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How to succeed in a startup despite 7 lawyers on your board and a crummy economy

Skip Walter

Managing Director, Factor, Inc

VP of Product Management and Development, Future Point Systems, Inc.

CEO, Third Channel, Inc.

FACTOR10x
FACTOR10x

Extreme Productivity by Design

Hello.
My name is Skip and
I'm a *recovering*
entrepreneur.

Response:

Hello Skip, welcome to the
irregular meeting of 12 Steps to
Entrepreneurs Anonymous at the
Richland Community Center.

1. We admitted we were powerless over our addiction to entrepreneuring - that our lives had become unmanageable

- 2.
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- 8.
- 9.
- 10.
- 11.
- 12.



1. We admitted we were powerless over our addiction to entrepreneuring - that our lives had become unmanageable
2. Came to believe that a Power (**VCs**) greater than ourselves could restore us to sanity

- 3.
- 4.
- 5.
- 6.
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- 10.
- 11.
- 12.



1. We admitted we were powerless over our addiction to entrepreneuring - that our lives had become unmanageable
2. Came to believe that a Power (VCs) greater than ourselves could restore us to sanity
3. Made a decision to turn our will and our lives over to the care of our VC as we understood a VC



"Let's all sing our theme song:
'I Love Venture Capital'."

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2. Came to believe that a Power (VCs) greater than ourselves could restore us to sanity
3. Made a decision to turn our will and our lives over to the care of VC as we understood VC

4. Made a searching and fearless moral inventory of ourselves

- 5.
- 6.
- 7.
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- 9.
- 10.
- 11.
- 12.



1. We admitted we were powerless over our addiction to entrepreneuring - that our lives had become unmanageable
2. Came to believe that a Power (VCs) greater than ourselves could restore us to sanity
3. Made a decision to turn our will and our lives over to the care of VC as we understood VC
4. Made a searching and fearless moral inventory of ourselves
5. Admitted to VC, to ourselves and to another human being (HR Manager) the exact nature of our wrongs

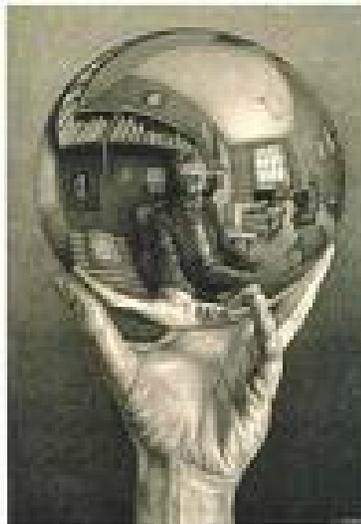
- 6.
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- 11.
- 12.



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6. Were entirely ready to have VC remove all these defects of character

- 7.
- 8.
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6. Were entirely ready to have VC remove all these defects of character

7. Humbly asked VC to remove our shortcomings

- 8.
- 9.
- 10.
- 11.
- 12.



- 1.
- 2.
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- 7.



8. Made a list of all persons we had harmed (employees, customers, suppliers, angels), and became willing to make amends to them all
9. Made direct amends to such people wherever possible, except when to do so would injure them or others
10. Continued to take personal inventory and when we were wrong promptly admitted it
11. Sought through prayer and meditation to improve our conscious contact with VC as we understood VC, praying only for knowledge of VC's will for us and the power to carry that out
12. Having had a spiritual awakening as the result of these steps, we tried to carry this message to other entrepreneurs, and to practice these principles in all our affairs

- 1.
- 2.
- 3.
- 4.
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- 6.
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- 8.



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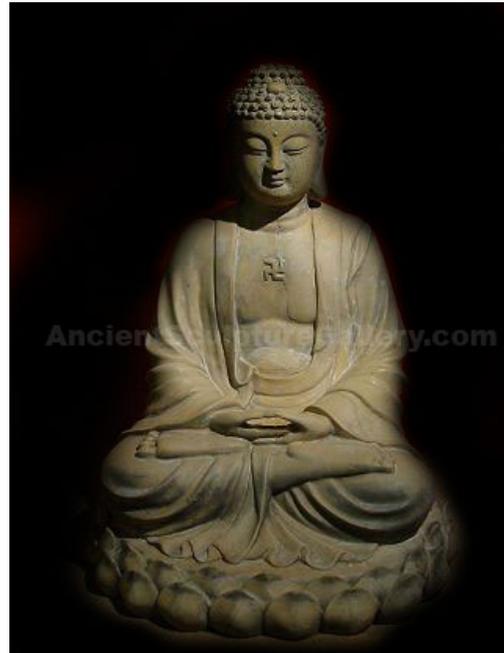
- 1.
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- 9.



10. Continued to take personal inventory and when we were wrong promptly admitted it (in every board meeting)

11. Sought through prayer and meditation to improve our conscious contact with VC as we understood VC, praying only for knowledge of VC's will for us and the power to carry that out
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- 1.
- 2.
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- 6.
- 7.
- 8.
- 9.
- 10.



