Software Entrepreneurism and Economic Development

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Stanford Computer Industry Project Corporate Partners

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.

Stanford Computer Industry Project: Research Initiatives, 1990-1999

◆ 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
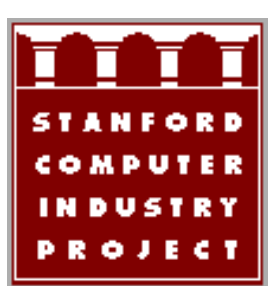
Why Startups Are Important in the Software Industry

◆ 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
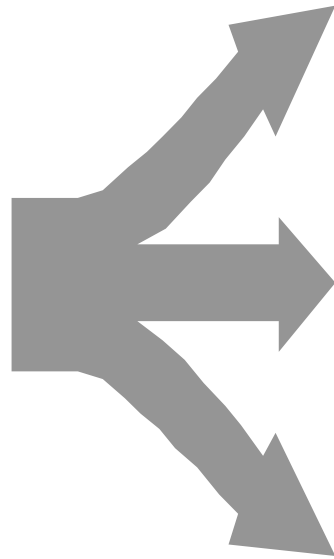
Software products and "titles" publishing

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

National Software Strategies, In Retrospect

Country	Current Focus	Strategy	Size ($B)	Exports ($B)
India	Export SW services	Utilize existing human resources	3.9	2.7
Ireland	Services to publishers	Knowledge transfer	6.6	5.9
Israel	Export technology	Military high-tech spin-offs	1.5	.7
Japan	Game titles	"New Hard"	2.9	1.3

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
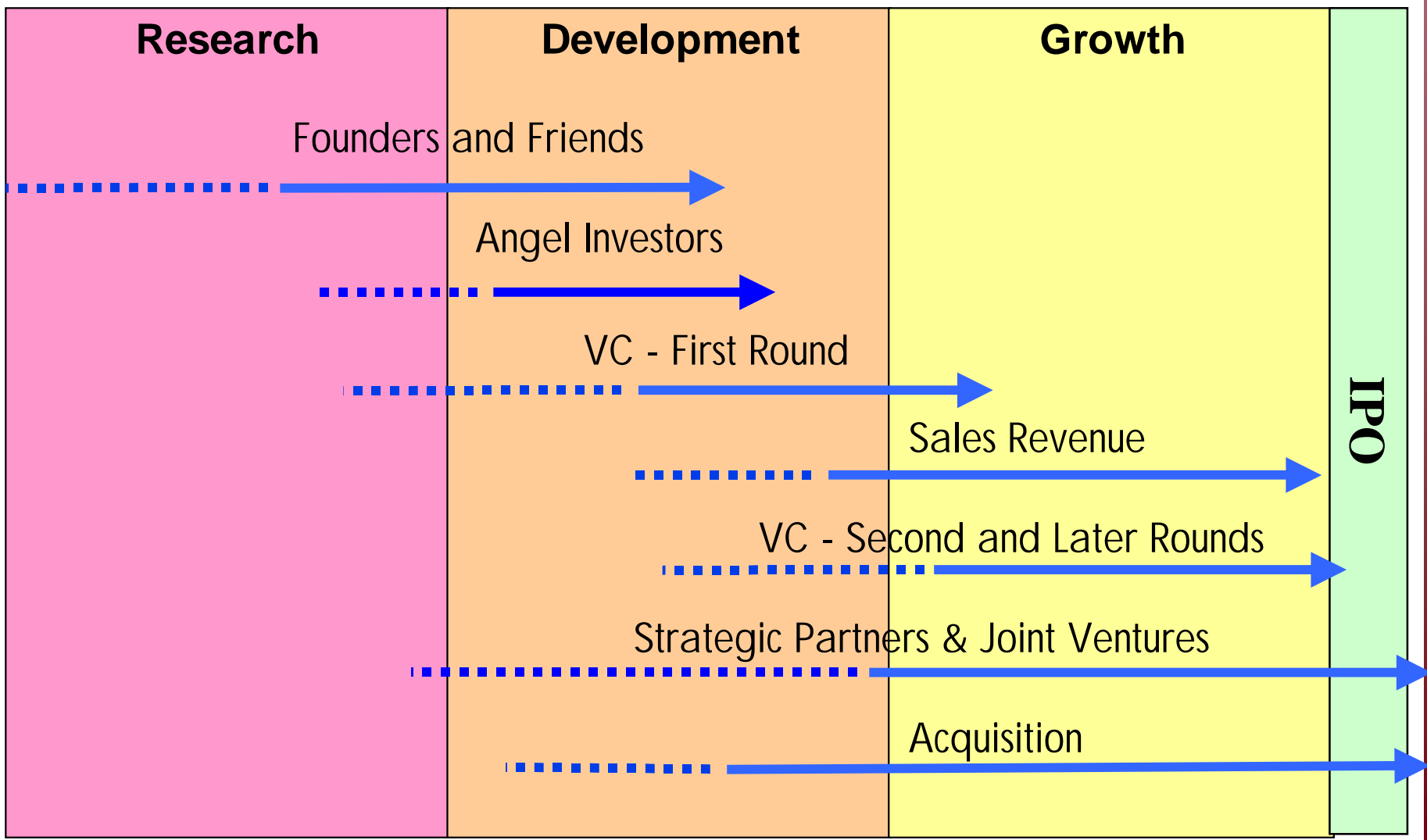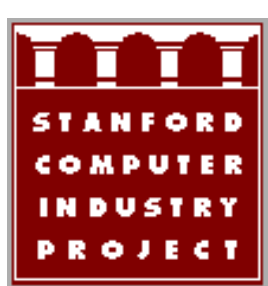
◆ A training ground for new entrepreneurs

