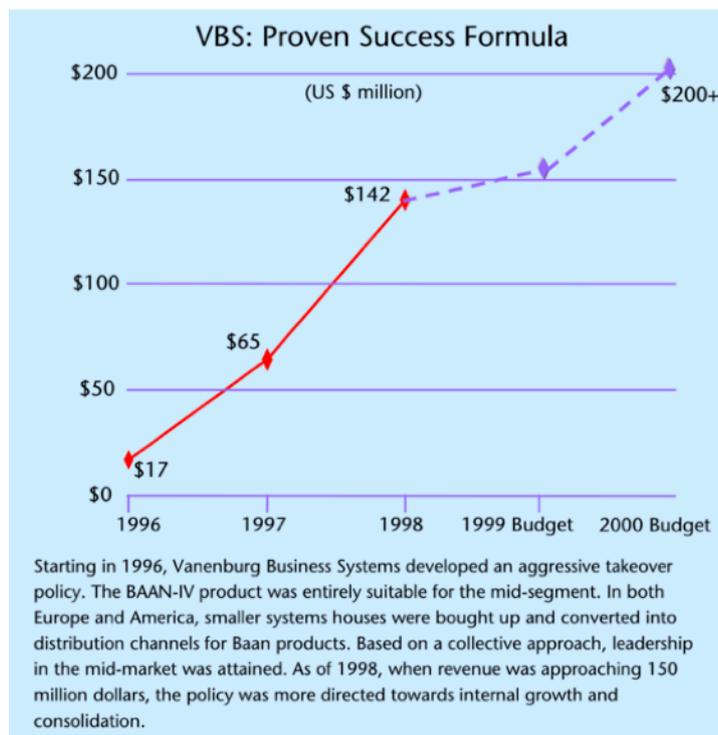
McKinsey and Graham Sharman

did that work. As President, Paul delegated day-to-day management of the Vanenburg Ventures to Graham. He and COO Jan Willem Krooshof brought a professional approach to our M&A activities.



By 1998, Paul had created a company with 142 million dollars in revenue, mostly via

acquisitions. The fact that there were no profits did not matter.



The most appealing thing was allowing the companies to grow by themselves, albeit while making a loss. It was cheaper, allowing the companies in the group to recruit their own people.

For example, if a company employed sixty people, it was better to hire another sixty, as that would be cheaper than buying a company with a hundred and twenty staff members. You buy companies at a price roughly equivalent to their revenue. The profit

was in the sum of the parts. As a consolidated international company, the group had a market value equivalent to at least two to three times revenue. When I looked at it, I saw an extraordinarily clever business concept. We had revenue of around 140 million dollars when the problems arose in the first quarter of 1998, so we said: Let's stop buying. 'We will consolidate and achieve revenue of 200 million dollars on our own power by 2000.' All lights were still green.

Around the same time, we had the opportunity to sell all of Vanenburg business Systems' investments in one fell swoop. An American company approached us. They looked at our business through their American eyes and concluded that, compared to other companies, it was worth eleven times revenue or fifty times income.

According to the American suitor, if we were to go to the stock market after merging with the combined income, the stock market value would be at least one billion dollars. A letter of intent was signed on July 8, 1998, at least by them. However, not by us because we were not going to retain more than thirty-seven percent of the consolidated company. This stake represented 370 million dollars. We were not going to do it for the price offered. We thought we could get much more. Afterward, however, we saw it as a huge, missed opportunity which we should have seized. Of course, who knows whether the merger would have been a success for the new company; at any rate, the activity would have been on the suitor's part, and there would not have been any confusion between Baan Company and Vanenburg business Systems. The perception would have been completely different. People never really understood this. In contrast to the general perception at the time, Vanenburg business Systems was a sound business.

Baan's strength in the mid-market in 1997

ERP – licensing revenue shares by customer revenue (in US \$ million)

| Revenue customer | SAP | Oracle | Baan | PeopleSoft | J.D. Edwards |
|------------------|--------------|------------|------------|------------|--------------|
| Less than 50 | 17 | 16 | 22 | 0 | 60 |
| 50 – 249 | 67 | 92 | 131 | 22 | 97 |
| 250 – 999 | 509 | 162 | 219 | 87 | 52 |
| 1,000 and more | 1,092 | 270 | 66 | 325 | 40 |
| Total | 1,680 | 540 | 438 | 433 | 249 |

Source: AMR, Morgan Stanley Baan no. 1 in medium-sized company segment

Even before that, in 1997, a Boston-based IT company made an interesting offer via Goldman Sachs. They had higher revenue than us but a similar market capitalization. They suggested a merger. Presenting a single face to the same client would seem to represent a dramatic improvement for our joint activities.

The management team in Boston was much stronger in operations, while our strengths lay more in vision and product development.

After extensive reconnaissance missions back and forth, it appeared that in the event of a merger, Tom Tinsley's position would have to go. I stood by him, and the merger talks were called off.

In a downward spiral

Our company has been very valuable on paper. In its heyday, the market value was as much as ten billion dollars. The importance of Oikonomos foundation, as a major shareholder of Baan, was worth about a few billion dollars. I have been tempted to hold presentations in which I said: we are worth three times as much as KLM and so many companies. I found that quite interesting, and it caressed my vanity. Not that I am such a greedy person, but we were the stock exchange favorite, and in one way or another, you obviously want to answer that image. Ultimately, that enormous stock market value for us as shareholders — for Oikonomos foundation to be precise — left us at the most three hundred million dollars.

Because we had placed our shares in the Oikonomos foundation at the time of the initial public offering, instead of keeping it private, my brother Paul and I could protect our families from extreme wealth. With the Oikonomos foundation, we enjoyed supporting charitable causes in poor regions in foreign countries for many years. Here we have been able to contribute about US \$100 million to education goals in particular. Our slogan was: 'to empower the least.' But in the period 1998 and 1999, the large value of our shares in Baan Company evaporated.

The criticism during the first half of 1998 proved to be just the beginning. A few months later, in October 1998, when Baan Company had to publish a profit warning after the end of the third quarter, the mood really changed. From that moment on, the company ended up in a downward spiral. The problems in 1998 and 1999 were not unique to us alone. The direct competitors of Baan also experienced these problems. For example, the share price of the PeopleSoft share in both years was very similar to that of Baan.

