LESSONS I’VE LEARNED FROM HIGH-TECH ENTREPRENEURS

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The presence of a robust entrepreneurial spirit and system explains, in great part, the economic edge the U.S. enjoys in today’s new economy. Talented individuals with good ideas and the ability to attract the necessary capital and know-how bring innovations to market with amazing success, thus keeping the economy robust and dynamic. During the past four years at the world-renowned Austin Technology Incubator of the IC² Institute at The University of Texas at Austin, I have met scores of high-tech entrepreneurs. In this paper I distill into 10 lessons what I have learned from these bold creators of the new economy. Each lesson features one company/entrepreneur.

Lesson 1: Play in the big leagues

When starting a high-tech business, the entrepreneur must dream large dreams. The stakes are high and he or she should strive to arrive. InfoGlide Corp. adopted this strategy early on and has developed a nine-figure valuation as it pursues its way toward the public markets. InfoGlide Corp. produces a very robust database search engine that identifies information in context rather than direct match. Originally, the company approached the criminal justice market with products designed to assist law enforcement agencies catch serial criminals. The market was small and slow to adopt ground breaking technology, so the firm migrated to the insurance market where its technology is rapidly becoming the standard in uncovering elaborate and well-disguised fraud rings. Currently, the five-year-old company is targeting and signing up Internet powerhouses like AOL and e-Bay to help them conduct commerce more effectively over the Web. InfoGlide moved from A-ball to AAA-ball to the big leagues.

Lesson 2: Figure out your pitch

Many technology entrepreneurs have trouble putting into lay language the complex code they are creating. They have trouble telling their story persuasively and, thus, difficulty raising the amount of capital required to build their business. Entrepreneurs must excel at four communication tasks: (1) the elevator pitch (30-45 second concept level presentation to elicit additional interest); (2) 12-slide PowerPoint presentation; (3) a 2-5 page executive summary of the company with the first paragraph enticing the busy reader to continue; (4) a 20-page business plan that lays out the company’s strategy in fuller detail. Factory Logic taught me the importance of a good pitch. In a ten-week period they were able to increase their first-round valuation three-fold—almost entirely due to making a more compelling case for the investor. Nothing substantial changed in the business model, the technology, or customer acquisition; the CEO just learned how to state the value proposition more competently.

Lesson 3: Create your own buzz

How is a little start-up company to get noticed? How can it rise out of the primordial start-up soup, take shape, and evolve into a market leader? Such was the challenge
facing a group of four entrepreneurs at Skipstone, Inc. in late 1996. They decided their
best strategy would be to start a trade association around their cutting-edge IEEE 1394, or
firewire, technology. They had a six-month lead on the field, but needed to get known
for what they were developing. So they appointed their CEO President of the association,
invited a few charter members like Sony Corp., and hosted the first national association
meetings at ATI. This visibility helped the company attract customers and the attention
of large corporations who were possible acquirers. Within 18 months the company was
indeed acquired by Adaptec, Inc. Contrary to the advertisers’ jingo, image is not
everything; it is, however, absolutely necessary for the high-tech founder to generate
awareness and excitement about his or her company, without which the firm will founder.

**Lesson 4: Bet on the jockey**

Money follows talent. The high-tech entrepreneur must elicit the confidence of the
investor or be able to attract leaders who will. Since most high-tech start-ups require
other peoples’ money, and since investors bet on people as much or more than on ideas,
the entrepreneur must develop a class-A management team. T-Manage founder Glenn
Lovelace was introduced to me early in 1998. Glenn had a Harvard MBA and five years
experience running Nortel’s internal telework program. Since I was interim director of
ATI at the time, I took Glenn to see Dr. George Kozmetsky—my legendary octogenarian
boss who I knew had a knack for backing winners (Dr. Kozmetsky had been Michael
Dell’s earliest board member and big investor). Glenn began laying out the business case
for his company that would serve as an outsourcer of Fortune 1000 companies’ telework
programs. No more than five minutes in, Dr. Kozmetsky extended his hand to Glenn and
said, “Glenn, welcome to ATI. Joel, find some space for this company.” I learned then
and there that jockeys are more important than horses.

**Lesson 5: Hire talent**

IP is often the way to an IPO. While business models had a brief day in the sun,
companies whose technology position is strong will, in the long run, achieve better
fundamentals that investors—public and private—prefer. A start-up without an
innovation strategy may falter before ever reaching its true potential. Applied Science
Fiction was founded in 1995 by several IBM researchers. Chief among these is a man
named Al Edgar. Al is what you might consider an absent-minded professor type—
brilliant, talented, caring, distracted. Al holds over forty patents and is the backbone
of his company whose technology is to optical equipment (like scanners) what Dolby is to
audio equipment. It is talented people like Al that make successful companies like
Applied Science Fiction.