New Business Creation

◆ All entrepreneurs should be encouraged
   ❖ Not just high-tech startups
   ❖ Society's attitudes about entrepreneurism factor into every entrepreneur's decision

◆ Weighing risks and rewards
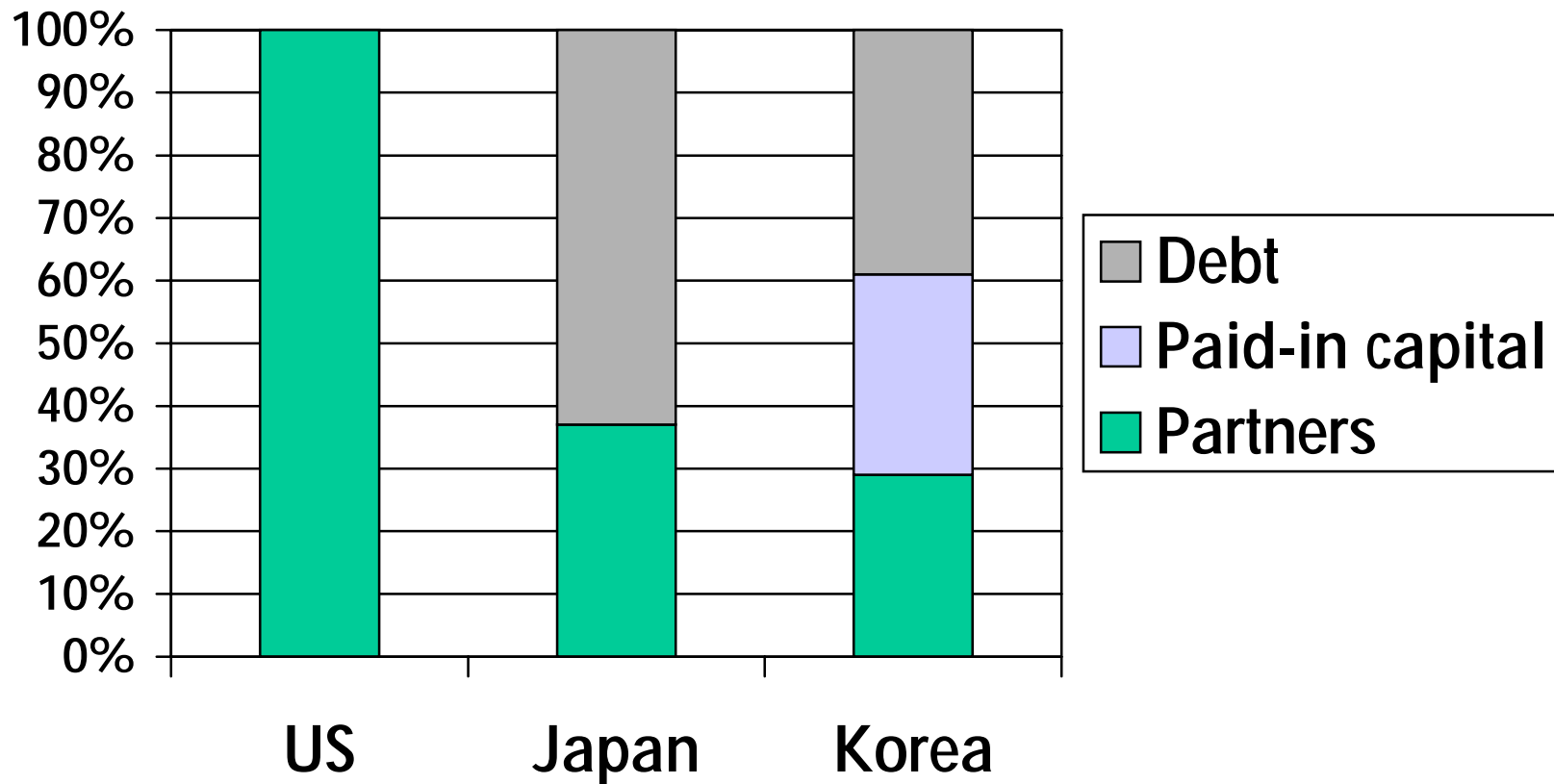   ❖ Ownership and venture financing
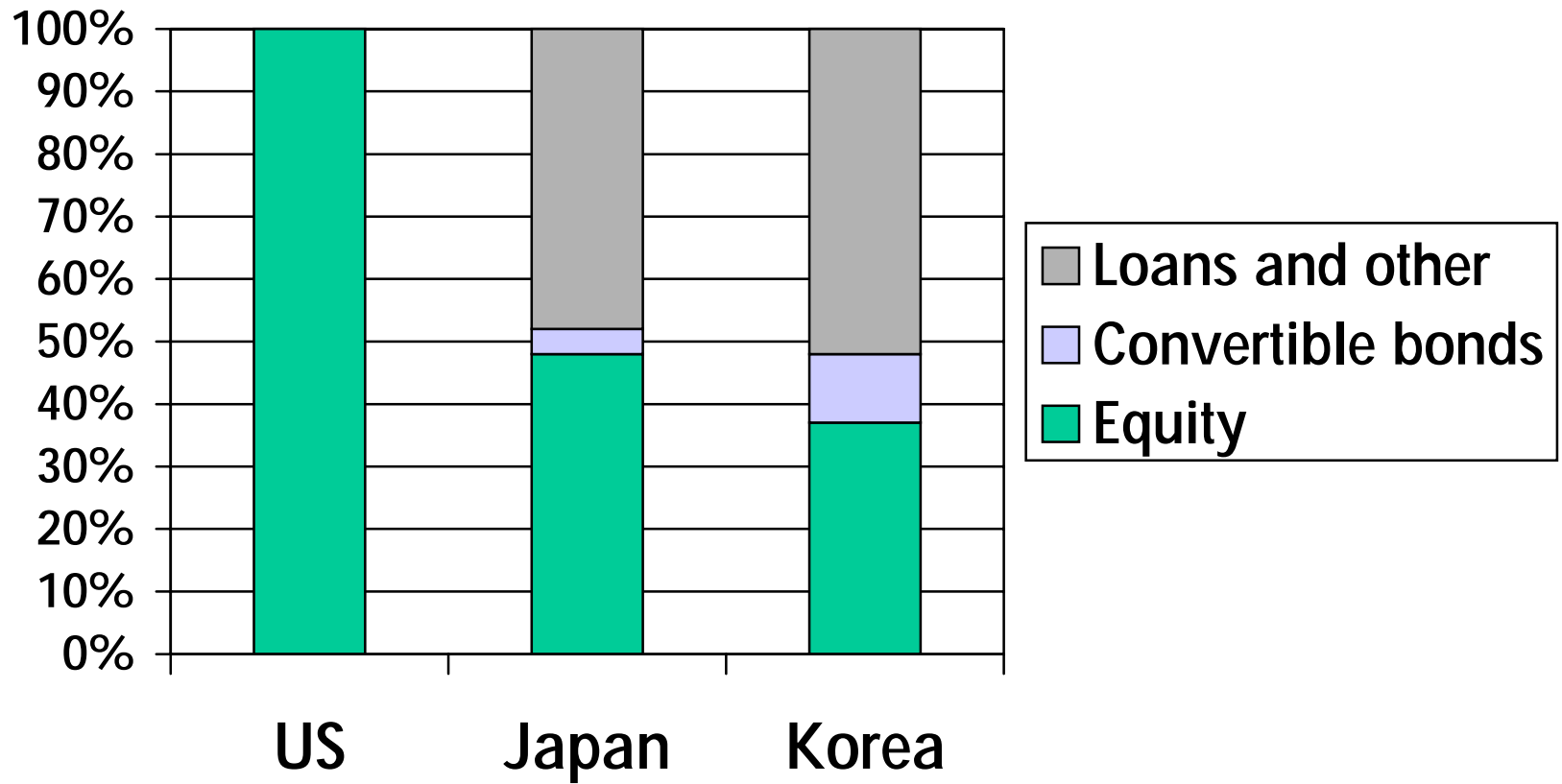   ❖ Failure and bankruptcy law