11. Sought through prayer and meditation to improve our conscious contact with **VC** as we understood **VC**, praying only for knowledge of **VC's** will for us and the power to carry that out
12. Having had a spiritual awakening as the result of these steps, we tried to carry this message to other **entrepreneurs**, and to practice these principles in all our affairs

12 Step Program for Serial Entrepreneurs

Adapted from <http://www.12step.org/>

- 1.
- 2.
- 3.
- 4.
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- 7.
- 8.
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12 Step Program for Serial Entrepreneurs

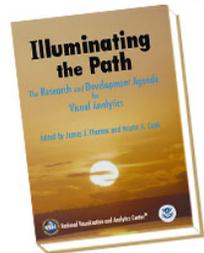
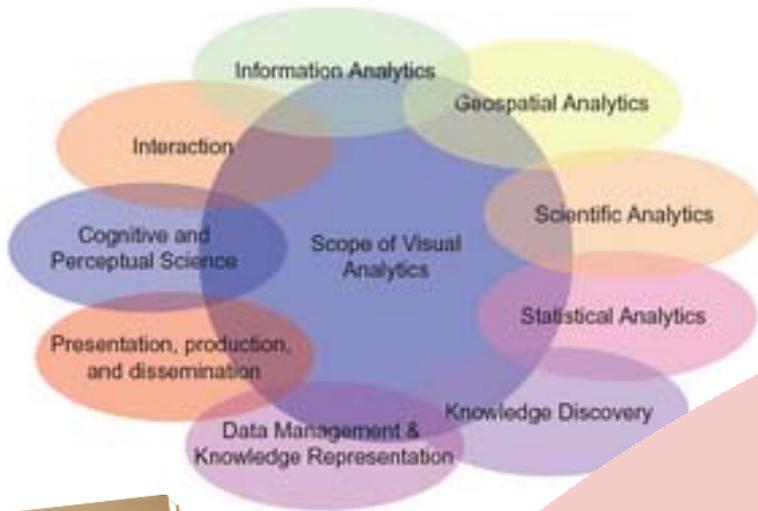
Adapted from <http://www.12step.org/>

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- Attenex Timeline
- How to innovate from idea to product to commercialization
 - [Product Development Loop](#)
- How to attract capital at the right time, from the right funding source, depending on economic conditions
 - [Monetization Loop](#)
- How to find and develop the talent needed to grow a successful startup from idea to operations
- How to find a growth partner to acquire the company at the right time





