

Start-Up

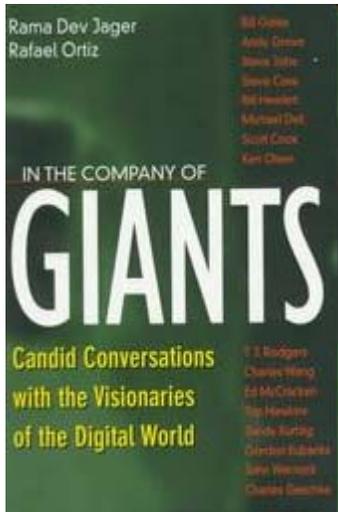
Why do they succeed
or fail?

Hervé Lebret
Stockholm – May 12, 2009

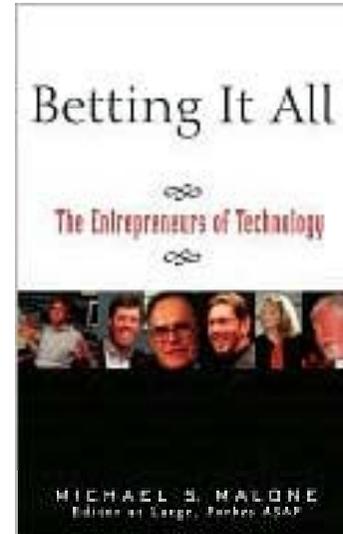


As an introduction

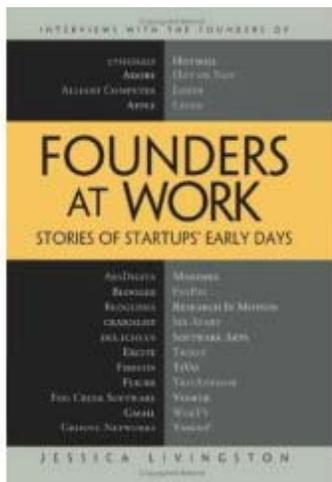
63 interviews and stories on high-tech entrepreneurship



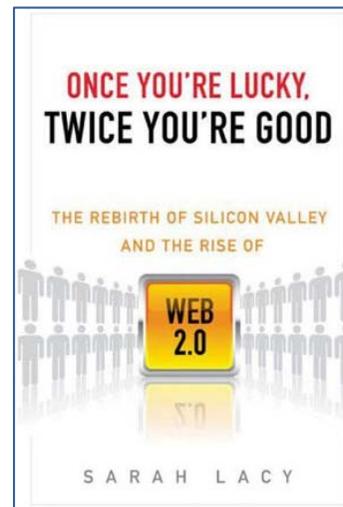
In the Company of Giants
Rama Dev Jager
Rafael Ortiz
1997



