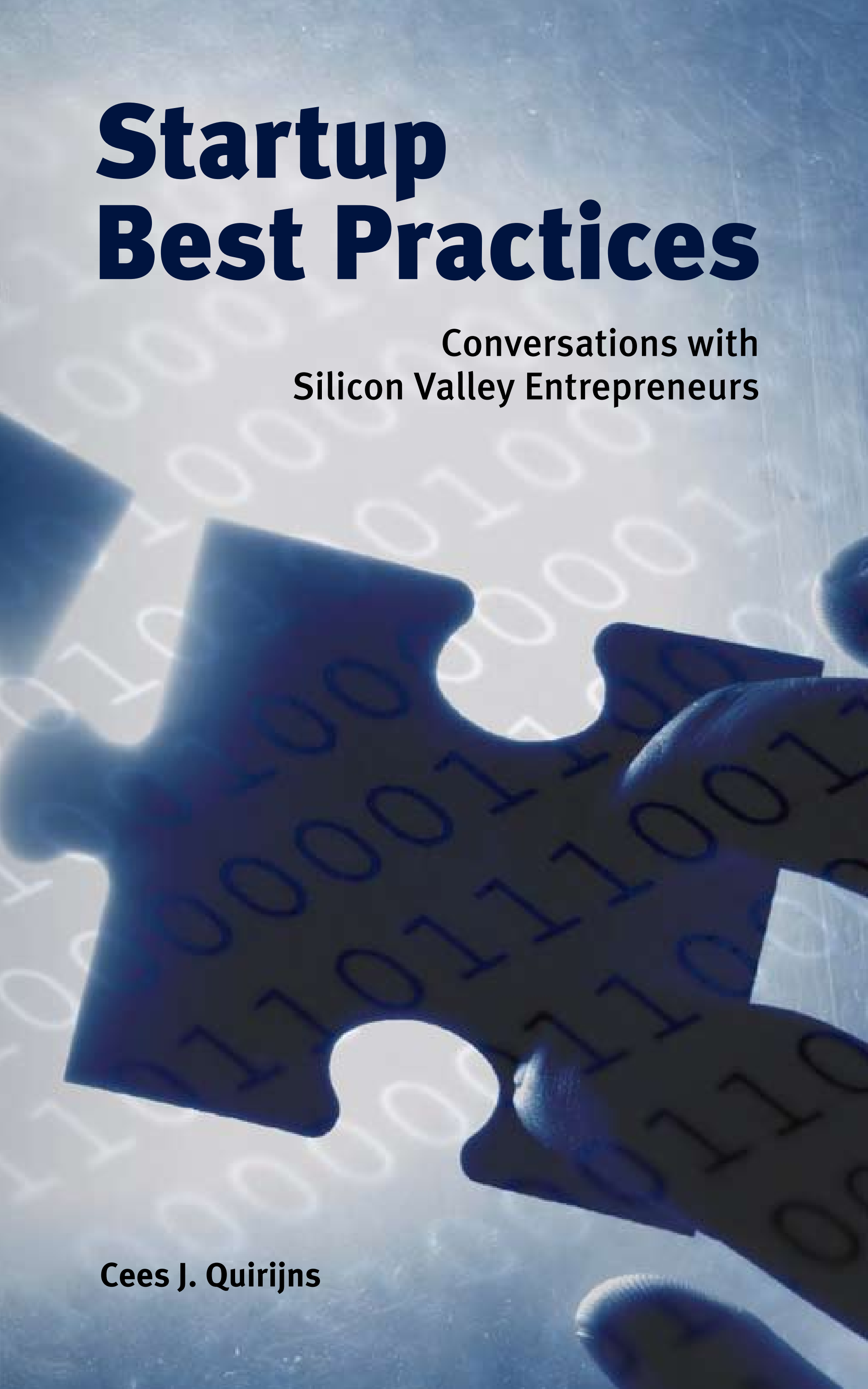

Startup Best Practices

Conversations with Silicon Valley Entrepreneurs

Cees J. Quirijns

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by

Cees J. Quirijns

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To all entrepreneurs who want to make the world a better place.

May you succeed and prosper!

Quirijns Company

Preface

Starting a business isn't an easy endeavor. As a startup entrepreneur, you are not only required to be a generalist, but you will encounter numerous hurdles and disappointments along the way as well. Statistics say you are most likely to fail; the majority of new businesses go bankrupt in the first five years. So why bother? Well, because you have a choice to either pursue your own dreams as an entrepreneur, or the dreams of somebody else as an employee. It gives me great pleasure to see a growing number of people choosing this challenge in an attempt to shoot for the stars.
These entrepreneurs should, however, not have to reinvent the wheel. There is a wealth of experience out there that can prevent startup entrepreneurs to step into common traps. That's exactly the goal of this book; contribute to the entrepreneurial knowledge base by documenting the lessons learned of entrepreneurs who "have already been there and done that".

There are undoubtedly numerous entrepreneurs around the world who I could interview for that purpose, but I had to start somewhere. The reason I picked Silicon Valley is because it has produced an unparalleled number of entrepreneurial success stories as well as entrepreneurial failures. If there is one place in the world where startup do's and don'ts are concentrated, it is California, U.S.A.

So that's where my journey began. In September 2010, I had the pleasure of interviewing several individuals who all had very interesting experiences to share on the subject of starting up a business. Their insights are shared in this book. As you will find out, several valuable and common lessons are detected from this material. Don't make the mistake that only those common lessons are important. Entrepreneurship is a lifelong series of lessons and therefore there's an opportunity to benefit from any lesson learned by a fellow entrepreneur.

If there is any bias in the selection of entrepreneurs that were interviewed for this book, it may be that a few of them are of Dutch origin, just like myself.

I decided not to spend 80 percent of my time on perfecting 20 percent of the book, but "ship" as quickly as possible instead. A best practice you'll see recommended several times in this book.

Acknowledgements

Many thanks to those who graciously agreed to be interviewed for this book; sharing their time, thoughts, and experiences for the greater good of helping out fellow entrepreneurs to avoid mistakes they often encountered. In a number of cases, the entrepreneurs I interviewed had nothing to gain from participating and I am particularly appreciative of their cooperation.

I would like to thank Ralph Patterson (baeworkshop.com), Adrie Reinders (efactor.com), and Peter Laanen (Dutch Consulate in San Francisco) for introducing me to these excellent interview candidates and Timothy Klaverweide (efactor.com) for managing to set up meetings with all of them within a week.

Further, I salute the EFactor-team for making it possible to distribute this book among its global community of entrepreneurs.

Finally, I would like to thank my wife, Anja, for her well-directed suggestions and advice regarding the original manuscript and accepting all those hours stolen from our time together as a result of my involvement in this work.

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Prologue

The typical way to devise best practices in a given field is to find a subset of highly successful examples, see what characteristics they have in common, and generate the list. I don't like that approach. It namely ignores the role chance plays in becoming exceptionally successful.
Focusing on the best practices of Google, for example, brings along the risk of historical determinism; after the event it seems history could not evolve in any other way than it did and the modus operandi of such exceptional companies are the primary reason for their success.

The statistical reality is, there are simply too few observations of highly successful companies to draw that conclusion. This book therefore takes an alternative approach. Best practices are not determined on the basis of characteristics of the very few highly successful companies, but by looking at the lessons learned by the majority of start-ups out there: the ones that failed and the ones that haven't reached outlier status (at least not yet) and therefore do not suffer from this "outlier bias".
To me there is simply much more value in learning what the majority did wrong than what the exception did right. Preventing to make the same mistakes as the majority did is far more likely to prevent entrepreneurial disasters than mimicking what the few did right.
An example I like to give is in respect to leadership. Several highly successful companies have charismatic leaders (though not all of them), yet there are many charismatic leaders who do not have highly successful companies. So one could easily mistake charismatic leadership as a necessity for a startup by simply looking at a few extremely successful companies.
Alternatively, the importance of having an excellent team in place is regularly stressed throughout this book. This aspect is more likely to explain both successes and failures and therefore meets my criteria of a best practice.

Chapters one to ten of the book contain interviews with serial-entrepreneurs or (former) entrepreneurs who have seen, or been part of, several successful or failing startups. Chapters 11 to 13 highlight the lessons learned by several first time entrepreneurs. Chapter 14 adds some of my own experiences and chapter 15 finally derives some general conclusions.

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NAEEM ZAFAR

Think Outside the Box

There is a popular joke about those who can do, do and those who cannot do, teach!, That, however, is not the case for Naeem Zafar. He runs companies, advises startups, heads committees, and teaches Entrepreneurship and Innovation at the Haas School of Business, University of California in Berkeley. He is the author of five books on entrepreneurship. Naeem shared with me several not so obvious startup lessons.

Tell us about your background and what you are currently doing?
My educational foundation is that of an electrical engineer. I came out of college and for 10 years worked as a chip and systems designer. I then worked in marketing for a decade, and was the CEO of three different companies. For the last five years I have been busy teaching MBA students in the Haas School of Business, at the University of California in Berkeley. During my career, I was involved with six startups, one of which had an IPO, and I have advised and served on boards of approximately 25 startup companies. I have a wealth of interesting corporate stories, twists and turns, successes and near-misses to share.

That is a wealth of experience. What are your main lessons learned, i.e. what are the characteristics of successful entrepreneurs?
There are several lessons but it is difficult to put everything into one place. You have the obvious and not so obvious lessons. An obvious lesson is to find people who have passion. If you don't have passion, you will not be able to justify the effort it takes to make a successful entrepreneur. When I say passion, I mean that you are willing to spend an irrational amount

of time and energy to make it happen. So that's an obvious lesson. Other people will tell you that too.

Give me a non-obvious lesson.

A not so obvious lesson is the kind of relationship you have with your spouse or partner. This plays such a vital role in the success of an entrepreneur than most realize. If your spouse is supportive and understands the lifestyle you have chosen for yourself, and ultimately for her, then wonderful, entrepreneurial things can and do happen. But this lifestyle is not an easy or a regular one, hence the need for support and understanding. But if you are fighting with each other over the choices you make then that is the problem.

Very few people will put up with things like you waking up and checking emails at four in the morning, sleepless nights because you are driven and excited about what you are doing, spending several days on the road and being away from family, being drained of all energy when you do come home, and not making enough money. It is not always like this but there are patches of time when it is very much like this.

I have seen a lot of entrepreneurs who sort of give up and say, "I'm just going to have a simpler life", or stop because they're fighting an upward battle at home. This to me was not obvious.

Give us another lesson learned please.

You have to have clarity. If people don't have clarity it takes them longer to share ideas, it is harder to lead people, and ultimately it is harder to ask for what you want. Clarity lies between your two ears and that clarity usually emerges when you have spent a lot of time on your idea and you really "get" the business, this is when you really understand it and can explain it in a few sentences.

Winston Churchill once said, "I don't have time to write you a short letter so I'm writing you a long one." That sort of reflects the mindset, for when people have clarity - what is the company, what does the company do, what does the company need; and they can say it in fewer words, it connects with people and they can then respond to it.

When you are not clear in your own head, you end up saying a whole bunch of things. People will get impatient and bored and will not spend time getting to know it or even be able to decipher and retain what you told them.

So, clarity is very important and clarity is also about who is my customer, what is the business model (or how will I make money), and how does my product or service look different to this customer from other options that he may have. Once you get that clarity, then amazing things do happen.

What are the lessons learned regarding funding?
Only one person will give you money unless you have traction. That one person is your mother because she probably loves you, but even your father will want to know a bit more about the business.

Most entrepreneurs think they have a great idea and want to find investors. That is where they go wrong. Each investor is looking for traction and without traction you have very limited funding choices.

Traction comes in many forms so think of it as a pyramid of traction. At the highest level of the pyramid you have Purchase Orders, so actual revenue from a buyer in the marketplace buying your product. If you don't have that, maybe you have some Conditional Purchase Orders that a buyer will buy if you build it. If you don't have that maybe you have a Memorandum of Understanding that a buyer likes the idea enough to likely buy the product if they've got the money available. If you don't have an MOU you at least have someone that is willing to state that they like the idea. If you don't have that, you must have a list of people you've talked to. If you don't have that list you certainly have no traction.

The higher you are in the pyramid of traction, the more fundable you are. Don't approach an investor until you can show some traction.

The other important thing about funding is finding the right source at the right time. Sometimes it's strategic investors, sometimes it's Venture Capitalists or Angel investors, sometimes it's friends and family. What stage you are at and how much money you need also makes a difference. So you need to understand this pyramid of traction, sources, and timing. This is not obvious and generally comes with experience.

Give us a practical example.
Take the example of venture capitalists. They will not invest time or

resources, unless a startup can lead to a potential exit of $100 million or more. Otherwise, the time invested by the senior partners of the VC is not worth it. So you may have a great idea but the achievable exit for the entire company would be around $50 million. So in that case you would be wasting time with most VCs. Nice idea but wrong funding source.

Can you give us examples of typical operational mistakes entrepreneurs make?
That list is a long one, but one of the common mistakes I see is when entrepreneurs hire their sales team. A sales person you need in a startup is very different from a sales person in a large company. I divide them into gladiators and soldiers.

What makes big companies operate are soldiers. They are well trained, disciplined, follow a process, and predictably generate results. Startups typically get excited when they can hire a VP of sales from one of those big companies. That's maybe one of the worst things you can do as a startup! That sales person is only successful at that big company because he has an entire machine behind him including processes through which he can operate effectively.

The sales person you need in a startup is more like a gladiator; he operates alone. Think of Russell Crowe in the movie Gladiator. He is a strategist, but an off-the-wall strategist - he does his own thing. Gladiators have a way to engage people and ignite their imagination. And that is what you need in a sales person in the very early days of a startup since you may not have the perfected product yet and you need to find early adopters who can imagine using and benefiting from a product that is still evolving.

A new startup does not have a track record so you need to find a customer who has imagination you can ignite. That's less than 10 percent of the population. A gladiator quickly finds such a person that has imagination worth igniting and will land you those first orders. That is the breed of sales person you need to look for.

Do you have more advice on startup sales?
Many entrepreneurs approach startup sales, especially in a B2B environment, just like they would do in a large company. But they have to ask themselves: Why would any corporate officer in his right mind buy some-

thing from a few people in a garage and risk losing his job if these people don't work out? So you need to find customers who have "their hair on fire". If your hair is on fire, you don't care that somebody is new and operates out of a garage as long as they can solve your problem.

There is always someone out there who has their hair on fire; it's your job to find them. The clarity in your mind has to be about what kind of customer you are looking for. So if you have somebody who says, "Yes let me think about it, let me get it up in the management chain", that's not the person with his hair on fire. You need someone who will get fired unless something happens now.

Let's talk about leadership. Please share your insights.
There is not one formula for leadership - there are all kinds of leaders, good ones and bad ones, and they could all be successful or unsuccessful. The main aspect of leadership is that you need a strong vision. People will come to you because you have a strong vision and they believe in the vision and they believe in you. But if you don't have a vision or can't articulate it, you will not be attracting A-type players. You'll get B-players who are going to attract C-players and you'll end up with a mediocre company. So the only two currencies you have as a startup founder is your vision and your stock options. Both should be used strategically.

If you have a strong vision of what the world can be and that others can see then they will follow you. That's a currency you have and need to use it as such.

