AcrossWorld Communications
Andersen Consulting
British Petroleum
Citibank N.A.
CMP Media, Inc.
Daiwa Institute of Research
Ernst & Young LLP
Fujitsu
FX Research Laboratory
Goodyear Tire and Rubber
Merrill Lynch
Microsoft Corporation
Banc of America Securities
Moore Corporation, Ltd.
NTT
PeopleSoft
Philips
Sumitomo Corporation
Symantec
Telecom Italia
Toshiba America, Inc.

- IT in use: technology adoption (G. Saloner)
- Information age organizations (H. Mendelson)
- Rapid product innovation (K. Eisenhardt)
- Intranets: theory vs. practice (F. Bar)
- Impact of the Internet on marketing (W. Hanson)
- Software (Miller, Barr and Tessler)
  - Issues in the US software industry
  - Pilot study of software project management
  - Software capacity: supply & demand for talent
  - Global trends in software entrepreneurism
  - Implications of early-stage “R&D” acquisitions
SCIP’s Software Study
1993-1999

◆ Analysis of the Japanese software industry
◆ Improving US government data collection
◆ Software project management study
◆ Globalization of the software industry
  ◆ The search for talent to meet rising global demand
◆ Skills & education of software professionals
◆ Comparison of national software industries and software entrepreneurism
  ◆ US, Japan, India, Israel, Ireland, Taiwan and Korea
◆ Implications of early-stage, “R&D” acquisitions
Why Startups Are Important in the Software Industry

- Innovation, risk (diversified approach)
- Speed, responding to rapid change
- Flexibility: technology, platforms, partners
- Cooperation with competitors
- Co-invention with customers
- Giving innovators a bigger piece of the pie
Software Teams Produce
Wealth in Many Ways

Total Software Capacity

- Software products and “titles” publishing
- Software services to business & government
- Operations and strategy in traditional firms
- New, software-enabled businesses
- Software embedded in products of all sorts
- Software technology licensing
- Services to off-shore software publishers
<table>
<thead>
<tr>
<th>Country</th>
<th>Current Focus</th>
<th>Strategy</th>
<th>Size ($B)</th>
<th>Exports ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>Export SW services</td>
<td>Utilize existing human resources</td>
<td>3.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Ireland</td>
<td>Services to publishers</td>
<td>Knowledge transfer</td>
<td>6.6</td>
<td>5.9</td>
</tr>
<tr>
<td>Israel</td>
<td>Export technology</td>
<td>Military high-tech spin-offs</td>
<td>1.5</td>
<td>.7</td>
</tr>
<tr>
<td>Japan</td>
<td>Game titles</td>
<td>“New Hard”</td>
<td>2.9</td>
<td>1.3</td>
</tr>
</tbody>
</table>
Domestic Demand is Important for Software Startups

- Software services is an important segment in Korea and a natural market to develop
- Prestigious customers give credibility to startups and legitimacy to entrepreneurs
- Local customers give better feedback
  - Features, marketing, competitors
  - Enterprise publishers need state-of-the-art beta sites that can co-invent new features
  - May filter firms, before larger investments
- Acquisition as an additional exit strategy
- A training ground for new entrepreneurs
New Business Creation

◆ All entrepreneurs should be encouraged
  ▶ Not just high-tech startups
  ▶ Society’s attitudes about entrepreneurship factor into every entrepreneur’s decision

◆ Weighing risks and rewards
  ▶ Ownership and venture financing
  ▶ Failure and bankruptcy law
Financing Startups

- Research
  - Founders and Friends
  - Angel Investors
  - VC - First Round

- Development
  - VC - Second and Later Rounds
  - Sales Revenue
  - Strategic Partners & Joint Ventures
  - Acquisition

- Growth
  - IPO
Source of Funds for Venture Capital Firms
High-Tech Focus of Venture Capital Firms

(Total investments in $B US)
The High-Tech Habitat

Entrepreneurs
Innovative Ideas
Seed Capital

Law Firms
Marketing Consultants
PR Firms
Advertising Firms
Real Estate Agents
Business, Professional & Civic Organizations
Business Consultants
Equipment/Supplies Vendor

Financial Institutions
Accounting Firms
Temporary and Contract Workers
HR Search Firms
Mobile Workforce
Government Agencies and Policies
Technical Consultants
Educational and Research Institutions