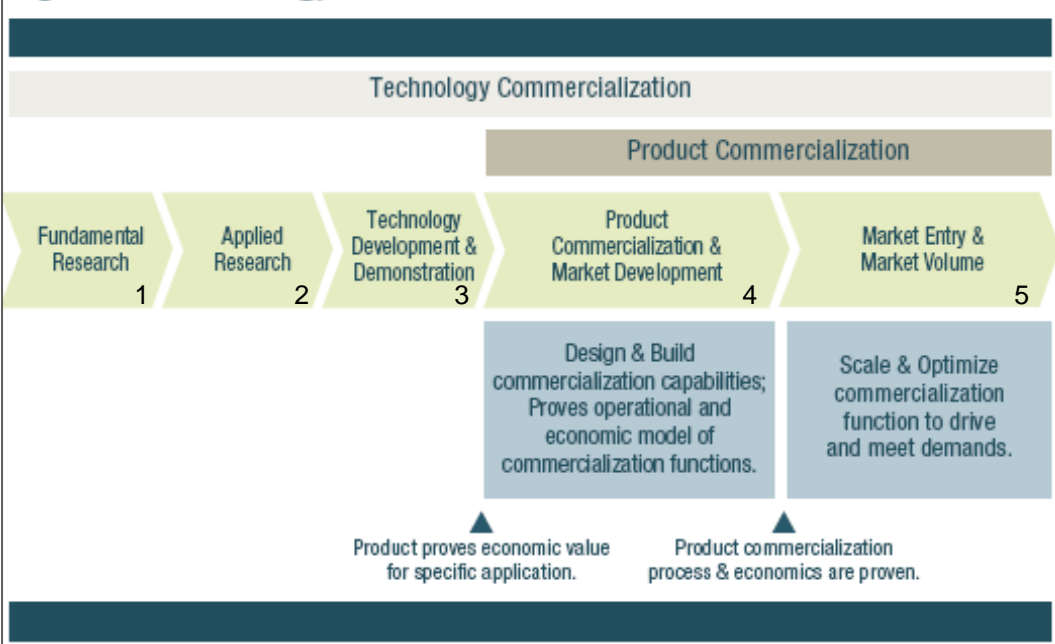


Break Out Executives: What It Takes

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Technology Commercialization Stages

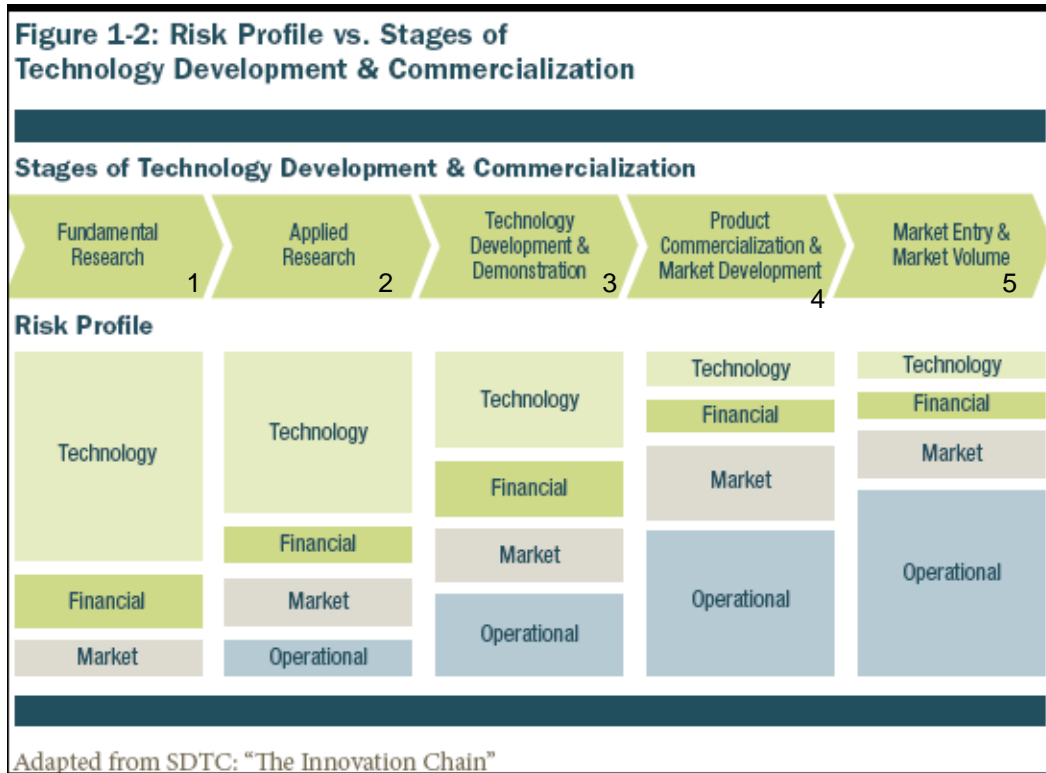
Figure 1-1: Technology & Product Commercialization Process