Leadership is about having a compelling vision but also being able to say no. Management is something different than leadership and that's why I often see that founders have difficulty in becoming the CEO. As a CEO you have to say no, you have to make the tough calls and the consequence is that you will never be "liked" again. For most that's a very hard thing to swallow. Once you have this CEO title it is never the same; you are not a part of the group in a way that you used to be when others were your peers. Literally, you will never be liked again. You may be respected, you may be feared, but you'll never be liked again. So that's a very difficult transition. Not everybody can make it because it's your job to say no and that makes you unpopular. But that's what leadership is; that's how you earn respect.

Moving on to organizational pitfalls - what are your thoughts on it?
A typical organizational mistake is not being frugal enough. You have to respect the money. If you raise too much money, that changes your perspective and risks taking the wrong decisions. You have to have a mindset of frugality. The reason is that if you are frugal in, for example, how you travel, what you order for lunch, who pays for lunch, etc., that becomes the culture of the company. If you spend big then that becomes the culture of the company.

The second aspect that is important to realize from an organizational point of view is that, unlike large companies, people can and should wear multiple hats in a startup company. Resist specializing functions in the early days; make the vice president of engineering take out the garbage and make sales calls; in other words, have flexible roles. This creates empathy and efficiency. Specializing is expensive and brings structure that can start territorial battles too soon and impacts creativity and innovation. Actually being able to do several different things is a unique selling point for a startup; it's different and fun and you don't get to do it in a large company. Therefore, I advise against strict specialization in the early phases. 70 percent of your job is your job, 30 percent of your job you share with other workers.

Talking about human resources, what are the lessons learned in this area?
I think there are two kinds of people: those who have an employee mindset and those who have an owner mindset. It's very important that the first 10 hires you make consist of people who have an owner's mindset and not an employee's mindset.

Employee mindset is one of entitlement. Questions like, "How many holidays do I have; what are my medical benefits; what kind of car will I get?" An owner-mindset person never asks such questions. So the rule of thumb I use is that if people ask a lot of entitlement-type questions, then they are the wrong choice for a startup. When the time comes that you need over 100 people, then yes, you will need these employee mindsets, but the first 10-15 people should have an owner's mindset; this is my company and I will do whatever it takes. Again, this is a mistake that most entrepreneurs make by not realizing the difference between these types of employees.

To wrap up Naeem, what would be the key advice you would give to new startup entrepreneurs?
The most relevant advice I can give to entrepreneurs is to ask yourself why you are doing it. Is your purpose clear and does it make sense? You'll be surprised how often this is not clear. If the answer is because you want to make a lot of money, then you'll be likely disappointed because that has a low probability. You become an entrepreneur because it's fun to do, because you make the rules and you pick the teams and usually get to work with pretty smart people. Sometimes you make money, but that doesn't happen often enough for it to be the reason to do it. So have clarity about why you want to do it.

The second advice is to do things that you are passionate about - then it won't become a drag.

The third advice is to appreciate the difference between good and great people. Great people are not two times better than good people; they are ten times better. The cost of a great person is only 20 percent more than that of a good person. So attract great people and don't compromise. I've seen that happening over and over again. If you compromise you will end up with a bunch of B-players, which will attract C-players. The A-players won't join once they see it's a B-player only company and you will quickly end up with a mediocre organization. So, painful as it sounds, the first 10 hires are critical. Go for great people because they will do amazing things.

The fourth advice is that whatever idea you have right now is not the right idea. All ideas are chiseled away or refined over time; not a single company goes to market with the original idea, there's always some evolution. So the idea will change and you will need the great people mentioned before being able to adapt to that change and make the idea even better.

The fifth advice is that you need conviction. You should not move in all directions like a boat without a rudder. That might seem in contrast to my fourth advice but it isn't. There is a difference between conviction and stubbornness; conviction comes from actual customer data. So that means you need to live and breathe in your industry as a customer. If you're Steve Jobs maybe it works to imagine and be able to look around corners, but not all of us are. So in 90 percent of the cases you probably would need intimate customer knowledge to make the right choices. Too many people don't do that; they base a business on an idea but don't validate it.

How do I know, you ask? Because that's exactly what I did when I first started. This advice I share with you is not because I am smart, or have read a lot of books – no. All the experiences and mistakes mentioned here, I have made myself. I have gone through it all, and speak from personal experience and personal agony.

For more information about Naeem Zafar, go to
www.Startup-Advisor.com

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PETER LAANEN

Be Concise

Peter Laanen is director of international trade at the Dutch Consulate in San Francisco. After his successful career as entrepreneur and manager, Peter is currently in charge of helping Dutch companies expand their business into Silicon Valley on behalf of the Dutch government. Overlooking the fabulous Bay Area, Peter shared his entrepreneurial insights and advices.

Please tell me about yourself, what you did in the past and what's occupying you now?
I started my own company, Multi Function Computers in 1976; that was one of the first full service automation providers in The Netherlands. In 1986 we went public and later merged with Minihouse and became Multihouse. I quit early 1987. Consequently, I became managing director of Arcade Germany and grew the activities of this record company significantly by entering into video clips. In 1998, I made the move to California where I became co-founding CEO of Ex'pression College for Digital Arts, an exciting private school specialized in multi media art. The school drew quite some attention internationally, which got me noticed by the Dutch government and the question in 2007 to join their ranks to assist with high-tech connections into Silicon Valley. Since then I've been preparing Dutch companies for a soft landing over here.

Soft landing?
Making sure that these companies do not make the mistakes like hiring the wrong lawyer, insurance company, accountant, etc. Furthermore, we

give them a warm welcome and have them meet with the right people; companies they want to do business with or venture capitalists, for example, to raise funds or immigration lawyers. We want to make sure these companies do not make any legal mistakes. Also we train them on their elevator pitches and make them rehearse.

The funny thing is that people often think they cannot tell their story and unique selling points in 60 seconds, but they can. They often think they speak very good English on the other hand, but they don't.

Tell me more...
Well, okay; we get what we want in a restaurant. If we order half a liter of beer, we get a few glasses, and voila, it's there. But in a business, this doesn't take you anywhere. You need to understand the local specifics. Here you don't start asking what you can do for me, but "what can I do for you". If somebody says that he has 20 minutes, you will have to make your point within that time frame. There's no chit-chat; you don't talk about family life unless you're at a party and you don't discuss politics or religion unless you get a signal. So Dutch entrepreneurs have to be careful; there are a lot of cultural differences between The Netherlands and the U.S. Take the resume for example. A Dutch resume typically has all kinds of personal information; I have 20 children, a dog etc. Here resumes are very sober and concise; it's about your achievements and the facts, the bare facts. Also they do not want to know your age or sexual preferences, for example, when applying for a job to avoid any potential discrimination lawsuits.

How many companies have you assisted thus far?
Oh that must have been well over a hundred. A couple of weeks back we had 17 start-ups over in a delegation. We help them with market scans, incorporation in the U.S., finding the correct business partners and customers and potentially attract financing. We do the introduction only; obviously, we're not their sales manager or what have you.

Looking at your own experiences as an entrepreneur, what were your key lessons learned?
Well if you work with rapidly growing companies you quickly run into managerial problems. When do you make divisions? How tight do you make your contracts? At the end of the day you want no misunderstandings over what needs to be done and how to do it.

Furthermore, you learn a lot about financing. When we started with the automation business, good personnel was hard to come by, so we started hiring engineers from universities who hadn't quite yet graduated. We had to finance their learning curve, however, leading to cash flow problems for the company. You learn to read balance sheets, make cash flow projections, etc. You kind of become a part-time bookkeeper.

On top of that, you learn that you have to knock on doors until you drop dead before you sell your first product. It's difficult to sell your product as a small company, especially if you are in competition with the likes of IBM as we were. That requires creativity and a lot of perseverance.

Once you manage to sell your product however, your problems aren't necessarily over, as you still need to get paid. In the early days I've experienced situations where we delivered computer systems, but the client refused to pay, putting the company at risk. Again, this requires creativity and perseverance to handle such situations and make sure the company survives. Bottom line is that you will be confronted with situations that you need to solve which are not spelled out in a management handbook.

Also, if you're doing well, your competition will become nervous and will try to make your life hard. An example of this is that our company was blocked from participating in an important exhibition that was controlled by our competitors. We responded by initiating our own exhibition and that worked out very well.

Another lesson learned was in relation to branches abroad. As a growing company you tend to expand quickly in other countries. Make sure you have full control over such subsidiaries so that you know exactly what's going on over there and that they are not overspending.

Then when we floated on the Amsterdam stock exchange, you start to learn the importance of being able to talk to the financial press; do that consisely and know the right answers.

All in all I would quote the words of Einstein: "Success is 10 percent inspiration and 90 percent perspiration". You sweat a lot and you need to work really hard to keep it all afloat, make it work and satisfy a lot of people. And you know you can't make everybody happy anyway, so you better be consistent in what you do. If you want everybody to be happy, you're in for a shock. It's not going to happen.

What about organization?

In a technology environment it's all about people. We paid a lot of attention to our staff and kept to small divisions, no more than 10-12 people each. You need motivated people that don't have a 9-5 mentality, and that everybody is looking in the same direction. When we went public everybody benefited.

So what I see as important in organizational structure is keeping it to small manageable entities. Also, I am a strong believer in management by walking around and attracting people who are sales oriented. We didn't lose any people until after we went public. And you know where they went? They started their own companies. I'm proud of that. Finally, it's important, in my view, to listen to your employees and understand local culture.

Can you give me an example of differences in culture you've witnessed?

A good example here in San Francisco is we are very polite. That's a big difference compared to New York for example. Here you'll often hear that people find your proposal interesting, but that's just a polite way of saying they don't like it and actually don't want to do business with you. You have to be aware of such differences and there are thousands more.

What mistakes do you see companies make typically, that you are helping right now?

One mistake is that entrepreneurs typically are too shy about what they have developed. To put it simply, a typical Dutch sales pitch might be: "Yeah I was in my attic and came across this thing lying there which might or might not have potential". This is contrary to how an American would go about it: "Ladies and gentlemen, after carefully reviewing the product, my staff and I are convinced that the product fulfills a gigantic need from which the world can benefit and has a $100 million sales potential in the first year alone".

Another mistake is that entrepreneurs come in with extensive business plans that nobody is going to read. You need a very strong one page executive summary and a good elevator pitch that we discussed earlier. Then, if a potential customer likes what you have to say, you can give them the whole enchilada, so to speak. I can't stress the importance of a strong elevator pitch enough. It has to be rehearsed, out loud in front of a mirror, and tweaked until its right. That works wonders.

What is the key advice you would give to startup entrepreneurs?
Firstly, make sure your idea is really valid. Don't make anything that has thousands of successful competitors already.

Secondly, surround yourself with good people. Don't be afraid to pay somebody more money than yourself if he has skills that are better than yours in certain areas. I see a lot of very good inventions, but no commercial skills to sell the product. You need commercial skills to sell product and attract funding.

Thirdly, get properly financed. We all know that an anticipated three month development period always turns out to be six or nine months in practice. You need money to overcome such hurdles. Furthermore, it will take time to have prospects turning into paying customers. You need to be financed for at least a year.

Fourth, you have to have passion for your product or service. Financial goals alone won't do it.

Finally, realize that you are now back to square one. You have to knock on a lot of doors before one eventually opens. You need to have strength, resilience, and humbleness to accomplish that.

For more information please visit: www.NBSO-California.com

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SUDHA VALLURU

Enjoy

In sunny Cupertino, just blocks away from Apple's Campus, I had the pleasure to pick the brain of serial entrepreneur, Sudha Valluru.

Tell us about your background and current company.
Sure. I am currently the founder and CEO of ViVu and this is my fifth startup. We started two years ago with an Internet video solution, as we were involved in IP video since 1996. We were part of a team that defined the standards for video RTP and RTCP back then. We saw a market opportunity to bridge the gap between existing low-end, but popular video conferencing tools and expensive enterprise solutions such as Telepresence. So that was the start of ViVu. In 2009 we devoted our time to coding, getting potential customer feedback, and going back to the drawing board to fix issues. We were able to go through the whole development phase. Then came 2010, the market improved a bit, we started selling our product and it worked out well so far in a very interesting way. That's where we are today.

Looking back at your previous ventures, what were the main lessons learned?
One classic mistake we made in the past was not making a decision. The main thing is to always move forward. If you're wrong, that's okay, simply recover from it. Not making a decision is a bad thing because it stalls everything. There is no progress. And, in fact, that could even result in failure – a thoughtless failure.

For example, in my previous startup we were building a technically superior system. When we took it to our customers, they thought it was too expensive, more expensive than the existing products in the market place. We thought, however, that we were delivering a lot more functionality and therefore didn't pay any attention to customer feedback. But then, we were constantly second-guessing, maybe we could go with less functionality at a lower cost, but we could never make the call to simply stop what we were doing. So in the end, it turned out to be a failure.
Nowadays, we're not afraid to make decisions. A well-informed decision is always easy, but this doesn't always occur. Sometimes you just have to make a gut call when you see what is happening around you. Make a decision and move forward.

The second mistake is thinking that you can go after the incumbent giant. When we built a router box and firewall, we were thinking that we could do better than Cisco. However, in many cases, it is not just about the technology, but often about the customer's pain points. Even though what you have is superior, is it compelling enough for the customer to replace what they already have? Also, do not misjudge the person who makes the decision. He wants job safety. A bit like "Nobody ever got fired for buying IBM". So don't go, directly, after the big guys. It might be a thrill, but most of the time you will not succeed.

So that's what we have learned; we are not going after Telepresence or trying to replace Skype/GoToMeeting/WebEx; they are all very successful in their space. We wanted to know if there was room in between where we could bridge the gap. So that is our target now; a nice chunk of our own space.

Give me examples of other eye openers.
The composition of your board; how you pick the board and the inside politics that affects your company. That was a tough one; especially as a first time CEO. You might have the greatest passion and be a leader that your team loves, but one or two mistakes can be seen at a microscopic level by your board and create doubt if you are the correct person to lead the show. So there are some investors who overanalyze these aspects.
I never thought that a board could be so naive about leadership. Leadership is not always about making a perfect decision, or making all the right calls. Leadership, the way I see it, is being able to motivate your team, provide direction, rally the team behind you, bring the right people

on board and work with the best the team has to offer.
So when we were raising money, it's not only about collecting that sum, but also about getting the right investors on the board. Am I comfortable admitting my problems to them? Just sharing the great things is always easy. It's about the mistakes. Do I feel comfortable telling that person? Is he or she likely to make a positive contribution when these issues arise? I made this a greater priority in the course of time. The board has to be part of the functional team.

Have the conditions to fund your company changed over time?
Absolutely! In the 90's, all you needed was a good idea in the Valley. You would draw out the idea on a napkin or couple of PowerPoint slides and that would get you funded. That changed in early 2000, where a bit of a nice prototype that the VC's could touch and feel would get you a round of financing.

Now forget about all that. Now you need to have a product, a reasonably working product. Further, you need to have a paying customer. Then you will get some serious consideration for funding. That's the huge transition I've experienced.

Another trend is the growth of Super Angels. These are very rich individuals who are stepping in to fund startup companies with larger amounts of seed money, whereas institutional investors seem to be shying away from the space. These Super Angels seem to be more accessible than the bigger VC firms who already have their existing portfolios of ventures that they need to sustain or kill if things are bad. So, for Super Angels, there are lots of exciting opportunities out there.

How do you organize the growth phase?
You start out modest. Build a team that is rock solid where the individuals are better than you, not equal or lower, but better than you. Then you grow with the team. Let it grow naturally and then build it up further. That's how I see it.

