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Cutting-edge entrepreneurs seek to balance risk, reward

On high-tech's new frontier, failure saddles up next to success

Pittsburgh Business Times by Karen Kovatch

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Living on the edge carries equal measures of risk and reward.

That's why an increasing number of local entrepreneurs are taking a shot at it -- producing spectacular successes as well as dismal failures.

Two years ago, Thomas Certo was running a pretty traditional business. As president and CEO of Gemini Holdings Inc., he owned and operated two schools Downtown: Computer Tech and the International Culinary Academy.

Today, he heads USA OnRamp, a regional Internet service provider that reaches about 8,000 individuals and businesses throughout Southwestern Pennsylvania, Eastern Ohio and Northern West Virginia.

Why did he leave the safety of the educational world for the chaos of an emerging industry that offered no guarantees it would actually develop?

"The stakes are higher," he said. "This industry allows you to grow much more rapidly than any other industry would and there's the potential for tremendous profits."

This potential must be properly exploited, though.

And Mr. Certo admits this isn't easy.

"In this business, we could make a decision that could be fatal and put us out of business because things change so quickly," he said.

Keeping up with these changes is one of the most difficult challenges cutting-edge entrepreneurs face.

And it's one they must successfully meet if they hope to survive. In most cases, there is a limited window of opportunity for such entrepreneurs to get their technologies to market.

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Ken Lang knows this firsthand.

In 1995, he quit his Ph.D. studies at Carnegie Mellon University and threw all his energies into commercializing a World Wide Web filtering technology he'd developed. The move came with the blessing of his faculty adviser, Dr. Michael Mauldin -- founder of the popular Web search engine Lycos Inc. -- and the staff at CMU's technology transfer office.

"People like Ken can always finish up their degrees at some point," said Mark Coticchia, associate director of the technology transfer office said. "But the window wasn't always going to be open for him to launch his technology."

So Mr. Lang left CMU and founded Empirical Media Corp. -- now known as WiseWire Corp. - - to commercialize WiseWire.com.

Using artificial intelligence, WiseWire.com develops custom profiles of its users, then scans the Web for information that fits their interests. The company then delivers the information to customers on a daily basis.

Being among the first to market with a technology, as WiseWire was, can provide firms with a competitive advantage.

"In some sense, an entrepreneur with a new technology almost has to be (first)," said Tom Canfield, president and CEO of The Enterprise Corp. of Pittsburgh, a nonprofit that provides entrepreneurial assistance to start-up operations throughout the region.

"Because when the big guys come after them, they'll need a share of the customers and a reputation to compete on more of an equal footing."

Getting to market early isn't always an advantage, though.

Larger companies often rely on smaller ones to test the waters of uncertain markets.

Then, if the bigger business sees a success forming, it may buy the smaller operation or develop a similar technology and drive it out of business.

"It's a game that Microsoft plays all the time," Mr. Lang said.

And one Mr. Lang hopes he won't be a part of.

While he realizes being acquired is always a possibility, he's not interested, and hopes to position his firm independently.

"It's all about gaining momentum, so it's not that much of a threat," he said.

Mr. Lang has no regrets about leaving academia.

"I wish I'd done it even sooner," he said. "This has been a greater education than almost

anything else I've done."

But it's also been a struggle.

Finding the venture capital and technical expertise necessary to support a cutting-edge company such as WiseWire is an ongoing battle -- particularly in Pittsburgh.

Despite the creation of several new venture funds designed to target the region's technology start-ups -- including the Enterprise Corp's Western Pennsylvania Adventure Capital Fund and Allegheny Teledyne Inc. chairman Richard Simmons' Birchmere Investments -- securing money for early stage projects is difficult.

Thus far, Mr. Lang is managing.

Last year, WiseWire landed the Internet Capital Group -- a venture subsidiary of Wayne, Pa.-based Safeguard Scientifics -- as a lead investor.

But the danger of the tide turning is a possibility breaking technology companies like WiseWire -- and those who invest in them -- face every day.

Having a solid technology doesn't guarantee success.

Joe Porfeli, former president of Surefind Information Inc., learned this lesson the hard way.

Surefind, a now-defunct Cecil Township-based operation, was among the first companies to market an online data backup and recovery service. But consumers never went for it.

This, says Mr. Porfeli, is one of the major pitfalls of doing business on the edge.

"If your technology is dependent upon changing habits or procedures or processes, then you have a tougher time getting it to market, because you not only have to convince people they have a need, but get them to believe you're the one to fill it," he said.

Surefind was never able to pull that off.

After moving from Robinson Township to a more spacious headquarters in Southpointe, the company's parent, EIS International Inc., closed the operation and put it up for sale.

Another case-in-point: OnTV Pittsburgh, a local Internet-based company that specializes in broadcasting the World Wide Web on local airwaves, had the technology for Web TV before it hit the national market.

OnTV and Web TV use different technologies to achieve the same end: allowing users to access the Internet through devices such as television set-top boxes, without requiring them to buy and learn to use a full computer system.

But the local company failed to get its product to market before major players, such as

Phillips International and Magnavox, began mass-producing set-top boxes using Web TV technology.

OnTV missed out on a \$425 million opportunity -- that's how much Microsoft paid to acquire licensing rights for the Web TV technology, guaranteeing the computer giant revenue from every Web TV product on the market.

OnTV only reached the stage of developing prototypes for beta testing (the phase in which technology companies spot bugs in their products) and region-specific market testing.

"You have to be agile and quick to respond to change, because if you're not, competitors can come in and wipe you out," according to Josh Knauer, president of Planetvision Inc.

Mr. Knauer demonstrated his agility last year when he launched Planetvision, a software development company that develops programs that enable people to access data and images from around the world using satellite links.

The venture is Mr. Knauer's second. In 1991, he started the Envirolink Network, a nonprofit that provides online access to environmental information.

Planetvision is his first attempt at a commercial operation.

Several factors contributed to his spawning the company, not the least of which was intuition.

"Based on what I saw to be the market forces at the time, I just felt it was the right thing to do and the right time to do it," Mr. Knauer said.

A tight focus on the product also helps.

"Businesses that are going to succeed are businesses that focus on areas where they are number one," Mr. Canfield said.

Mr. Knauer agrees and attributes the high failure rate of technology companies largely to a lack of focus.

"So many Internet companies try to be everything to everyone," he said. "You have to define exactly what your business does and focus in on a market that's going to be around for the future."

This focus can't be too narrow though, said Arthur Boni, director of technology management at the University of Pittsburgh.

"If you do, what you'll end up with is a one-time product that's not sustainable," Mr. Boni said.

Determining what will last is often difficult, given the rapid pace of change in the

technology market. What's hot one day may not be the next.

What's an entrepreneur to do?

"I go by the gut," Mr. Porfeli said. "I assess everything by whether or not I would buy it if I were in the market for a product."

Mr. Knauer agrees.

"You just have to go with your intuition and what you think is right," he said. "There's no rule book for this stuff."