BUSINESS 2.0

FEATURES

Building the Next Google

Cheap hardware, free software, and ubiquitous broadband are creating a powerful base from which to launch new businesses. Here's how you can create your owm world-changing company.

By Matthew Maier, November 2005 Issue

It's a terrific time to be an entrepreneur. The availability of cheap computer hardware, free software, and high-speed Internet access has created a powerful new base from which to launch new businesses and expand or transform existing ones. The Googles and Microsofts of tomorrow are being built in ways never seen before. Here's how you can create your own world-changing company.

GETTING GOING

This is the most critical time for any startup. Your main goal is assembling the best team to get your venture off the ground -- that is, generating a product or a prototype that serves as proof that your concept will work. Keep these pointers in mind during the early days.

1 Start Small

Four founders is fine; two is better. With fewer people it's easier to build consensus and less likely that rival factions will form. Make sure you have technically minded founders (the more engineers, the better). No MBA required, but one founder should be able to moonlight as the company's top salesperson and communicator. Apple, Google, and Sun Microsystems each started with a close-knit group of founders who shared a common vision but brought different skill sets. Being small is also more efficient: Paul Scanlan, co-founder of MobiTV, a startup that offers TV services via cell phone, says having fewer people makes it easier to focus on a single problem. That helped MobiTV land a contract from networking giant Siemens despite having just six people on staff.

2 Look for Angels

It's cheap enough these days to start a company without enduring the hassle of raising formal venture capital. If you don't have friends or family to put the arm on, and your credit cards are maxed out, consider an angel investor -- typically a fat cat who'll write a big check in exchange for an equity stake in a promising early-stage startup. Ross Mayfield got $600,000 from angel investors who read about his idea for a social networking service, Socialtext, on his blog. You can find angel investors through organizations like the Angel Capital Association (www.angelcapitalassociation.org).

3 Embrace Open-Source

The scores of free software programs available will help you keep infrastructure costs down. While Linux is the best-known open-source project, others, including the Apache Web server program and MySQL database software, are also widely used. Mayfield leveraged these free programs and spent just $5,000 to get Socialtext up and running. Make sure you know the origins of any open-source software you choose, though, since some programs are subject to intellectual property restrictions or open-source licenses that place limits on their use for commercial purposes.

4 Use Off-the-Shelf Equipment

Commoditization has driven hardware costs through the floor. Standardizing around gear from Dell or Hewlett-Packard can save you thousands of dollars in hardware costs and potentially more down the road in productivity, since you'll be able to get replacement parts quickly and easily if anything breaks down. Neville Street, chief executive of Mobile 365, a startup with $75 million in annual revenues that manages messaging services for wireless carriers, keeps hardware costs down by ensuring that his entire workforce uses inexpensive Dell PCs.

5 Launch Early, Launch Often
Expose your product to a community of users as soon as possible. Google has done this brilliantly with Gmail and Google Maps, letting the audience pound on the product and make suggestions about what's working and what's not. Be careful, though: If users are clamoring for specific features, you should either incorporate them immediately or give a clear explanation of why not. Firefox and Flickr were two of the most popular technologies of the past year, and their developers went to great lengths to incorporate suggestions from their audiences into the services. Imeem, a Palo Alto-based startup, tapped 10,000 testers to hone its social networking software, releasing product updates weekly.

FINANCING THE BUSINESS
It's not raining venture capital the way it was during the dotcom days. You'll need a strong vision, a working prototype, and a ton of users to be taken seriously now on Sand Hill Road or any other place where the big venture capitalists congregate. "The idea of funding concepts is out the window," says Ken Gullicksen, a general partner at Morgenthaler Ventures. Here's how to be a rainmaker in today's climate.

1 Bootstrap as Long as You Can ...
Developing your product as fully as possible allows you to get the greatest valuation for your company. So don't race to the money trough: "A $1 million investment typically goes to a team that's still in the early stages," Gullicksen says. "At $10 million, the team has probably lived longer on sweat and has a more developed product." In other words, there's a lot more to sell.