Unfortunately, Baan's M&A strategy was not successful. In the short term, unfortunately, no buyer was found. Meanwhile, nothing was done about the internal restructuring. As a result, the rescue of Baan as an independent company failed. In the summer of 2000, the



In 1998, a groundbreaking ceremony took place for the new Baan Company headquarters in Reston, Virginia. The Governor of the state of Virginia (center) and his predecessor (left) were present, as was the Dutch ambassador to the US (on the left at the rear).

English company Invensys took over the company. This meant the end of the listing of Baan Company.

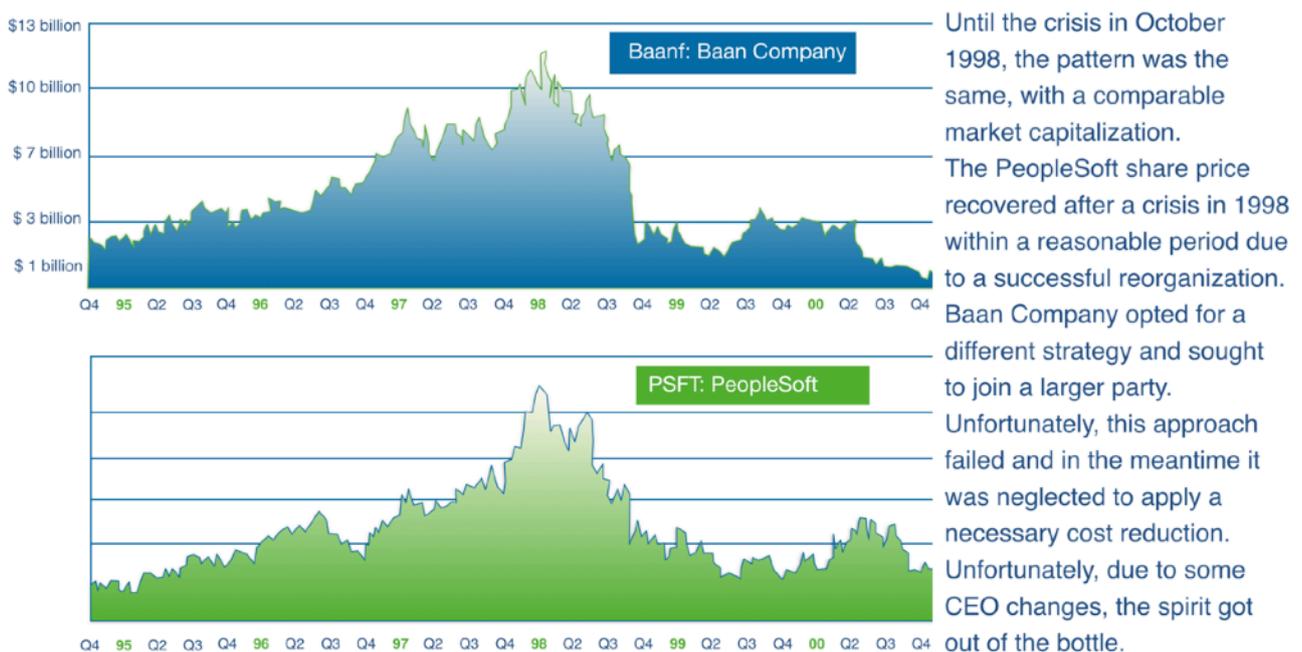
With a personal letter to my employees, I said goodbye on July 27, 1998. The trouble was that the company neglected to unsubscribe me directly from the Chamber of Commerce. You obviously do not look at that when you leave. You assume that they will arrange that.

Somewhere in September or October, shortly before the stock price collapsed, I signed a document to purchase a company in Atlanta on behalf of Baan, related to the acquisition of Caps Logistics in September 1998. The shareholders were paid in Baan shares.

I was at Oikonomos in Indonesia when I received a fax with the question from the lawyers at Baan to help them with signing the purchase document. It was only a formality. I did not see the danger because I had to sign something for Baan Company more often immediately after my resignation. So, I just did it. Maybe stupid, but it was in a hurry, and I thought I was doing the business service. Moreover, I thought I would become the chairman of the Supervisory Board and would therefore be permanently involved. It was still my baby, of course. In hindsight, I should never have signed whether or not I was still held responsible for the state of affairs at that moment.

The aftermath of my signature had dire consequences for me. After the fall of the Baan shares during the crisis in October 1998, this company initiated a court case in which they held me personally liable, even though I had not been involved because of my departure from Baan Company on July 27.

In retrospect, it was unwise for me that I accepted the request from Tom Tinsley during the report of the disappointing figures in the third quarter of 1998. At a Baan World meeting on October 12, 1998, in the Hague Congress Building. At that moment, I no longer had any function on The Baan Company board. Of course, as an investor, I continued to believe in the strong opportunities of the company because otherwise, I would have sold my shares. Tom was very cunning in turning the attention of the bad financial results away from him as



Development of the share price Baan Company versus PeopleSoft

the responsible CEO of The Baan Company. That's why he asked me to help him with a visionary speech to explain what Baan Company's chances for the future were.

I naively fell for his trick. When the problems became apparent in 1998, and the share price plummeted, Tom came up with the story that there should be a new option plan for the staff. The board could have chosen to send a large part of the leadership team home and attract a new professional team with the money intended for new options. But instead of taking actions by the board to reorganize, Tom's proposal was honored. However, for him, a new option plan was not necessary. Tom had already managed to sell his shares at a favorable price.

Mary Coleman, who would succeed him later, now received a nice package at a low price. She had not been employed for that long and could not have sold any shares yet. Her incentive would mainly come from selling the company, where her package would be released sooner than after the usual four years. Personally, I think that such a remuneration structure entails a great danger as it is often unknown to the shareholders. The personal interest of the management team focuses more on the short-term of merger and acquisition. Being taken over is often attractive for board members.

What could I do in this crisis? The only thing in my power was the issuing of a shareholders meeting. But I did not do that to stop the company. I never had the idea to get money from the company to invest this elsewhere. My brother and I stayed loyal long after our departure.

Intervention on all fronts

We suddenly had to intervene on all fronts. Looking back at the situation a year later, this has resulted in a decrease in the assets of Vanenburg Ventures. Despite that, we still had a market cap of \$1 billion even if all bank loans were repaid. This meant that we had solvency of 95% as of September 1999 because our foundation, Oikonomos, financed even a small part. In the spreadsheet, we see the ambition of Tom Tinsley together with the General Atlantic VC partners. A strong sales increase of US \$670 million (actual) in 1997 was expected to reach US \$2.2 billion in 2000. Still, especially with the expectation that the Earnings per Share (EPS) would improve from US \$0.80 to US \$4.00+ in the year 2000, the expectation pattern was that the market capitalization could increase at least 5x within three years. This is further explained in the chapter above on the Baan Web.

