

**Managers & Managing -- Starting Gate:  
Former Alcatel COO Helps  
Start-Ups Circumvent Pitfalls**  
By Lisa Bransten and Elliot Spagat

11/16/2001

The Wall Street Journal Europe

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Krish Prabhu, the former chief operating officer of France's Alcatel, knows as well as anyone that many small makers of telecommunications equipment are fighting for survival. "If you think the big companies are hurting, the little companies are literally getting smoked out," he says.

Why, then, is he joining the world of venture capital to coach start-ups? Mr. Prabhu says he rejected overtures early this year from headhunters seeking chief executives at Nortel Networks and Lucent Technologies.

Before leaving Alcatel in August, he was widely rumored to be in line for the top job, a path he says he never seriously considered. Instead, he joined **Morgenthaler** Ventures, of Menlo Park, California, as a venture partner.

Mr. Prabhu cites personal reasons for leaving Alcatel: he wants to spend more time with his three children and stay in the Dallas area, where he ran Alcatel's U.S. operations. He also is motivated to help start-ups avoid pitfalls that have hurt venture-backed companies. In his new role, he will remain in Dallas and focus on two **Morgenthaler** -funded companies -- Yotta Networks, a Plano, Texas, maker of optical equipment, and Westwave Communications, a Santa Rosa, California, maker of advanced switching equipment. Yotta, which won't have revenue for 12 to 16 months, needs to make sure its products are in demand when it is ready to hit the market, a frequent danger at venture-backed firms, Mr. Prabhu says. Westwave Communications must avoid another common trap of pitching products to the wrong customers. Venture-backed firms "are not really good at assessing customer potential," he says. General partner Gary **Morgenthaler** met Mr. Prabhu before deciding to invest in Yotta, which was founded last year with Alcatel seed money. The two men stayed in touch after **Morgenthaler** Ventures contributed \$10 million (11.3 million euros). Mr. **Morgenthaler** describes it as an open-ended commitment that could lead to general partner. Mr. Prabhu, who remains on Alcatel's board, says he isn't thinking that far ahead.