2 ... But Know When to Tap the Venture Community
"When thousands of users spontaneously tell their friends about your product," says David Cowan, a general partner at Bessemer Venture Partners, "that's when you should start thinking about looking for money." Why is that a key milestone? It means the product is working; now you want to have the resources to do whatever it takes -- from hiring quality-assurance testers to signing partnerships with other companies -- to sustain that growth. For most businesses, that means it's time to turn to a VC.

3 Don't Wait Too Long to Ask for More Money
Building a successful business almost always costs more and takes longer than you expect -- so make sure to start raising your next round while you've still got plenty of cash in the bank. If an investor knows that your company is desperate for cash, you may end up striking a Faustian bargain and be forced to give up too much equity. Fresh from raising $20 million, Greg Ballard, chief executive of Glu Mobile, based in San Mateo, Calif., decided to accept an offer for another $7.5 million from Time Warner (parent company of Business 2.0), even though Glu didn't need it immediately. "The valuation was good and so was the investor, so it became a smart strategic decision to take the money," Ballard says. "It's always good to have a well-stocked war chest."

4 Think Beyond the Terms
Not all venture capitalists are created equal. Top-tier firms such as Kleiner Perkins Caufield & Byers and Sequoia Capital can offer connections to CEO talent and customers and can serve as useful strategic guides on your board of directors. Others focus on specific markets or sectors and have a better understanding of how to grow, say, an enterprise software firm or a consumer digital-media play. Make sure you match your business with the right VC.

MANAGING GROWTH
The final stage of a startup's life is the trickiest. It's a critical juncture when you'll need to show steady growth of not only your revenues but also your staff. The types of hires you make and when you make them call for the finesse of an orchestra conductor. These five tips will help ensure that your company doesn't grow too fast -- or too slowly.

1 Hire Smart
Paul Graham, an entrepreneur who sold his second company, Viaweb, to Yahoo for $50 million, says the first people you hire should be technical folks who can focus intensely on perfecting the product. Expensive marketing campaigns and advertising blitzes are no-nos for startups today; don't fill out your

sales and marketing team until after you've built a business that has proven it can generate cash.

2 Sell It Yourself

An old VC adage: Hire slowly and fire quickly. Nowhere does this apply more than to the sales staff. While it's a critical component of any organization, the sales force is one of the most expensive. Luckily, selling the product happens to be a task that can be handled -- at least at first -- by most members of your team. Mark Leslie, founding CEO of software firm Veritas and a professor at Stanford's business school, even developed a model, called the Sales Learning Curve, to help companies determine when to start hiring salespeople. Read more about it at www.eldorado.com/pg_newsletter_read-7.html.

3 Spread the Wealth

If your startup hopes to compete for top talent, you'll need to offer something established companies can't: the chance to strike it check-out-my-new-Maserati rich. "If you are going to ask someone to take a risk on your startup, you have to give some equity," says Srivats Sampath, chief executive of Mercora, a popular Internet radio network. Still, make sure stock options vest over a four-year period, lest your top people be more concerned with cashing in than with building a lasting company.

4 Bring In the Big Guns

Once you've built a product you can sell, you'll need the professionals -- experienced players who have done it before for larger companies and come equipped with deep Rolodexes. When it needed to land some big customers earlier this year, Palamida, a San Francisco-based risk-management software startup, hired former Sun Microsystems executive vice president Mark Tolliver as its chief executive. Within months Tolliver had tapped his network of contacts to help the 20-person firm land several new clients, including big-fish customer Cisco Systems.

5 Know When to Step Aside

Leave your ego at the door and don't overstay your welcome. As has been painfully demonstrated many times, the founders often are not the best people to take the business to the next level. You might be a brilliant technologist but a lousy CEO. When Jim Clark wanted to bring Netscape to the masses, he was smart enough to step aside and let über-CEO Jim Barksdale come aboard. Barksdale helped the company navigate a successful IPO and negotiated a $4.2 billion deal to sell Netscape to AOL in 1998. ✦

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Tech's Big Comeback

Startups are hot -- again. Valuations are nuts -- again. Fortunes are being made -- again. Here's how to play it right this time.

