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Young Entrepreneurs of Tech

By Sarah Lacy

Tech's Young Turks Are Back

As Internet companies and the economy in general rebound, so has the college-age entrepreneur -- but it's a tougher road today

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Matt Pauker and Rishi Kacker graduated from high school in 1999 and had their sights set on one place: Stanford University. The Internet bubble was in full swing. Startups dotted the Stanford campus, while venture capitalists threw millions at anyone with a new Internet idea. And Pauker and Kacker were ready to dive into the action.

Only problem: They were a few years too late. Soon after they started school, the bubble burst, and Silicon Valley VCs reverted to safe companies with defensible technology. More damning for the young Turks, the VCs wanted gray hairs, or so-called serial entrepreneurs who had run companies before and delivered solid returns.

TAKE NOTICE. **But like other would-be startup artists on campuses around the country, the two Stanford engineering students managed to**

find a way, and their company, Voltage Securities, now boasts 75 employees, 130 business customers, and big-name investors.

As Internet companies and the economy in general have come back to life, so has the college-age entrepreneur. And while the bar is higher than it might have been in the bubble, investors are again starting to take notice of the good ones, like Pauker and Kacker.

Without having ever held down a real job -â€“ not even paper routes -â€“ the two entered the Voltage idea in a Stanford business plan competition. One of the judges, Ken Gullicksen of Morgenthaler Ventures, wrote on their form: "Come and meet with me as soon as possible." They won the competition, and Gullicksen and others provided funding.

HARSH LESSONS. But having watched the ugly bubble aftermath, not all of today's young entrepreneurs are interested in the classical venture capital-backed startup route. Consider David Hauser and Siamak Taghaddos of GotVMail in Newton, Mass.

Between the two of them, they're on their fourth company. One of Hauser's previous ventures was ReturnPath, an e-mail management company, which has raised four rounds of venture capital and acquired several other smaller companies. He's no longer involved and says he learned harsh lessons about taking other people's money.

"I would [raise money] if it was required," he says. "It can be helpful, but it can also be a detriment." Students today are wary and realistic, says Megan Mitchell, associate director of Wharton's entrepreneurial programs. "They know this isn't five years ago."

WEDDING PIX. And thanks to the Internet and free open-source software, launching a small tech company is cheaper than ever. Ryan Hudson started YouShoot with no outside investment. It rents out digital cameras for weddings -- instead of the normal disposable cameras that couples put on tables to see their wedding through the eyes of their guests. Not exactly a high-tech business by Silicon Valley terms, but the Web has been invaluable in getting new customers and posting the photos after the event.

Equally important, the Web allows a kid in a dorm room with decent HTML skills to look like a multinational corporation. "It's 100 times cheaper to start a company today," Hudson says. "You could do it for $1,000 including all the government filing. Beyond that, it's just what you want to spend on marketing."

Even those who are taking money are doing it with their eyes wide open. When Mark Zuckerberg started college networking site Facebook.com out of his Harvard dorm room, he was just concerned about selling enough ads to pay for the $85 a month it cost to run the site.

SMART IDEAS. That summer he went out to Silicon Valley to meet with some VCs, and the 20-year-old couldn't even share a drink with them. But he was savvy enough to negotiate favorable terms, including his ability to retain control of the company as long as he wanted. "I didn't really want or need venture money, and they wanted to invest," he says.

Of course, not all investors are that hungry to fund college kids with smart ideas. Ironically, some of the harshest critics are those who were young entrepreneurs themselves.

Jeff Bussgang, of IDG Ventures, started dot-com Upromise in his 20s. It was funded by valley heavyweight Kleiner, Perkins, Caufield & Byers, among others. He cringes when he thinks about all the errors he perpetrated. "I blew so much money and hired so many bad people, it's embarrassing," he says.

GRAY HAIR. Rory O'Driscoll of BA Venture Partners had a similar experience trying to start a manufacturing company in England in his early 20s. "I look back in horror at every mistake I made," he says.

Both investors admit there are exceptions -â€“ chief among them industry luminaries like Bill Gates and Michael Dell, not to mention Google (GOOG) founders Sergey Brin and Larry Page. But young tech entrepreneurs have to have at least two things going for them.

The first is starting a company in a sector so new and emerging that

youth is an advantage. "There's a trade-off of youth and getting it, and the value of gray hair and knowing how to do it," O'Driscoll says.

SMART HIRES. The second is knowing what you know and what you don't know, and getting help. And some VCs say younger entrepreneurs are better at that than others. For example, neither Pauker and Kacker is the CEO of Voltage, instead focusing on product development. Several young entrepreneurs polled by BusinessWeek Online say their biggest lesson learned was just that: Surround yourself with people smarter than you.

But what they may lack in sales and management experience, these young entrepreneurs make up in passion, ideas, and boundless enthusiasm. It may not be as easy as it once was, but even the skeptics expect more Microsofts (MSFT) and Googles to emerge from dorm rooms around the country. 1123

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