In retrospect, I have to conclude that the ERP concept proved to be too dominant. We placed everything in this silo. Our product controlled not only the logistical business processes but also the finances. The CFO was now also able to provide its reporting to Wall



Paul and I met Bill Gates in 1998 when he received an honorary doctorate from the Nyenrode business University in Breukelen

Street. Back then, we did not know CRM or other systems. We did not manage to bundle later developments such as PLM, MES, CRM, CPQ, WMS, QM, EAM, SLA, HR all in one ERP concept. Therefore, the true concept of 'enterprise resource planning' has unfortunately never been realized.

At the end of 1998, I concluded that it was no longer possible to integrate all these components within the already outdated ERP products. Although the powerful event-driven 4GL environment in the I / O handling was stronger than Microsoft (Navision and Axapta), the technology from the last century was no longer equal to the new inherent Object-Oriented approach.

In 1998, Steve Ballmer from Microsoft visited us at our estate Kasteel De Vanenburg in Putten, and we talked about stronger cooperation between our two companies. This resulted in intensive consultation between Adam Bosworth (the pioneer on XML technology) with our CTO, Theodoor van Donge. Together, they concluded that our strong event-driven 4GL successor had to offer more than Microsoft's current 'object-oriented' approach.

New innovation had to be sought in a 'Dynamic XML object.' These conversations seemed to result in very close collaboration between Microsoft and Baan Company. The tragedy of

Baan Company at the end of 1998, unfortunately, disrupted this attempt. The company to which I was deeply connected slowly slipped further to an acquisition by Invensys. In hindsight, I think that an acquisition by Microsoft would have had led to the strongest competitor of the current SAP and certainly Oracle, but unfortunately, we cannot change what has already happened.

Acquisition by Invensys

In the summer of 2000, we signed a contract with Allen Yurko, CEO of Invensys, a UK automation, controls, and process solutions group, to become a unit of its software and services division. We transferred our shares. Our relationship with Baan Company was done. Invensys immediately carried out a major restructuring. Initially, it seemed to go well, but soon, things began to fall apart.

In the summer of 2003, Invensys sold Baan to two US investment companies, which merged it with the software company SSA Global. Again, a radical reorganization took place, and a round of layoffs followed. Little was left from the glory days of the company. Upon acquiring the Baan software, SSA renamed Baan as SSA ERP Ln. In August 2005, SSA Global released a new version of Baan, named SSA ERP LN 6.1.

In May 2006, SSA was acquired by Infor Global Solutions of Atlanta, a major ERP consolidator in the market. The former Baan Company has been a successful part of Infor ever since. The hidden technological advantage of Baan turned out to be a valuable contribution to its new owner, despite all the reorganizations.

9. Situation after Baan's crash

What could we have done differently afterward?

At the end of 1999, I intended to merge the Vanenburg activities with Baan Company with the support of key customers like The Boeing Company and Komatsu Japan. Further details for this plan are described below. If we had compensated VBS's revenue, we would still have had a similar revenue number as we had in 1997. Aurum-CRM could have been sold for at least US \$500 million.

The Baan IV product was strong enough to integrate the core ERP package with the investments in the Vanenburg Venture portfolio through an ESB.

Baan Company would then have recovered fairly quickly, with very good liquidity and probably back to the level of the market value before the crisis.

In hindsight, I had the opportunity to intervene structurally at the end of 1998 and could have dismissed the American leadership (Tom Tinsley and Amal Johnson, who were ultimately only involved in acquisitions). I should have said goodbye to the two General Atlantic board members, who were hardly involved with the company due to the sale of their interest.

This would have been possible at the next shareholders' meeting because we still were by far the largest shareholders with the most votes. Moreover, ample liquidity was available immediately after the crisis. Joop Jansen (CEO of Heijmans and board member of Baan) was available as CEO to take over the baton from Tinsley because he was also frustrated by the greedy Americans on the board.

With support from Jan Westerhoud, Wim Heijting, and Kevin Calderwood, we would have been absolutely successful in executing the restructuring plan. It is easy to say: 'Why didn't we do this? Such an intervention is not easy at such a moment because you are faced with a great restructuring, of which the consequences cannot easily be predicted in advance. Moreover, I was possibly too inexperienced in 1998.

I have often had to act in situations that were not foreseeable in advance, but I took the lead in confidence. Abraham Lincoln is a great example, and I often quoted him in speeches:

I've been forced several times to go down on my knees due to the overwhelming inner conviction that I had nowhere else to go. My own wisdom and that of the people that surrounded me seemed insufficient.

Personal sadness

Shortly after that, the film 'De uitverkorene' or 'the chosen one' premiered and also won a prize for this. This film really hurt me. I remember when I first learned about it in my study at home. For me, the film was a parody to insult my Christian lifestyle. But what can you do about it? Kevin Calderwood gave me the example of rattlesnakes. If you get bitten, you have to stay still, or you will die from the poison. But sitting still is a very painful process! I followed the example of Hezekia. The Bible says that when he faced false accusations, he went to the temple to bring this to God's attention.

Through my Christian values, I wonder if I could express something positive to the people around me. I know that I am a charismatic leader in my field, and because of my enthusiasm, I can convince others and win trust to go where no one has ever been before. I was able to teach this to the management team in confidence. I believe that you are allowed to make mistakes here to learn and are not punished for it.

I thought that with my farewell to Baan Company, I finally got some rest. I had no idea things would get harder, especially because the lawsuits were aimed at me personally, instead of the management team involving Tom Tinsley, Amal Johnson, and the General Atlantic investors, who were the ultimate winners. However the birds had flown, and I had work to do. It was a very difficult time.

But the problems gave me a place where I could bring these daily worries, as Abraham Lincoln said: I've been forced to go down on my knees. In the end, both cases were ruled in my favor in 2003 and 2004.