By Michael V. Copeland, November 2005 Issue

Two rubbery-looking potted plants adorn the lobby of 285 Hamilton Ave. in downtown Palo Alto. The five-story building sits across the street from City Hall and is a short bike ride from Stanford University. Google got its start down the street, as did Yahoo and Sun Microsystems. Downtown Palo Alto is the focal point for the massive surges of company creation that periodically course through Silicon Valley, and over the years, 285 Hamilton has proven to be an unusually accurate barometer for detecting early changes in the wind.

In the bubble days, cash-drunk startups jockeying for space packed the 285, as it's known. When the music stopped and the money ran out, so did many of the 285's tenants. Aside from a handful of long-term occupants like an old-line law firm and Palo Alto's building inspection division, much of the structure has been vacant since 2000.

That began changing about six months ago. Startups like digital-photo-sharing firm FilmLoop and social-networking software maker Imeem have moved into the 285. Business consultants and investment bankers are there, as are a law firm specializing in intellectual property and a new venture capital outfit. "This building was a wasteland back in April when we moved in," says Prescott Lee, co-founder of FilmLoop, which now occupies half of the fourth floor. "Now it's completely full."

So are many of the neighboring office buildings in downtown Palo Alto, and the coffee shops and the restaurants. Pop into the newest hot spot of the geek set, Coupa Café, just around the corner from 285 Hamilton, and you'll overhear seed deals getting done over spiced Venezuelan hot chocolate, along with much excited talk about can't-miss new business plans. On a recent afternoon, one nervous entrepreneur asks a harried Coupa barista for a description of Netscape founder Marc Andreessen so he won't miss him when the big guy arrives for a meeting. Sure enough, moments later, a newly buzz-cut Andreessen wades into the caffeine- and Wi-Fi-fueled fray. Murmurs of "There he is" ripple through the crowd.

There's a time-warp feel to some of what you see around 285 Hamilton--the excitement, the energy, and, yes, the hype. But this is not the kind of whistling-past-the-graveyard cheeriness of, say, early 2000. It's not even the opportunity's-knocking-with-a-great-big-hammer feel of 1996, shortly after Netscape's historic IPO triggered the first Internet boom. What is on display in Palo Alto--indeed, increasingly in all of the nation's tech centers, from Seattle to Austin to New York--is the early stage of a new technology boom of potentially unprecedented power and durability. That may sound absurd at a time when the country seems besieged by ominous economic forces, from grinding wars to devastating floods to runaway gasoline and heating bills. But a growing body of evidence, both statistical and anecdotal, suggests that tech is taking flight again. And this time, even some circumspect observers of the tech scene believe, the industry could soar to greater--and more sustainable--heights than ever before.

Signs of the renaissance are popping up everywhere. Venture capital is flowing more profusely than it has since the late 1990s; money invested in early-stage startups could top $1.5 billion this year, up 50 percent from last year and almost double 2003's figure. More significantly, the average seed investment, $4.4 million, is three times what it was a year ago and larger than it was in 2000. That means that VCs are valuing startups at higher levels than at the height of the boom.

The downward trend in IT employment has abruptly reversed course, as companies both new and old hoard engineers. From January through June, tech added 161,000 new jobs, after losing 1 million from 2001 through 2004. Many of these jobs are in Silicon Valley, but IT hiring helped drive unemployment down in every major tech hub, and the Bureau of Labor Statistics predicts that Austin, Raleigh-Durham, and San Diego will all see double-digit employment growth in the next six years, largely from tech hiring.