1968 Idea -
Duke
University

2000
Prototype -
PNNL/Preston
Gates

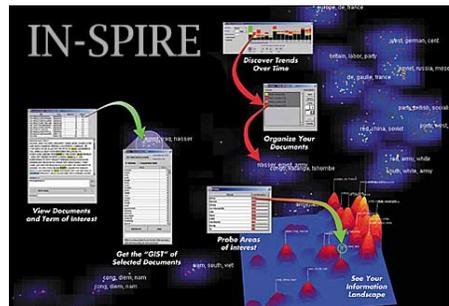
2001 Attenex
Patterns
Product

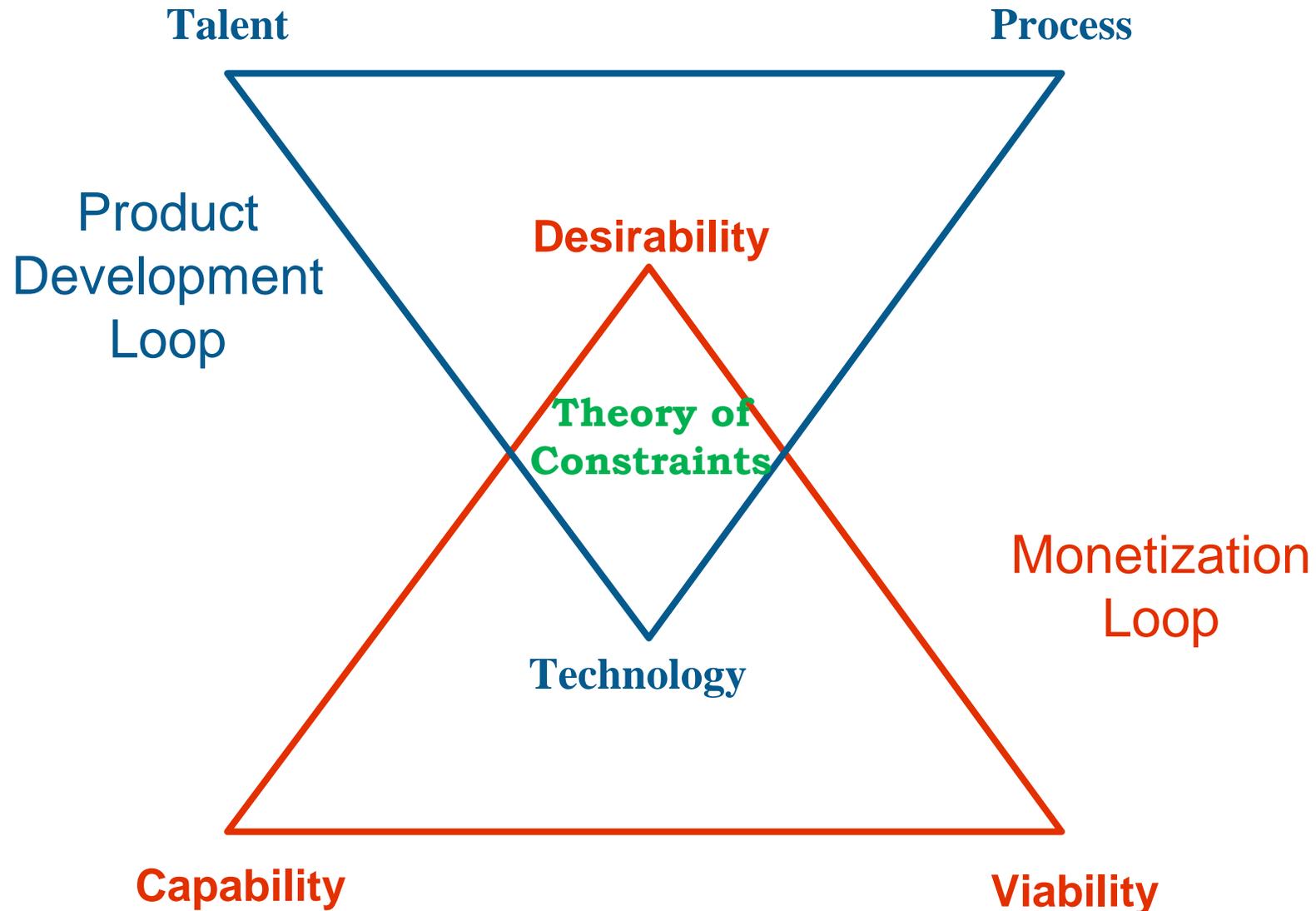


2004 Breakeven
& Voyager
Investment

2008 Attenex
Sale to FTI
Consulting -
\$89M

Preston | Gates | Ellis LLP





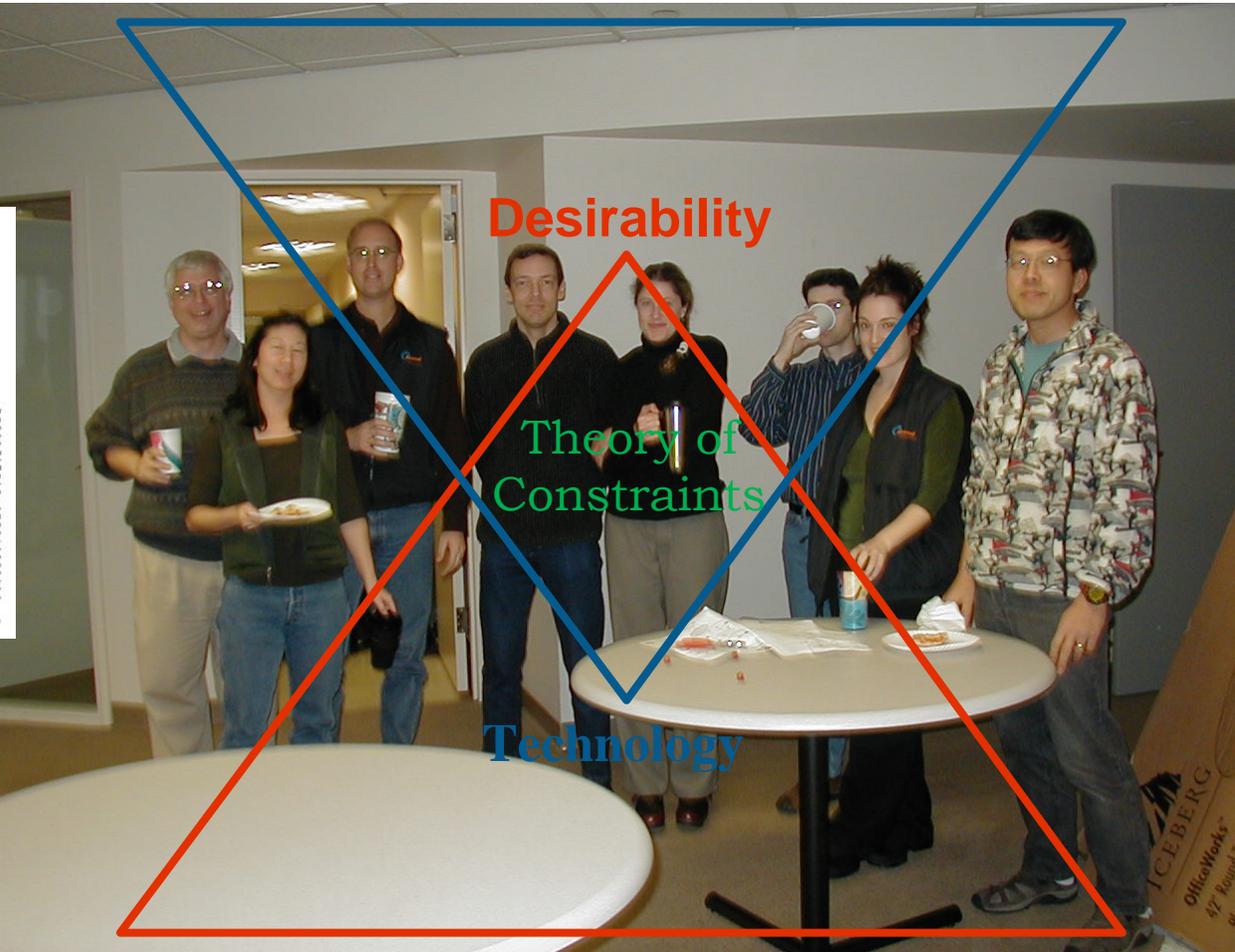
Talent

Process

Desirability

Theory of Constraints

Technology



MANAGING YOURSELF

How Leaders Create and Use Networks

by Herminia Ibarra and Mark Hurter

When Herminia Ibarra became the production manager and a board member of a newly founded creative firm, inspiring his team was the last thing on his mind. The main problem he faced was time. When would he find the time to guide his team through a major upgrade of the production process and then think about strategic issues like expanding the business? The only way he could carve out time and still get home to his family at a decent hour was to be in-and-out-of-the-office. Meanwhile, there were day-to-day issues to resolve, like a recurring conflict with his sales director over customer referrals that compromised production efficiency. "Something which Herminia defined as the equivalent task of finding time with strength, was a strategy he could use called. But when a new acquisition was presented at a board meeting with out his input, he abruptly realized he was out of the loop—and just like that, the company had made a move—as a moment when his future in the company was at stake.

Herminia's case is an example. Over the past

two years, we have been following a cohort of 30 managers making their way through what we call the leadership transition, an induction path to their career that challenges them to rethink both themselves and their roles. In the process, we've found that networks—meaning a cluster of personal contacts who will provide support, feedback, insight, resources, and information—can simultaneously ease the most substantial and one of the most dreaded developmental challenges that aspiring business leaders face.

These networks are unbreakable. Typically, managers, through the trials by fire of a career transition or the technical demands of their job and a search for professional growth, are accomplishing their "transition." When challenged to move beyond their functional expertise and address strategic issues facing the overall business, many managers do not immediately grasp that this will become a critical—and essential—task. Nor do they fully understand that exchange and interaction with a diverse set of contacts and processes