- Many new enterprises stall just as they are ready to succeed
 - Technology development is over
 - Some clients exist, but the enterprise does not grow, staying a “stable year over year” revenue pattern
 - Existing leadership team had skills needed for first 3 stages, but lacks ability or the motivation to handle the challenges of the 4th and 5th stages
 - Leadership challenges in these stages are fundamentally different in nature:
 - Have to do with commercialization, not technology development
 - Requires planning and responding to the relentless demands of dramatic growth on production, operations, marketing / sales, customer service activities

- Source for this figure (and the one on the next page) - The Clean Technology Report – see <http://cleantechnologyreport.ca/>
- In his presentation to the Guelph Partnership for Innovation on Wednesday, March 23, 2009, John Merti, a Russell-Mitchell partner, and co-author of the report, indicated that a significant number of Ontario’s clean tech firms are at the boundary between Stage 3 and 4, and have been there for a number of years
- He also indicated that these findings were similar to findings from a review of Ontario Information Technology industry, which Russell-Mitchell conducted in the late 1990’s.

Business Risk and Technology Commercialization



- Stages 3 and 4 require strategic thinking, combined with strong year over year tactical implementation skill
 - Changes implemented concurrently, in a coordinated fashion, on the people, process and tooling levels, is required to support dramatic growth
 - External relationships become key
 - Revenue growth between 5x and 10x, in 2 to 5 years, is needed to re-assure/ recoup the investors' stake in stages 1 to 3
 - Early stage entrepreneurs and technology visionaries often don't have the people management skills needed for stage 4 and 5
 - In fact, the talent profile needed to succeed at stage 1 to 3 is often precisely the wrong talent profile required for successfully managing stages 4 and 5

- To some degree, even this chart underestimates the size of the market risk (sales and marketing) associated with product commercialization
- Successfully dealing with all of the risks in stage 4 and 5 being capable of managing the underlying people risk – finding, integrating and directing an effective executive team is a critical success factor underlying all activities needed to succeed in stages 4 and 5

“There is a critical lack of management talent ...”

- comment in both the current Open Tech report, and in a similar review done of the Ontario IT industry on the 1990s

- This statement, although true, does not **help much to find a solution**
 -
- Need to get down to a **finer level of understanding** in order to generate useful solutions
 - What kind of talent, specifically what competencies / experience, is lacking?
 - Are there any ways in which this talent can be identified?
 - Is there any available talent?
 - If yes, can it be redirected to this challenge
 - Is there any way in which the available talent pool can be leveraged?

“There is a critical lack of management talent ...”

- continued

- Observations on the current managerial talent pool in Ontario
 - Established enterprise leaders, and executive search firm specialists who recruit for established enterprises, **don't really have deep insight into what is required to handle dramatic break out enterprise growth**
 - Even growth through acquisition does not always bring the hoped for returns because of the complex people, process and tooling required to effectively integrate the acquired enterprise
 - Venture capitalists, although excellent financial deal makers and investment masters, **do not have deep experience with managing dramatic break out enterprise growth**
 - The dramatic growth in markets through the 1990s and early into this century allowed some business to grow despite of themselves, i.e. **the enterprise grew because of the market, not because of the leadership**
 - the luck of being at the right place at the right time
 - the current economic climate will not support this