You can't have named stars come in and head the venture. I don't expect that on Day-one. I believe in having the core talent that can blossom with you and build up a healthy relationship. That's how we did it this time. Currently, we have about 20 people and we will continue to grow organically with the same passion and values.

How do you handle competition?
Firstly, if there's no competition then you are building something that nobody apparently wants. What I was saying before was that I don't want to build a product that squarely goes after the product of existing giant incumbent players.

But, there is competition in our space; there are many startup companies in video conferencing. Competition is always healthy and it can actually benefit you. You can namely find out what certain customers like about their products and selectively adopt them. Competition helps you to be more creative and build better products.

Another thing we did over the past few months is to develop relationships with large enterprises with whom we can partner and sell our value-added services. So you try to leverage their existing install base and distribution channels.

Can you share with us some financial pitfalls?
As we previously discussed, sometimes, one might try to please the board through quick revenues by doing certain customized features or functionality development. That might look good short-term, but long-term, it could actually hurt a products based company.

Don't get me wrong, we have to make money, but not through custom development. Try to build a product that can satisfy customers A, B, C, and D by finding the commonality and also aligns with your product vision. If A has very specific requirements that cannot be used for B, C, and D, it's something you will have to let go. It's almost like a trap. The opportunity cost is 10 times bigger than the immediate revenue.

It's not that entrepreneurs don't know this, but the pressure of generating revenues could force you to pick up these bad habits. If you have a mature board, they understand the reasons for walking away from one-offs. That's what I meant earlier when stating that the board and the company have to operate in a trusting environment. Make sure that the board is always well informed and avoid surprises.

What would be your key advices to startup entrepreneurs?
I would say, follow your dream and enjoy. Don't think of it as a mission to make lots of money. In fact, think opposite - you might not make any

money but investors are giving money to follow your dream. Stay focused on building a great product. Never miss out on the opportunity to have fun. Whatever you are innovating and developing can change things around the world. So be passionate and enjoy. The rest will take care of itself. It's as simple as that.

For more information about Sudha and his company please visit:
www.vivu.tv.

4

EILEEN GITTINS

Be Passionate

Eileen Gittins' current company can hardly be seen as a startup anymore; it clearly went far beyond that stage. So if you asked me, this would be the third company she will be able to sell and that makes Eileen a very successful serial entrepreneur.

Eileen please tell us about you current company and your personal background.
The company is Blurb, and it's a creative publishing platform that enables anyone to create, design, share, and even sell a professional quality book very inexpensively, very affordably with free tools. That's what we do.
My own background, and the way I founded the company, is with my work as a photographer; I worked for Kodak for many years. And after I sold my second company here in Silicon Valley – both Web companies – I had some time on my hands, for the first time in forever, and I started photographing again.

I started photographing entrepreneurs that I had built companies with and along the way, they would tell me their stories. Their stories were more interesting than the photographs I was taking. Pretty soon I had a collection of content that I wanted to share back with this group of people. It was a gift that I wanted to last so I wanted to give a book.

This was back in 2003. I went online looking for how to make this book because I really thought I would find something like Blurb, but I couldn't at least not at a quality and price that I liked.

So by 2004, I decide I'm going to spend a year of my life really figuring out if this is more than an interesting idea, if it's a business. I had three questions for myself because I knew it was an interesting idea, but I didn't know if it was a good business idea too. So, the three business questions were: number one, how could we define the market opportunity? Number two was if the opportunity existed, how could we reach them efficiently? The third thing was could we make money on a book? So, on the printing side, could we work out the economics so that on every book produced we would make money?

That turned out to be a very key question because what's behind that is your ability to scale as a business. If you have to do 500 of something, then you have your market narrowed down from everybody to only those people who have a project for which they are willing to write a check for 500 copies.

The last question was would I go to jail? I'd laugh about it. I knew that if we did this right, we wouldn't see the books. We have a distributed print network, which we have now all over the world. We have files come in to our server in an automated fashion. So I had no idea if this person who made this book has the right to use those images, and that somebody could potentially sue us for a bazillion dollars. So we solved all of those questions. It took me a year and I funded the company by convincing my husband to take $150,000 out of our savings account. So this is a true bootstrap entrepreneurial story where you put yourself and your money on the line.

Tell us more about the answers to the questions you just raised.
So, the question of who is the target market is a big one. It may, in fact, be everyone, but from a marketing point of view, that's too expensive. So, we decided first that we would focus on creative professionals. Not because they themselves are the gigantic market in and of themselves, but they have the "halo effect". We knew if we could hit the quality bar for those people and really got adopted there, that they would tell their friends. And because they're professionals, their work is so beautiful that it showcases.

To make money on one book had to be very market driven. We went to bookstores all over the world, bought books, and said, "Okay. What will people pay in a bookstore for a book that's about this size, color, about this many pages?" And we said, okay, you'd probably pay a little bit of a premium because there's some appreciation that it's a one-off manufactured book. So with that, we reverse engineered it. We went out to our print partners and negotiated with them in the very early stages and said, "You know, I need to sell this book for X amount of money which means my cost on this for you to print it needs to be X for us to make money on that and have a scalable business." Well, there was not a lot of conversations around how to do that and how to make it economic and really a deep partnership and part of the answer – that big part of the answer there was on Blurb's end, actually not on theirs. Because the answer became that we need to just send out very standardized files.

There's a question about me going to jail. That one was, oh my God, no one is going to give us any money if there's a threat of being sued. So, I had been CEO of a couple of other internet companies here in the Bay area. And the result was I had relationships with legal council previously so I called them up and said, "I want to call in a favor because I've been good for business before for you and I will be good again. And so I would like you to please do this research for me for free." And the research is-what is our legal exposure in this kind of world? Now, fortunately eBay had been one of the many companies here in the United States that drove some new laws. And the idea behind that was that eBay cannot vet that every Rolex watch that is put up for sale is authentic. They don't see or have any ability to do that, and if they were required to personally authenticate, they would go out of business.

So, eBay drove legislation around good business practices for Internet companies that if they adhere to certain business practices of any fraud when it's detected, that the person is – in our case, if something comes to light about copyright, that we immediately remove the book from the bookstore. We immediately do not sell any additional copies. We do not print any additional copies until both parties resolve the matter. That's an example of good business practice. So as long as we could demonstrate a policy and a practice for these things, the attorneys came back and said that, "Well, that would stop a lawsuit." The amount of money that a lawsuit could generate would be so drastically reduced, along with your liability that it wouldn't be worth their while.

What have been the main lessons learned since originating the business?
Okay let me share with you some things I've already learned. And I joke,

but it's not a joke. I say that start-ups make a new mistake every day. What you try not to do is repeat them. We try to learn from them because if you're not at some level failing, you're not pushing things fast enough. So the idea in start-ups is to fail fast, you may have heard that term-fail quickly. And then do an analysis and be honest about, "Okay, what didn't work?"

I've made that a personal business practice after each company and I take some time and I sit down and I think about, "What could I have done better? What did I learn? What will I do differently next time?"

So, I'll share a few of those things with you now. The first one, which is not always possible for the entry-level entrepreneur, is choose your board very carefully; I inherited a board and investors in a company before Blurb. As a first time CEO, I realized I had different values than they did; their goals for an early exit, for a different kind of exit, were different than I had.

Even if you do have the same values as your board, you must make an extra special effort to build the personal relationship with each board member. Let me give a practical example of this:

If there's anything the least bit controversial that I have to present to the board meeting, I have the board meeting before the board meeting, what that means is individually I'm calling each board member to summarize what we're going to talk about at the board meeting, to give them a heads up. For example-this will be brought up, I want you to know about this, I want to share with you a little background so you won't be surprised. So rule number one, never surprise your board, never, if you have bad news, tell them- don't wipe it under the rug. It won't stay under the rug. It never does.

Okay the next one is the first people you hire if you're the founder and you're thinking about founding a company, be extremely careful. The tendency is you want to get some energy and momentum around your company. The temptation might be to pull in people that you know, but those may not be the best people.

So be very careful how you bring in those first people because the first people in the company set the stage for the rest of the business, and you will either grow based on the culture of that first set of people or you will be forever trying to recover and change from that first culture that is set by a group of people who come in the door. So be very careful about who you bring in and have some long, and not rushed, conversations about what makes you each tick as people, what do you want out of this experience together, and how will you work because it's all about the team, it's all about the team.

In my own personal experience, your company is your team. And if you have a team that's firing on all cylinders, as we say here in the States, you know everything is running well, problems get sorted out, but if you have somebody who's not a good fit, move on quickly, trust your gut if you're making efforts to resolve it.

You might be nervous about taking someone out who's in an important role because you're concerned how the team will react. You know, the morale will get destroyed, and it will be an issue, I mean, how do we make do without this person.

My experience has been that the rest of the team is wondering, why you're not moving on this person earlier and not only are they thinking you're being too cautious, they're thinking you're being an idiot, "Don't you see the problem, why aren't you moving on this?"

Okay, at a much more tactical level is role clarity. This is in the early stage where companies tend to have such a small number of people and you all wear many hats. So as you grow, I think that the need to be explicitly clear on the things like what your job is, what the expectations are, even to the point of writing it down for someone who's been on board for two years and saying okay, let's do a write up, why don't you write down all the things that you think you're responsible for and let's have a conversation about it.

Tell us about your experiences with Venture Capitalists.

That's a whole book in itself! Just like any class of people, or a group of people, there are great ones, there are good ones, and then there are terrible ones. I think checking on people's reputations can easily identify the ones who are not so great. Fortunately I would say, those are few and far between and they're getting fewer because the venture capital world is consolidating.

The ones that are good, I think are ones who walk that fine line between being helpful and supportive and not feeling the need to get in and operate the company for you.

That's the business of choosing your board and your investors wisely. VCs are with you for a very long time and it's not just about getting their money, they are there to be stewards of the big investment for their firm and they are on the hook. Understanding how they work, that they also have bosses and their bosses are called all the limited partners who have invested in the firm as well as the general partnership itself.

Their goals are to get a big return on their investment and if they're getting nervous that management is taking their investment sideways, they are going to feel the need to get involved. So you don't want that as an entrepreneur, that's why you're there, but understanding what their natural proclivity is for involvement versus, no our job is to ask the tough questions, that's a very important conversation to have with VCs in my opinion.

What about the dos and don'ts when pitching to VCs?
Be prepared for the following first questions: "How do you make money?" and "Tell me again how do you make money?" You have to be able to articulate your business model; if you can't you'll have a tough time.

The second piece of advice I give to entrepreneurs is – they're so focused on what they're doing, and understandably so, that they're ill equipped to answer the question on how are you differentiated out in the market place. I think there's a real tendency to be so focused on how do we make ours great that you're not as clear on how is yours different than these other guys and who is that competition, and instead of being defensive about the competition, really being proactive about that. If there is an 800 pound gorilla in the room, you know, if Apple is going to be your competitor or Facebook or Google or Zynga you better have a good story for why that is.

The next thing that I tell people is, their value proposition to the customer is not crisp. If you can't get it down to a sentence and you're still struggling, then you're not ready. You can always change – listen, things change all the time so I'm not saying it stays exactly the same statement for the rest of your life but going in, you have to have really thought deeply about that. So once you've got your plan, you understand who you are for, you understand what that competitive landscape looks like and how you're different, not that there aren't competitors because I hope there are, because if you're going into a space were there's no competition that's bad, it's like wow, there's no heat. There's no energy around that space so maybe it's not a good investment area. So you actually want there to be competition. That's a good thing; you just have to be able to clearly describe how you're going to kill it.

Further, I'm not a big fan of a 40 page PowerPoint slide deck. I'm a much bigger fan of maybe having three to four slides that are structural, like here's the slide on, the team. What's our story, why we're passionate about this thing, why we're not going to give up until we get this thing off the ground, where we've been before etc. But I wouldn't do 12 slides on that. There would be one. And then there would be one slide on the value proposition. There would be a statement and then I would just talk about the target market. So I would just use three or four slides to tell a story. I think people can get a much better sense of who we are as people and that at the end of the day, I think people do want to do business with people that they believe are articulate and who understand their business and that they can string a sentence together, because in a way you're talking in that environment to them is a proxy for how you're going to be talking to the customers they hope you're going to get.

But when people ask me what do I think and they come to meet with me, I'll say, if you can't tell me the entire opportunity of your business in ten slides or less, you don't know your business yet.

In conclusion Eileen, what would be your key advice to new entrepreneurs?
Do something you love. Yes, that's the first thing, if you don't love it, find something else to do because it's hard, it's emotionally hard to start a company and really take it to scale. I mean it's hard to build a company of ten people and get somebody to buy you and there's nothing wrong with that, believe me. It's very hard to build a company and take it to 50, 100, 150 million dollars with a 100, 200, 300 people and that's global and international and there's just a lot of complexity that comes along the way and lot of days when you'll think, "Why did I think this was a good idea?" And stress on friends and family because you're just occupied 24/7. So love it. Because if you don't love it, it will be too hard to do, if you love it,

your friends and family will forgive you, because they can see it in you, that you love it. And then they want to support your love for that thing. It's the most wonderful thing in the world. But it's hard, so you better love it. If you then hire the right people, keep them around you and stay focused on what your value proposition is, and you make your customers insanely happy, then the rest will take care of itself.

For more information about Eileen Gittins and her company, please visit www.Blurb.com

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IDAROSE SYLVESTER & JAN GROTENBREG

Pave the Way

Consultants IdaRose Sylvester and Jan Grotenbreg provide strategic and tactical support to companies who want to make the move to Silicon Valley.

Please tell me about your background and current company.
We are the founders of Silicon Valley Link. We came to this business of helping European entrepreneurs because we've worked for many large and small European companies and saw the mistakes they made and simply wanted to help them stop making them. Having experienced the opportunities and challenges that exist in Silicon Valley for overseas entrepreneurs first-hand in business development and marketing management roles, we came up with the idea to support those companies to become successful here in The Valley.

And how do you support them to become successful?
Basically we leverage what we have done all our lives. We have deep experience in B2B in areas such as strategic marketing and business development. We support the first steps these foreign entrepreneurs make into a new market so that they have experience on which to fall back. That way these companies do not have to invest in a new, potentially very risky and expensive organization until they are truly ready. Once they found their way, the way is paved so to speak; then they set up their full local presence, where we can continue to support them if needed, since we understand so well what they are building. In a nutshell we try to take away the mystery of what it's like to work and be successful in Silicon Valley; take away the risk as much as possible.

And what do you consider to be the biggest risks?
We believe that for our European clients in particular, the biggest risk for them is the fact that they don't accept risk and that manifests itself in many ways.

Not wanting to move to market quickly enough, holding on to product development too long, being too cautious about which customers to approach and waiting too long to approach them, and simply lacking the kind of confidence that you definitely see in U.S. entrepreneurs.

Another typical risk is that you are dragged in the wrong direction without realizing it. This often comes from extrapolation of home market experiences and neglecting the need for a specific approach in a new market.

What is at the basis of this European entrepreneur risk aversion in your opinion?
That's a question we ponder all the time. It seems ingrained in culture at this point and it's actually very hard for us to get good answers from people as to why they have certain attitudes around risk. It's in their DNA, so to say.

One reason is of legal nature. In Europe entrepreneurs often have to take personal liability despite being incorporated. That's not the case in the U.S.

Further, we think that entrepreneurship is not encouraged in Europe. It's not an accepted career path, and often looked upon suspiciously by society. Because of the European social welfare system, government takes away a lot of risks such as unemployment, retirement, and health care. On the contrary in the U.S. where people have to manage these risks themselves and are therefore far more used to taking them.