Lessons learned during a difficult period

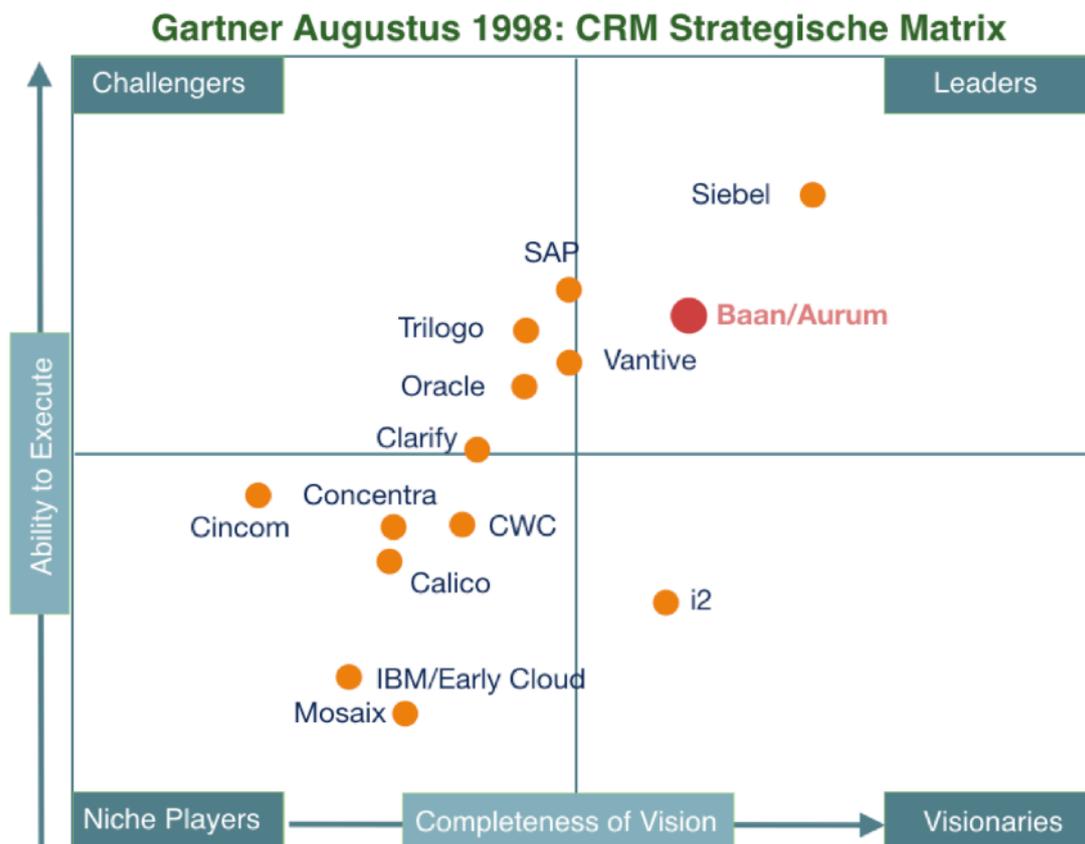
In retrospect, or as the Americans say: 'Hindsight is 20/20,' it is easy to come to different conclusions. When we experienced a crisis in the fourth quarter of 1998, and the shares fell drastically, Paul and I had a different opinion about the Baan leadership then.

Even though the market capitalization diluted by about 30 percent in a few days, we weren't panicking. After all, we still had US \$250 million in cash and no debts at banks. This cash came from the retained company profits and secondary placement of shares. Therefore, although we did not meet analysts' expectations for the coming quarter, there were no liquidity problems, and we had plenty of time to restructure and implement.

I had suggested the following initiative to Tom Tinsley and the board:

- Stop further developing a new generation of ERP components based on our new tools (Nucleus) to develop a version of Baan-V.

- Our current Baan-IV product was at the time with its customer/order decoupling point still leading in the market.
- Our acquisitions were only made to increase market capitalization, but no purchased product was integrated with our ERP suite.
- We were working on a new version with Boeing, which we could best keep as a client-specific version.
- As a result of this intervention, we could immediately reduce our R&D department to 1,500 employees spread over a dozen centers in the world, to 500 employees in the Netherlands and India alone.
- Half of the remaining 1,000 employees would be particularly suited to perform billable services, services we now hand over to system integrators.
- The revenue from the services of these 500 employees would be enough to pay the costs of the core R&D team with 500 employees.
- Immediately dismiss the remainder of 500 R&D employees, most of whom came from non-core R&D centers. The restructuring costs for this are only a pittance compared to the short-term cash yields. Therefore, we would be able to send them away with a favorable arrangement so that our reputation would not be damaged.



The above Gartner CRM matrix shows the strong position that Baan/Aurum took in 1998 as the number 2 behind Siebel. Selling Aurum as a nice diamond was an interesting opportunity to generate cash for Baan during the crisis in October 1998.

I wanted to concentrate R&D on two locations, namely Barneveld and Hyderabad. Given the lower labor costs in India, it was an ideal location for future growth in R&D. I proposed to close all other development centers at different locations in the world. This would greatly simplify the previously expensive and (too) complex R&D departments. We had around 1500 employees working in R&D., which was costing us a lot of money. According to my plan, five hundred people would be discharged. Half of the remaining employees in R&D would generate revenues from external services, such as customization. After all, our customers asked for these experienced people. This revenue from customized services could cover the costs of the remaining staff in R&D. Around 500 employees were more than sufficient for the maintenance of the existing products and the further development of new generic components. The R&D department would become cost-neutral.

On paper, this meant an immediate saving of the personnel costs of fifteen hundred jobs. At that time, we were paying salaries to the fifteen hundred R&D employees from our license revenues. According to my plan, we could save up to US \$250 million on an annual basis. Additionally, I proposed that we should resell all M&A purchases and convert them into cash for the company. Our CRM purchase from the company Aurum was to be sold immediately, the yield of which would generate at least US \$500 million in the short-term as liquidity enhancement. Furthermore, the other purchases in the coming months could return a nice profit.

Furthermore, I wanted to cut back significantly on marketing and sales because I figured we would only acquire a few new customers the first year because of the current uncertainty. The company could be break-even within a quarter by focusing on service work.

I also found that the acquisition of companies such as Berclain and Cap Logistics had to be undone. They were easily marketable and would significantly strengthen the cash position. I wanted to abandon the goal of Baan Web, as stated by McKinsey, to take a top position together with SAP. In my opinion, Baan Company should focus on becoming the mid-market player in ERP.

I submitted Tom this restructuring proposal, but he did not agree. It completely crossed his vision, he said. Unfortunately, the board of Baan Company did not want to do anything about my proposal. It was not that illogical, by the way, because Tom was pretty close to the people at GAP, and they were pretty much on the board. So close that in 1999 they asked him to become a partner in their venture capital business, while Baan's board had previously dismissed Tom.