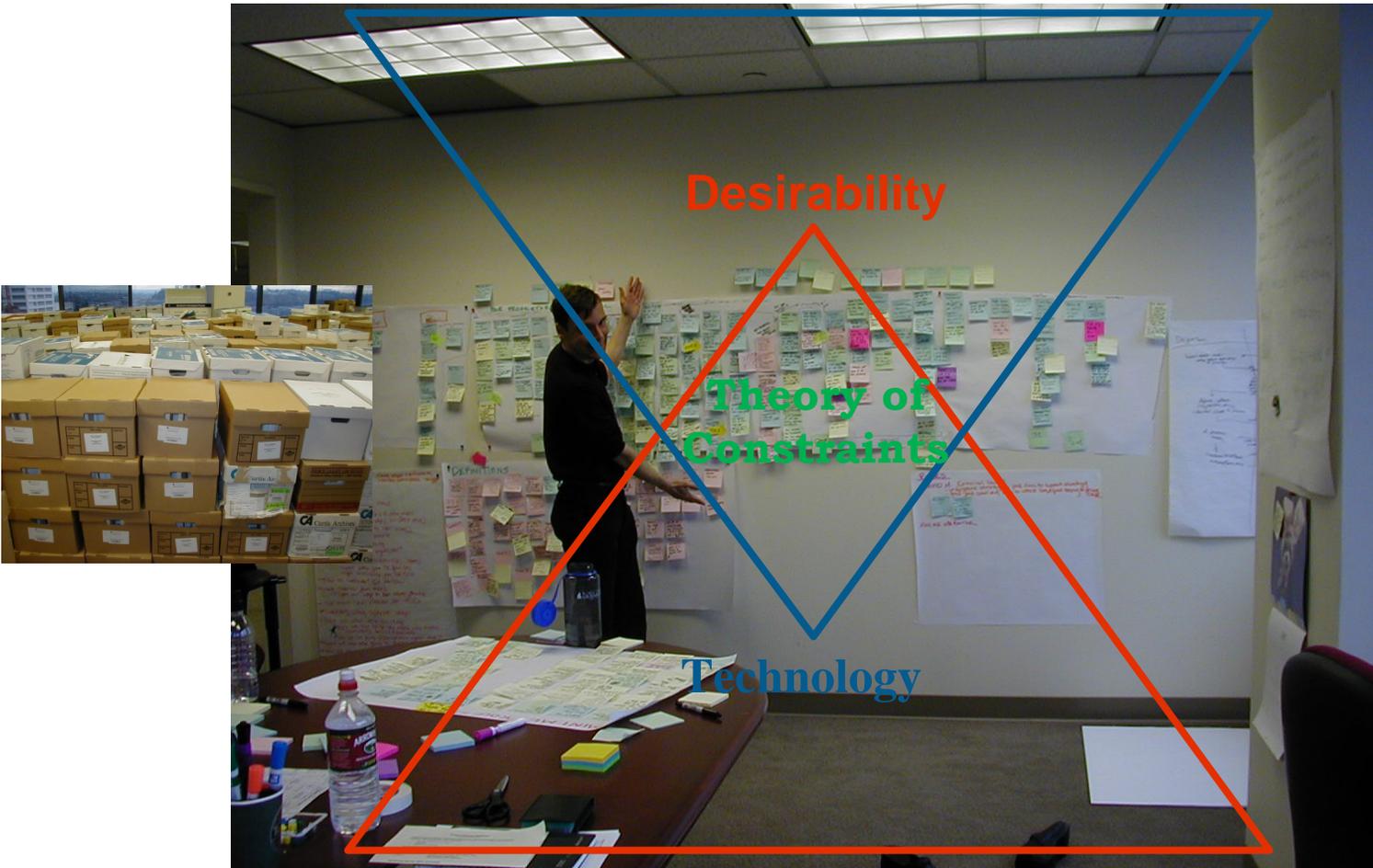


Capability

Viability

Talent

Process



Customer



Technology

Capability

Viability

Talent

(12) **United States Patent**
Gallivan

(10) Patent No.: **US 6,778,995 B1**
(45) Date of Patent: **Aug. 17, 2004**

Process

(54) **SYSTEM AND METHOD FOR EFFICIENTLY GENERATING CLUSTER GROUPINGS IN A MULTI-DIMENSIONAL CONCEPT SPACE**

(75) Inventor: **Dan Gallivan**, Bainbridge Island, WA (US)

(73) Assignee: **Attenex Corporation**, Seattle, WA (US)

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 171 days.

Pelleg et al, Accelerating Exact k-means Algorithms with Geometric Reasoning, CONF on Knowledge Discovery in Data PROC fifth ACM SIGKDD, 1999, pp 277-281.*

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Linhui, Jiang, "K-mean Algorithm: Iterative partitioning clustering algorithm," http://www.es.regina.ca/~linhui/K_mean_algorithm.html, (2001) Computer Science Department, University of Regina, Saskatchewan, Canada.

Desirability

(21) Appl. No.: **09/943,918**

(22) Filed: **Aug. 31, 2001**

(51) Int. Cl. **G06F 17/30**

(52) U.S. Cl. **707/102**

(58) Field of Search **707/102**

Primary Examiner—Wayne Amsbury
(57) Attorney, Agent, or Firm—Patrick J. S. Louye

ABSTRACT

A system and method for efficiently generating cluster groupings in a multi-dimensional concept space is described. A plurality of terms is extracted from each document in a collection of stored unstructured documents. A concept space is built over the document collection. Terms substantially generated between a plurality of documents within the document collection are identified. Each correlated term is expressed as a vector mapped along an angle θ originating from a common axis in the concept space. A cluster of terms is defined by an angle θ for each document and an angle σ for each cluster within the concept space is determined. Each such cluster is populated with those documents having such difference between the angle θ for each such document and the angle σ for each such cluster falling within a predetermined variance. A new cluster is created within the concept space those documents having such difference between the angle θ for each such document and the angle σ for each such cluster falling outside the predetermined variance.

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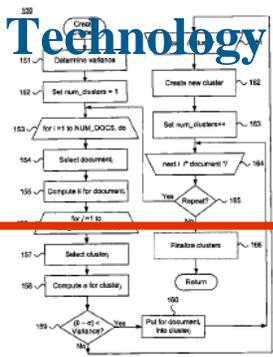
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OTHER PUBLICATIONS

Kanungo et al, The Analysis of a Simple k-means Clustering Algorithm, PROC 16th annual symposium of computational geometry, May 2000, pp 100-109.*

