

Sales DNA—It's in the Genes!  
By OVP Venture Partners ..... 1

IP Protection on a Shoestring  
By Miller Nash LLP ..... 2

The Statement of Business Ethics  
By Ernst & Young ..... 4

So You Want To Go Public?  
By Miller Nash LLP ..... 6

# High-Tech Advisor

## Inside the Mind of a VC

### Sales DNA—It's in the Genes!



**Gerry Langelier**  
OVP Venture Partners

Organizations are like people. They are born. They grow. They develop and mature. How they grow and mature is subject to direction and guidance by their parents (the founders) and coaches and teachers (their board). Just like humans, however, organizations have inherent strengths and weaknesses that only so much coaching can change. Like all of us, organizations have a basic makeup that in many ways predetermines how far they will go and how large they will grow.

When making an investment decision, venture capitalists try to figure out that special “makeup” of each company. The reason we do this is that we have discovered, sometimes after great pain and suffering, that there is indeed a consistent key success factor for start-ups. It is a factor largely missing in the vast majority of those technology firms that never make the leap to greatness. It turns out that the winners have a common genetic marker!

#### “Watson, Come Here. I Want You!”

No, we don't mean the famous sidekick to Alexander Graham Bell. The Watson we are looking for here is the James Watson who teamed with Francis Crick to discover DNA. Just as those two scientists unmasked a very

complex yet simple way to describe how all living matter was built, venture capitalists follow suit when they take apart a start-up. In our experience, the best start-ups all have a common DNA fragment. That genetic marker is a large number of senior people in the firm for whom the notion of reaching out and selling something is as natural as breathing.

These folks recognize that, as a famous person said long ago, “Nothing happens until somebody sells something.” It means that indigenous to the organization is a notion that product differentiation is not only marketing's job; it is everyone's job. The same goes for sales and customer support. It's the drive to make deals happen. Everyone has to know and believe at a visceral level that nothing matters more to a company than becoming a successful, scalable selling machine.

#### Sales Is Not a Function—It's a Mind-Set

Having sales DNA does not necessarily mean having an experienced sales executive in the CEO slot, or any particular slot. It means sales-oriented individuals in every senior management position, as well as some not so senior. It means that even though most high-technology start-ups find their genesis in the fertile minds of engineers, somewhere in those people (or those they surround themselves with) beats the heart of a hustler. The thrill of the hunt is not just the hunt for

(Continued on page 8)

# Inside the Mind of a VC (Continued from page 1)

the perfect product. Rather, it is the hunt for that most elusive of creatures in the business jungle: the brave soul who will buy an unproven product from an unknown vendor. Nabbing one of these early adopters, and finding a way to repeat that process, is the key to every successful start-up's growth.

## A Simple Paternity Test

If you want to know whether you have sales DNA in your organization, there are two simple tests you can run. First, look at your business plan. Sales-savvy entrepreneurs know that successful selling involves not just serving customers but also beating competitors. Does the competitor section of your plan cover anything other than product comparisons? If not, you've made the implicit assumption that the best product always wins. Do you believe that? Do you know how your business economics stack up to your competitors'? Can they cut prices to hold you at bay? Do you assume that your selling and marketing costs will be half of theirs? Do you believe that? How about distribution channel strategy? Many a good start-up has died for lack of a scalable sales channel, or by running into the buzz saw of a very well-tuned competitor's channel. If your business plan doesn't express a full understanding of how and why customers buy, beyond product features, you have a sales DNA problem. Of course, if you think you don't have any competitors at all, you have a more serious DNA problem. You had better freeze yours because you'll soon be extinct.

A second test deals with how you behave as an organization. When the company gathers—for staff meetings, for all-hands meetings, or around the cappuccino machine—what do people talk about? Is the primary focus on product and technology or on orders and delivery and making all accounts referenceable? What comes up first in the weekly agenda? Is there a “company-making” deal that can put you on the map? What topic gets cut if time becomes short? If sales and marketing issues have trouble fighting their way up the meeting agenda, there is no way you have sales DNA. Product and technology issues are indeed

critical to a young company. But if they become the end itself, rather than the means to an end, you are in trouble.

## Breaking The Genetic Code

So what do you do if you run one of the tests above and you find that you are short a few key protein strands? First, step up and acknowledge the weakness to yourself, your management team, and your board. Then go about fixing the problem in the only way we've ever seen it successfully fixed. Get yourself a transplant. This is not about hiring the token sales guy or gal. It turns out that just as in living creatures, DNA mutates very slowly on its own, taking many generations for a change to permeate a class of living things (or a company). You need biodiversity at the core. If you inject a heavy dose of “the right” DNA into the organism, you can dramatically speed up the process. Just as gene therapy shows great promise for medical breakthroughs, the best way to solve a company genetics problem is to inject more than one key executive with the right stuff, into the right place, right now.

Pay attention to the sales DNA in your firm, and you'll see your progeny go forth and multiply!

### Ernst & Young LLP

999 Third Avenue, Suite 3500  
Seattle, WA 98104  
(206) 621-1800 Phone  
(206) 654-7468 Fax

bob.wygal@ey.com  
www.ey.com

### Miller Nash LLP

111 SW Fifth Avenue, Suite 3500  
Portland, OR 97204  
(503) 224-5858 Phone  
(503) 224-0155 Fax

601 Union Street, Suite 4400  
Seattle, WA 98101  
(206) 622-8484 Phone  
(206) 622-7485 Fax

500 E Broadway, Suite 400  
Vancouver, WA 98660  
(360) 699-4771 Phone  
(360) 694-6413 Fax

frantz@millernash.com  
www.millernash.com

### OVP Venture Partners

1010 Market Street  
Kirkland, WA 98033  
(425) 889-9192 Phone  
(425) 889-0152 Fax

5550 SW Macadam, Suite 300  
Portland, OR 97239  
(503) 697-8766 Phone  
(503) 697-8863 Fax

langeler@ovp.com  
www.ovp.com



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*Gerry Langeler, General Partner  
(503) 697-8766  
langeler@ovp.com*