Another aspect is that we do not get the impression that European society typically likes the extremes in wealth that successful entrepreneurship can generate. While financial success is often a primary goal for U.S. entrepreneurs, their European counterparts tend to see it more often than not as lifelong employment. That leads to entirely different mindsets and expectations.

Having said all that, we do see that entrepreneurship is increasingly becoming popular all around the world, especially among young people. A universal appeal exists in taking your own path and making a big, world changing success. So apparently things are changing!

What about attitude towards failure?
In Silicon Valley failure is acceptable and maybe even considered something good. If you failed as an entrepreneur but can show that you have learned and are humbled and you start again, that shows both ambition and ability to learn. We have seen many successful companies that were founded by people who failed many times previously.

This attitude towards failure is probably not the same throughout the U.S. though and it certainly isn't the same in Europe. If you fail in Europe once, you won't get money or respect again. At least let's say that we haven't met too many European entrepreneurs who have failed and started again.

Fear of failure might prevent an entrepreneur from taking the essential decisions, such as targeting different markets or maybe pulling the plug altogether on a product or even on the company as a whole and focus on better opportunities. Those tough decisions eventually lead to entrepreneurial success so you shouldn't feel stuck in a corner because of fear of failure.

So you see a lot of companies trying to make the leap to Silicon Valley. Can you highlight some common mistakes these entrepreneurs make?
Sure. These mistakes are often similar by the way for U.S. and foreign companies. We probably made some of them too earlier on, too!

Firstly it's amazing how over and over you see companies who think that they can succeed without marketing. Or who think that they do marketing, while in effect they don't. Many technology companies have great products but not a clue how to explain or sell them. In European markets buyers are sometimes more forgiving, willing to invest time to understand, learn the beauty of the technology and compare it themselves to other products.

That's not the case in the U.S. You have 30 seconds to explain what you do and why it's better. If you can't convince anybody that you're interesting to talk to in those 30 seconds you basically have blown your chances. So we often are asked by entrepreneurs "Give me a few sales leads and we'll be fine", but usually they're not fine at all.

A second common mistake is misestimating the size of the market or the acceptance of the product. Many start with an engineering focus, having a great idea for a product that may or may not solve a real world need. Then these engineers develop the product and go looking for customers, rather than exploring what customers need in a specific market. What's lacking in that market, how can I fill that void? We keep seeing people doing it the wrong way around and then not understand why they don't have more customers. Those types of "technology sales" happen over and over again. We jump in and hopefully fix that problem before it happens. First find customers, and then develop your product. Don't do it the other way around.

The third mistake we often see is underestimating cultural differences. The American culture is different from European; the use of language is different as is the political and legal system. Make sure you understand it. That's also the reason why we work together [Jan is Dutch, IdaRose is American] to make sure we are not missing out on important nuances that cultural filters prevent us from seeing.

Can you highlight a couple of these cultural differences?
Well let's start with the legal system. Over here in the U.S. contracts are based upon what you and I agree, which is then put down in writing. Once it's formalized, it becomes non-negotionable and we simply follow the law. If I then believe that you don't follow the agreement, we go to court. In Europe that's different; contracts are a kind of intent, if there is a misunderstanding people try to talk about it before going to court.

Another warning we give people coming to Silicon Valley is that Californians are very, very polite and everything we say sounds at least partially positive. So even if you give a presentation that stinks or we don't like your product, we'll simply tell you it's good and thank you for sharing. It's not necessarily a lie, but our rating system simply starts at "good", and then goes to "great", and then to "awesome". Foreign entrepreneurs are typically very blinded by that, because they have to figure out if prospects are really enthusiastic about their story. It's almost like learning another language. We often have clients attend an early meeting with a VC who said they liked the presentation, but nothing else, and we have to pull the client out of the clouds and back to reality.

Any other do's or don'ts you wish to mention?

We believe it is very important to be open to feedback. Make sure that you don't overlook or forget important issues by ignoring people who try to help you. One thing is true about The Valley: people DO offer guidance and support quite freely.

Secondly, you have to have a strong vision. Successful companies know what they want, stick with it and motivate their stakeholders, customers, employees and investors with that vision. Great leaders are not necessarily forceful or powerful in personality, but they are clear and passionate about what they do. That requires self-knowledge and a good degree of confidence.

Another lesson learned is that you should only work with people that you really, really like. Others say not to hire your friends, but we totally disagree with that. Work with people you know, trust, and respect, and who really share your passion for entrepreneurship. You can hire the most qualified people but if they don't share your beliefs and ambition to make it to the end of the tunnel, it's not going to work.

What are your views on funding?

We preach that if you can fund your company yourself, do so. Not just bootstrapping it out of your own pocket, but actually finding a product that makes money in the market soon as well. The most successful companies in the long run are those who can get products to market that make money quickly.

Which is not to say that attracting Angel or Venture Capital funding is wrong, but it's just not necessarily the Nirvana that many people think it is. Given that there's such a big industry promoting it, you often get to see one side of the story – the "smart money" that comes with connections, knowledge, experience, feedback etc., which benefits the entrepreneur.

The other, not so obvious, side of the story is that these types of funding often come with significant loss of control. To put it simply: you can end up working for these investors instead of for yourself, or worse, find yourself in a position where you have to fight for your own company. Don't be disillusioned if you and your team are holding a mere 5 percent of the company after a Series C or D financing round. These things do happen.

On a final note, the advantages that Venture Capital brings to the table like network and critical feedback can potentially also be found somewhere else. One of the great things about Silicon Valley is the concentration of critical thinkers, potential strategic partners, technology pundits and others. These channels are fantastic if an entrepreneur knows how to tap into those. There are numerous pitch events, happening literally every day in the Bay area. Talk to the press; be visible, go out of your way to be known. Even if your story is not perfect, get it out there, bank the feedback and adapt accordingly. We do forgive if you change your message later!

So use that feedback to your advantage right?
Right. And that can be very, very powerful. It's the difference between using a blue print and a contingency approach. While a blue print clearly defines every detailed step along the way to reach a certain goal, the contingency approach makes the course of action dependent on the circumstances, using many feedback cycles to rapidly adjust to the market and find the successful way very quickly. It's very effective and an approach that is advocated by many entrepreneurs here. Agile business development is our key message, too.

As a wrap-up, what are your key advices to startup entrepreneurs?
Believe in yourself. Take the risk. Get brutal feedback. Network and get out there. And if you want to come to Silicon Valley: be willing to learn a new language, and we don't mean American English!

For more information please visit www.SiliconValleyLink.com

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HENRIK ROSENDAHL

Do It

It was a pleasure being able to pick the brain of serial entrepreneur Henrik Rosendahl. Henrik has energy for three people as well as a stunning track record in building companies from scratch.

To get started, can you please tell me about your background and the company that you are currently running?
My background is a serial entrepreneur and my current company is Pancetera which is my 6th startup company. Pancetera accelerates virtual storage to create cost effective data traffic in virtual environments. Understanding virtualization from the inside is very different than understanding it from the outside because from the outside, you can see all of the goodness, from the inside you can see all the things that you have to fix. The thing that is broken by virtualization is storage because in a normal physical environment, you have one application on one server with one set of disks and then you network them all together. When you're in a virtualization environment, the whole idea is that hundreds of virtual servers now share the same storage pool and that basically slams your storage with uncoordinated data traffic. Pancetera fixes that problem.

Additional background about me is I went to Copenhagen Technical University in the early 90's. Together with several smart guys, we started our first company in the dormitory kitchen and we were the first software company in Denmark to raise venture capital money. We got our little project in the kitchen funded and five years later we sold it to SPSS in Chicago and I moved there as part of that deal.

After about a year in Chicago, I moved to Boston and became the GM for a Danish startup that was heavily into Lotus Notes development. I basically started our U.S. operations for IT Factory and we became the largest Lotus Notes ISV in the world. It grew from zero to 420 people in three years. We were buying up a bunch of companies during the "Dot Com Days" but eventually the money dried up and the company had to close shop.

My wife and I ended up moving to Denmark and we quickly realized that it was a mistake – we were both very unhappy there. It took us about a year to pick up the pieces and move back to the U.S. I fully realized how much of a privilege it is to have a U.S. startup. People say "yes we can" in this country and the networking is so positive, a bit contrary to Denmark where you're back to the small circles. Think about this theoretical situation where a team of Danish guys and a team of guys in Silicon Valley with the same background, got the same idea at the same time and get $5 million in funding. With all things being equal, same guys, same background, same idea at the same time, same funding, who is more likely to succeed? I would definitely go with the Americans. My conclusion is if you got $5 million in funding in Denmark, you should probably go play the lottery because that will actually give you a better chance of return on your money rather than trying to embark on your high tech startup there. Denmark as well as most other European countries simply lacks the infrastructure you find over here in Silicon Valley to build and exit a successful company.

So when I moved to Denmark I just ran my head against the brick wall and said, you know, I can't do this. Luckily I then found another Danish startup that was one of those "big fish in a small pond"- a very successful company in Scandinavia, but no presence outside Scandinavia, and they had ambitions to expand to the U.S. Their main investor was a big shipping company headquartered in New York so I saw the opportunity to pack up and move to New York City. I started the company and grew the customer base and got it ready for sale. I went back to the board of directors in Copenhagen and presented an offer to them from a large US based software company. They declined and said we should keep going, and so we would get more money. I was convinced it was a great offer – so I resigned and moved to Napa Valley in California.
Here in the Bay Area I found this wonderful little company that three guys ran. They had been working on a product for five years and were

selling it predominantly to software developers as a means of packaging and distributing software. From my background, I knew all the chores of desktop management and how hard it really is to manage. I saw a huge opportunity to take the product and instead of selling it to software developers they could sell it to enterprises. We had $56,000 in the company bank account when I started and asked them to give me a portion of the revenue and a portion of the company stock and I'd work free of charge. Fifteen months later we had acquired over a thousand customers and sold the company to VMware for a nice chunk of cash. I stayed at VMware for two years as part of that deal. After my contractual obligations ended I joined Pancetera as CEO.

What gives you the drive to keep going into these startups?
It's the creative process. I can't paint and I can't draw but I love the concept of smart people, technology, and a problem that needs to be solved for a customer. There is always a problem out there that needs to be solved and the one who's develops the most elegant solution for that and can market it will do very well. I enjoy that process. I have an engineering background but I'm also a sales guy and I like that diversity. I enjoy being the voice for technical people that need to go market. I think that's the motivation really, I love seeing things grow.

Can you tell me about your main lessons learned when starting a company?
Lesson number one is, listen to the customer. It sounds easy but it's actually hard. It's difficult because you need to find and listen to the right customers. The companies that were successful are because we listened to the customers. In the companies that were unsuccessful we became fat and self-indulging and believed that we had it all figured out.

It's also important to keep it small for as long as you possibly can because twice as many people do not operate at twice the pace. Keep it small with people who are visionaries and key contributors.

Don't outsource the core, the creation of your idea. I do not believe in startups that have the idea and the brain trust here but outsource it all to India. I don't believe in it. You can outsource some things but you can't outsource the main product. It's ludicrous because you can't navigate quickly enough. In order for outsourcing to work it has to be very well specified. You can never get to that stage of specification in a startup.

It's just not going to happen and that means that you're giving these Indian guys an unfair chance of actually delivering what it is you think they're developing.

What problems can occur when the organization begins to grow?
For every new person you add to the team, you add another set of opinions, expertise, and background so you shouldn't add more people than absolutely necessary before you have established a way of doing things. In Northern Europe it's very common to have the sort of management by consensus where every time there is a crisis, people sit around the table and discuss what to do and it seems the importance is more that everyone wants to be heard. The style over here is much easier because people respect the fact that one person is in charge. Here you delegate responsibility as opposed to delegating tasks.

In your opinion, why do you think cultures are so different in regards to leadership?
I think it has to do with the school system. There is a winning culture here. For example, in school you have the authority figure of the football coach who has the purpose to drive his team to glory and the team follows him. This culture seems to be instilled on children at an early age. In school, many kids aspire to be some sort of professional athlete and that is where the leader figure is established.

It's not socially acceptable to aspire for success in Denmark. When I go back there to visit, I find the people I grew up with still live in the same zip code. When we have a conversation they don't care to hear anything about my life over here. It's just totally different cultures. Here it is acceptable to take a chance and fail whereas over there, you don't see the same sense of entrepreneur spirit. It's interesting and it took me many years to just understand that I should just keep my mouth shut and that way I would enjoy my vacation in Denmark.

What are your views on leadership and main lesson learned?
Leading by example is very important because it motivates smart people so they can see that there is someone else there who is willing to roll up his sleeves and go to bat for the company. You have to be very cognizant of painting a vision for the company that actually is achievable so you don't create a void between the product you have developed and the product you are selling.

An example of this is when I was running the company in Boston. What we sold in reality was a Lotus Notes architecture with some very basic applications for Salesforce and HR on top. The messaging out there was that the product was the "next generation" Enterprise Resource Planning software. The disconnect was so huge that the sales guys constantly were screaming for more and better features and the developers were sitting in despair and saying there is no way we can deliver this. At which point it just ends up being this complete sort of over the wall kind of fight.

I strive to steer in the middle. You of course want to push a company to always do better, but the sales guys cannot sell something we don't have in the truck and the developers should never find that whatever we're selling can't be delivered. That is very de-motivating for people.

What are your main ideas on marketing and sales?
I've always been a big fan of selling through the grassroots because if you have a product that actually delivers value and you don't over sell it, it will grow. Also, you have to be creative in your sales and marketing approach.

With the last company I was running, I was out-maneuvering Microsoft for example. Microsoft bought our competitor and they were going down the classic sort of route of expensive sales guys, fancy dinners, and 250,000 air miles per year. Their idea was to meet with big names with big names like Wells Fargo and General Electric. Because they set themselves up with such an expensive sales model, they had to close orders that were no less than a $100,000 per ticket. So, what we did was say, "guys why don't you buy just enough licenses from us to get started. You can get started for $5,000 and when you're happy, you come back and buy more." That model worked really well for us –it was predominantly web and referral sales and mostly people would download our product, try it out, give us a call, have a few questions, and place an order.

If you can only handle five customers in a year, by all means make your services very expensive. If you are selling a technical product to technical buyers and you want to scale, you'd better find a price that is under $10,000 because that's the kind of investment that technology buyers can sponsor easily.

In another company, we had an automated sales process where you could download a trial and within an hour you would get a message that would list ten things that you need to familiarize yourself with. Then for a month we would have these people investigate the product. The last email we sent to them was basically saying, "Hey listen, we think we have you convinced now that this is cool. Here is a draft e-mail that you should modify and send to your boss explaining why this is good." By offering to write this "business justification" email for them, our order rate doubled overnight.

Do you have any advice for funding a startup company?
My advice would be to try and avoid funding through VCs as long as possible because most times you don't have the same agenda as the investors. VCs want you to spend all the money so you can grow quicker and will need more money. The more money you take, the harder it's going to be to get an exit that is interesting for your VC. For example, if you take $5 million in an initial round, no acquisition offer under $50 million will typically be considered. If you then add another $8 million in a series B round, all of a sudden now you need to sell your company for no less than $130 million. Keep it simple and don't take venture money unless there is a really good reason for it.