My restructuring plan October 1998

- We still have \$ 250 million cash in the company
- There is a real demand for professional service in the installed base
- New licenses business for next year will be difficult
- The drop of our market cap is lowering the pressure in the analyst community

The remedy proposal of the Baan Brothers

- Reducing 1.500 employees in R&D
 - ✓ 500 employees moving to product development
 - ✓ 500 employees moving to billable customer services
 - ✓ 500 employees layoff
- Reducing cost in sales & marketing
- Focus on ERP sales only
- IPO of selling Aurum (CRM)

Savings \$250 million

But the Baan-board disagrees with my proposal , because they are more motivated to follow the M&A (merger & acquisition) route

- Tom Tinsley
- Klaas Wagenaar
- Amal Johnson
- Bill Grabe
- Dave Hodgson

Financial engineering
or business as usual

- Jan Baan
- Joop Jansen
- Kevin Calderwood
- Jan Westerhoud
- Wim Heijting

K4-start-up Venture Capital portfolio: beyond-ERP products:

- TopTier data navigator + Enterprise portal
- WebEx - Web meetings
- Clickchoice.com - facilitate use of the internet
- Netshepherd - web communities
- Active Touch - web collaboration infrastructure
- Eventus - demand chain management (DCM)
- Bain - document management
- Federation - multi-company engineering portal
- Vanenburg Development - extended ERP-components
- Vanenburg Institute India - software factory

Total investment
\$300 mio

Conclusions

In hindsight, the role of the American shareholders appears to be more complex than I first thought. I think that the word shareholders is misleading; for us, it was more a case of share movers. Our extremely high price/earnings ratio attracted many investors who turned out to be speculators. Their behavior bore no resemblance to traditional investing. Baan was a gamble. In business, you have to deal with hedge funds and similar investment vehicles. One day it is in their interest to sell shares following a good press article, the next, they are helped by bad news. In short, there is no feeling of loyalty to the company.

In addition to the Oikonomos foundation and the numerous individual investors, there were other losers, too, such as ING Bank. It stayed on until the end because it really believed in the company, just like me. But it was mainly inexperienced individual shareholders who suffered big losses. Many professional investors made large profits with Baan shares. What some people lost with the shares; others gained. Baan Company did not benefit from this trade, as no new shares were issued after the secondary public offering in spring 1996.

If I look back as an investor in Baan Company, I have to conclude that I was unsuccessful. Because of our belief and trust in the Baan Web, we were there for the long haul. At the end of the ride, the Noaber foundation, led by my brother Paul's family, and the Oikonomos foundation, led by my family, made a total of around 150 million dollars from Baan shares. That was less than half of the company's value when it was floated in 1995. Successful investments in companies such as TopTier and WebEx restored the foundation's assets to the level they were on the first day of our stock market listing. And with that, it was back to square one.

On the flip side, there were also several positive conclusions to make. Looking back in hindsight at McKinsey's view of the Baan Web receiving strong financial support from Vanenburg investments, I have reached a few conclusions:

- First of all, this strategy increased Baan Company's revenue to nearly seven hundred million dollars in just a few years. As a result, Baan became a very attractive partner for hardware suppliers such as IBM, HP, Sun, Compaq, and DEC. Above all, large service companies such as Ernst & Young, Atos Origin, IBM, and Deloitte, as well as dozens of smaller companies, employed thousands of people to set up implementation and customized services based on the Baan product.
- Vanenburg Ventures developed a good plan under the leadership of the former McKinsey partner Graham Sharman. Numerous acquisitions were made in a short period of time, all of which produced high expectations regarding combined exits. Graham and Jan Willem Krooshof, formerly of Origin, acted as an experienced M&A team. The acquired systems houses were made into specialized Baan partners, and they generated combined revenue of 142 million dollars with the Baan product as early as 1998. As an international integrated company, the value of the whole was much greater than the sum of the individual parts. Moreover, Vanenburg Group developed a business process-driven approach to software implementation to penetrate the mid-market segment with a complete ERP concept. The Gartner Group saw this as the growth market of the future.
- In retrospect, it was indeed naive to brand everything with the Baan name, but this did not become apparent until the share price ceased to climb in a straight line upwards. Until then, analysts had found the strategy charming. The 'market cap' went from one billion dollars after the company's introduction on Wall Street in 1995 to seven billion

dollars at the end of 1997. It grew further to ten billion dollars in the first quarter of 1998, mainly because of the aggressive M&A strategy.

- After the first profit warning in April 1998, the market value declined to seven billion dollars, the same level as at the end of 1997. Analysts greeted this with criticism, which led me to decide to announce my departure. Following this, the market value improved by 500 million dollars. We can see from this that the company market value grew from 500 million dollars on the day of the IPO to around seven billion dollars at the time of my departure. In between, the market capitalization shot up to a peak of ten billion dollars in the first few months of 1998. During my time at Baan Company, many more people won with Baan shares than lost.
- The action I took following the analysts' criticism was successful. The management of Baan Company faced a new challenge with renewed zeal, based mainly on a powerful perception in an attractive market. All in all, I left confidently; and because of this, I kept my shares, even after my departure. Gartner Group confirmed Baan's strong position as number two in the market behind SAP in the periodical publication of the ERP quadrant in June 1998.

The court cases

In the event of major price falls on the NASDAQ, US law firms will come into action. They start lawsuits based on no cure, no pay. Invensys had settled with these lawyers after some time of depositions with the plaintiffs. The main reason for this settlement was based on the enormous time pressure that such a legal process requires and the commercial uncertainty that the consequence of a lawsuit gives out in the sales process.

Baan Company was faced with two American lawsuits. The Washington DC case and The Atlanta Case. The Washington DC case involved a group of shareholders who felt that they had been swindled by Baan Company's share price drop in October 1998. The Atlanta case involved our acquisition of the company Caps Logistics in September 1998, which was paid in Baan shares.

Both cases were set at a time where I was no longer an executive for Baan Company.

It is not exactly a privilege to be heard under oath in the context of a lawsuit. It is a real war of attrition. You tell the truth knowing that the other party is plotting your pitfalls. These lawsuits have been by far the most difficult episodes in my business life. Of course, we are trained by our lawyers before the case. But these pieces of training are also psychologically difficult. After all, nothing is black or white. Your lawyers make you aware that the other party only has an interest in getting you down. They cover all possible scenarios with you and provide you with useful advice.

Both cases closed eventually, the DC case in 2003 and the Atlanta case in 2004.

At that time, I made notes of the processes. Below are two examples of such notes.

