



Entrepreneurship: The New Wave

- Moderator: **Thomas R. Eisenmann**, *Professor of Business Administration*
- Panelists: **Richard W. Edelman**, *President and CEO, Edelman*
Jason Kilar, *CEO, Hulu LLC*
Sheila Lirio Marcelo, *Founder and CEO, Care.com*
Joel T. Milne, *CEO, Ivize; Cofounder and Managing Partner, Mt. Auburn Partners*

Overview

No longer does “entrepreneurial” mean a bootstrapping garage startup. The entrepreneurs on this panel show the different paths that entrepreneurs today can take. These include raising significant venture capital and ramping up a business quickly; creating a new enterprise as a joint venture of established companies; using an established family firm as a platform for global growth; or even creating a search fund and buying an existing company.

Regardless of the path taken, these entrepreneurs all agree on the need for tremendous passion, the importance of creating an entrepreneurial culture, and the criticality of a great leadership team.

Context

This panel of HBS alumni, who graduated between 1978 and 2004, described different routes taken to run entrepreneurial ventures.

Key Takeaways

- **Entrepreneurial ventures are often based on personal needs, and success comes from personal experience.**

Sheila Lirio Marcelo (HBS 1998) wanted to start a for-profit business with a strong social mission. Her personal experience and challenges in finding a caregiver led her to see an opportunity to create Care.com, a Web-based business that connects different types of caregivers with those who need caregiving services.

With this as the need, she founded the company, raised capital (\$16 million to date), built a management team, and launched the company. The company is doing well and is focused on growing to scale.

Ms. Marcelo’s ability to successfully launch this business is based on the post-HBS experience she gained working at two other early-stage Internet companies: Upromise.com and TheLadders.com. Among the learnings from those experiences that she is putting to use at Care.com are:

- *The importance of your network.* She made great contacts at those companies, especially with Boston venture capitalists who assisted her in securing financing for Care.com.
- *The ability to build and operate a technology company.* Prior to her work at Upromise, she lacked experience managing complex technical projects. Her work at Upromise provided very relevant experience for how to ramp up a technology-based Internet company.

- *The basics of acquiring customers.* Her previous employers had unique customer acquisition and subscription models. Becoming intimately familiar with these models helped shape the model for Care.com.
- *The importance of culture.* Working for experienced entrepreneurs and seeing the importance they place on building the culture of their organizations drove this point home for Ms. Marcelo. She now spends about 20% of her time on culture-building activities. An example of how she builds culture at Care.com is that on the anniversary of an employee’s employment, the employee tells the other employees at the company about the finest moments they have been a part of at the company. These stories build culture, build a bond, and actually help with commitment and retention.
- *The need to act and learn.* An observation from Upromise was that it took the company 1.5 years from inception to launch its service as the company sought to get everything just right before launching. In contrast, Ms. Marcelo has launched Care.com much more quickly with an attitude of get in the market, gather data, learn, and improve as you go.

- **It is possible for entrepreneurial ventures to be launched by big firms.**

Post-HBS, Jason Kilar (HBS 1997) went to Amazon.com as one of the company’s first employees. After spending nine years there, he became CEO of Hulu. Hulu distributes feature films, television shows, and other forms of content online. The company was formed by News Corp and NBC Universal, which contributed content assets. Also, a private equity firm invested \$100 million. More than one hundred different companies now supply content to Hulu.

Hulu is a unique type of startup. It has the culture of a garage startup, but also has a \$100 million investment and the major contribution and board participation of leaders in the media industry

“Hulu feels like a garage startup . . . culture is everything.”

— Jason Kilar

- **Sometimes entrepreneurial success comes from taking an existing business (even a family business) to the next level.**

This has been Richard Edelman’s (HBS 1978) experience in leading the growth of the industry-leading PR firm that his father had founded. When Edelman joined the company after getting his MBA in 1978, the firm had six offices and revenue of \$6 million. Today the firm has 54 offices



and revenue of \$460 million. Mr. Edelman cited the keys to his firm's success as:

- *Reinvesting in the business.* While the Edelman family still owns 85% of the company, they have not paid themselves dividends or taken large amounts of money out of the company. They have reinvested every dime they have made in continuing to drive growth.
 - *Having a clear and specific strategy.* From day one Edelman's strategy has been to be a leading, independently owned, global PR firm. In pursuit of this strategy the company has entered new markets, such as China, which the company entered in 1992, and adjacent areas such as research.
 - *Clarity about who is in charge.* While other family members are involved in the business and have equity in the company, there has never been any doubt about who is leading the company. This is necessary for success.
- **Using a search fund to acquire a going business is an increasingly popular route among MBA graduates.** Joel Milne (HBS 2004) described the concept of search funds in general, and his experience in particular.