**Lesson 6: Keep your eye on the ball**

The only magic a technology entrepreneur can work is hocus p(h)ocus. The founder
must know what his target is—what he or she wants to accomplish—and then, with laser
focus, work night and day to reach it. Most entrepreneurs see multiple opportunities.
Successful entrepreneurs choose one and move as quickly as possible down it. Evity
Corp. came into ATI in August, 1999. By the end of the year they had reached their target date for product rollout. By early 2000 they had customers. By the end of April, 2000, they had been acquired by BMC Software for a cash and stock deal valued at $100 million. I learned from Clay and Rob and Chris that execution of the plan is what sets one entrepreneur apart from another.

**Lesson 7: Make it a fun place to work hard**

Creation (except for God, I suppose) is nothing but hard work. Edison said genius is 5% inspiration and 95% perspiration. Founders don’t take vacations; most of the time, not even weekends. The high-tech entrepreneur must build a team that works hard and long and smart. Successful start-up founders make work a place that people want to come and a space people want to be. AIM Technologies’ four twenty-something founders did just that. The sports marketing firm attracted a young and enthused workforce and kept them that way through stimulating assignments, group parties, and effective reward structures. Early on, when a company has little money, it better have plenty of style. Otherwise, talent will leave—and with it, the prospects of success.

**Lesson 8: Celebrate the good times**

High-tech entrepreneurs with whom I am familiar may start small but they truly want to grow something large. However, when they reach 100 or more employees they nostalgically recall the earlier, simpler days when they were building the company from nothing to something, when they knew everybody, when the challenge was simply to survive. “There’s nothing like the early days,” is a common refrain. The early days are to be celebrated. Each milestone is a steppingstone to the future. The founder’s role is to raise capital, hire good people, cast the vision, AND make memories. When there is so little to sell (i.e., product) the CEO must sell the future. Each good event is a party occasion. Enterprise, an e-marketing software provider, taught me this lesson. Hire a new manger—have a quick 15-minute all-hands party to introduce him. Land a beta customer—throw a party and uncork the champagne. Release version 2.0—take pictures of the development team and celebrate the occasion. Each party reinforces that progress is taking place, and nothing raises morale in a start-up like progress toward the goals.

**Lesson 9: Don’t quit**

The high-tech entrepreneur’s determination will be tested daily. The pressures are intense—financial, family, health, psyche. Progress is never linear; it is more like two steps forward and one step backward. Partnerware was started in 1995 by Eric Hills, a University of Texas MBA student who quickly mastered the new economy way of doing business. He and his team developed an extranet software solution to enhance supply chain management. But tragedy struck the organization: one of the key early team members died in a tragic automobile accident. Lesser founders would have quit. Eric would not. Additional trials came and Eric entertained ideas of selling the company. But his dream outlived the trials—and earlier this year Eric raised $32 million and now
employs 100 people. There are lots of reasons to quit, but I have learned that most of them are merely necessary speed bumps on the road to success.

**Lesson 10: Buy smart money**

Money is rarely the problem with start-ups. Smart people who can sell good ideas will attract capital. But not all money is equal. Some money comes with a bigger Rolodex than others; some comes with greater domain know-how than others; some comes with the ability to raise second and third round money while another does not. When I helped move the founders of Silicon Metrics into ATI over the Christmas holidays of 1997, little did I know how important their first round investor would be to their success. In March, 1998, Austin Ventures not only led their first round, but also brought an experienced semiconductor professional to serve as the company’s CEO. The company could have attracted other investors, but they would not have gotten Callen Carpenter in the deal. Smart entrepreneurs buy smart money.

These ten lessons may be grouped into four categories. Three have to do with marketing: play in the big leagues, figure out your best pitch, and create your own buzz. Three have to do with the team: bet on the jockey, hire talent, and keep your eye on the ball. Three have to do with culture: make it a fun place to work hard, celebrate the good times, and don’t quit. Only one has to do with money: buy smart money. The reason, I believe, is that investors will find the entrepreneur whose market-management, team-building, and culture-creation skills evidently excel.

The new economy is here to stay. Its rules are still being formed and decided, yet one thing is for sure. The entrepreneurial mindset is central to its operation. Organizations with the kinds of entrepreneurs I have described in this paper will succeed in the new economy while those without such skilled individuals will not. These are the heroes of the new economy. Long live the high-tech entrepreneur!