Videoconference court case

Friday, June 15, 2002

This week, I underwent a witness hearing regarding the lawsuit in America against Baan Company. This happened through a video conference from a law firm in Amsterdam. The counterparty was in Atlanta. Our lawyers instructed: 'At this conference, you will be questioned by a lawyer from Atlanta. Pay attention to the fact that you do not testify in court in the first instance, but in front of the lawyer of the other party who will do everything to get you down.' The interview lasted from 2:00 pm to 10:30 pm, with breaks in between.

Friday the week before and last Monday and Wednesday, I constantly have been coached by our lawyers. They said: 'Just tell them what is needed, you are under oath, so what is true is true.' On Monday, during the preparation, they brought out documents

from the past which could be used questioning me. In some of the old documents, my words were diplomatic and vague. I sometimes answered that way to protect Baan Company. This caused me a lot of problems that evening.

The next morning our lawyer called, and I gave him more clarity. He said, 'relax, whatever happens, happens.' Thursday morning, I spent some quiet time reading the Bible. I also read a piece from Catechism about taking the oath. I did the same thing this afternoon.

DC court case

September 27, 2002

I underwent a witness examination at law firm Stibbe in Amsterdam. It was about the lawsuit filed in America when The Baan Company shares fell in October 1998. An American lawyer with his entourage came to hear me all day long. Everything was also video-recorded. I prepared for this with my lawyers for a few days. I knew that it would not be an easy day. The witness examination lasted from 9.30 am to 7:30 pm. It went for seven hours (without counting the breaks). The objective was to shake money out of your pockets. The prosecutors went through 450,000 pages of documents from Baan Company's past, and they confronted me with the documents they think are in their favor.

Deposition Atlanta case

Once again, on December 12 and 13, 2002, now for the third time, there was a hearing with the lawyers from the United States concerning Baan Company. Even though I was no longer involved in the company at the time. Again, they said that these interrogations are not easy. Unlike in the Netherlands, where the lawyers only question you through the courts, hearings take place directly with lawyers in the USA. They do not seek the truth. They only want their part of the story, given their remuneration is based on 'no cure, no pay.' They have made agreements with the victims that they will keep a (large) part of the possible reimbursed damage and not charge anything during the trials.

So, their initiative is to prove me wrong and look after the victims! During the interrogation, a court reporter makes a report of everything after taking my oath. A video team records everything while your lawyers stand by.

At the company's takeover, I was already formally away and was no longer involved. However, by failure, they didn't deregister me in time from the chamber of commerce, so I was also held responsible. Fortunately, I wrote a comprehensive farewell letter to all employees, where it can be demonstrated that I no longer worked at Baan. The question is however, would we win?

All in all, this is a super-intensive process. This lawyer interrogated me during six hours video conference from Atlanta while I was together with a court reporter and representatives of parties in a room in Rotterdam. As I am the only person he could contact from Vanenburg Group, he tried unsuccessfully to access all Vanenburg Group documents. Now he got time to listen to me.

In October, I was interrogated by the other party from Washington DC. The DC case is the first case, and the Atlanta case deposition in Rotterdam was the largest. Lawyers from the counterparties work together to spend their costs as effectively as possible. That makes it even more complex. They hope to collect data through all this work and prove that our fault caused the fall in price.

It was a complex event, during which you have to be as shrewd as snakes and as innocent as doves, which is not easy. The time between both events was more than four years, and you are under oath. It is hard to remember the things you exactly knew before. Fortunately, there is the clear conviction that it was not about self-enrichment, on which their indictment is based. In this process, we have become the heaviest losers financially.

The counterparty had asked for two additional days. Our lawyers objected and made one day available. We haven't heard from the judge yet. If there is no message from him, then the counterparty gets only one day. But my lawyers prepared me for the worst and said that the hearing could take two days. And like they predicted; the hearing was going to last for two days. I was exhausted with these intensive preparations. I was waiting and hoping for what might come next.

The first day is not too bad. I have gained the strength to get through this. My interrogator was also worn out at the end. I asked him to continue, to win some time for tomorrow. It is allowed to interrogate on the record twice. Each session lasted seven hours, not counting the rest pauses and between consultations. The video camera is constantly on my mind. Surprisingly, I wanted to continue. The other party intends to break you during these long sessions. But finally, my interrogator had to drop out. He said he was jet-lagged. However, he had arrived the previous day.

I arrived on time the second day. It was a Friday. What will it be today? The difficult pieces are yet to come. The hours do take their toll. But luckily, I received strength from inside me. I learned that it's better to answer with short answers, and it is certainly better not to respond to their suggestions. With the general questions, you have to use long speeches to fill up the time. If the interrogator wants to stop, you must grow interested again and again in continuing with your speeches.

The interrogator is tired. He leaves the difficult parts. I still do not get any documents, which are hard for me to answer correctly. Would he let them sit until the end when my

physical strength is minimal? There are still some questions regarding my role in the Oikonomos foundation and my role as director of Vanenburg Ventures. I now have another opportunity to say in detail that I had no involvement with Vanenburg Group but that my role was limited to the director of the trust foundation. He does not understand this, and this gives me another opportunity to go into this very extensively. He now wants to ask some more concrete questions, but ... my lawyer intervenes. I am relieved that the 14-hour questioning on the record has now passed. A disappointed interrogator and a relieved victim leave the room.

I have experienced these interrogations as a very heavy burden. The executives involved at the time and responsible for the operational business remain out of the spotlight while I am here, only because my name is on the building. People think they can still get money from us as shareholders. That's the whole reason why the ball comes my way. I feel wonderfully fortunate that I have been empowered to get through this well. You cannot foresee this ahead of time, although it is not bad to plan for it. A mountain of worries and objections is right there in front of you, which you cannot overlook. A great deal of worry disappears once this whole process is over. However, this does not give a feeling of satisfaction. After all, there are so many difficult questions and are important to answer correctly! What do you remember about situations that happened a long time ago? This makes the interview very complex while you are also under oath.

For me, I experience that God knows everything, and I am happy that He knows all our motives. Afterward, when you look back at these events, as if you watch a movie, you realize that many things could have been prevented. However, this does cause a sense of guilt, which you are unable to hide from. Especially now, I realize how naive I have been sometimes.

Dutch court case

A little later, a group of Dutch investors came into action, initiated by the Stichting De Keursteen. They had seen that the new owner Invensys had arranged a settlement in the USA, which had happened outside of my brother and me, and thought that something could now be achieved in the Netherlands. However, they did not challenge the Baan company but myself personally.

