Wisdom helps tech startups avoid mistakes

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How can tech startups avoid common mistakes and become successful? A group of Seattle-area business experts and entrepreneurs visited Pasco last fall to share their collective wisdom with local entrepreneurs. Here are some highlights from “An Afternoon with the Experts,” a seminar sponsored by Battelle, which manages the Pacific Northwest National Laboratory, and the Seattle law firm Preston, Gates & Ellis LLP. Two follow-on events are planned this spring.

Secure intellectual assets. “Don’t assume anything. Be sure you own what you think you own, and make sure you can use what you’re using,” cautioned Martin Smith of Preston, Gates. Protected intellectual property conveys a tremendous market advantage, but only if it’s “clean.”

“Protect your property through the appropriate mechanism – patents, copyrights, trade secrets, trademarks,” Smith said. “Clarify ownership of intellectual assets developed on the job by formalizing agreements with everyone who works for or with the company, including contractors, industry partners, university professors and graduate students.” He also urged businesses to fully understand their rights and responsibilities when using licensed technology.

Get an experienced management team. Robert Ferguson of the executive recruiting firm Korn/Ferry International said an emerging company “needs a strong management structure to create visibility, stature and industry connections.” That is rarely the creator of the company’s product or service.

Up to 70 percent of business costs go to labor. “To manage limited startup funds, fill out the management team as your company progresses,” Ferguson said. “For management candidates, seek former employees of well-known, established competitors for their industry knowledge and credibility. Venture capitalists can help locate experienced leaders.”

He added that top-quality executives are attracted to companies that have a compelling, groundbreaking technology that translates into a competitively priced product, can get to market first and have sustainable funding source.

Use management consultants wisely. Regulatory and industry consultants can identify manufacturers, understand quality assurance issues and develop products that meet industry requirements. “Bring them in as needed,” Ferguson advised.
Market strategically. A common mistake is trying to reach too many markets with too many products. Will Ludlam of the public relations firm Porter Novelli International urged businesses to focus on their most promising targets. “Early on, market your company as a business opportunity to investors and channel partners,” he said.

“Seed markets by offering limited products for free, such as in beta testing.”
“Identify your key marketing messages and image and promote them consistently through your web site, advertising, trade publications, trade shows, speaking

opportunities and collateral materials," he said. Avoid the temptation to trickle out marketing money over time. Instead, time marketing dollars to make a bigger, more focused impact.

Use the clout of strategic partners to save marketing dollars. "For example, if your product uses a Microsoft® application, the software giant may be willing to promote your product to show the power, scalability and reliability of Microsoft's solutions," Ludlam concluded.

Create scientific marketing "buzz." A tech-based business needs to create interest in the technical community. "This goes beyond getting patents or writing journal articles," Ferguson said. "Your technology needs to be viewed as exciting and cutting-edge. Bring in someone who can write and present scientific papers and speak credibly to national technology policy groups." He encouraged tech entrepreneurs to consider creating a scientific advisory group to help introduce their product.

Build better boards. Ferguson also stressed the importance of a firm's board of directors or advisors. "An experienced, involved board can help obtain funding, find strategic partners, develop a business strategy and more," he said. Plan to compensate each person with one-quarter to one percent of stock options, plus up to $15,000 annually and $1,000 per board meeting.

Capitalize your company. David Eckert of Sightward, a marketing software and services company, noted that today's investors make tough demands, including prior relevant experience and success, paying customers, legal and financial agreements that protect against liability and very favorable deal terms. "Know how much money you need to reach specific milestones throughout your firm's life cycle. Many leads will be unfruitful, so start early and pursue a wide variety of sources," he said.
Seek investors suited to your company's stage. Eckert pointed out that high-net-worth individuals who invest their own money, known as angels, are best suited for early investments ranging from $50,000 to $1 million, with venture capitalists investing up to $25 million.

Strategic partners typically invest after a firm has achieved revenues and proven its value. Bridge financing, including government research and development grants, can help until more significant sources of capital open up.