Financing Startups

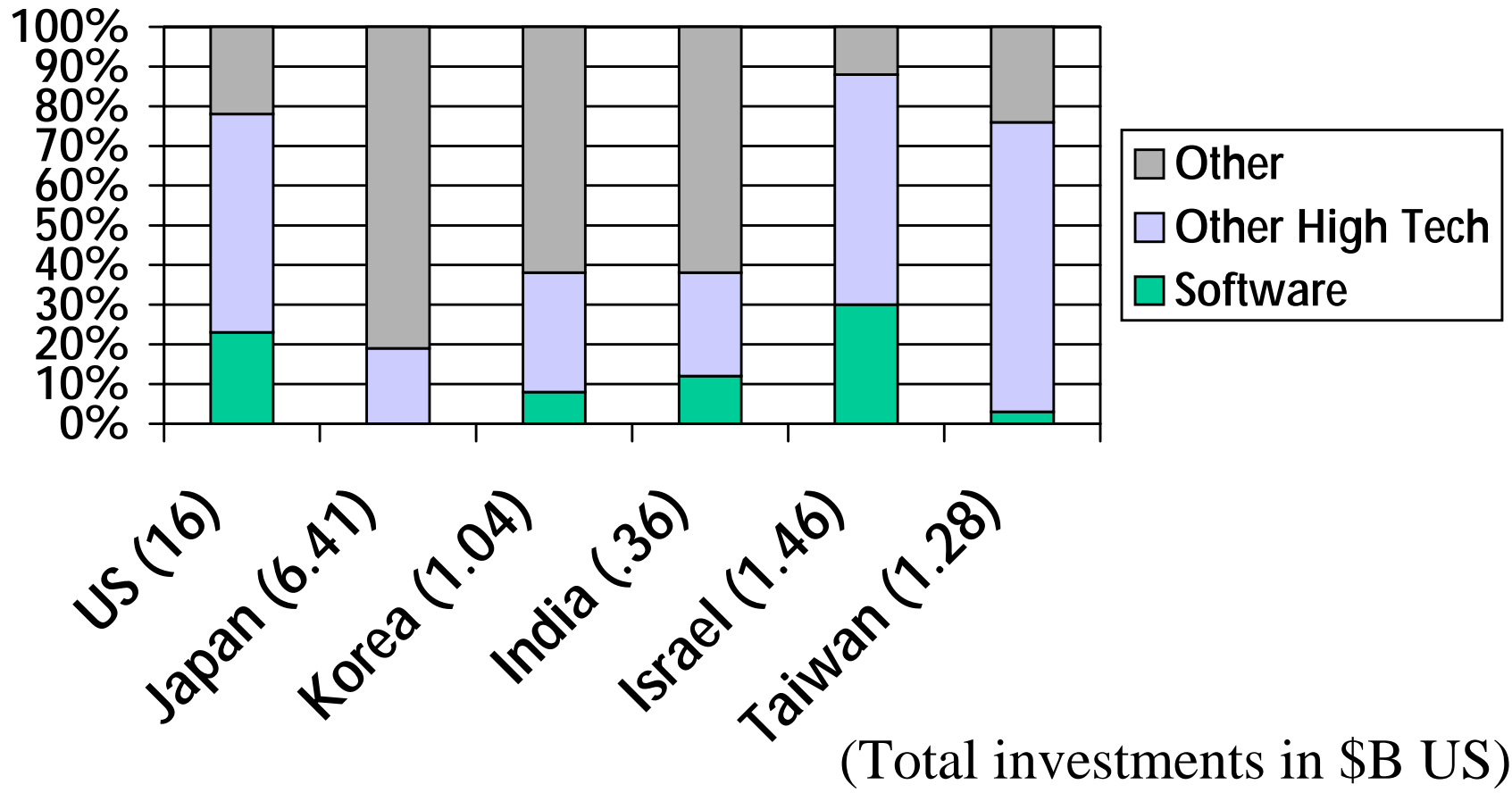# Source of Funds for Venture Capital Firms

Types of Investment by Venture Capital Firms

High-Tech Focus of Venture Capital Firms

(Total investments in $B US)

The High-Tech Habitat

Law Firms

Financial Institutions

Marketing Consultants

Accounting Firms

PR Firms

Advertising Firms

Temporary and
Contract Workers

Real Estate Agents

Entrepreneurs
Innovative Ideas
Seed Capital

HR Search Firms

Business, Professional
& Civic Organizations

Mobile Workforce

Business Consultants

Government Agencies
and Policies

Equipment/Supplies Vendors

Technical
Consultants

Educational and
Research Institutions