They had taken on the lawyer Bram Moszkowicz. At the lawsuit of this in 2005, these investors are declared inadmissible. Moszkowicz subsequently appealed. A group separated from Moszkowicz due to lack of confidence, and Invensys made a settlement of € 2 million with them a year later.

On October 17, 2007, the court, in appeal, dismissed Moszkowicz's claim. The court's verdict includes the following:

October 17, 2007

Finally, the court considers that the single fall in prices does not imply the incorrectness of the optimistic statements. After all, Baan Company stated that comparable companies (such as PeopleSoft) had experienced a comparable price drop without being contradicted.

Furthermore, the court considers that two transactions complained of by investors and transactions with 'related parties' were known to everyone because they were described in the annual reports of Baan Company for 1997.

The court does not come to an assessment of the personal liability of Jan and Paul. Because investors, as the court understands, have based it on the fact that the communications were incorrect and misleading.

The court has already ruled that this was not the case. Insofar as the investors' claim was based on the publication of incorrect annual reports for 1997 and 1998, the court considers that the two disputed transactions are extensively described in the annual reports for 1997 and 1998 and that the same applies to the revenue of affiliated parties.

In this connection, the court further considers that the annual reports for 1997 and 1998 contain unqualified auditors' statements that have never been withdrawn. Finally, the court considers that the investors did not mention specific accounting rules generally accepted in the Netherlands that would have been violated.

Reformed Daily October 17, 2007: Court rejects claim against Baan brothers 'Group of investors not misled.'

ARNHEM - The founders of the software company Baan, Jan, and Paul Baan do not have to pay compensation to investors who say they have been duped by the company's fall on the stock exchange at the end of the nineties. With this judgment of the court of Appeal in Arnhem, a ruling by the court in 2005 is confirmed.

More than 180 investors had claimed compensation from the Baan brothers on appeal because they were guilty, among other things, of misleading investors and accounting fraud. 'It was not possible to deduce from this that the investors argued,' according to the court of Appeal. The court also concludes that no transactions were concealed, something that investors claimed. 'These transactions are indeed described in the annual reports of Baan Company.'

The share price of the software company, based in Putten, fell into a free fall at the end of the nineties, after it had become apparent that the company had presented the sales figures in a rosy way. The company is now in American hands. Jan and Paul Baan are no longer involved in the company.

At the end of last year, Baan Company found another settlement of unknown size with a group of twenty duped investors. In 2003, Baan also agreed with US investors a settlement of US \$32.5 million (EUR 21 million).

After his farewell to Baan Company, software pioneer Jan Baan quietly set up Cordys in the fall of 2000. This company specializes in computer software to integrate various software systems, for example, when companies merge.

Those lawsuits with court cases were extremely difficult for me to handle. Especially the charges were not aimed at the company and with the board of directors but much more addressed to me as the largest shareholder from the past with their intention of claiming compensation from me personally. Especially because I have hardly had an operational role in managing the business processes in the Company in recent years, I experienced this as a difficult period.

10. The mother of all complexity

ERP becoming more and more complex

Articles on failed IT projects had been showing up more and more in the press. According to Peter Hagedoorn (former CIO Océ, 2005 Dutch CIO of the Year), these failed projects had mostly been business projects: such as harmonizing business processes, streamlining the organization, or outsourcing non-core activities. Hagedoorn believes that the problem lies in collaboration and the challenge of bringing business and IT into alignment:

- The business considers changes in their own processes for which they are responsible, as IT projects; while,
- IT translates these business processes into IT systems and takes on the responsibility of harmonizing these business processes simultaneously.

At least two ‘translations’ are made between business and IT. Hence, it is both logical and predictable that companies will run into serious issues. It is indeed a step too far for the IT department to develop systems (and to be clear, it should not be their responsibility either). While the business should take a lot more responsibility in managing their processes. Let’s look back at similar problems we experienced at Baan and examine the general conclusions for the ERP market.

The inherent benefits of ERP software are:

- Ability to penetrate small and medium-sized enterprises
- Win markets that are looking for solutions to their chronic problems:
 - ✓ Engineer to order and multi-project environments, such as maintenance companies and construction companies
- Increase sales within the existing customer base
- Easier to sell other Baan products that better use the value of data management (sales configurator)
- Shorter delivery time to get a customer
- Higher margins for our partners

In 1998 I asked my respected (and now deceased) friend Eli Goldratt for extensive advice. I saw the complexity of the software increase more and more. This image gives a good idea of this. The need for functionality from marketing is constantly increasing, and due to the sales successes, a lot of money is available for R&D. This causes more and more problems with the implementation, which in turn leads to bigger problems with R&D. Ultimately, managing complexity becomes increasingly difficult.

Beyond ERP

For Baan Company, ERP became ‘the mother of all complexity’ in the late nineties. Just around two thousand Baan developers had to integrate everything with everything else while also carrying the burden for all versions and localizations that had been developed up to that point. This requirement resulted in a tremendously complex situation where we had to respect around three hundred version release combinations! One of our non-executive Board Members, Graham Sharman, a McKinsey logistics professional, challenged us to break the database’s dependence.

After all, everything had to be interfaced with everything else while at the same time operating from a single central database. ERP should have been greatly simplified, and with its rich and complete functions, it should also have been suitable for small and medium enterprises. In addition, it also needed to be easy to configure for a specific sector or industry to function as an integrated solution in the supply chain ultimately.

Dave Duffield, the founder of PeopleSoft, shares this view. Together, we have gazed out from the lofty peaks of the ERP vision. We were part of the BOPS group, defined by Gartner as the market leaders in ERP: Baan – Oracle – PeopleSoft – SAP. We had a great deal of common understanding and mutual respect. I think we represented the human side within BOPS. Dave writes about today’s realities:

‘Today’s enterprise applications are no longer meeting the needs of their customers. These applications are too expensive to deploy and maintain and are very complicated and difficult to use.’

‘The current enterprise applications were built for the back office and largely ignored the informational needs of the line manager. That’s why today’s applications are constraining business. The high level of complexity and costs in making changes to an existing business system is debilitating. As a result, organizations must address change by surrounding their rigid ERP system with newer point solutions.’

‘Today’s point solutions provide a stop-gap but don’t address the inflexibility of the monolithic ERP system. Today’s large enterprises need a fundamentally different technological approach that facilitates customization and seamless integration with third-party solutions.’

