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Breakthrough 'Platform' Technologies Often Lead to Disaster

1/20/2004

The mission of *Critical Mess* is to offer stimulating, business-building ideas to aspiring technology entrepreneurs from experienced, successful entrepreneurs who understand that it's ultimately about your ability to build a world-class business and not your world-class technology. *Critical Mess* suggests that entrepreneurship is not a clean, by-the-numbers activity but an effort to be mostly right most of the time.

CHICAGO – Technology entrepreneurs can be like sea captains. Sometimes, like Russell Crowe, they sail second-rate technology and still succeed magnificently. But often, like the captain of the Titanic, they steer world-class technology into disaster and lose everything.

“Platform” technologies seem to cause “more than their fair share of tech disasters.

Platform technologies are fundamental technological breakthroughs that support and enable multiple, diverse new applications. Rather than powering a single new business, platform technologies hold out the promise of generating multiple business opportunities often with billions of potential revenue dollars. Though they are rare, every tech entrepreneur wants one.

Ed Bachner Sr. has one. He is the CEO of Rosetta Wireless, an early stage company based in Oak Brook, Ill. that is developing a wireless personal server.

The server is a platform technology that he says will support multiple mobile, out-of-office and out-of-home applications that employ diverse mobile devices using any wireless protocol. The technology is so promising that Rosetta recently received a multimillion-dollar technology development grant from the National Institute of Standards and Technology.

While Rosetta's 10-person team is up to its gunwales in development right now, Bachner is also carefully refining his business model to ensure Rosetta doesn't become a tech Titanic. He could

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choose the simpler, lower-risk route of outlicensing all his technology for all those applications. Instead, in addition to outlicensing, he intends to build a significant direct business.

Bachner understands the inherent risks of this more common platform technology strategy.

Because platform technologies can be routes to multiple destination opportunities, entrepreneurs have trouble choosing one destination and then staying on course. The temptation to explore some of those other routes to other destinations seems almost irresistible. For an early stage company, this is inviting a date with an iceberg.

Experience suggests that an entrepreneur with platform technology should steer by three navigation aids for at least the first several years of his voyage.

1. Focus on one key application. If you don't, your ship will sink.

As an entrepreneur, your primary challenge is to build a successful business (not just to develop a technology). If the different applications of your technology serve different customers, you will not have the resources to pursue multiple applications simultaneously or even sequentially any time soon.

You need to choose the one application with which you can best succeed. To choose, you don't need to understand everything about the possible applications. In fact, you can't. You do need to know enough to build a compelling business model for one and have a good backup. Sorting this all out is your first priority and one of the reasons you've assembled a crack team and recruited savvy investors.

To savvy investors, the term "platform technology" is as much a red warning flare as it is a beacon of opportunity (and maybe more so). They will insist that the management team knows its priorities and keeps its focus or they will get a new team.

2. Pursue additional applications only with strong strategic partners and then only selectively. If you don't, your ship will at least founder and may sink.

Strategic partners provide resources of time, money and expertise. They should drive application development as well as such essential functions as marketing, selling, distributing and implementing the new customer segments. If your partner isn't providing all of this and more, that means you are.

That in turn means you're taking scarce resources from your key application, which is the lifeblood of your business.

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That doesn't count the resources you'll need to solicit the partner, define and negotiate the relationship, transfer the know-how the partner needs to do his job, provide continuing technical and business updates, monitor the results of the relationship and make the inevitable modifications to the relationship.

Your goal should be to have only a few, very powerful strategic relationships that bear significant fruit within your planning horizon. Otherwise, hold off on partnering.

3. Merchandise all your application opportunities in all of your fund raising. If you don't, your ship may not founder or sink but it won't be going at optimum speed.

Those same savvy investors who expect you to focus on your key application will be delighted to know you've got multiple opportunities down the road. They know at some point the organization may have the capacity to actually capitalize on additional opportunities either directly or via additional strategic partners.

They also know additional opportunities are good for the valuation of their "exit" from their investment in your business. Even though you shouldn't be pursuing all your platform opportunities as part of your base business, you should know what those opportunities are and sell the hell out of their upside potential.

Of course, even if you do everything right and come to dominate your particular domain, you're never safe in technology waters. From the Spanish Armada to Germany's battleship Bismarck to diesel submarines, dominant technologies are in someone's gun sights and are never unsinkable.

Darrell Dvorak is a partner with [Tatum Partners](#). Formerly, he worked in senior roles at Skokie, Ill.-based Searle (now owned by [Pfizer](#)) and Ameritech (now [SBC](#)). Dvorak can be reached at ddvorak@tatumcfo.com.

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