The other lesson is the further you are along on your own, the higher the valuation. In Silicon Valley, people get funded on their background and on their merits. You can't get that anywhere else in the world. If you're a first time entrepreneur, the only thing you can do to make your valuation be more palatable is to have a product and best of all, the first few customers. In lieu of paying customers having beta customers that have actually tried your product and say, yeah it's got some rough edges but it's got some potential. And in lieu of that, have a prototype. If you have neither, don't go to a VC.

If you raise angel funding, choose only one because more than one angel will drive you crazy. High net worth individuals generally have high egos which means that they are very eager to tell you what to do. It can get very complicated when you combine an inexperienced founder in that picture.

In conclusion, what is your main advice to startup entrepreneurs?
Do it. Start your company! It's the biggest thrill and it's not just the exit.

Of course the exit is sort of the trophy, but it's really all about the journey - ups and downs. Some days are great days and some days are the worst in your life, but if you have a good team that you can share that with, it will be a fabulous endeavor. There is just nothing else like it.

For more information please visit www.pancetera.com

7

JANS AASMAN

Get Out There

Just as an inventor typically turns cash into ideas, an entrepreneur has to transform ideas into cash. Jans Aasman has made that transition from inventor to entrepreneur and has some interesting insights to share.

Can you tell me about your background and what you're currently doing?
I'm originally from The Netherlands and studied experimental psychology. I got attracted to concepts around Artificial Intelligence ("AI") that led me to projects in traffic science. This offered a unique challenge modeling a human car driver (in software) to survive in traffic. So, I made a model where you see traffic flowing on your screen and then one of these cars would be an extra intelligent car that actually had someone in it that had to control his eyes, his arms and legs, think about staying in the lane, right speed, etc. This project was my first big AI project where I modeled how humans behave.

Developing AI software systems changed my focus to a more technical direction and I was hired by the biggest Dutch Telecom research center, KPN Research, to test usability of telecom services and devices. Along the way, however, I became more like an inventor, project manager, and sales person who developed and promoted new ideas. I loved making the connection between what users wanted and the technology that KPN had in its lab, as well as setting up new projects and trying out futuristic services. As early as 1998, we were testing a touch screen tablet computer, which is now taking the market by storm with products like the iPad. At KPN lab we also developed all kinds of voice-controlled services with our speech technology, most of which now become popular in the market. In other words, the lab was about 10 years too early with everything we did. When the iPad was launched by Apple, I received about 20 emails from people saying, “Hey did you see that? Our idea, it’s real now.”

Just after receiving my PhD at KPN Research, I decided to become a professor and I spent one day a week at the Technical University of Delft teaching students how to design big software systems. Mostly what people in industrial design do is make things, physical things. However, most modern devices made today are always part of a network. There’s a much bigger infrastructure behind a consumer device that you don’t see. Teaching people how to think in system, how everything, software and hardware, must work together smoothly is what I taught. I did that for about nine years and then KPN Research got acquired. The money dried up for the fun projects that I was doing.

At KPN Research, we had a lot of intelligent people, but not many passionate programmers. Just having people that could think doesn’t get innovation done. So I used a company in the San Francisco Bay Area, Franz Inc, to do a lot of my prototyping. After a while Franz asked me to come to the U.S. and become their Director of Engineering. At that time the Internet bubble was just bursting and - without wanting to sound negative - the Dutch innovation climate became even more restrictive; it had become a very boring environment which was very difficult to do any real forward-thinking innovation. So I finally agreed to go to California.

Franz was very much focused on selling a compiler technology back then, but we realized that selling compilers is not a growth business. So we decided to get into the database business with a very special kind of database for the Semantic Web. I started working on this database and I became CEO in the process. That was slightly painful for me as I always tried not to become the manager but instead to focus on being an inventor and making things. Now I am a salesman traveling all over the place to sell our products. I can still wow the audience during a demo because I’m a member of the small group of CEOs out there who actually writes code.

Tell us more about the Semantic Web please.

Tim Berners-Lee, the recognized father of the World Wide Web, had a new idea about 10 years ago to address the fact that human beings can understand web pages but machines only see a bunch of characters. For example, Google uses a massive number of computer centers to crawl the web and collect new web pages. However, its machines really don't understand what's in these web pages. The best you can do with these web pages is to match them against search keywords from the users; the search engine does not really understand what it is matching. For example, try Google search with "a restaurant that's (not) kosher and near SFO", and you will get the same top answers with or without the "not". To solve this problem, you can add metadata to every web page. For example, if your web page contains a resume, then instead of just writing it in natural English, you do a little bit of markup with this new Semantic Web language so that not only humans can read it, but machines can as well. Metadata is becoming a reality on the web.

The Semantic Web is about metadata that organizes in a very simple data structure. Franz currently has an industry leading Semantic Web database, called AllegroGraph, to store such metadata. Unlike older relational databases from Oracle or IBM, where you have to design the structure of the tables, columns and links before you can start adding data, you don't have to that in a semantic database. You can nevertheless query the database and find exactly what you want easily.

The Semantic Web is also about integrating data and databases. If you have a lot of different databases that store information about people but all use different terminology to describe their attributes (such as date-of-birth or DOB, on solar calendar or lunar calendar), that's rather problematic. You could say, "Why not make one big database?" But that's not practical and will never happen; it's too difficult and expensive to coordinate and coerce the many smaller databases to make one big database. Additionally, people often don't want to give up control of their own little databases at their own company. With semantic web technology, you can make databases actually relate to each other on a more flexible and informal basis and still allow them to share information "correctly", making query across databases much easier.

Do you see this technology as potentially disruptive to other businesses?
Yes, I do and it is already happening. By spidering the web and databases you can gain very interesting knowledge that allows you to approach your business totally different and create tremendous competitive advantage.

An example of this is one of our clients, Amdocs, who has used our semantic database technology to radically improve customer relationship management solutions for their clients. Amdocs typically provides billing and customer relationship management solutions to Telecom operators world wide. One of the problems these Telcos face is that every time a consumer calls them, it costs them a lot of money, and the profit for that particular account vanishes for the next three to four months. So these Telcos are looking for ways to drastically shorten the time spent on customer support calls. By using Semantic Web technology, Amdocs has succeeded in building a very intelligent customer support system that is tailored to the individual consumer. By making use of different events of that consumer - say a call was dropped, he didn't pay his last bill, he downloaded something from iTunes that didn't work – Amdocs allows its clients to predict with which consumers problems might rise in the future and what the likely reason for that is. In the ideal scenario a customer support agent will know what your problem as a consumer is and how to solve it before you begin to explain it to him. Such solutions create huge value for both companies and customers alike.

Let's talk about entrepreneurship. You are obviously very passionate about your business.
Indeed. Otherwise what's the point? It's about doing something you love and if possible, also about making money. There's no denying that those two often conflict and that might be the most challenging part of your job as an entrepreneur. We, for example, see all these opportunities but we can't go after them all because we are completely self-funded and have yet to take Venture Capital.

Why haven't you taken venture money?
It is a somewhat complicated story. Next to semantic database technology we sell this compiler for the programming language LISP. When we started 25 years ago, there were about 20 competitors in this business and we are one of the last that remain. LISP is almost like a legend, a cultural asset. So we're all working at Franz because we really love

the language and we love the concepts behind it. We don't want this language to go away.

Now the problem is that it would be very difficult to attract venture funding for keeping the programming language LISP alive. LISP is making money but the semantic database part is where our bigger growth is going to be. So we are trying to keep it going by self-funding, but that's a big challenge. You are going up against competitors that are just throwing huge chunks of cash at it. We are exploring opportunities for external funding but need to strike the right balance for an established company that is really more of a "mature startup". For now we live lean and are able to self fund the effort but we see that faster growth can be achieved with the right financial partner.

Tell us about your views on organization and personnel.
It is very important to get the brightest and the best people. That's hard. Some people say a CEO should spend 40 percent of his time focused on getting new talent. I probably don't spend that amount of time but it's extremely important to get the very best and when you do find the best, it's important to invest in that person and make him as good as he can be become because a mediocre person just destroys you in a small company. Just this week one of our contract programmers won the Google AI challenge. You have to get the best person and often that means paying the price necessary to get them on board. If you don't have a great team, nothing works.

The other problem that you have as a small company is that you really need Jacks-of-all-trades, and as a CEO you have to be one yourself. You have to be able to wear different hats: from that of an engineer to being a teacher and a salesman. That goes for everybody in your team.

Another aspect is that commercial follow-up is very important. People can be very enthusiastic about the technology of a product, which translates into energized leads, but that energy with potential customers quickly slips if you don't follow-up appropriately. So you have to have a commercial culture in place that brings in the deals.

Also, make sure that you have your financial reporting in order. It's important to have your finger on the pulse and make sure you have good insight into your company's cash flow, sales and P&L on a very regular basis.

That might sound obvious, but many entrepreneurs don't do this regularly enough and consequently are surprised when it's already too late.

What is your advice to startup entrepreneurs?
First, I would recommend living as cheap as you can.

Second, is to keep as close as you can to the customer even during development. Don't go off for a year to develop something and then show it to the world. Show your work to the world every week with a set of test customers who think along with you. You will benefit from that knowledge big time and your customers will see it as a great service.

Third is, go out in the world. Go to all the conferences and tradeshows you can. Talk to everyone and listen because you learn so much more about the market by going to your competitors and to potential customers.

Finally, make sure you have a great team in place and approach your clients, employees and other stakeholders with great enthusiasm, but don't overpromise.

For more information Jans and his company, please visit:
www.Franz.com

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WARNER PHILIPS

Results, Integrity & Fun

It was great being able to pick the brain of serial entrepeneur Warner Philips, who has a formidable way of combining great business sense with the greater good of making this world a better place.

Tell us about your company and background please.
I am one of the founders of Tendris. Tendris initiates, incubates and invests in businesses that are clean technology related. What these companies have in common is that they try to make this world a better place for everyone by developing great products and services that are market driven. So it's not businesses that have a great technology and are now figuring out how to sell it. These businesses are focused on what people actually want and how they can develop products and services that meet those needs and demands.

We started in 2002 out of The Netherlands and I moved in 2006 to the Bay Area to launch our US operations. We now also have offices in Hong Kong, Johannesburg and Singapore. We are looking to take advantage of being a small yet global company. Our Hong Kong presence gives us access to low-cost manufacturing for our products. For example, our Silicon Valley office puts us in touch with the leading Venture Capitalists in the world as well as with the latest business models and technologies to help market our products and services.

To date we launched five businesses. We started with a renewable energy reselling company, a carbon neutral credit card business, the number one consumer LED light company in the world, a green travel website and an electrical vehicle service provider. What these businesses have in common is that they make it very easy for consumers to switch to a sustainable life style without having to sacrifice the quality of life.

My background is in Venture Capital and Strategy Consulting. I studied Law in Amsterdam and am a Dutch citizen, although I have lived in Paolo Alto for a number of years.

Is environmentalism finally becoming a business strategy?
What we have seen over the past decades is that amazing environmentalists have shown us that we had to change our life styles. They have done good work, however, the green lifestyle was always about taking a step back; we had to pay more for our electricity, get less quality light etc. We don't buy in to that. We think you can only change 1-2% of people's life styles if you advocate this approach. If you want to change mass consumer behavior, you have to make it very attractive for people to make that change.

What we have also seen over the past decades is that corporate responsibility is not only good for corporate image, but that incorporating social and environmental best practices in the core activities of a company actually pays off. It pays off on two ends: one, it saves them money and two, it positions them as good corporate citizens and that helps them attract good customers and great employees. So a responsible approach not only helps to make the world a better place, but also helps to generate more profits and higher returns on investment.

At Tendris our goal and philosophy is to initiate businesses in different, apparently unrelated industries. Our credit card business has nothing to do for example with lighting or green travel. But what we are trying to show is that by getting consumers to switch to sustainable products and services, the returns on investment can actually be much higher than in the "vice businesses" and are therefore very attractive for investors. That will eventually set the trend entirely into the direction of renewable energy and sustainable business, as you demonstrate that responsible products and services actually outperform. Take LED lighting for example. This is a far superior technology from a quality and efficiency perspective and therefore from a cost perspective.

So it's no longer either do business or be environmentally friendly. There has been a fundamental shift: it's now mutually reinforcing. Being green and having good economics are no longer opposites.

Apart from sustainability, what other characteristics are you looking for in entrepreneurs of your portfolio companies?
First and foremost we're looking for entrepreneurs with a strong vision and lots of energy. With energy I mean doing what it takes to make a business successful but also – at least as important – having the positive energy necessary to differentiate from the rest of the pack and to develop very compelling customer propositions. So you have to know where you are headed and then need the energy to go do it.

The model that we deploy at Tendris is we come in and really help to set up that company. We meet inventors and young entrepreneurs that have great ideas but don't know how to execute it yet. My partners and I help help create the customer proposition, develop the business model to grow the company, invest and help further outside fundraising, support with building strategic partnerships to leverage the (international) growth, and bring in the talent from our own group or from outside to execute on the plan and strategy. This is also something you see here with highly active Venture Capitalists in Silicon Valley. They won't wait until the team is complete before investing money, as happens quite often with VC's in other parts of the world, but they will actively help build the team and business. At the end of the day it's not just about the technology and the great idea, but it's really about the people who are going to execute upon it. The question is how do you deliver on that great idea, and that's all about execution, working hard and operational excellence. That is something a lot of Americans really excel in.

Tell us about your main lessons learned please.
Again, the drive and energy is key. If it's not there you need to fix that immediately and find somebody who can do that.

Another very important lesson is: focus. In a particular business you have to have somebody leading it who spends all his time on delivering on the plan and strategy of that particular company, and is not distracted by other activities. Ultimately, there should be one person responsible and accountable for that particular business. A person who thinks: "This is all that I am doing and I will not stop until this is successful". For Tendris as key shareholder we help that entrepreneur focus and stay focused on his business.

Another important lesson learned is aligning incentives. Bill Clinton put that really well last year when I met with him during the Clinton Global Initiative. He said that the reason why there was a huge financial crisis is because we actually paid people to create that crisis. So a lot of these people in financial institutions had huge incentives to sell products that actually were neither in the interest of their customers nor in the interest of their shareholders but their bonuses were paid if they met their targets selling exactly those products. So you need to align the incentive system with what you want people to ultimately do. Over here in Silicon Valley it is generally very clear what a person's responsibility is. The incentives are clearly put in place so that people march in the right direction to achieve the company's goals. So make sure that your employee compensation plan is aligned with what you want to achieve as a company.

Another lesson learned is that you have to have, as I like to call it, The Holy Trinity in place: Results, Integrity and Fun. You have to deliver results, but in a meaningful way that is fun to do. You have to transform your energy as a founder to your people: motivate and inspire them. Show them how they as individuals are indispensable and why what they are doing matters a lot. That leads to fulfillment, commitment and a love for achieving the company's goals. If you have those three things in place, Fun, Integrity and Results, it becomes very exciting and there's nothing that you can't do as a company.

Another aspect is: don't underestimate the importance of operations and execution. I mean, I can easily create the vision that I want to go on a vacation to Arizona. But in order to get there, a lot of things need to be taken care of. We need to bring our IDs, clothes, toys for the children, make sure we have a place to stay, figure out the route etc. On an even more detailed level we need to pack our bags, buckle up the children in the car, program the navigation system and so on. In business it is not different. Take our LED business as an example. We have a very strong vision and belief that each and every one of the 5.5 billion light bulbs in residential properties in the U.S. can and will be substituted by LED technology over the next five to ten years because LED is technologically far superior and effective. In order to get there though you have an enormous number of steps that you will have to take and face numerous challenges along the way. So you need to have very strong operational people that will get you where you want to go. There are so many details that you tend to oversee. But even if you do that right, is this the product that the consumer actually wants? So you have to bring a lot of operational issues together from supply chain management to marketing and sales and that can be a big challenge. It is also very exciting if you manage to get that right, but you have to attract the right people to accomplish operational excellence and don't underestimate its importance.

