

The Japan-U.S. Entrepreneurial Forum: Economic Revitalization through Entrepreneurship

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ARCH Venture Partners

ARCH founded in 1986 at the University of Chicago

Now in Albuquerque, Austin, Chicago, NYC, Seattle

Exclusively seed and very early-stage tech investments

Currently Manage >\$700M and 5 funds

Co-founded / invested in >100 companies whose
technology is derived from Universities / National Labs

Physical Sciences, Life Sciences, and Information Tech



ARCH Strategy

- Invest in fundamental scientific innovations with world-class scientists
- Seek out technology convergence opportunities
- Leverage strong relationships at academic research institutions, national labs and corporations
- Present at Moment of innovation
- Roll-up disparate technologies to form companies
- Focus on underserved and emerging technology regions



Entrepreneurs are a rare breed

➤ Entrepreneurs are:

- ❑ Wild eyed optimists
- ❑ Inveterate idealists
- ❑ Disdainful of bureaucracy
- ❑ Contemptuous of hierarchy
- ❑ Stubborn and Passionate
- ❑ Obsessed with Control
- ❑ ***Yet We Love Them Anyway!*** (Without them the world would be stuck in the dark ages)

Past failures are irrelevant, only tomorrow matters



Entrepreneurs are a rare breed (con't)

➤ Entrepreneurs...

- ❑ Won't take no for an answer
- ❑ Wake up every morning thinking it's another day to excel
- ❑ Make do with what they have
- ❑ Don't whine and don't look to others for help

While making money may be a motivator, it is *never the goal*



Historical Perspective

- Spinning out companies from research institutions has always been difficult
- Two pieces of enabling legislation in the U.S. had a huge positive impact:
 - ❑ 1980 Stevenson-Wydler Innovation Act
 - ❑ 1984 Bayh-Dole Act
- Even so, it took an additional 5 – 15 years for the majority of the U.S. research university community to adapt



Science / Technology is the Easy Part

- Tech is only 5% of the effort, the other 95% is:
 - ❑ Understand company building & funding process
 - ❑ Identify applications and business models
 - ❑ Recruit mgmt, board members, syndicate partners
 - ❑ Provide customer and business partner intros
 - ❑ Trade money for milestones



Capturing Value is Difficult

- If too early or too broad, you may wind up changing the world, but you may lose all your money
- Difference twixt creating industries and creating companies
 - ▣ Seed bed versus individual plants
- Intellectual property landscape



How To Maximize Success

- Make sure interests are aligned among:
 - ▣ University, department, professors, students, management and investors
- If a public (state) university, be careful about arcane rules and political issues
- Exclusive vs. non-exclusive licenses



How To Maximize Success, cont.

- University technology is a renewable resource
 - ❑ Think long term relationships and don't focus on any one particular transaction.
- Be creative – “roll-up” technology from multiple sources
 - ❑ Future is convergence / interdisciplinary
- Need to be a psychologist
 - ❑ Very smart people are different than me and you



University Bureaucracy

- Work to help change things, but in the meantime:
 - ▣ Respect the process, respect the people
- When the map and the territory disagree, always believe the territory



How Investors/Board Members Can Help

- Understand the proper function of a board meeting
 - ❑ Be engaged with the company all the time
 - ❑ Avoid the seagull - syndrome
- The biggest sin is wasting a CEO or entrepreneurs time
- There is such a thing as a stupid question
- Contribute in areas that you have value to add, and work on improving your deficiencies on your ***own time***



How Government / Regulators Can help

- Through 3000+ years of recorded history, these 2 things are proven to encourage innovation, entrepreneurship, and the betterment of peoples lives:
 - ❑ Consistent, Easy to understand Rules of Law
 - ❑ Property rights
- All else is secondary

How Government / Regulators Can Help (con't)

- Rational Permitting process
- Risk / Benefit analysis, cost tradeoffs, etc
- Rational economic development policies and incentives
- Don't punish or vilify risk takers and innovators
- Just because things may make you *feel* good doesn't mean that you have *done* good
 - ❑ Head in the sand syndrome



How Other Service Providers Can Help

- You serve at the pleasure of the entrepreneur
- If your previous experience is with Fortune 500, much of what you know won't immediately carry over
- If the map and the territory disagree, always believe the territory
- Cash is King for a startup - treat it as such