Corporate IT spending, both an engine and an indicator of tech industry health, was up 9 percent through the first half of 2005 and is expected to rise 7 percent more in 2006. And it should spurt more strongly starting in 2008, when, Forrester Research and others predict, the current replacement-buying spree caused by yesterday's tight budgets will give way to a new wave of investment in cutting-edge technology. Commercial real estate, dead in most tech hubs postbubble, is roaring back: In San Francisco, the cost of premium space is expected to rise 20 percent next year to $37 a square foot--short of the bubble peak of $84, but higher than it was in early 1998. In downtown Austin, rents are up by as much as 20 percent, says Carl Condon, a real estate executive at Commercial Texas. "We have not been this busy since the last boom," he says.

Just as telling is the barely containable excitement of even some of the cooler heads in the entrepreneurial world. Many people who've long since made their fortunes--and who sat out the most fevered stretches of the last boom because they knew it had to end badly--are getting back in the game. They share a belief that profound technological changes have created unmatched conditions for starting new companies. Not just companies that can be taken public or sold for a quick kill; big, industry-defining companies--the next Googles and Microsofts. The fuel for that belief has been much discussed lately: Cheap computing hardware, free open-source software, and ubiquitous broadband have coalesced and matured, creating a totally new infrastructure for launching companies inexpensively. But there's more to it than that. The surge in online advertising, paid search, and other ways to monetize Web traffic are creating lucrative sources of profits--and a foundation for legitimate business models for Internet companies that didn't exist in the last boom.

All of this generates potent opportunities--and challenges--for established warhorses as well as startups. Everyone from Cisco Systems to IBM to News Corp. is maneuvering to react. And for a lot of entrepreneurial veterans, conditions today are sounding an irresistible call to the barricades. They believe they've learned how to avoid the mistakes of the last boom and figured out new ways to maximize their chances of creating something enduring. Andreessen has a new startup, a Web application developer called Ning. Raj Singh, who sold one of his earlier efforts, Cerent, to Cisco for $8 billion in 1999 and spent the intervening years producing movies, is teeing up a new company. So are PayPal co-founder Max Levchin and Excite co-founder Joe Kraus. (See "Retooling the Entrepreneur," page 42.)

"I had no interest in doing another startup," says Kyle Mashima, the other FilmLoop co-founder, who saw one of his ventures go under in the '90s before spending nine years at Adobe Systems. "But the opportunities right now are too big to pass up. This is going to be huge."

Let us stipulate: Those black economic clouds could indeed rain on this parade. But many believe that the fundamental forces shaping tech's resurgence are resilient enough to bear up under all but the deepest recessions. In fact, the tech industry in many ways is following the classic arc of boom-and-bust cycles produced by transformative technologies of the past, from the steam engine to electricity to the automobile. Each time, the revolutionary technology--the Internet, in today's case--brought a burst of new enterprises that were just too early and got wiped out by brutal consolidation.

"But when the revolution fails, evolution continues," says Carl Haacke, an expert on the history of economic bubbles. At the turn of the last century, one of the big technologies was radio. From 1920 through 1927, the number of radio stations in America went from fewer than 10 to more than 600. RCA, which was arguably the Google of its time, skyrocketed to $397 a share in 1928. Then came the bust, and growth evaporated. "But people figured out how to use radio technology and developed business models, and the evolution started," Haacke says. By the end of 1975, there were some 4,000 radio stations in the United States.

Haacke says the tech industry is precisely at the point where the struggle to get aloft after the initial crash gives way to a sustained climb. He and others note that when Netscape's IPO kicked off the original Internet boom, there wasn't a proven, sturdy business model to support all the ideas that later came flying out into the market. This time there is. It starts with the melding of advertising, search, and e-commerce developed by what are now referred to in Silicon Valley as the Big Five--Amazon, eBay, Google, Microsoft, and Yahoo. Remember all those earnest predictions about how U.S. online advertising would hit $10.5 billion by 2003? We all got a good schadenfreudian giggle when that proved delusional. But now advertisers are flocking to the Web; Internet advertising, $9.6 billion last year, was up 26 percent in the first half of 2005 and is projected to hit $12 billion for the year. Ad spending for traditional media--newspapers, magazines, TV--still dwarfs online ads, but it is expected to grow only 6 percent this year.