On a final note, you not only have to have the right people, but you have to have them at the right time. Not everybody can grow with a company; we are not all Bill Gates who can take a company from a garage to the multi billion dollar multinational that it is today. One of the key things that we've learned at Tendris is that we have to be very honest towards ourselves. We need to look in the mirror and ask: "Am I still the best person to lead this company, or be on the board of this company? Do I really continue to contribute value to this company and its executive team?". So be critical and make sure that you create an environment –and again incentive scheme- that allows people to hand over to somebody else who is better equipped to get the company to the next stage.

Talk to us more about leadership during different phases of the lifecycle please.

There are some rules of thumb. It's mostly related to how large the organization grows. So if you have 10-20 people that can typically be dealt with by one person. If you grow to 50 people you typically get a managerial level in between. If you get to the larger level there's a different management style that you have to deploy, namely to challenge that management to do their best job to have their teams execute. That is just a very different style than 'just' leading the company yourself. I have seen phenomenal, exceptional entrepreneurs who have been great at that first phase, but not great at that second phase. A strong entrepreneur namely has a very strong perspective on how a company should be run. He or she typically has the inclination to say: "I think you should do this" rather than "What do you think you should do". In the second phase you have to be able to let management make their own choices while still holding them responsible and accountable for it. You hold yourself accountable if you are direct and tell someone what to do and how to do it.

Another aspect is that not all companies are alike. Some more traditional companies of 50 people or more would run production departments, marketing and sales etc. and organize accordingly. However, the biggest companies in a space these days in terms of market share are not necessarily the biggest companies in terms of headcount. Take our LED business for example. It's the biggest company in its space today, but it only has 50-60 employees on payroll. The reason for that is that we work in partnerships. In partnerships people have internal and external responsibilities, so the organizations working with us and the total amount of people working on our lighting products are overall actually much more than those 50-60 people. So that requires a different management style, as not all people that we are working with are directly under the managerial responsibility of our own organization. So that becomes a very different kind of organizational approach all together. That requires a different kind of manager than a team that is more internally and directly focused to their customers rather than co-operating with outside companies to achieve the same goal: teamwork and interdependency is key.

So what we typically love to do is when we face those challenges is go outside and get help. Friends, business partners or professional advisors that help us adapt our organizations to the very dynamic market places that we are in. Again, take our LED business. We have gone from one product to a portfolio of products, multiple business lines, operational on all continents, throughout the supply chain. We are going up against the three big lighting companies: Philips, Osram/Sylvania and General Electric. There are other companies coming in from, for example, Japan as well as low-cost Chinese manufacturers, so that creates a very competitive playing field. We need to tailor our organization to be very flexible, nimble and agile to play into all these challenges. So far we've been able to do that, also because we have been very unconventional about everything we do. From the products to the distribution channels to the organizational structure. So we are like "Nothing is Holy" you know. Maybe something has worked before, but we always think whether or not it must be changed to make it work this time. That kind of open mindset and the relentless drive to succeed and learn has worked very well for us.

On a final note Warner, what would be your advice to people who consider starting a business?
The very first thing I would advise is to ask yourself: why am I doing this? If it's just to get rich, you'll fail, believe me. But if it's because you see an

amazing opportunity to develop a solution to someone's challenges or demands and you are convinced you can do it, go for it! In other words, do it for the right reasons.

Next, make sure you have some working experience. It's a good thing to know how bigger corporations operate; it will come in very handy once you start your own business and try to sell your products or services to these corporations. I've seen natural entrepreneurs who started without any working experience and have become very successful: those are quite rare though, and I am very fortunate to say some of my partners at Tendris are like that. The good news is that you can also grow into being an entrepreneur and it's never too late to start, while starting later – with more working experience can help avoid some of the mistakes.

Thirdly, get people and investors involved who are critical of what you are doing. Honest feedback is seriously priceless (if you can handle it!).

Forthly, get into an incubator building where you can share experiences with other startups, even if they don't seem relevant to your business; sharing challenges is fun and a great learning experience and you can help each other through some of the hard times and celebrate together the good times.

Finally, make sure that you and your company have a vision and mission different from just earning a lot of money. It is not a motive that will get you past the unavoidable challenges that every entrepreneur faces. You have to be truly passionate about your company in order to make it a success.

For more information please visit: www.Tendris.com

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PIETER BAS LEEZENBERG

People, People, People

For Pieter Bas Leezenberg, it's not a matter of either invest in a startup or run a startup. Depending on what is required, he does both.

Tell me about your background and current company please.
I am of Dutch origin and have been in Silicon Valley for over two decades. I came here in 1989 and did my PhD at Stanford University and since then, I've migrated to entrepreneurship. I am co-founder of Couloir Partners and we participate in seed-stage, high growth enterprises in the technology and healthcare industries. We support our portfolio companies with capital and hands-on experience in their aim to build a commercially successful business. So, we come in as investors or co-entrepreneurs depending on the situation.

Our current portfolio contains several startups, one of which is active in remote sensing. Through satellite data this company helps large infrastructure owners manage their objects. For example, we tell owners of dams, railroads, storage tanks, and bridges whether or not their objects are deforming; we can determine this down to a millimeter. We are looking to roll out this technology globally.

Another venture that I am working with is a sensor networking company that builds solutions for measuring and managing sound pollution in city centers, around train stations, airports etc.

Our investments typically are in Switzerland, Germany, and Holland. There are many talented engineers in these countries together with an incredible tradition in engineering and education. We find that there are many interesting ideas there; however, we also see a shortage of people who can help commercialize these ideas. That's where we come in. We enable these entrepreneurs in any way necessary to make their business idea a success. In these countries we typically see a shortage in venture capitalists or angels helping out these entrepreneurs on their way to success.

Why do you think that is?
I attribute it to cultural differences to begin with. Here in Silicon Valley there is an incredible culture and entire machinery to make money from these ideas. That's generally not the case in Europe. It's a very long topic, but I would just state that the attitudes towards innovation, failure, and even success are just radically different than they are over here.

A lot of it boils down to the market though. Here in Silicon Valley we have this infrastructure of a venture community that funds good ideas and a very active market for venture-backed companies. Although venture capital is in somewhat of a crisis these days, the venture-financing model itself actually has a lot of merits.

For example, Cisco outsourced its research and development to the venture community. Cisco is an engineering powerhouse, but even more so, a sales and marketing machine. Cisco has identified more than 20 focus areas where they want to build or extend their business. Cisco actively advertises these focus areas to the venture community and lets them know that Cisco will be acquiring companies who are active in that space over the next few years. VC's have a potential exit and can make a lot of money by funding startups in these areas. So the way I look at it, Cisco has effectively outsourced a lot of its innovation to the venture community. Now the beauty is that this works well for everybody. It works well for the venture community and the entrepreneurs they back. But it also works well for Cisco by allowing their growth to accelerate.

What many forget is that a new technology isn't useful per se. What matters most is whether or not it actually fills a need in the market place. Just because you have a dog that jumps doesn't mean that everybody needs a jumping dog. I learned that lesson when I worked for IBM Labs.

We developed incredible technology in the mid 90's that is only being used in the market place today. So we were ahead of our time so to speak. Don't forget though that a lot of what is developed in those research labs never show up in actual products. The startup infrastructure here in Silicon Valley really helps to speed up this process of productizing ideas and that helps accelerate economic growth.

Such an infrastructure is lacking in Europe. Although Europe and the U.S. are roughly the same in terms of number of people and Gross Domestic Product, the level of early stage financing with the U.S. is much higher than it is in Europe.

Can you walk us through your main lessons learned as an entrepreneur?
Yes, my experience is mainly in high technology. In real estate it always boils down to location, location, location, whereas in high tech, it's about people, people, people. I have learned the hard way that when you build a team that you need to spend a lot of time upfront in recruiting and selecting the right people. You need an environment and culture that has a lot of energy where people believe that together they can accomplish great things. If you don't see that type of attitude in people, don't hire them.

You need intellectually rigorous and brutally honest people. Not only in respect to the things you as a company are doing or developing, but also in relation to evaluating one's own behavior. It needs to start with yourself, and for most people, this is the hardest part.

As a startup company you are typically confronted with lots of things to figure out. We are, for example, active in markets where there are few competitors and those markets have not yet reached maturity. That also means there are no fixed delivery schedules and procurement processes. In such an environment, it is essential to find launching customers who have a problem that keeps them awake at night and execute against that need. For that you need focus and speed.

We try to instill a sense of urgency in our team. In Silicon Valley the culture of speed is very clear and tangible – for a startup this speed clearly is one of your main competitive tools. In Europe speed in building the company is much less part of the culture, especially in markets for new products and services. There is a perceived trade-off with quality. European entrepreneurs who visit the Valley always come away intimidated by this speed.

I try to deliver as simple and concise a message as possible on this sense of urgency. For example, ask everybody in your team what are the top three things they need today in order to move their work and the company forward. You'll see that people know the right answers to these questions, but they have a hard time actually doing it. I help them focus and not get distracted by keeping things simple.

You want people with passion, a strong drive to succeed and you therefore have to be very clear about what you expect from them upfront. Also, people need to be able to articulate their own personal successes and failures in order for you to find out if this person is actually a good fit for the company. So the solution for many of these potential problems actually lies in being frank and diligent during the hiring process.

We really would like to see more dedicated education programs for entrepreneurs and startups. Specialized education is missing globally, not just in Europe. The conventional MBA for instance is built around a different type of organization – more mature, with a completely different context than a seed-stage or early-stage technology startup.

A startup is by no means a small version of a big company. So the things you learn about running a large business as part of your MBA program are not going to tell you what you need to do when you and your co-founders sit down in Starbucks and try to build your business from scratch.

We have, in Silicon Valley and elsewhere, a lot of data on successful practices but they are not part of business education yet. Stanford University has very strong ties with the Silicon Valley startup network and has some great entrepreneurship programs, but we would like to see these practices taught in many more programs; this would really accelerate innovation by small companies.

Another lesson learned is the importance of cash flow. Find a way to make money and preserve it, as your cash flow really is the lifeblood of your company. For most conventional MBA programs, their focus is on profitability. For startups it is all about cash flow. It's about whether or not you have the cash to keep the lights on and pay your employees next week. If you can't pay your bills you are forced to make all kinds of painful decisions and it becomes very hard to focus on your customers.

That is kind of the essence of entrepreneurship: you find the money for an activity for which there are no resources yet. So make cash flow your number one priority.

For more information on Pieter Bas, please visit:
www.linkedin.com/in/pbleezenberg

10

CHRIS BOONE

Cash is King

Despite a cranky Skype connection and continuous background noise, both indicating that I wasn't conducting the interview out of a sophisticated digital meeting room, serial entrepreneur Chris Boone fortunately did persevere to get his start-up advice across.

Tell us about you background and your company. How did you get to this point?
I am the founder, President, and CEO of Cimbal Holdings. Cimbal is a mobile transaction network that allows people to pay for goods and services using their smart phone. It's an entirely software-based system, designed to replace cash and eventually, plastic debit and credit cards. Cimbal provides a more secure and convenient means for transacting by integrating with loyalty and reward programs, coupons and targeted discount opportunities and stored value solutions. And just as important, is that there's a considerably lower cost of processing and ease of deployment for merchants and for banks.

We feel it's the "new new thing" in payments. We're very excited about it; seven man year's worth of R&D and eight patents pending. And we launched our product officially about three weeks ago. But again, the original question is with regards to background and how I got here. I spent a number of years, the past 10 years really, in finance and e-commerce. I started my career as an investment banker with JP Morgan which provided me the accounting and finance foundation in which to expand into the entrepreneurial realm. And this is my third start up.

My last startup was an image based search engine that allowed users to submit an image, the algorithms would then analyze the content of the image and then bring back relevant results based on the picture itself. So no text or Meta data was involved - it was entirely machine generated; an artificial intelligence type of search engine.

Tell us more about mobile payments please.
I think that there's so much attention right now in mobile payments because everybody wants to be involved. Everybody is recognizing the fundamental opportunity to deliver applications on mobile devices globally. Two thirds of the world's population has a mobile device, whether you are in a rice paddy in Indonesia, at Rice University in Texas, or in dining on rice in mid-town Manhattan you likely have a mobile device on you. You cannot say the same thing about bank accounts where less than one third of the world has a bank account. You certainly cannot say the same thing about a credit card. So the opportunity to get more utility, in this case financial utility, using the global form factor of choice has enormous potential. Another helpful trend is that banking, finance, and commerce have all evolved or continue to evolve into a more electronic, digital format. There's a tremendous synergy and opportunity when converging those two mediums.

So whether you're a bank looking to get involved in mobile banking or whether it's a virtual debit or credit card, there's a tremendous interest. And there is interest by the banks because there's profit, there's synergy, there's convenience, there's new customer interaction and engagement and there's differentiation that can all come with an innovative mobile payment solution.

When you look into the merchant realm, they are all looking for ways to further engage customers, drive sales, increase their brand loyalty, while driving down the cost of processing. All of this drives interest from the merchant's perspective for mobile payments as well.

And from the consumer perspective, again, there's a huge convenience opportunity using and getting more use out of the device of choice, the lifestyle device of choice, that is the mobile phone. We're striving toward merchant acceptance and those partnerships are essential to drive the success of any new payment solution.

If you look back at your ventures, so far you had two successful start ups already and then this is your third one you just explained. Lessons learned, main lessons learned from those experiences, can you walk us through them?
Three key lessons learned would be: First, necessity is the mother of all invention. Go after a market where demand for your product is strong because where there is strong demand, there will always be supply and if your product, service, or idea is truly disruptive or it is much easier, to sell to that demand.

Second is to make certain that your product solves a problem. More important, the solution needs to be what I call "Crayola simple." People will only buy or invest in something they understand so a challenge for any entrepreneur is to distill their value proposition in easy to understand terms: Crayola simple terms.

And finally, cash is king. Every company needs cash, especially for marketing to build awareness for your product. Often times innovative technologies never become great products because no one ever knows about them. We have all heard "it's the greatest thing since sliced bread." But the guy who gained popularity and credit for selling sliced bread wasn't the first to invent it. He was just the best marketer of it.

How do you handle organizational structure once you start growing as a company? How do you handle staff?
It depends on the phase of the company. So at the very early stage, you need a few things. You need to have a product or a solution. Again, one that's addressing a significant market need. And it is people that actually make a product. It is people that actually sell the solution, and its people that are behind the business. People are the most valuable asset, so they need to be very well taken care of and at the early stage that means they need motivation and incentive to deliver their best effort.
So my theory in building an organization is to hire the best people you can get. Give them enough rope and autonomy so they can pull themselves up, but remain a good manager so they don't hang themselves or the company. The management is kind of a unique thing at an entrepreneurial level, and a lot of people bring a lot of different skill sets. I have been fortunate to work with people I enjoy. I've recognized their strengths and weaknesses early on. And I was very candid about how we work together in partnership to build the business.

Can you explain to us the process of funding a start-up company these days?