32 Claims, 11 Drawing Sheets



Technology

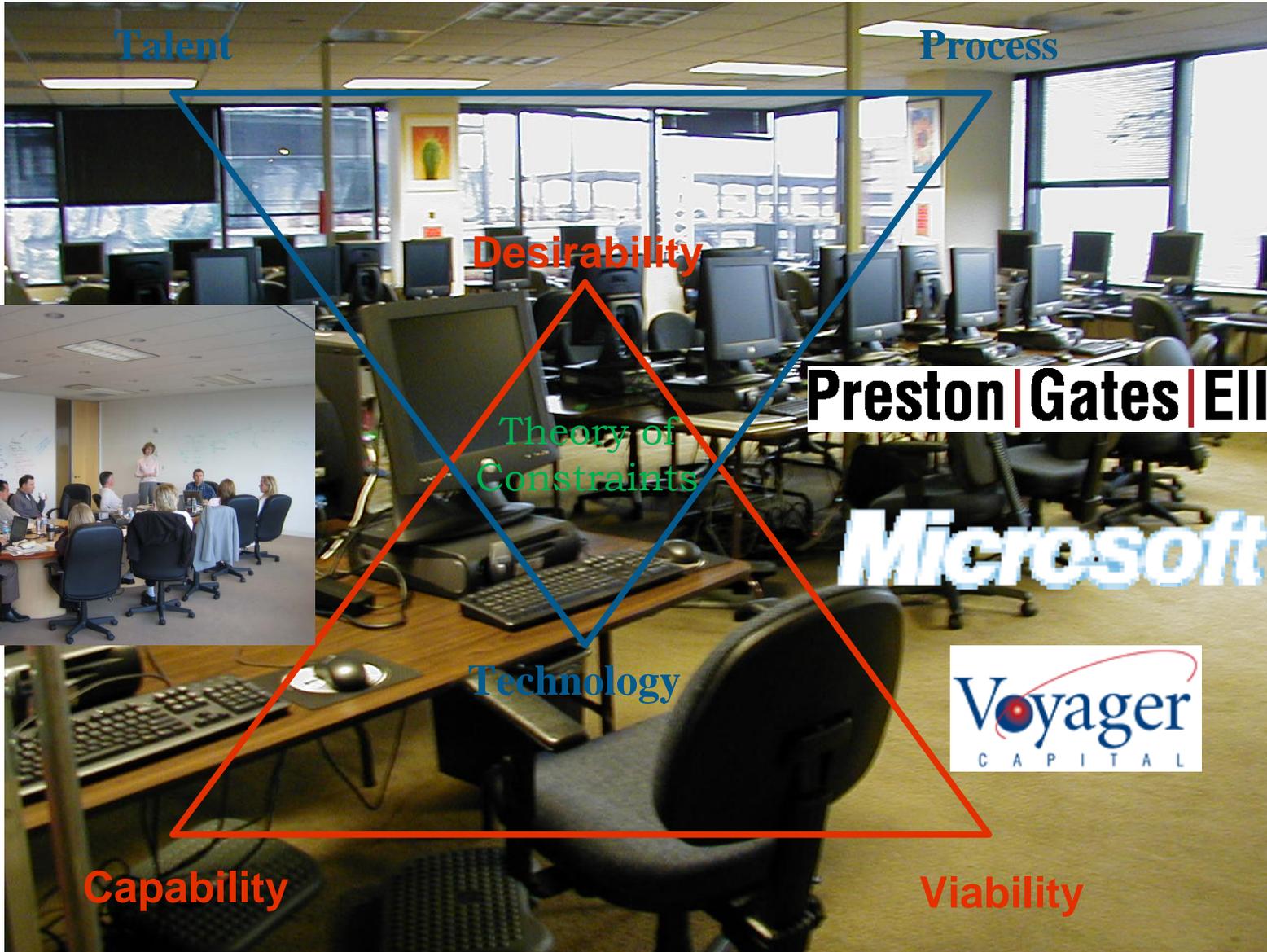
Capability

Viability



FACTOR^{10x}

Capability
Ability to pull resources together



Preston | Gates | Ellis LLP

Microsoft

Voyager
CAPITAL

Viability Ability to keep resources together

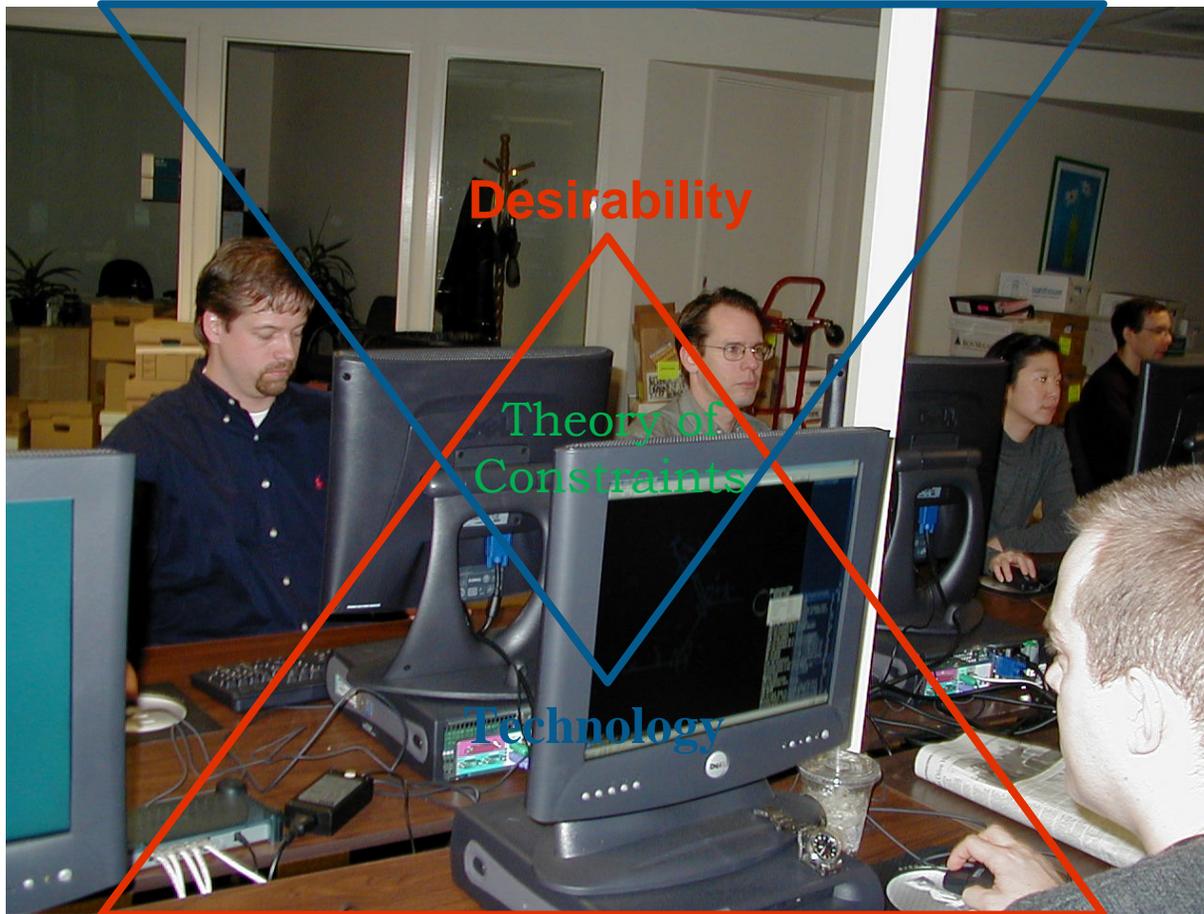
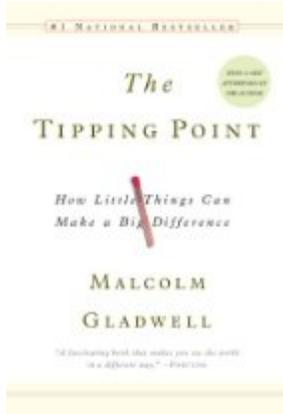
- Impact of Attenex Patterns
 - 2001: 300GB took 200 attorneys 1 year (Anti-trust Matter - Pre Attenex)
 - *Total Matter Cost to client: > \$18M (0% technology, 100% labor)*
 - 2003: 300GB took 100 attorneys three weeks (Energy Fraud Matter)
 - *Total Matter Cost to client: > \$6M (30% technology, 70% labor)*
