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Deeply rooted

Local company family trees trace histories, reveal innovative ecosystem

By Alicia Wallace, Camera Business Writer
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Three and a half decades ago, Juan Rodriguez was one of four men who wanted to try their hand at the data-storage business.

But to do so required leaving a technological giant, no small leap of faith at the time.

"I was leaving IBM, it was a big deal," he said. "It wasn't the environment today where a lot of startup failures are probably part of one's life experience."

The result — Storage Technology Corp. — not only became one of the Boulder area's largest employers, but also it became something of an "oak tree," said Doug Collier, an area resident of 35 years and president of the Boulder Innovation Center.

The oak tree dropped a couple of acorns that sprouted out other trees. That turned into a forest that attracted smaller critters and eventually larger animals, he said.

The creation of StorageTek helped launch an ecosystem that now consists of companies, venture capitalists, law firms and financial institutions, he said. Much like StorageTek did for the local data-storage industry, the University of Colorado spurred a similar reaction within the local biotechnology industry.

And if Boulder — an area already rich in research facilities — can land the National Center for Atmospheric Research's supercomputer: "It could literally be another oak tree," Collier said.

The relationships in the biotech and data storage recently were dissected by venture capital firm Boulder Ventures, which put together two family trees tracing the roots of those industries' players.

The genealogies of StorageTek and CU show a spirit of innovation that has endured and absorbed the area economic and corporate fluctuations, said Jim Linfield, a partner with tech law firm Cooley Godward's Broomfield office.

"It's sort of the beauty of an entrepreneurial economy like we have around here," he said. "At any given moment in time, you have new companies starting out and growing at the same time that other companies might hit a bump in the road."

And a current example of that environment is unfolding at this very moment:

Some recent bumps — including the merger-related layoffs in Longmont at Seagate Technology and Maxtor Corp., and job cuts at Sun Microsystems Inc.'s Louisville and Broomfield campuses — could serve as one driver for new innovation and creation, said Kevin Magenis, co-founder of Cornice Inc., a Longmont-based maker of hard drives for consumer electronics.

"There's always a need for a catalyst, and people may have aspirations, like I did to start my own company," he said. "Usually, if everything is going great and they like what they're doing, it's harder to make a decision to leave."

Through creating the trees, Boulder Ventures' intent was to demonstrate the size and scale of the industries, the importance of the trees' roots and how connected the community is, said Kyle Lefkoff, general partner at the Boulder-based venture-capital firm.

"We're past the point of which any one company's success or failure drives an industry," Lefkoff said.

He said he also hopes they will spark some creative thought and have it become a "living document."

"It's the nature of the tree; it's always going to be changing," he said.

A critical mass

The people who came to work for StorageTek were more of the entrepreneurial types, said Jesse Aweida, another co-founder in the company, which Sun Microsystems bought last year for \$4.1 billion.

Because of their creative nature, some of those employees got a similar desire to pursue their own ventures, Aweida said.

So he encouraged them.

"I did that (myself with co-founding StorageTek), so I felt it was a great thing to do," he said.

One of the earliest companies to come out of StorageTek was Broomfield-based McData Corp. — started by Jack McDonnell and five other employees.

The innovative itch stuck with Aweida and Rodriguez over the years as well, as both launched other area companies, with Aweida laying claim to such companies as Aspen Peripherals and Benchmark Tape Systems, and Rodriguez founding Exabyte Corp. and Ecrix Corp.

On the biotech side, similar moves were made by University of Colorado researchers Marvin Caruthers, Tom Cech and Larry Gold — work that helped spawn companies like Amgen Inc., Ribozyme Pharmaceuticals and SomaLogic.

"I think (CU) is underappreciated," Lefkoff said. "It's created an industry."

The "stickiness" of Boulder's business community helped these branches flourish, said David Allen, the associate vice president for technology transfer at the University of Colorado, a program that lately is generating about nine startups a year.

"When you have a sticky community, people stay there, the talent matures over time to the point where you don't necessarily need to bring all of your management talent in from the outside," he said.

The same can be said for funding. In StorageTek's beginnings, Aweida and others traveled to New York City for sit-downs with venture firms.

"Nowadays, you pick up the phone and we have lunch together," said Aweida, who has run Aweida Venture Partners, a funding firm in Superior, for the past 18 years. "It's all local."

Having such a critical mass is vital in retaining employees and inevitably continuing economic growth, he said.

"What you don't want to see is having that talent go somewhere else out of this area because they can't find a job," he said.

Out of the ashes

Burgeoning companies in the area have been able to grow as the result of some shake-ups, wrote Brad Feld, managing director of Superior-based Mobius Venture Capital Inc., in an e-mail.

"Most of the companies I'm involved in specifically target hiring when other companies have layoffs, especially the larger ones in the area," he wrote. "The challenge becomes not 'finding people,' but 'finding the great people.'"

However, when hundreds, sometimes thousands of people lose their jobs in an area, not everyone can pick up the pieces, said Cooley Godward's Linfield.

"It's hard for the startup companies to absorb large numbers who are laid off in a short period of time," Linfield said. "At least we do have a lot of smaller companies looking for talent."

Some targeting could be seen a decade ago when about 1,000 StorageTek employees faced layoffs. Rival EMC Corp. — which at the time had agreed to buy McData — placed a full-page ad in an area newspaper to court a handful of the workers who faced job losses at StorageTek.

In June of this year, the 6-year-old Cornice hosted a job fair to fill 50 positions — half of which were needed immediately. The company earlier had announced a joint agreement made with Fujitsu Limited to develop 1.8-inch hard drives that will serve the audio/video portable storage market.

While the data storage-rich environment is a hotbed for finding good engineers, Cornice hoped to attract people who faced layoffs after Seagate Technology acquired Maxtor a month before, said Cornice's Magenis.

"We needed to staff up," Magenis said. "and Seagate couldn't have bought Maxtor at a better time."

It is oftentimes during downcycles or corporate turbulence that some of the best companies are conceived, Linfield said.

When funds are tight, it forces business plans to be much tighter and even more resilient, he said.

The entrepreneurs who will launch these startups "often are people who have been through a downcycle and know what it takes to survive," Linfield said.

If history continues to play out, new companies and innovations might not be too far off, said Peter Roshko, a general partner at Boulder Ventures.

"I would expect some things to come out of StorageTek," Roshko said, referring to some of the recent job cuts at Sun Microsystems since its acquisition of StorageTek.

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