Betting It All
Michael S. Malone
2001



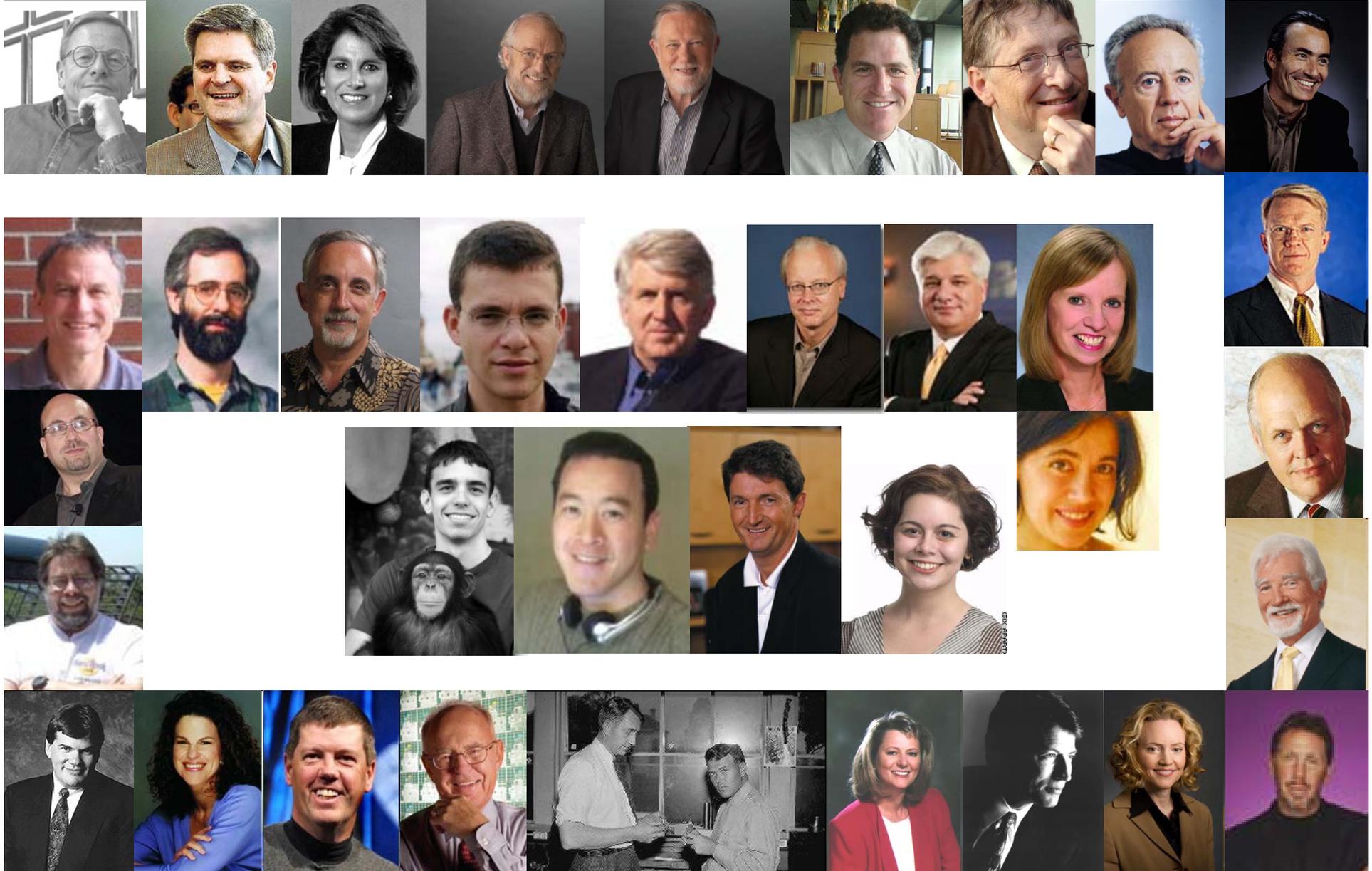
Founders at Work
Jessica Livingston
2007



Once You're Lucky,
Twice You're Good:
Sarah Lacy
2008

Entrepreneurs have answers

63 interviews and stories tell a lot of lessons on start-ups



The ingredients of success

and failure... as discussed in the 63 interviews

Topic	Frequency
Values	52%
Uncertainty & Risk	48%
Ambition	40%
Work	37%
Co-founders	27%
Silicon Valley	24%
Money	25%
Persistence	25%
Idea	24%
Age	22%
Paranoia & competition	21%
Marketing	21%
Luck	19%
Legal & IP	11%

Topic	Frequency
Management & Business	52%
Entrepreneurs	49%
Team	44%
Business Plan	44%
Investors	41%
Product	30%

The ingredients are much more cultural than technical...

