

The Napoleon Complex

Startups must take bold swings at big targets.

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CHURCHILL CLUB **Copeland:** Gary, one of the things we were talking about is ideas. In the past you've said if it's not audacious, it's not worth doing or it may not be worth doing. If you could expand on that as an investor, why take such a bold swing at things?

Gary Little: (*Little is a partner with [Morgenthaler Ventures](#), which focuses on early stage life sciences and IT.*) The most important thing is you've got to be playing in big markets, because if you're playing in small markets you don't get paid. As an entrepreneur you don't get paid, as a venture capitalist you don't get paid. You may get a little money but it's really not a fight worth fighting.

Second, if you're in those big markets you need to have a product or service that can disrupt big markets. That's probably where the *audaciousness* comes in. But you really need to have a proposition as a startup. Take new business models and disrupt pricing umbrellas that are there from incumbents—that's what the open source guys are doing—or come up with new markets.

Third, you've got to have really good founders and good people. You need to have people who have a lot of passion, who can go through the speed bumps all small companies are faced with. Great founders are people who have the vantage of a football field, who have the purview of the coach sitting up in the skybox watching the whole game, who can see play after play, [and say,] 'Gee, there's an empty spot over there that we can send a receiver! The guy's saying throw the ball to me!' A lot of founders might be good point guards or linebackers, but the ones who really make truly good founders have a great grasp of the playing field and know how to mix it up and navigate and do mid-course corrections to get the ball into the end zone.

So, you got to have big markets or you don't get paid, you've got to have something disruptive or nobody is going to allow you to address those markets, and you have to have what I call the strategic agility to navigate the playing field to get the ball into the end zone.

Copeland: Phil, both you and Billy represent examples of startups approaching big markets and have either disruptive business models or technologies. How did you land on that market and decide that the Qoop approach was the way to go?

Phil Wessells: (*Wessells is co-founder and president of [Qoop](#), which turns digital content into physical products for web communities, partners, and creators.*) Absolutely no resistance from customers. Everybody wanted to use it.

We were a spinout of another business called Book Factory; we had written software to make lab notebooks, of all things—real hardbound lab notebooks for companies—and realized that there was a market for lab notebooks that were one-off. We then took that same software and went to some accounts and said, 'We could do your manuals this way and triangulate the equation so you can update your manuals all the time. We'll give you a link and we'll pull that feed to create a book on the fly.'

While everything was going digital, we were going the other way. As long as the market was huge in printing, we could disrupt it by having a solution that would give individualized, customized books to people.

Copeland: Billy, in some ways your company takes a swipe at eBay and Amazon—and others, for that matter. Those are big markets and big players.

Billy McNair: *(McNair is co-founder of [PeerFlix](#), a peer-to-peer trading platform. Its first application enables PeerFlix members to trade physical DVDs with one another.)* In starting any company you need to go after a very large market. So the total addressable market needs to be huge. That being said, you need to start with a focused approach to that market. The worst thing you can do as a startup is have this huge opportunity, this huge market, in front of you and try to get it all at once. Because you lose focus, you're not able to execute in a systematic way.

Our long-term vision of what PeerFlix will be is clearly a trading platform for any sort of product or service. But we've purposely to date focused only on DVDs to become the leader in that space. Be an inch wide and three miles deep, as opposed to three miles wide and an inch deep, and once you nail that first market then it's really easy to extend into other markets.

The big picture of the company needs to be a huge addressable market, but you need to approach it from a perspective of 'How do I get into that market and not try to take it all at once?'

This material was excerpted from the [Building the Next Google](#) conference, hosted by the [Churchill Club](#) and [Silicon Valley Association for Startup Entrepreneurs](#). Michael V. Copeland led the discussion with [Brian Jacobs](#), partner and founder of [Emergence Capital Partners](#); [Gary Little](#), partner with [Morgenthaler Ventures](#); [Phil Wessells](#), co-founder and president of [Qoop](#); and [Billy McNair](#), co-founder of [PeerFlix](#).

This is part two of five articles covering a session was called "Building the Next Google."

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