



Stanford eCorner

How to Build a Successful Company

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Steve Burrill, CEO of Burrill & Co., talks about basic methods of building a successful company. He describes spending time in understanding the industry and building expertise, developing a new model by doing things differently rather than trying to change the model of a big company, and creating capacity to have more time.



Transcript

And you have to remember that if you start your company today and grow your company up, you're going to grow it up once. I've done hundreds of IPOs. I've done thousands of start-ups. And so I've been through this thing that you're going to go through a lot, and that was my differentiation. When I was a young guy, I was going to church one Sunday. My father would drive me, drop me off at church, go to the office, pick me up two hours later, three hours later on his way home. I would go to church and goof around and he'd go to the office. When I was coming home one Sunday, I said to my dad, "Why do you go to the office every Sunday?" And he said, "I love what my do. And it's the most fun I have all week." And I thought about that. And so one of the things that I would encourage you to do is to follow your passion.

Everybody has a passion, and I think you've got to follow it. I actually love what I'm doing today. And so passion has a lot to do with the success I had. I had extraordinary passion. When you have a lot of passion, you're willing to get up. I go into the office between 4 and 5 every morning, sometimes at 3:30 in the morning, and I'm generally there until 7 or 8 at night. Most people would think I'm nuts. But I like what I do and there's a lot of time between 3 and 4 in the morning and 8 in the morning when the rest of the world wakes up that I can do what I'm doing. So one lesson I would say is to have a fair amount of passion for what you're doing, whatever it is. Secondly, in the accounting business or in the business I was in at Ernst & Young, technical knowledge was important.

You had to understand all of those rules and what it was and how that system worked. But what I realized was you had to understand that not in the context of that. People would stipulate I was good at that. They wanted to know what I knew about their industry. So spend time understanding the industry around whatever you're doing. That's where your expertise really is. And so it isn't necessarily reading the Wall Street Journal, although it may be important, but it may be reading the Technology Trade Press. I used to go to all these scientific seminars where all my Nobel Laureate friends were talking about. People had no reason to understand why I was there, but I was continually absorbing it. And several years ago, I was honored by the Scientific American as one of the Top 50 Scientists in the World.

Just pretty amazing for a guy who went through college to avoid ever taking any science. And so I allowed myself to get involved in really understanding the industry, but I was involved with not just my own technical knowledge. Obviously, hard work, tenacity, thinking out of the box, all attributes that were clearly important. And as Tom said in his introduction, one of the really interesting things in building what became one of the dominant firms was to change the model. And so in the service business that I was in, the model was you go and you work with General Motors or General Electric or these big companies

because they have the capacity to pay you a lot more fees. We were in the fee-based business; more fees, more profits. And so if you were going to sell to General Motors and you could get a million or \$2-million assignment, that seemed to make a lot more sense to everybody than helping AUSA or Intel or Genentech or NGen get started. But I took this big stodgy accounting firm and I convinced them, not through rhetoric but through action, that we could actually make a whole lot more money by growing our share of the Fortune 500 than trying to get the Fortune 500 to change. And during my career there, we became the Number 1 firm in the world by growing companies as opposed to doing it. And I did it with a pricey model that basically gave it away for free in Year 1.

So here are the companies that are least able to pay getting the majority of our time for free, as opposed to the biggest companies that had the most ability to pay that we were historically oriented around. And the difference was I could give them away, the services, for free in Year 1, maybe charge them 50% of standard fees in Year 2, charge them 80% of standard fees in Year 3, 120% of standard fees in Year 4, but I was giving away \$5,000 or \$10,000 of fees in Year 1, I was collecting half of \$50,000 of fees in Year 2, I was collecting 90% of a million dollars of fees in Year 3, and I got market share where absolutely everybody came to me. So I did things very differently and I used the very different pricey model to build a very, very successful practice. The other thing that happened in that that was interesting is when you're sitting at the dining room table helping the guys write the business plan for Genentech, and when Bobby Swanson was pulling Genentech together, he came to me for lunch one day and he said, "Steve, what do you think about his guy, Herb Boyer?" Herb was ultimately the scientist that made Genentech happen, and I helped him write the business plan. The interesting thing about that is now, some 35 years later, they still have enormous loyalty to Ernst & Young because we, Ernst & Young at the time, was at the beginning. So you become price-insensitive. The clients became price-insensitive later when everybody else said, "Well, we can help you," and they said, "Well, thank you. We're working with those guys." And then finally I would tell you a very interesting thing I learned about that was, at the time, if you looked at the big service firms around the world, they all looked the same. They did some cities, they did some hospitals, they did some profits, they did some non-profits, they did some high-tech. They all looked the same.

And I said we had to fire some clients. I said, "If we want to have capacity to work on the high-tech, high-growth stuff, and somebody calls, we need to say, 'Yes, we have room.' We can't say, 'We're too busy, we'll do it next summer.'" And so we literally fired paying clients in other areas so we had the capacity to concentrate on what we wanted to do. And therefore we built a very, very successful practice. And so, generally, I would tell you that people always say you need to focus, and what they think about when they say 'focus' is they use their incremental time to focus on what they need to do. You don't have any incremental time. So you have to create some capacity to have time to do what you do. And in the end, I built a \$2.5 billion-dollar business for them. We had 80% of the high-tech business in the world and 87% of the life sciences business. Pretty successful thing.