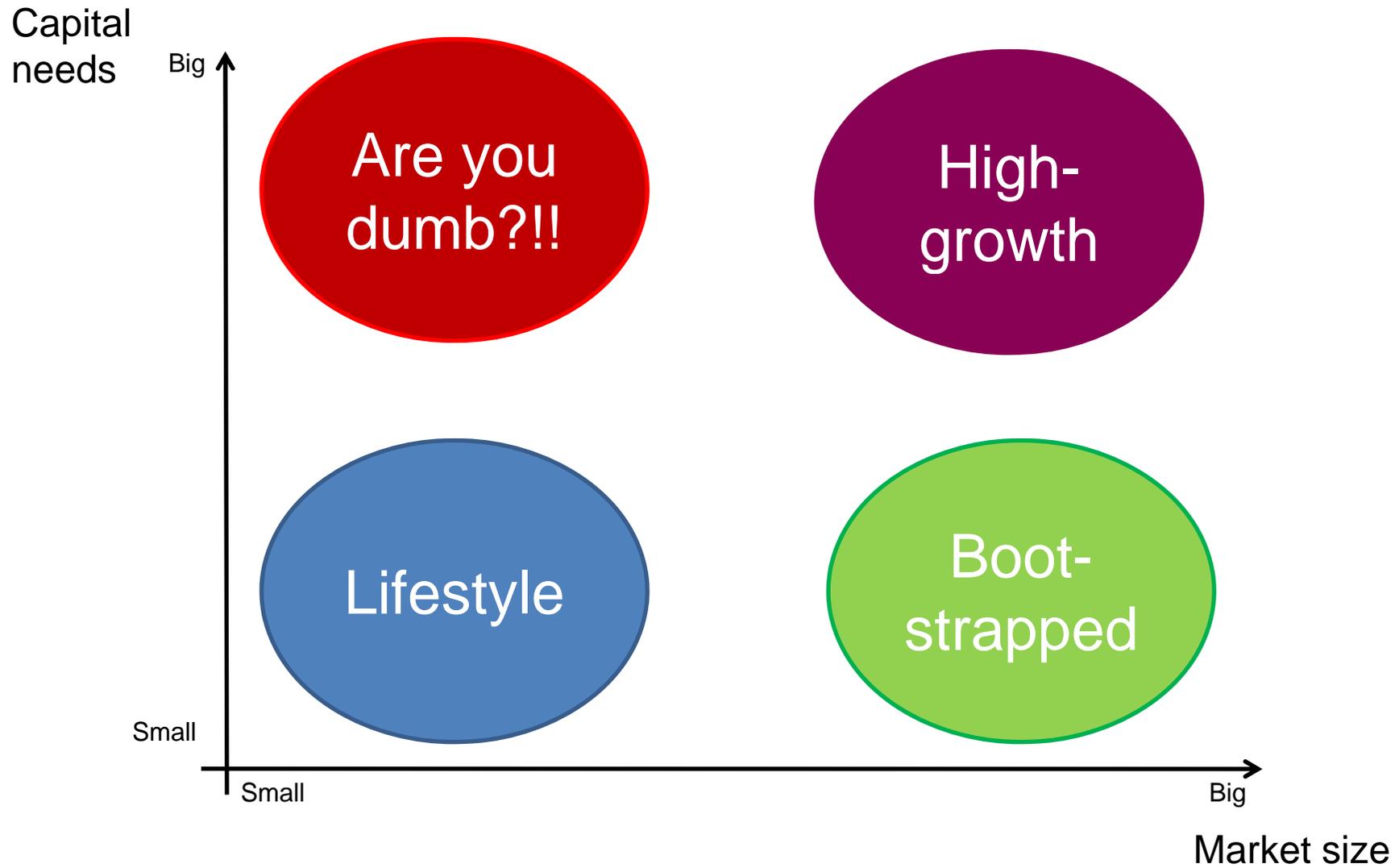
Lifestyle vs. high growth

What do you want to achieve?

	Individual project (lifestyle)	Enterprise project (high-potential)
Initiators / Founders	An individual	A team
Initial investments	Low	High
Financing needs	Small	Large
Capital	Closed	Opened
Growth potential	Weak	Strong
Export potential	Weak	Strong
Ambition	Short term profitability	Growth
Dependence on founder(s)	Important	Rather weak
Field of activity	Consulting, services	Products, industrial
Needed support from environment	Moderate	Important