For now, most Web ad spending is going to the big players, steadily adding to their accumulation of scads of cash. At the end of September, Google was sitting on more than $7 billion; Yahoo had about $3.5 billion. Microsoft remains the cash king with almost $40 billion on hand. A lot of that money will be earmarked for strategic objectives--acquisitions, say. But a good chunk of it will be spent in other ways, creating a slipstream that will pull many other companies along and provide strong impetus to the boom.

Combined, the Big Five are expected to shell out $2.5 billion this year, on everything from new computers and gear to office space and bandwidth. Google, for instance, is expected to spend hundreds of millions on a private Internet to connect its data centers. The beneficiaries of that kind of Big Five spending will include hundreds of vendors, from router makers Cisco and Juniper Systems to optical gear maker Ciena to drive manufacturers like Maxtor and Seagate.

At the same time, other corporations, having skimped on tech spending for years, are reaching the limits of their ability to avoid significant upgrading. Many tech executives say costs were cut so much during the past five years that there's no way to grow the bottom line without investing heavily in innovation and research, and that is usually accompanied by acquiring new cutting-edge tech systems. Forrester Research projects that IT spending will shift into high gear after 2008, when annual increases will surge into the double-digit range not seen since the late '90s. No one knows yet what effect Katrina, Rita, and other economic harpies will have on those projections. But as of now, there are clear signs of an IT spending uptick. "It's spooky," says Craig Harper, president of Lilien Systems, based in Larkspur, Calif., which designs and installs complex computer systems. "We've got $30 million in business booked over the next six months, and we're one of the little guys." Lilien's orders have doubled in a year, he says.

Those are just a handful of proven sources of profits that can underpin real business models today; other than IT spending, most had no analogue back in the day. "The problem with the last boom was that it was a bunch of VCs getting together and writing on a napkin what the ideal company was," says Danny Rimer, a VC with London-based Index Ventures and an early investor in Skype, the Internet telephony startup that sold in September to eBay for $2.6 billion. "The better entrepreneurs today are launching companies based on ideas that are already proven in some way, often with substantial revenues. Today's boom isn't a 'What if?' proposition -- it's substantiated."

It's that sense of a dawning of the real deal that's bringing the glow back to tech hubs across the United States. In some ways, Austin may have suffered even more drastically than Silicon Valley when the bubble burst. Austin doesn't have the concentration of venture capitalists and other financial infrastructure that at least provided something for the Valley to lean on in hard times. An estimated 75 percent of Austin-based startups died between 2000 and 2003. La Madeleine, a cafe that had been the province of hard-driving entrepreneurs during the boom, was taken over by soccer moms during the past four years. "Sad, but true," says Bill Ott, co-founder of HyEnergy Systems, a fuel-cell company in Austin. "But we're taking it back."

With numerous clean-energy startups like Ott's and a crop of new companies in wireless, consumer Internet services, and online software, the competition for tech workers is fierce again in Austin. "For people without experience, I have to pay 20 percent more than six months ago," says Joshua Kerr, a dotcom refugee from New York who runs software startup Ideal Science. "Even the interns have vanished. Clearly, the good times are back."

The lure of those good times enticed Indraj Gill out of a high-powered job at Dell, Austin's tech crown jewel, in April. Gill was director of worldwide marketing for the computer maker and a 13-year Dell veteran. Now he's the CEO of gNumber, a startup that uses VOIP technology to allow consumers to conduct online purchases over any phone.

Gill walked away from a six-figure salary at Dell. His stock options had stagnated; eyeing the run of Google and the monster valuation of Skype, Gill decided that financial home runs weren't being hit in more traditional companies anymore. "There are the same kinds of opportunities out there today that made the Yahoos and the Googles into what they are," he says. "We are just at the beginning of the Internet revolution. Now's the time to give it a shot."

