Stanford eCorner

Burrill's Laws on Entrepreneurship

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According to Burrill, some of the important laws in entrepreneurship are: 1) The importance of balance in teams; 2) Understanding the market place and how technology helps in creating market share; 3) Raising barriers to entry; and 4) Financing and importance of tactics more than strategy.

Transcript

So what are some lessons you're going to learn on entrepreneurship? I happened to grow up in Wisconsin, I think I mentioned that. Green Bay Packers were the dominant football team at the time. Vince Lombardi was the coach. No stars; just a bunch of guys who played football well together. You look at the Silicon Valley start-ups that succeed and you'll find that on almost every case, they were a group of people who worked together as a team before they started the company spun out of whatever. They were more married to their teamness and their technology than they were to their employer. And so when you look across Silicon Valley start-ups and you're trying to understand entrepreneurship, you'll always find that those with a balanced team do well. I'm sure other people have come in here and told you that the things that we invest in are like a stool. You've got to have four legs: one is kind of science, one is manufacturing, one may be sales and marketing, one may be admin and finance. The legs of that stool are all the same length to get a decent foundation to build a company, but if one of them is real long and three of them are real short, you've got a pretty wobbly stool.

And so the things that I've learned in building companies are they invest in teams, not Nobel Laureates. Teams make a big difference. Second thing is, you've got to understand the marketplace. Only thing that matters is dominating the segment of the marketplace. And so, ultimately, you will never succeed no matter what you do if you don't dominate some marketplace. Most of my friends are pretty ignorant about the marketplace. So we love our technology, we love our company, we love what we're doing, we're going to build our fortune around that technology. Forget that. Ask yourself, what's the marketplace and how does technology help me get there and understand that confluence? Because marketplace will ultimately be critical to you. Thirdly, everybody who walks into my office has a patent.

Everybody has a technology. That's not the question. The question is, what are the barriers to entry? How do you prevent others from being in your business? What are the things that you can do to raise barriers of entry? So it is with getting patents, because that's a given. You've got to have something that's protectable. That has nothing to do with success. It's raising barriers to entry, and that's lots of ways to do that. As I indicated, in the life sciences business I live in, you've got to understand the capital markets because you've got to be capital market-dependent for a decade. And, interestingly enough, the way you get your money will dictate your strategy. If you went over to the business school, they would tell you, "Figure our your strategy. Go for the entry of business." In our world, the financing would dictate the strategy.

Let me give you a simple example. If you come to me and use my money and you say, "Steve, I want to lose money for a decade. I want to do this, but here's what I'm going to build," and I'd buy that, you have permission to do that. That, then, governs the strategy of what you do. If an alternative is we go public Day 1, we know that that company has to have quarter-to-quarter profitability, sales growth, all of the things, so the determinant of the strategy is the way you did the financing. So what you're going to do in building a company is to understand the agenda behind the capital, because everybody's agenda--you can say everybody in Silicon Valley on Sand Hill Road operates the same way. It's wrong. All of us have different appetites, different interests. But the way you choose your financing strategy will ultimately dictate your business strategy. And all that business school teaching that you may have or may have heard of is actually wrong in this industry.

And then lastly, I'll tell you a quick story. I helped a guy named Adam Osborne create Osborne Computer years ago. You guys were not even in the womb when Osborne Computer came, but in the growth of the Silicon Valley we had this company called Osborne Computer. They built a computer that was kind of like if you had gyp-built a computer kind of heavy metal, three-inch screen. It was the forerunner of the laptop of today. Adam Osborne took that company from zero to $100 million in sales to zero in three years. I helped him do that. Now, where Adam failed was interesting. He clearly had the market. Everybody wanted a laptop.

You have trouble today realizing we lived in a world without laptop computers, but we all did. So Adam built what was ultimately the dominant company in laptop computing. But what did he do wrong? So he had the Osborne 1, sold $100 million, took off. It was the hottest thing going. So what did he do? He announced the Osborne 2. A little bigger screen, a little more functionality. And what happened at that moment? Not one person bought another Osborne 1. They said, "I'm going to wait for the Osborne 2. That's a better machine." The supply lines clogged up. The company folded.

They never got the Osborne 2 to market. The company was history. Strategy was right. Tactics was wrong. So people fail in our business because they fail tactically. They get the wrong money or they don't get money at the right time. Tactics of success are far more important than strategy. So those are a couple lessons that may be helpful to you as you think about entrepreneurial success.