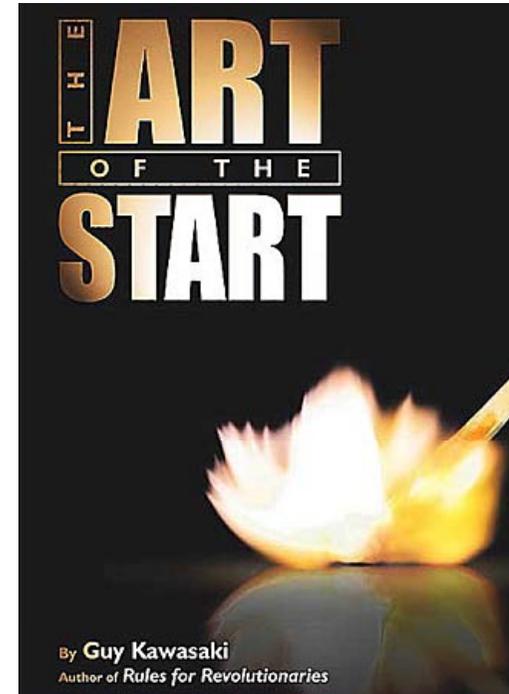
Lifestyle vs. high growth

What do you want to achieve?



What is needed to succeed?

- ✓ A great idea
- ✓ Great people
- ✓ A unique product
- ✓ A big market
- ✓ The ability to sell to investors and customers



What is Silicon Valley about?



Steve Jobs about why Silicon Valley “[There are] two or three reasons. You have to go back a little in history. I mean this is where the beatnik happened in San Francisco. It is a pretty interesting thing... You've also had Stanford and Berkeley, two awesome universities drawing smart people from all over the world and depositing them in this clean, sunny, nice place where there's a whole bunch of other smart people and pretty good food. And at times a lot of drugs and all of that. So they stayed... I think it's just a very unique place”

Don Valentine on Founders: *“Founders are genetically impossible by choice.”*

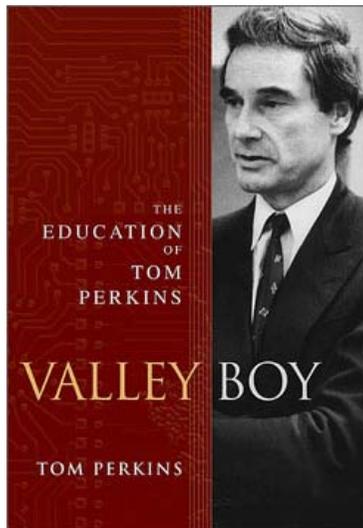
“There are only two true visionaries in the history of Silicon Valley. Jobs and Noyce.

Their vision was to build great companies... Steve was twenty, un-degreed, some people said unwashed, and he looked like Ho Chi Min. But he was a bright person then, and is a brighter man now... Phenomenal achievement done by somebody in his very early twenties... Bob was someone who could maintain perspective because he was inordinately bright. Steve could not. He was very, very passionate, highly competitive.”



What is Silicon Valley about?

“Launching a start-up is not a rational act. Success only comes from those who are foolish enough to think unreasonably. Entrepreneurs need to stretch themselves beyond convention and constraint to reach something extraordinary.” **Vinod Khosla**



“The difference is in psychology: everybody in Silicon Valley knows somebody that is doing very well in high-tech small companies, start-ups; so they say to themselves “I am smarter than Joe. If he could make millions, I can make a billion”. So they do and they think they will succeed and by thinking they can succeed, they have a good shot at succeeding. That psychology does not exist so much elsewhere.” **Tom Perkins**

About Success and Failure

linked to Uncertainty facing and Risk taking

- “**Self-confidence** is missing in Europe; people believe they can succeed, even when young in the USA.”
- “When everyone said a relational database would never be commercially viable, the reckless guy said “maybe everyone's wrong – maybe I will **take a chance** with my career and with my cash.” It's not a rational process....”
- “We were so naive, we did not know we could **fail**.”
- “I did not think there was a **risk**... I was eminently employable.”
- “None of us saw the internet explosion coming.”
- “I was pretty sure AltaVista would destroy Google.”
- “It's **hard to figure out** where the next billion-dollar business is. It's much better to create a few ten-million-dollar businesses and see which ones emerge.”
- “The first 10 **people** will determine whether the company succeeds or not.”
- “What makes a company successful is **people, process, product, and passion**. You must have great people and product and passion balanced by process.”