I deployed a special research team named ‘Nucleus,’ to break through the problem of the complexed ERP database with thousands of integrated database tables, with which we separate research and development from each other. Separating risky research from predictable development with which we settled things nicely while leaving the spirit of innovation alive and kicking.

The setup was based on 5 to 6 data domains: customer, employer, object management, logistics, planning, and finance. The use of business objects combined these domain areas into an integral whole and made them accessible via a dynamic access layer (DAL).

This seemed to be a progressive idea. We managed to build the architecture in a reasonably short time and introduced this in the spring of 1998 during the annual Baan World conference.

During Baan World we built a good relationship with the start-up TopTier and had integrated their Portal technology with Baan IV. Shai Agassi, the founder of TopTier, who later became an executive board member of SAP, was also able to demonstrate the initial integration between the TopTier Portal with its drag-and-relate functionality and Baan IV. This deeply impressed Bill Gates, who also was present at that conference. Industry visionaries immediately recognized the potential of this innovative approach and looked at Baan Company as the future leader of the BOPS.

The complexity of maintaining and further developing ERP systems is now taking on drastic forms. The attractive maintenance revenues generate extreme profits.

In the nineties, we struggled with the increasing complexity of ERP after implementing one of the biggest installations on the globe (The Boeing company) with 40.000 users operational on one instance. This was realized due to the operational excellence discipline of the Boeing Company. But all this was developed before the internet browser existed. This outdated technology increased the maximum functionality instead of limiting this to 'fit for purpose.'

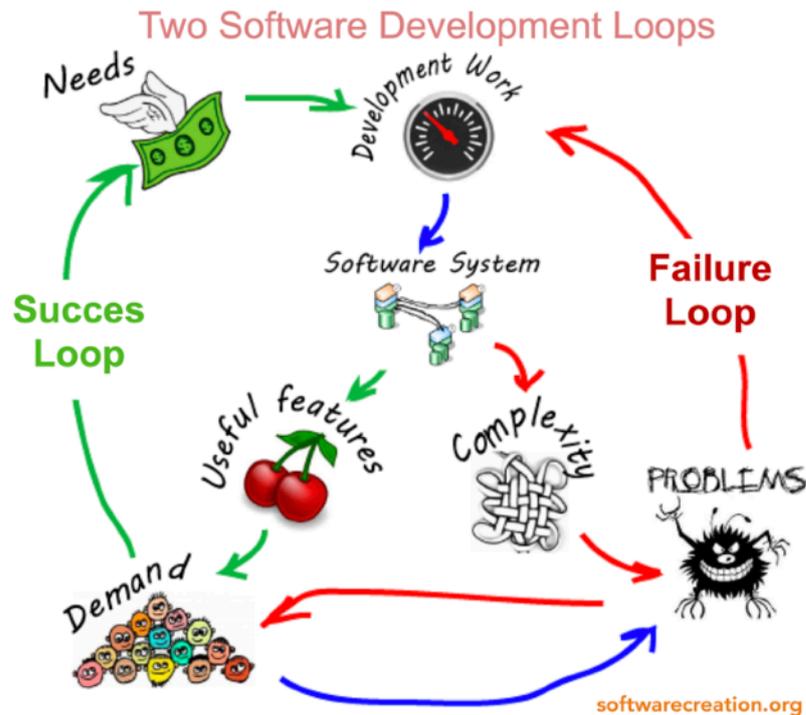
The more functions, the more complex it became to implement. But that's only one side of the coin. We were so stupid to use this as a platform to build a big mountain of complex and mostly chaotic bespoke solutions for many individual groups.

In the interesting study from the book SAP Nation 2.0, Vinnie Mirchandani concludes that, after many years of observation, the deployment cost of SAP alone is at least US \$300 billion per year.

Eliyahu Goldratt's vision on complexity

My late friend Eliyahu Goldratt consulted me in 1998 in the analysis to de-complicate this continuous increasing problem because the need for functionality from marketing was constantly increasing. Due to the sales successes, a lot of money was available for R&D.

This caused more and more problems with the implementation, which led to bigger problems with R&D. Ultimately, managing complexity became increasingly difficult. Eliyahu Goldratt became famous in 1984 with his book 'The Goal: A Process of Ongoing Improvement.' Goldratt's advice to me was: The larger and more complex the supply chain



is, the greater the risk that a change can cause damage. Try to come with significant breakthroughs.

- The customer experience is mainly achieved by selling and implementing systems that quickly deliver added value with significant bottom-line improvements.
- Selling products that deliver reliable added value reduces the pressure on development, implementation, and services.
- The sales team must present the Baan system to bring immediate and significant bottom-line improvements by solving the client's problem areas.
- The implementation team must align with the customer-specific burning needs to ensure that each phase delivers fast and significant bottom-line improvements.
- The consequence of this is that the users are more tolerant of the errors in the software. The benefit is that satisfied customers ask for less support and less pressure on R&D.

Unfortunately, we were not successful in fully leveraging the innovative approach described above. Thanks to its high market cap, Baan Company was in a position to make a number of acquisitions. These eventually led to the end of innovation. Only one strategy mattered at that time: accretive acquisition driven by greed.



- No doubt, ERP does what it does very well
- But it *isn't the place* to innovate to differentiate your business
- Your business has *processes* that span many business units, systems, countries and data
- As you need to evolve, you need to make that change happen *quickly*
- ERP isn't the place for this – something else is....

Leave your ERP system to do what is good at

However, I was doubtful about the added value for Baan Company in this M&A strategy, even though it did look profitable for the shareholders initially. In June of 1998, Gartner was full of praise for Baan Company's position as the second-place player in the ERP market after SAP. Baan was viewed as smaller in scope but much more innovative.

What I saw was the impending end of the ongoing development of ERP systems. Looking back, it would not have been possible to achieve developments that we, later on, did at Cordys within Baan Company. But at the same time, it would also not have been possible to develop the Cordys technology without the lessons learned from Baan Company. The M&A strategy was not executed correctly, resulting in too many internal conflicts and a brake on innovation.

My duties as the founder of the company were over. In July 1998, I came to an emotional decision to relinquish my role as an executive of The Baan Company. As the case was in starting up Baan Company, it was hard for me to start with something new again.

In this first part of my autobiography, I have limited myself to my first start-up Baan Company, where our software solution became a leader on a global scale, but although defined as a systems of record solution and took place even before the breakthrough of the internet manifested itself.

The next part is more about the 'Beyond ERP era,' which will be discussed in part two of my autobiography.