Funding a start up these days, especially in a recession where exit opportunities take longer and are less lucrative make it very challenging. An entrepreneur can take a business fairly far these days with limited resources for proof of concept, because the CAPEX needs for technology companies are much less than they were 10 years ago. That said, you still need to get capital – people need to eat and stock options don't pay for groceries.

Get the money anyway that you possibly can to hit a particular milestone. The venture model is a little challenging especially in this economic time. VCs these days are looking for lower risk, lower capital requirements that can still yield pretty significant returns. And that's a very, very challenging thing for them to find. So, to get an early stage company funded by venture money is extremely difficult now. The best process is to try to sign a customer who can pay for some of the product development up front – the start up gets a reference customer as well as working capital and cash to move forward. So the "ideal" process is use as little cash as possible to prove your product concept, business model and obtain reference customers or market traction. Once you have that, you are in a much better position to be considered an attractive investment opportunity to angel investors, venture funds or strategic partners.

And that's primarily because of the anti-risk behavior of these investors?

Well, that's certainly one of the big drivers- absolutely. Having worked with some of the top VCs, I've often heard it's that the risk-reward premium for a seed or Series A investment was really not there over the past five years to justify an earlier investment. The majority of "successful" exits, 80-90 percent, of companies are through M&A transactions and not through an IPO. So statistically, you are looking at an acquisition. Whether that's deemed successful by the company and investors depends on the size of the transaction and the time and capital it takes to get there – the "internal rate of return." What's been found statistically is that there is a huge risk premium that's associated with investing in a series A deal that's diminished after a company achieves a few milestones, gets some revenue and then goes towards a series B type of financing. It used to be that the bigger the risk, the bigger the return, but in venture that's difficult as early investors are often diluted or even washed out by subsequent investment terms.

So would that mean that the majority of companies in the A phase are more and more dependent on their friends and family's money?
That is definitely the trend. It's unfortunate because friends and family money is very challenging for an entrepreneur. It's also very challenging for the investors because of the personal relationship. The dollar size tends to be considerably smaller, and as a result, the milestones they achieve are typically not quite as significant. So, for areas like digital media and digital content where there is a smaller capital expenditure requirement or where you're really not going after large enterprises, I think that's a very common trend that can work well. Trying to build confidence by a large enterprise that your company will be in existence 12 months after signing a contract is much more challenging with just friends and family money.

And what is the best practice once you get to talk to VCs in whatever stage of your company you are?
Always be brief. Get right to the point. Remember that you are in sales so, sell them on your company or idea. If you don't have them hooked within the first five minutes, chances are they're not going to be interested. So, sell to their need, just as you would sell to any other enterprise. As portfolio managers their need is to have an attractive return to their investors, but and their need is really fear and greed: fear that if they don't invest in you, they're going to miss a tremendous opportunity and greed in that they should invest in your company so that they can improve their portfolio returns. But you have to come in knowing where they are. What their portfolio may or may not look like and their appetite for risk. Unfortunately most VCs don't want to take much risk these days – especially market risk – so you need to demonstrate how your company can turn $1 today into $10 in a few years.

On strategy and competition, can you tell me a bit about what your experiences are?
In my experience, strategy is driven by tremendous amount of research and knowing a particular market. I think that it's always key to understand the competition and understand the history of a particular space; mobile payments are a good example. Mobile payments are not new. People have been trying to do this really since mobile phones started becoming mass-market devices. There are a number of reasons why it hasn't taken off but you need to understand those reasons, how your product can overcome those obstacles and formulate a business that offers value to all involved.

And then more importantly, is looking at your competition, understanding what they are doing, how they are doing it and where their success and challenges lie. But again, I think strategy is really about defining and understanding the needs of the market place both today as well as the forecasted needs in the future and making certain that you have the product and the team that can adopt with those changing market needs.

Another experience taught me that our economies today are global. There is tremendous convergence globally and as great as a product or solution may be, there are probably at a half a dozen other folks that are trying to do the same thing.

Do you have any advice for start-up entrepreneurs?
First and foremost it's to solve a problem and making certain that your product is the most appealing solution. That doesn't mean it has to be the best technology or have all the greatest features, but for a product to win, it has to be the most appealing.

Another piece of advice is to make sure that you have cash. A colleague once told me, "As long as you have cash, your business is still alive." And that is the case, right? Make sure you know your cash flows. And then with financing, get it quickly, and make certain that you have the right investment partner with you to see you through to success.

And then the third thing, as I mentioned before, is to make certain that you have the right team that's going to be able to execute because that's going to be vital. Understand that as bright as any one entrepreneur may or may not be, it's impossible that they will have thought through every possible market change or nuance in a 5 year forecast. So, you need to make certain that you have a team that's going to be able to adapt to ever changing market conditions.

For more information on Chris and his company please visit:
www.Cimbal.com

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EREN BALI

Persevere

Eren Bali is on a mission to disrupt offline education for the benefit of all and show that he can make money while doing it. Call it For-Profit Social Entrepreneurship.

Tell us about your background and current company please.

I went to a technical university in Turkey where I studied computer science and mathematics. I could have pursued an academic career when I graduated but I really wanted to be an entrepreneur. I had this debate to deal with and I decided to pursue entrepreneurship. I started a company my senior year which was building 3D graphic engines to simulate real estate. I was assuming that real estate would be growing fast, which it did. I realized this was more of a B2B environment that I really didn't like. I wanted to work with consumers instead.

Meanwhile we started another company in Turkey and had a project where we built a platform to educate entrepreneurs, which was funded by the Turkish government. The platform was providing live classroom technology over the Internet. That worked out very well and really helped Turkish entrepreneurs gain knowledge. I was amazed at how technology can change the lives of people and have a positive impact on them. I was obsessed with the concept of on-line learning and how anybody should be able to do it. The project was basically to teach people how to easily learn on-line. We wanted to offer an alternative to large institution learning that was more affordable, essentially democratizing education.

There was a problem with starting the initial company because the market wasn't right for this in Turkey, so I decided to move to Silicon Valley where I started working for Speeddate as a founding engineer. We raised $8.5 million and 10 million users in two years.

We then launched Udemy in March 2010, a website where you can take and build on-line courses. Three months later we had around 1,000 instructors who built 2,000 courses, 12,000 lectures and about 10,000 students to take these courses. We started talking to angel investors at that time and received $1 million in funding from a very prominent VC over here who also invested in companies such as Yahoo, Google, Facebook and Zynga. So that gave us the money to execute upon our vision to disrupt education.

What are your main lessons learned so far?
The seeds of Udemy were planted three years ago. We witnessed many obstacles along the way, especially in Turkey where we ran out of money. When I then came to Silicon Valley it was also pretty difficult to start in a totally new country, and again we encountered many problems. A sane person would have probably stopped way before I did; I actually even considered stopping, however I was very convinced of the goals of Udemy and that kept me going. Then the climate changed and the company started working out. All of a sudden people found us cool and started supporting the vision of disrupting education. So an important lesson learned was to stay positive, focused, and ambitious. A lot of people will start the next thing when they fail but it made me work harder and soon the market came around and people were supporting us. I want to be a resource to solve educational problems in countries that need it and that is what I stayed focused on.

A second important lesson is the importance of the size of the market. That is one of the few things you can't control as an entrepreneur. So if you want to build a huge business, you have to pick a good market. And if you want to change a certain industry dramatically, you need to solve a big problem. In our case the big problem is lack of access to affordable education, especially in developing countries. We are a for profit company, so we are forced to offer products that make economic sense. That has really inclined us to build a very scalable solution. Because of this, we can actually operate more effectively than non-profit organizations. For example, Bangladesh is very fortunate that non-profit organizations have spent time, energy, and money there to build say a hundred schools. To really solve the educational problem though, you probably want to open 10,000 schools. A solution like ours actually makes that feasible. So my take on entrepreneurship and doing good for society is that the two are not opposites, as some argue. I believe that entrepreneurs who solve big problems benefit individually, but the same goes for society as a whole.

A third lesson learned is that the smaller you are, the easier it is to adapt to changing circumstances. That's one big advantage a startup has over large organizations so make sure to make use of that.

How do you get passed roadblocks?
It was difficult when I came to the U.S. with a strong accent and I didn't know enough people here. I was told that an American co-founder would be wise to have to handle the business aspects while I focused on the product. I talked with several people and chose someone who was young, very ambitious and really liked the idea and the company. He joined us about a year ago and since that time has done a great job. I'm very happy with the decision to bring him to the team.

If you have barriers that you come up against, you should look for help. You most always can find someone to help fix the situation. This is very important to realize, especially for first-time entrepreneurs. We also have advisors that are very helpful. Another important thing I did was join an incubator centre which was a four month program that helped me learn the process of starting a business. This program was very helpful and this is also where I met my co-founder. I learned it's very important to ask for advice and introductions. People are very helpful if you ask them for help.

How do you handle competition?
We are all similar to small fish in a big ocean and I don't see competition as anything that hurts my business. We don't have many direct competitors, even if we did, we would be talking and helping each other. Our main goal is to disrupt offline education, so we can use all the help we can get. One company cannot change the trends, the market, or the industry. You always need a community of likeminded people to make those changes happen. Our strategy to handle the competition is to work along with them. Actually, we have developed strong live classroom software and

we believe we have the best technology in our space. We are going to open source our software and are going to let our competitors use our technology. The most important goal is to increase the number of people that teach and learn online. Eventually we hope to be the market leader in the space. The nice thing about sharing is we receive help from people; it's not a one way stream.

What's your view on business models?

We don't wait for six months to execute an idea; we move fast, get feedback and work on the product. I, like others, have made the mistake of waiting too long on a product, which I now regret. This not only helps to improve your product but also helps figure out or validate your business model. Is your solution good enough so that people are willing to pay for it? And if so, how much? For us the validation of the business model is more important than the actual size of the revenues we are generating now. If we can show traction, it will be relatively easy to attract funding and grow revenues much faster.

When it comes to growth and revenue, you should focus more on the growth in a consumer company. You should completely understand the business model and what people are paying for and experiment with it from day one to see what consumers see as valuable. We are learning now about our customers in terms of what they are willing to pay, so we are not trying to optimize our business model yet. That will come in due time. Some companies bootstrap and focus right on the revenue from the very beginning, and for certain markets, especially small that makes sense. Small markets are generally difficult to fund by VCs for example. But if you are in a bigger market, you should be able to grow very fast, and for that you need outside capital to accelerate the process. If you don't do that,somebody else will come along once they see you have traction, throw money at it, and potentially outcompete you.

What are your experiences with venture capital?

You should be able to differentiate your company in order to raise money. We first went to VC's to raise money which was a mistake for us. In the early stage we have found angel funding to work well. Until we launched and showed some real traction, we couldn't raise money. We made the mistake of looking at other companies who could raise money without any traction but there are usually unknown reasons for why that works for them. You just can't listen to other stories and assume that would be the same for you. It's difficult to raise money but it can be done. I believe that networking is very important and getting to know people and gaining their trust.

What would be your advice to startup entrepreneurs?
A person that is just getting started should like the problem or challenge that they are working on. The problem itself should keep them motivated.

The second advice is to be open to feedback because it's important to learn what customers want and don't want and to not get obsessed with your own ideas. Then adjust your product depending on the insights you gain from this.

Finally, it's also important to read about and follow the thought leaders in the industry you are interested in to gain perspective and learn from their challenges.

For more information please visiti www.Udemy.com

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VIJAY KRISHNAN

Iterate

For a true startup entrepreneur no time is too late and no place is too silly to talk about your company. That certainly holds for Vijay Krishnan who I had the pleasure of interviewing at 11 PM in a closed breakfast restaurant in San Francisco (courtesy of my hotel).

Tell us about your background and current company.
I grew up in India and got my undergraduate degree at IIT Bombay in India. I then came to Stanford University to get my Master's in Computer Science. I started my company Infoaxe, shortly after that. I graduated from Stanford University with a Master's degree in mid-2007 and I have been doing Infoaxe full-time since early 2008, which was when we raised Angel Funding for our company. We raised about a million dollars from Draper Fisher Jurvetson, from Labrador Ventures, from an Angel group in the Bay Area called the Band of Angels, and also from Amidzad Partners.

What does your company do?
We are a search engine for your browsing history. We completely remove the need for you to bookmark any page whatsoever. You can view a certain technical report, a research paper, a cool video, whatever, on one computer, maybe on your work computer. You can come back home and you can easily find it with our service because it enables you to record where you were and find it again. We also make use of the time people spend on different pages, frequency of visits and similar information in search ranking. For example, if you always visit the Siam Royal Restaurant

in Palo Alto, but accidentally click the one in Mountain View and immediately hit the back button, then our search engine will rank the Palo Alto search result as more relevant to you.

What made you decide to become an entrepreneur?
It's kind of funny really. Typically, you're supposed to say that from the time I was born, I always wanted to become an entrepreneur. But that was not the case for me. Around the time I was getting my undergraduate degree at IIT Bombay, I had a sense that being an entrepreneur was a great way to make a potentially big impact, but I did not give it very much thought.

I think it also had something to do with a lot of factors nicely coming together. I had done some research on web search and data mining and I had already published a bunch of papers as an undergraduate. So the normal route would have been to go to a top school and get your PhD, which is why I pretty much came to Stanford in the first place, and that is where I met my business partner and friend, Jonathan Siddharth.

Jonathan also had a fairly similar background. He had published a bunch of papers in search and data mining. And I guess Stanford has a very unique entrepreneurial culture that a lot of top U.S. schools do not have. Hanging around in this environment enabled us to bounce a lot of ideas off each other. In large part, Infoaxe started as a real life problem for us. We browsed pages on different computers and different browsers. And we thought it was very cumbersome. We browse a lot of pages on the web. Those are like footprints you leave in the sand, but they normally get erased and lost forever. This is extremely valuable data to you and potentially to the whole world because it gives you a very good handle on what is buzzing, what content is actually good versus being merely spammy. We felt that this data is really powerful and at least for starters, we could do much better than other services that help you manage your bookmarks across different computers. We felt that bookmarking and tagging was too much work.

Tell us more about how you developed the idea.
We started working on this idea while at Stanford. After graduating, we started meeting with investors and started thinking about it much more from a business standpoint because, ultimately, that is what governs the success of an idea. It's just not enough to have a good idea and good technology.

We really liked the idea of a platform of Web browsing history data and the enormous number of amazing things that it allowed us to do on top of that, which we felt would keep our business defensible against similar services and in a changing Internet ecosystem.

For example, we currently have a sharing functionality which allows people to broadcast their browsing on certain sites. For example, I can broadcast every page I browse on YouTube, TechCrunch, VentureBeat and the New York Times. These are perfectly “safe” sites for most people. I’m happy letting my friends know what I browse on these sites and my friends can follow me in a manner similar to Facebook or Twitter. This allows you to apply a social filter to your reading on the Web. We are consuming a greater and greater percentage of content filtered by our social circle and this trend should continue. In fact, I have stopped reading newspapers and news portals. I get everything from Facebook, Twitter and Infoaxe.

We have a lot of users who automatically save about 20 million unique Web pages everyday with our service. That is really large scale data and gives us a very nice handle on what pages are buzzing today.

In fact, we did some experiments comparing ourselves to Google on queries where freshness really matters. When we searched for something like “iPhone review” on Google, we found that Google often returns the reviews of all the iPhones and pages that were popular in the past, accumulated a lot of inlinks and page ranks and scored well based on most traditional metrics of search relevance. It did not capture the fact that what was good in the past is no longer good. However, with Infoaxe, using the attention data of what people are actually browsing today and what they have been browsing in the last one or two weeks, we could do better than Google in many of these queries.
We are sitting on a goldmine of data using which a lot of amazing things can be done. We just have to pick and choose our battles.