 - 2006: 300GB took 65 attorneys 2.5 days to review (Board Investigation)
 - *Total Matter Cost to client: ~ \$2M (50% technology, 50% labor)*
- Revenue for Attenex and **Growth Partners**
 - 2001: \$0
 - 2007: > \$200 M (> 50% gross margin)



Desirability
Ability to find someone willing to buy

Talent

Process



Desirability

Theory of Constraints

Technology

Influencer

Purchaser

User

Capability

Viability

Talent

Process

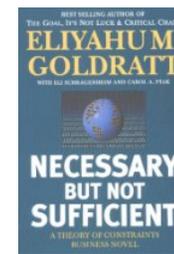
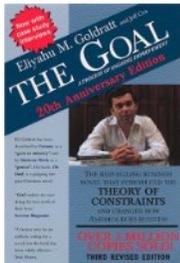
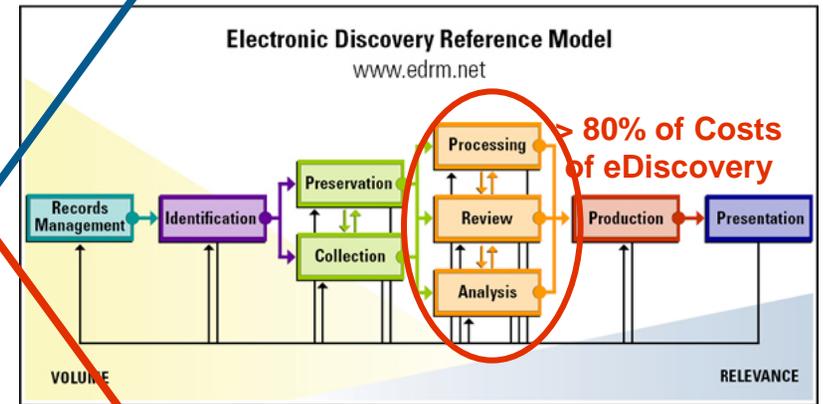
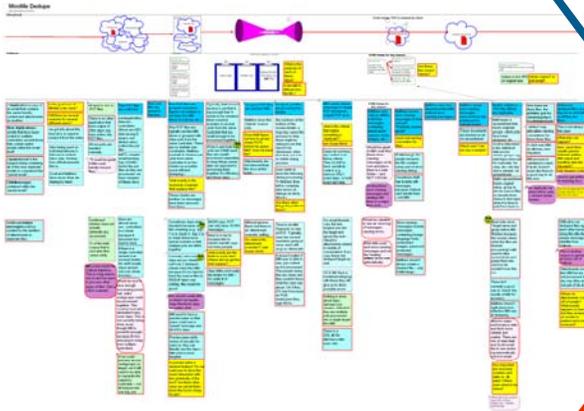
Desirability