The time is also right, Gill says, because of the confluence of technologies that have allowed him to build a company and a product with only $1.2 million in seed capital. Even three years ago, without the prevalence of cheap VOIP systems to graft onto, gNumber could not have existed. The cost per call for Gill's service would have made it a nonstarter. Without open-source software, especially Asterisk, a program that operates the equivalent of a PBX switch on a PC, Gill would have been forced to write his own application--another potentially fatal cost. gNumber just launched, but given the commissions that online retailers like eBay pay, the eventual market for the service could be in the billions of dollars.

Phil Wessells thinks he's onto something just as big. Wessells has already made a small fortune from offbeat ideas--a big seller, for instance, was a computer wrist pad he invented in his Mill Valley, Calif., garage by gluing a piece of a wetsuit to some rubber foam. His latest entrepreneurial spark is Qoop, a startup whose software allows anything digital to be printed on demand. With his business partner, Bill Murray (not the actor), as well as a design whiz in Los Angeles, a Web guy in San Jose, and contract programmers all over the world, Wessells could well be building the Kinko's of the Internet--and then some.

Qoop occupies the middle space between, for example, Yahoo's photo-sharing site Flickr and printing presses ready to crank out a photo album when someone on Flickr clicks the Qoop button. The company is linking up photo community sites, pet community sites, blogs, you name it, with an industrial back end that can print an image of a schnauzer on paper, T-shirts, mugs, whatever. Wessells and Murray focus on providing the enabling technology in the middle and leave the ink and presses to printers literally all over the world.

Qoop runs incredibly lean. It doesn't even have an office. But it has also seized on another new mechanism for protecting against downdrafts: instant response to consumer preferences that would have been impossible in the last boom. The near ubiquity of broadband is the main thing that makes this possible, by allowing superfast feedback from the collective intelligence out there online. In July, for instance, the Qoop team received an e-mail from a user on Buzznet, an online photo-sharing site akin to Flickr. "You know what I want?" wrote Jason Koxvold, the Buzznet customer. "A photobook that's all thumbnails." Koxvold wanted to save himself some money by packing in as many shots per page as possible.

Less than a week later, Qoop had a prototype up and running. Now it's one of Qoop's best-sellers. And Koxvold? He was the first to buy one. "This is fucking rad," Koxvold e-mailed after his purchase. "It's like two years of memory McNuggets!"

Since its Aug. 30 launch, Qoop has signed up not only Flickr but also Buzznet and several other popular photo-sharing sites. It's in talks with some large players on the Web to offer printing services to their users. On-demand printing is a $34 billion-a-year market, so Wessells figures Qoop could easily be doing $1 million a month in revenues as soon as next year, with only a handful of additional employees. Neither of the founders needed to start another company; they've each made a lot of money from past ventures. But like other veterans seizing on today's fertile conditions, they see their latest project as the really big one. "I've never seen anything that appears to scale so quickly and easily," Murray says. "This can be an insanely large business, and we can run it with very few employees."

Most of the hot startup activity today is focused on consumer Web plays like Qoop's, but the tech rebound has triggered a wave of entrepreneurial action in the long-troubled telecom sector as well. Singh, for instance, has been drawn back from film producing to found Sonoa Systems, which makes a hardware platform designed to goose the performance of corporate Web applications. He thinks it could be bigger than Cerent, the company he sold to Cisco for $8 billion. David Hsiao, another telecom veteran, has launched Seattle-based Junxion, which has developed a router that uses 3G cellular networks to create instant Wi-Fi hotspots. Junxion is living on $500,000 raised from angel investors; Hsiao's last startup, the bubble-era Monet Mobile, burned through $85 million before collapsing. Junxion is just getting started, but by focusing on a narrow niche related to one of the hottest emerging technologies, Wi-Fi, the company has already lined up big-time customers like Google and the White House press corps, not to mention Willie Nelson and 50 Cent.