About Success and Failure - 2

linked to Uncertainty facing and Risk taking

- “It’s not about technology, it’s about **consumer**.”
- “People [**customers**] won’t tell you what they want. Often they can’t verbalize it because they don’t understand things they’ve not seen. You must understand fundamental motivations and attitudes.”
- “One of the hallmarks of successful start-ups is their ability to **adapt** to their market situation.”
- “You can never **guess the future**, BP is marketing.”
- “If you think I came into this business with a master plan. Wrong. We made lots of **mistakes**. But we corrected these **mistakes** really fast, and we often didn’t make the same **mistakes** twice.”
- “In a new company, **you don’t know** if you have the right strategy because you do a lot of testing and experimentation. The faster you do the experimentation, the faster you get the winning business model.”
- “I am good at communicating the value of things, not generically a good salesman. It’s almost like sharing the **passion** and excitement. Can this be learned? Sure. Through examples and **role modeling**.”
- “Do something you really love, you are **passionate** about. Take a long-term view, be really patient. There are going to be bumps on the road.”

Silicon Valley (“SV”)

- “I really measure the thing that’s become Silicon Valley from Shockley in 1956. There were earlier technology companies – Hewlett Packard and Varian – but they were more like established companies on the East Coast. Shockley introduced some **instability** in the system.”
- “I went to CA where you need to be.”
- “I didn’t need to move from Canada to SV because Waterloo was high value.”
- “In SV everything is easy and cheap, **risk** is understood.”
- “Phenomenal differences between SV and Boston, people understand tech, there is a high concentration of **talent**.”
- “**Culturally** in the UK it is much more subdued, people are more cautious; in SV nothing seems impossible.”
- “Go someplace where people don’t think you’re **crazy**.” “In California there were dreamers. There were people who wanted to think about new and different things and wouldn’t think we were crazy to try to build this thing.”
- “What I liked about California is the **transparent** society.”
- “I was tired of winters and moved to Stanford. I found out that all the students wanted to **start a company** and I liked it...”
- “If you do not want to build a **billion dollar** company, you do not belong to Silicon Valley.”

About Luck

- “Success is 50% luck and 50% preparedness.”
- “If you look at the core of many success stories, it’s not great visionaries, not great technology, not great entrepreneurs, it’s pretty bright people who found themselves in the right place at the right time and managed not to foul up the opportunity.”
- “I was employee #18 at Shockley and Noyce was #17. My only advice to others is be in the right place at the right time. It’s easy to say and it’s hard to do.”
- “We had the anxiety test; the parenting, relationship, and communication tests. And no one came... So I thought, “We should make a fun test. Let’s do a test for what kind of breed of dog are you.” ... We put it online, and 8 days later we had a million people.”
- “Chance is the dominant force in life, but talented people do well, they are driven focused, take-no-prisoner attitude, competitive, paranoid, and didn’t take no for an answer. All the traits of success.”
- Being smart and working hard are required for success, but they're not sufficient, luck plays a huge amount.
- We were just lucky to be at the right place at the right time... Many times the success was driven by market growth.