Theory of Constraints

Technology

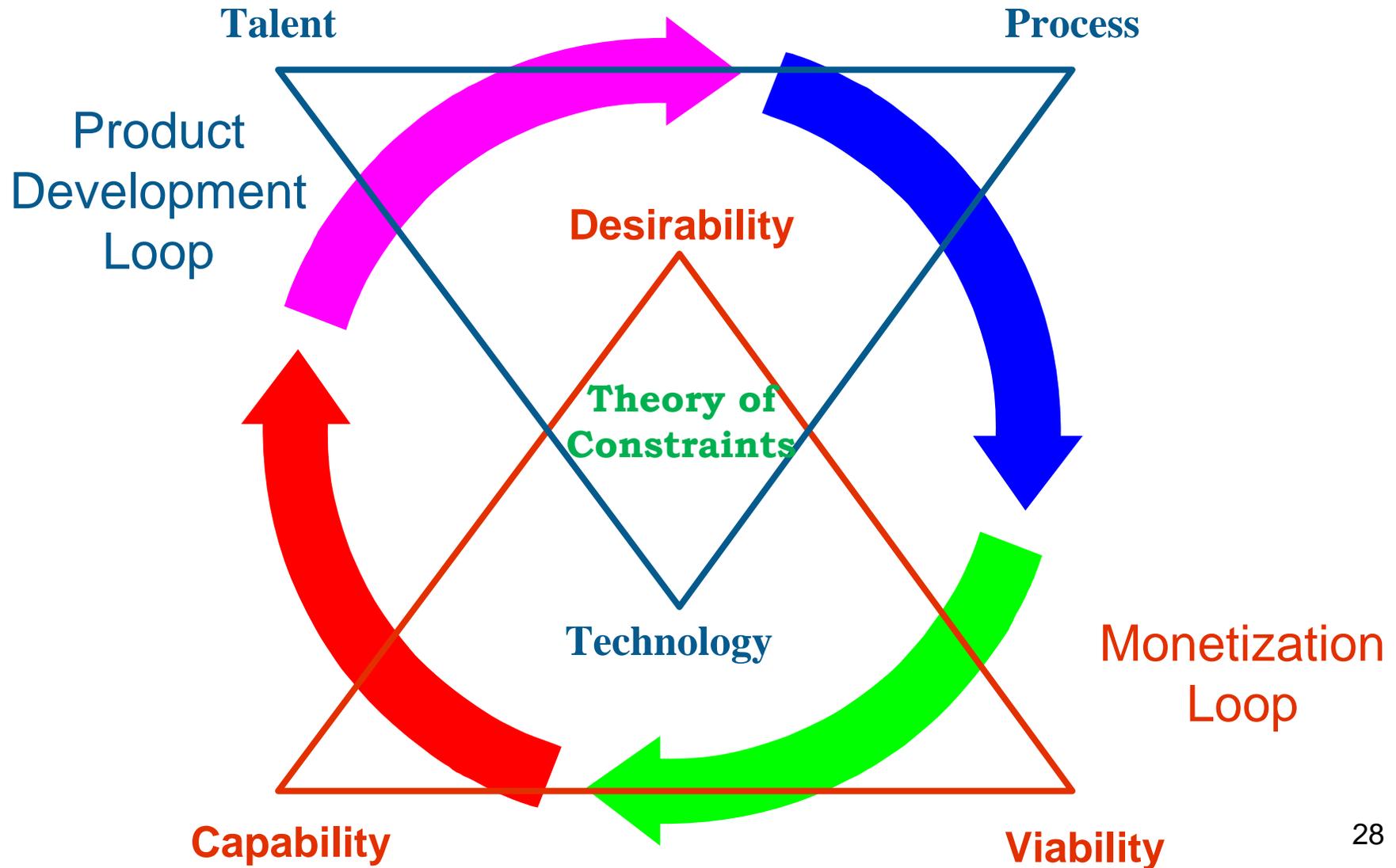
Capability

Viability



- Using Slywotzsky's imperatives, observe knowledge workers
 - Move from guessing what customers want to knowing their needs;
 - Move from getting information in lag time to getting it in real time;
 - Move from burdening talent with low-value work to gaining high talent leverage.
- Identify productivity outcome metric
 - Attenex: Increase document decisions per hour
- Develop prototype(s)
- Test for productivity outcome





God grant me the **serenity** to accept only the term sheet conditions for the seed rounds that I can live with; the **courage** to change my understanding of what the customer truly wants; and the **wisdom** to know the difference between what is right and what the VCs, the board and the bankers want.



How to succeed in a startup despite 7 lawyers
on your board and a crummy economy

Questions?

Skip.Walter@factor10x.com

206-200-6777

FACTOR^{10x}

Extreme Productivity by Design