The recovery is also shaping the strategies and performance of many of the old tech lions. By historical business standards, they're showing surprisingly good growth, considering their size and the ho-hum recovery from the 2001 recession. It's rare for a company with tens of billions of dollars in annual sales to pull off double-digit growth. But Cisco's sales were up 11 percent year over year in its latest quarter, to $6.6 billion. Its Linksys unit, which sells consumer and small-business networking gear, grew more than 30 percent, benefiting from the same spread of broadband that's a major driver of the new boom. Even Microsoft, for all its personnel defections to Google and tardy software releases, grew 8 percent last fiscal year, with revenues of $40 billion. CFO Chris Liddell predicts double-digit growth next year, when Microsoft will finally release its new Windows Vista OS. Hewlett-Packard, Qualcomm, and Texas Instruments exceeded forecasts in the latest quarter, buoyed by demand generated by the technologies undergirding the industry's resurgence.

For traditional companies, the most visible reaction to tech's increasing momentum has been a feeding frenzy. The value of tech mergers through September hit $77.2 billion--29 percent higher than in all of 2004. In the past 11 months, Oracle has spent $17 billion to buy PeopleSoft, Siebel, and half a dozen smaller companies; all are part of CEO Larry Ellison's strategy for grabbing a dominant portion of rising IT spending. Among media giants, there's a frantic race to buy into the current wave: News Corp. recently paid a total of $1.2 billion for website operator IGN Entertainment and social networking site MySpace.com.

The merger splurge is one reason some tech observers today see not a boom but a bust in the making. The Economist magazine, for instance, cited the $2.6 billion price tag on eBay's buyout of Skype, which has never earned a dime, as a prime example in an article headlined "Bubble 2.0." It's true that the tech world, particularly the Valley, tends to veer between utter despair and delusional optimism, and that when the latter takes hold, foolish things can happen. "This is groupthink," says VC Gary Morgenthaler of Morgenthaler Ventures. "We may be headed into the overoptimistic phase again."

That hasn't stopped Morgenthaler from placing some heavy recent bets on startups, however. And many other longtime observers say the evidence favors the perspective that this is not another short-term run-up to a bubble, but part of a longer-lived phenomenon--the advent of the Internet era--that has already created several historic companies and will churn up many more. It may be a long time before we see the Nasdaq again approach 5,000, but the Nasdaq at 5,000 was not a healthy thing. Stock valuations are not the tail wagging the dog of the current emerging boom. In terms of tech's own history, what's taking shape today may better be compared to the PC industry's boom of the '80s than to the fevered spasm of the late '90s. As personal computing caught on, there were savage cycles of boom and bust. Early leaders like Tandy and Commodore were wiped out, while Apple, Intel, and Microsoft emerged. From that shaky takeoff, the PC industry eventually reached escape velocity and, beginning in the mid-'80s, went on a decade-long tear that created iconic companies and huge fortunes.

The PC industry's reach, of course, was limited at first to businesses and then primarily to households in the United States. The current tech boom will play to everyone--businesses and consumers all around our cell-phone-obsessed world.

That breadth is not lost on the entrepreneurial foot soldiers who've set up camp at 285 Hamilton. On a recent morning, FilmLoop co-founder Mashima looks out across his startup's digs and can't suppress a smile. The company's photo-sharing service isn't even fully launched yet, but based on early VC funding, FilmLoop already has a 30 percent higher valuation than eCircles.com, the last startup Mashima and Lee partnered on, had after its second round of funding in 1999. (Mashima was then running Adobe's venture arm; they sold eCircles for a modest gain in 2000.) And Lee just got a call from Accel Partners, one of the Valley's most esteemed venture firms. The FilmLoop founders are scheduled for a meeting at Accel later today. The caller just wanted to let them know that practically all of the Accel partners have rearranged their schedules, and it looks like the meeting will be packed. ✦

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