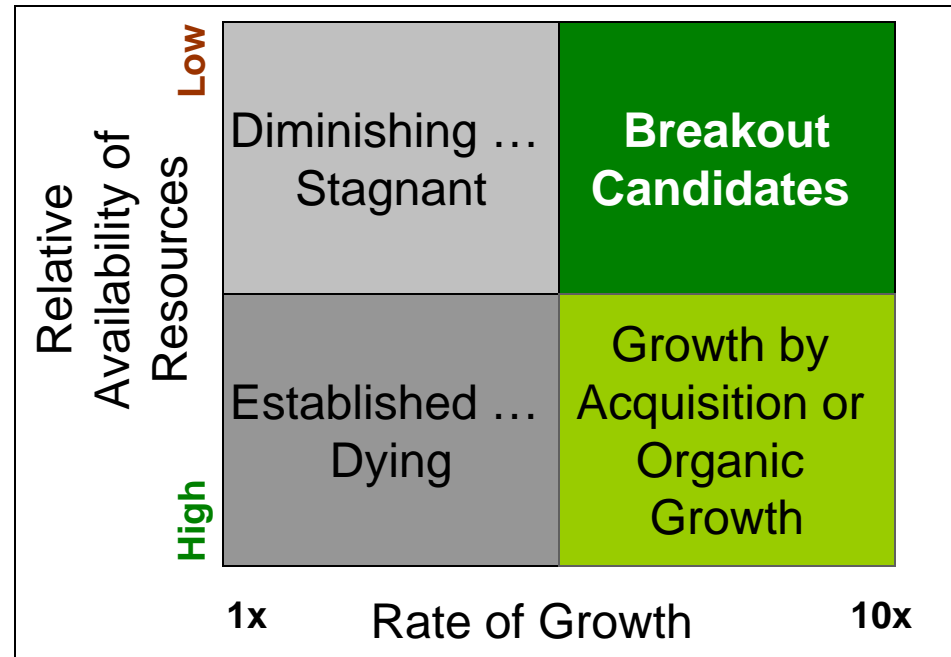
- “hopeful beliefs” held by many established enterprise leaders, VCs and executive recruiters
 - Given enough **industry experience**, or of **past entrepreneurial experience** in technology development (stages 1 to 3) and **successful negotiation of a buy out** somewhere in early in stage 4, an individual is equipped to handle stages 4 and 5

 - A career which shows progressive scope expansion in established enterprises equip an individual to **manage dramatic enterprise growth in a break out enterprise**

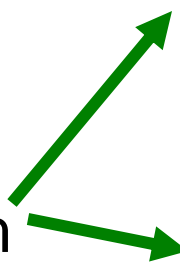
 - **Industry experience is the most essential competency** required of break out and turnaround leaders

Break Out Enterprises are Different

- Every commercial enterprise can be placed somewhere in this grid
 - Even though the model oversimplifies the real world
- Breakout enterprises are characterized by a relative lack of resources at the same time that they must achieve dramatic growth
- Managing this combination of factors needs **unique executive skills / experience**



Breakout Leaders need both



Individuals whose careers have not included time in small enterprises undergoing dramatic growth or enterprises going through severe financial crisis do not have an experiential understanding of what “lack of resources” and “doing a lot with a little” really means

Individuals whose careers has not included experience in enterprises undergoing **dramatic year over year growth** do not have an experimental understanding of how to cope with the **relentless demands** of major growth on **people, process and tooling**

Ben Horowitz's Reflections on Experience

- Much of this is supported, expanded on and developed in three of Ben Horowitz's blogs

- See
 - "Why We Prefer Founding CEOs"
 - <http://bhorowitz.com/2010/04/28/why-we-prefer-founding-ceos/>

 - "Why is it Hard to Bring Big Company Execs into Little Companies?"
 - <http://bhorowitz.com/2010/04/21/why-is-it-hard-to-bring-big-company-execs-into-little-companies/>

 - "Notes on Leadership"
 - <http://bhorowitz.com/2010/03/14/notes-on-leadership-be-like-steve-jobs-and-bill-campbell-and-andy-grove/>

(Who is Ben Horowitz? see <http://bhorowitz.com/about/>)