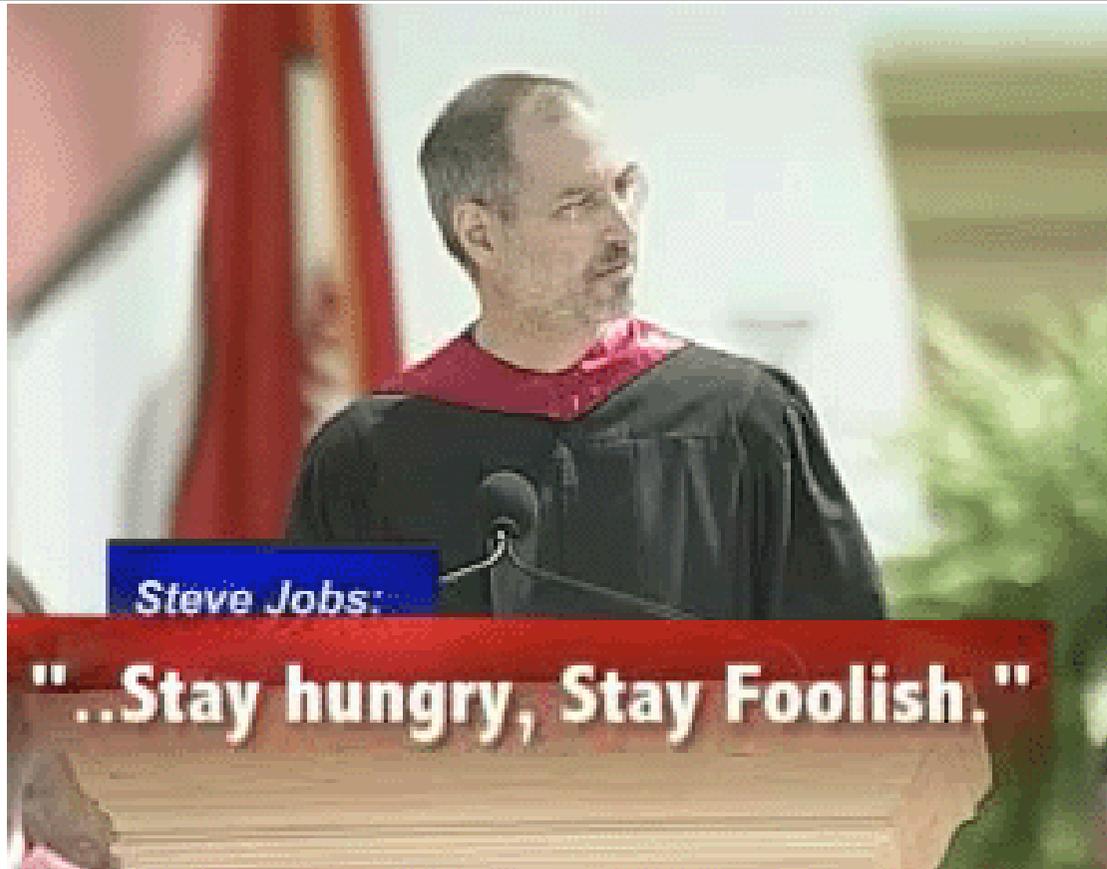
Investors

- “The venture capitalists at least in those days, had a terrible track record of bringing people in and then throwing the entrepreneur out.”
- “We didn’t take any salaries. but we held off on the VCs. We wanted the discipline. Not being paid and having uncertainty of having no safety net is a great motivator.”
- “It [venture capital] serves an enormous service in the business, in financing companies, in providing leadership, and connections. But we did not need their money or the leadership.”
- “I learnt something about raising money. They need us as much as we need them.”
- “I tried to get venture capital money, to no avail. What people don’t understand is that innovation is the hardest thing in the world to fund. I was 28 years old and this was before it was good to be a 28-year-old entrepreneur.”
- “Great as long as all goes well.”
- “Got \$300k for 15% then squeezed in 2nd round.”
- “Learn about them and their lack of transparency.”
- “Best motivation is not to need investors.”
- “Know people and speak their language.”
- “You can’t live with them, you can’t live without them”.

Investors - 2

- “I Met 43... a lengthy process. They all told me \$18 million [revenues] wasn’t interesting. And I’d say, “But most people will tell you \$50 million, and you know they’re lying. I’m already discounting it because I’m a venture guy just like you are.” And they’d say, “Yeah, but \$18 million just isn’t interesting.” So I changed my spreadsheet to say \$50 million. And they said, “OK, that’s pretty interesting.”
- “We’re also overly paranoid because the first thing we did when we started the company was talk to a bunch of entrepreneurs who told us, “Don’t tell anyone what you are doing. VCs are sharks.” Meanwhile, you hear from the VCs, “You’re too paranoid.” So it’s hard to find the right balance and be human, because you don’t know who’s genuine and who’s not.”
- “Within venture capital, you don’t want to manage what they call the “living dead.” Their rules of thumb were: typically one out of ten companies is a really big hit; roughly three out of ten go belly up pretty quickly, and you get rid of them. The other five to six are what they call the “living dead.” They grow nicely, organically, but don’t generate spectacular returns, and they take management time and energy.”
- “[To raise money,] go with the best venture capitalists and give them more equity. I’ll take a worse deal from Kleiner. They have people like John Doerr. You can’t put into words what that makes.”

Most importantly, “Have Fun”.



Stanford University
June 12, 2005
(more on
www.startup-book.com)

“Look around who the heroes are. They aren’t lawyers, nor are they even so much the financiers. They’re the guys who start companies” **Robert Noyce**