What is your business model?
As of now, our company is profitable in fact and our revenues, for the most part, come from search advertising. We get a lot of search queries as a result of people searching their browsing history with Infoaxe. But in addition to this, we think we can do significantly better because compared to other search services we can be more personalized.

For example, based on your browsing history, we know that you are a Mac person and not a PC person and the next time you search for laptops, it makes much more sense to show you ads of just apple products. Whereas there's someone else who is into ThinkPads and you want to show them just ThinkPad products. So there's ample opportunity for personalization. We can show more targeted ads and consequently add significant value.

Can you highlight some lessons learned thus far?
We have certainly learned a great deal along the way. There's no question about it.

One of the things we have learned was described very well in a recent startup conference where they made the point that startups invariably have to keep reevaluating what they do. You have a hypothesis that something is going to be effective and the more cost effective and efficient the test you can design or if you can launch with a very minimal set of features to see how that is doing, that is something I strongly advise. Initially, the mistake we made was that we got a little bit into what is often called the feature creep where you keep on thinking: "No, I have to also build this feature in addition to what we have, before launching. It'll get even better if I build it. People will totally love us with this additional functionality and this will greatly enhance our first impression in their eyes." When you're building a consumer Internet company, I think it is very important not to fall into this trap. Whatever you're doing, you're never going to get it right on the first attempt.

It's always a good idea that you launch with something that's reasonable and with a minimal set of features that is core to your business. You want to give yourself the opportunity to do the maximum number of "pivots". The business that has the opportunity to try the maximum number of different things successfully before running out of money, that's a business most likely to succeed.

Fiscal conservativeness is also something I would strongly advise. Prior to raising our first funding round, the prevailing wisdom seemed to be that you try to raise money provisioning for one year or one and half years and then go out there and try to raise a larger round. But what we realized is that fundraising itself is a time-consuming process and you don't often get things right immediately, so it's good to give yourself a larger runway.

In the process of raising the next round of funding, all the founders might end up spending, three to four months on just that rather than building the business, which is a huge distraction. After raising money, make every dollar count and think hard about every hire; I strongly advise it.

Should you give a lot of attention to finding the right investors for your business?

When you have a choice, I would certainly advise that you give a lot of attention to finding the right investors for your business. When you do have multiple offers, I would give a lot of attention to the kind of investor you're taking money from, what their background experience is, how they are known to work with entrepreneurs and things like that apart from merely the financing terms, the valuations. At the end of the day, those financing terms are important but perhaps not the most important because, ultimately, the financing terms merely represent what your share in the company will be in a liquidation event. But for a very successful liquidation event to occur in the first place, you need to have a very strong ongoing relationship with your investors to build a great company. That is something that you should never lose sight of.

What's your view on human resources?

In my opinion, finding an effective and good co-founder is probably the hardest and the most important part. And if there is one place where I can say I have perhaps been very lucky, it has been with regard to finding a very good business partner that is also technologically strong and has a very strong business sense. None of us were great business people when we started out, nonetheless, I think we had the potential to learn fast and became good business people, in addition to our technical strength. We have also worked extremely very well together. There can be different personalities for example. Two people might be very good entrepreneurs, but not necessarily able to work together that well. So, I think finding a great co-founder is definitely the hardest part. We have also been fortunate in finding good advisers and good early employees. We got in touch with them through our network which is the case with most startups, which means you've got to be a very effective networker. If you're not a very sociable person, in general, you nonetheless have to kind of change yourself in that regard.

Tell me more about networking.

You widen your net as much as possible, open yourself up to the most possible opportunities and something will work out. You can consistently build a fairly big business simply by exposing yourself to a huge number of opportunities and being smart about picking them.

Suppose you're networking in the Valley and maybe your probability of finding a great co-founder is about one in a thousand. But, if you actually go out there a hundred times, these things are relatively independent events. Your opportunities do multiply the more you expose yourself to them. You are not necessarily spending a lot of time and effort to do this. It is just a matter of going after opportunities in a disciplined manner. You are trying to network higher and higher up. When you get an opportunity to talk to a top notch entrepreneur or a top notch VC, you go for it. You have to go out there and get feedback from a lot of people.

But be prepared to face critical feedback since that is what gives you most benefit. We humans are not innately hardwired to handle rejection and criticism very well. I think it's just something you have to train yourself to do. In entrepreneurship, you need to be willing to take negative feedback and rejection or you are not going to get good opportunities and learn fast.

What's your advice for starting entrepreneurs?
First, do not be scared or have the preconceived notion that this is a very risky business. Remember that there's always something else to do if things don't work out; it's not the end of the world if you fail.

Secondly, always challenge yourself and develop the kind of disposition where you're open to having your ideas challenged with honest feedback. In fact, Silicon Valley is a place I really like, particularly the entrepreneurship and the VC circles due to their brutal and honest feedback. They don't particularly try to make you happy or anything like that. This is exactly the kind of feedback that benefits you in the long run. You're not out there to feel good. You're going out there to give yourself the best chance of building a huge company. So, develop the attitude to do this because the number of smart people you meet here in Silicon Valley that give you brutal and honest feedback is unparalleled.

Thirdly, launch very early, with the minimum core feature set. Give yourself the chance to refine your path or change it. That will be paramount to your success.

Try get yourself a great co-founder. It is very helpful to have a great person to bounce ideas off, who will work hard alongside you to handle the challenges in building a huge scalable business. Oh, and if you get a chance to move to Silicon Valley, take it by all means. Even having only one foot in Silicon Valley is absolutely priceless.

For more information please visit: www.InfoAxe.com

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First steps into the Valley

During my visit to California, I didn't particularly expect to meet Dutch entrepreneurs who were investigating whether or not to set foot in Silicon Valley. Fortunately I met two of them: Tarek Ghobar and Laurens Bushoff.

Tarek is the managing director of IcySolutions. This startup has developed an instant cooling system that cools fluids quickly to a specified temperature. Tarek is looking to introduce his product "IcyDip" on the U.S. sports market, a machine that creates ice baths for athletes faster and cheaper than alternative methods.

Laurens Bushoff is co-founder of Chatventure, a startup that has developed a social shopping solution that allows consumers to visit a webshop where outfits can be created in a virtual room and discussed real-time with their friends from their favorite social networks. The solution offers online retailers higher conversation rates and increased customer loyalty.

So what are your conclusions thus far? Are you actually going to make the jump to Silicon Valley?
Tarek: Absolutely. There are much more opportunities here. What I like about the culture is that if a startup doesn't work, you can start again. It's okay to fail here. An investor I talked to this week told me that people usually fail two and a half times before they make it big. That's good to know.

Also it’s going to be easier to put together a team. Here in Silicon Valley it is easy to hire and fire people. Now that the team is so essential to a startup, it is a big advantage if you can remove people easily from the team when necessary. In Holland this is just costly.

Laurens: What we were missing in the online shopping experience was the ability to get real-time feedback from your friends and family, which many people typically do get when shopping in real life. We transferred that experience to the Internet by integrating “meeting room” type of functionality in web shops of retailers in The Netherlands.

The U.S. market is very big and there are obviously many retailers that we can potentially sell our product to. Also we’re expecting to see a greater rate of potential adoption for our social e-commerce solution among U.S. consumers, as they are very tech savvy.

Other reasons that make us want to come here are the overall entrepreneurial culture and the greater funding opportunities.

On the downside we see that there’s more aggressive competition around and that our current team is based in The Netherlands.

Can you share with me a couple of startup lessons learned so far?
Laurens: You have to be able to accept criticism and feedback. Listen to customers and people who offer you this free advice and adapt your product accordingly if you think that it makes sense.

At the same time be aware that you cannot be everything to everybody. Especially in the very early days you may give in to customization requests from clients rather quickly in order to generate revenue, but that can come at the expense of loosing scalability. Focus on finding the correct clients for you products, be selective.

If you have developed an innovative technology such as we did, it’s important to find launching customers. Many clients namely prefer proven technology, so they simply won’t buy from you if somebody else has not used your product first.

Finally, when taking on board investors, make sure that they don't only bring money to the table, but also contacts, experience and most importantly: know-how of your industry.

Tarek: When you have an idea for a product it's important to validate the market first and analyze potential clients to find common interests among them to make sure you have a scalable business.

The second piece of advice is to build a great team. You want people to help you grow your business and click with you. It makes a huge difference the people that you hire. You can't do anything without the right team.

In funding a company, the biggest lesson is talking to the right people to invest. You need an investor who is going to roll up his sleeves and get involved. So don't just focus on the fact that the person is giving you money, but make sure they are the right person to work with. You need to discuss your company with as many investors as you can so you will have a choice rather than relying on one.

For more information please visit:
www.IcySolutions.nl
www.ShopWithYourFriends.com

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MY TWO CENTS

Be Rational

Now that so much excellent guidance has already been brought forward, is there really anything to add? Certainly. From my own management consulting practice and from my own personal experience, I can add a few points to the list.

What I noticed from the interviews that I conducted is that the lessons learned and advice given by these entrepreneurs are mostly directed at the rational aspects of doing business. The psychological aspects are hardly mentioned, while these play an important role in my view, as well as in business and in everyday life.

The study of behavioral economics is directed at understanding the economic decisions of individuals by using social, cognitive, and emotional factors while integrating insights from psychology. Many of the insights from behavioral economics challenge the assumption of rational behavior by pointing out cognitive biases in the behavior of people. Popular examples are: wishful thinking, loss aversion, irrational escalation, and a conformation bias.

I would certainly add these decision-making biases to the list of lessons learned in this book. Understanding that we are wired to make certain irrational decision-errors over and over again if we don't put a stop to it, has been a real eye opener for me. I often state to my clients that I really would have been better off if I had studied Psychology instead of Business Administration, as I continuously see these decision mistakes play a decisive role in fields from strategy to organization and from finance to negotiations. So be rational about your irrationality! This topic really deserves its own book and maybe I‘ll write one in future.

On a more operational level, I would mention the importance of paperwork. Many startups that I meet are so busy with their product and getting it to market, that they forget to properly document agreements with their clients, employees, and other stakeholders. That often leads to a lot of headaches somewhere down the line.

The same often holds true for other administrative tasks, such as having accurate and recent financial data available and having key company documents at hand when they are needed.

Also belonging to this category are business plans, teasers, and marketing material. If you are looking to get financed by private investors, it is essential to have well summarized, easy to understand, and appealing documentation available. I see many startups make the mistake of not spending enough time on writing down their plans; both in terms of business logic and clarity, before taking it to investors. The earlier you commit your ideas to paper, the more you will benefit because it will force you to focus those ideas and look at them in a more objective and critical manner.

On a final note, I believe it’s important for startup entrepreneurs not to get their hopes up. Nothing is more frustrating than seeing a deal fail despite clear indications to the contrary from customers, investors, acquirers etc. A deal isn’t a deal until the money is in the bank. Expect deals to go wrong if they are not entirely finalized, and until they are, move on as if they don’t exist. That will not only protect you against emotional disappointments resulting in loss of direction, but more importantly, will prevent you from leaning heavily against something that might fail, taking you and your company with it.

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TOP 5 BEST PRACTICES

Passion, Vision, Team, Feedback , Investors

In the previous chapters, advice and more than a hundred lessons learned on starting up a business have been brought forward. So what is the common denominator in these stories? What are the entrepreneurial best practices that surface most?

The first popular advice is the importance of having passion when doing a startup. Most say that passion is the only way to justify the irrational amount of time and energy spent on making your business a success and the pressure it puts on your family life. Making a lot of money is generally seen as an insufficient motivator to make it to the end of the tunnel. Without passion, nothing you do is going to bring amazing results.

Secondly, the importance of a strong and clear vision is often mentioned. You have to be able to get your idea across in a concise and inspiring manner. That will enlighten clients, employees, and investors. It is one of the few currencies you have as an entrepreneur, so make use of it.

A third common lesson learned is the importance of your team. Nobody can build something wonderful all by himself. Get great people to join, who are better than you. Especially as a startup, your choices for the initial team can make or break the company going forward, so don't settle for anything but A-players.

The fact that these first three lessons consistently surface as being very important by the serial entrepreneurs interviewed in this book, indicates that despite being perhaps somewhat obvious, they are actually very hard to master. If something is obvious, that doesn't mean it's easy to accomplish. Few would agree that passionate people, clear powerful visions, and great teams are abundant in today's business world or society. So if you heard all this before, don't think that because you did, you automatically implemented it and it's no longer a concern. Think whether your company really stands out from the pack in these fields.

A fourth recurring advice is the importance of taking in honest feedback and criticism regarding your company's approach, your product, and yourself. And then not sticking your head in the sand or becoming frustrated to be surrounded by all these "idiots", who dare to even speak a bad word about your wonderful, beautiful little baby. No. Take a step back and evaluate that feedback honestly without turning defensive; make up your mind, and adapt accordingly. Speaking for myself, it doesn't matter how often I have done this, it just remains difficult whenever new criticism arrives and I have to force myself each and every time to really look at it with an open mind.

The fifth advice that is often mentioned is to choose your board (or investors) wisely. Some go as far as to state that if you can manage, you should refrain from getting investors involved in your company in the first place. Now this might of course be related to the difficulty many entrepreneurs have in accepting criticism. Indeed, investors can be a real pain but often with a very good reason; mostly because it is also their money on the line. I believe the biggest frustration comes from uninformed, yet dictatorial investors; people who dictate their opinion to the entrepreneur without providing proper substantiation or domain logic. I see investors as part of your team; they don't put in time for a salary, but money for a return.

So there you have it. The Top 5 Startup Best Practices. Of course I could have also made a Top 10 or Top 20 List. Actually what I should have done is make a Top 150 List, as I strongly feel that there's value in all the lessons learned and advice given in this book. Just because the majority of people haven't learned a specific lesson, doesn't mean that it can't be learned or isn't important.

The entire idea of this book has been to unlock entrepreneurial knowledge that typically doesn't make it into the mainstream. The entrepreneurs interviewed in this book have not reached outlier status, at least not yet. That's exactly the value of this book in my opinion; it gives a glimpse of the best practices of the many, based on successes and failures, not the modus operandi of the extremely successful, but highly exceptional few. If you believe as I do that entrepreneurship is a lifelong lesson, the consequence is understanding that you can learn from any experience of every entrepreneur.

That's also the reason why the search for startup best practices doesn't end here. No, it's only just beginning! On the website www.StartupBestPractice.com I will publish additional material that did not make it into this book. Amongst this material are interviews with entrepreneurs who are not from Silicon Valley. When you, dear reader, have additional startup lessons learned to share, I invite you to visit StartupBestPractice.com and contribute your insights. I would love to see this website become a true global hub for startup best practices that anybody can benefit from!

On a final note, I would like to stress that not only first-time entrepreneurs can benefit from Startup Best Practices. The insights brought forward in this book can also be used to the advantage of, for example, (private) investors, senior level management of corporations, and politicians in my view. Investors better make sure that these common pitfalls are covered in their ventures. Senior management wishing to expand into new markets or setup new departments can surely pickup a couple insights from these startups. And politicians looking for ways to stimulate entrepreneurship can perhaps get some ideas as to where tax dollars can be spent most effectively.

So please contribute your own experiences at
www.StartupBestPractice.com

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