The concept of a search fund entails raising a small pool of investment capital (perhaps \$600,000) to finance the process of searching for a company, a process which typically takes 18 to 20 months. The investors in the search fund have an option, but not a commitment, to then invest if and when the search yields a business to acquire.

Typically the types of companies searched for are stable businesses with revenues of \$10 to \$30 million in non-cyclical, low-tech industries. They may be family-run businesses or other privately held companies where the owner wants to exit. The idea of search funds is becoming increasingly popular among new HBS grads. In 2007 there were six search funds formed by graduating MBAs.

"The search fund model is becoming more popular [for new MBA graduates]."
— Joel T. Milne

The process can be thought of as having three phases: search, acquire, and operate. Of these phases, the actual acquisition is seen as the most difficult and the point of the greatest failure. In general, about 33% of search funds never consummate a deal.

Mr. Milne's search efforts resulted in acquiring a legal document business. In the last two years the company has made eight subsequent acquisitions in the same space.

Other Important Points

- **PR for entrepreneurs.** PR can be extremely valuable for entrepreneurs in creating awareness and buzz. It is a frequently used tool, as entrepreneurial ventures often lack a big marketing budget. However, Mr. Edelman cautioned that many entrepreneurs today seem to want PR to "make them a star." His advice is for new ventures to use PR cautiously to establish credibility and to avoid overstatement. Also, be aware that because of blogs and other forms of social media, companies can't control the message; customers can and will say what they think. The best PR is when customers say good things. Mr. Edelman also stated that a good PR firm does more than just issue press releases; it helps its clients shape their strategy.

"The key to PR today is credibility . . . overstating will crush you. . . . Do more and say less."
— Joel T. Milne

- **Timing to be an entrepreneur.** There is no right answer for when is the right time in a person's life and career to become an entrepreneur. It depends on each person's background, experiences, mindset, and desires. Mr. Milne came to HBS bent on doing something entrepreneurial upon graduation. When Mr. Edelman graduated from HBS he was young and saw no reason not to take risk; he saw a window and decided to go for it.

In contrast, Ms. Marcelo and Mr. Kilar both knew that they wanted to do something entrepreneurial eventually, but neither felt ready upon graduating. Both wanted to work in other early stage ventures to gain learning before launching their own ventures.

- **Impact of financial crisis.** The panelists believe that the financial crisis will make it more difficult for entrepreneurs to secure funding. For companies that have funding, they will have to use it cautiously as future investments will be more difficult to come by. This will lead many companies to scale back to preserve capital. Also, the options for exiting businesses will be fewer and valuations are likely to come down.



Speaker Biographies

Thomas R. Eisenmann, MBA 1983, DBA 1998 (Moderator) *Professor of Business Administration*

Tom Eisenmann is a professor in the Entrepreneurial Management unit at HBS. He studies management challenges in businesses with network effects and teaches The Entrepreneurial Manager in the MBA required curriculum and Managing Networked Businesses in the MBA elective curriculum.

Eisenmann received his DBA (1998), MBA (1983), and BA (1979) from Harvard University. His doctoral thesis examined the factors driving consolidation in the U.S. cable television industry.

Before entering the Doctoral Program at HBS, Eisenmann spent 11 years as a management consultant at McKinsey & Company. As the cohead of McKinsey's media and entertainment practice during the early 1990s, he directed teams addressing a broad range of strategic, organizational, and operational issues for clients engaged in network broadcasting; cable programming; newspaper, magazine, and book publishing; and motion-picture production.

Eisenmann is a member of the *Strategic Management Journal* editorial board and the editor of *Internet Business Models: Text and Cases* (2002). He is a director of Harvard Student Agencies, the world's largest student-run corporation, and a former director of OneMain.com, one of the 10 largest U.S. Internet service providers, before its acquisition. He lives in Weston, Massachusetts, with his wife and their two children.

Richard W. Edelman, MBA 1978 *President and CEO, Edelman*

Richard Edelman is the president and CEO of Edelman, the world's largest independent PR firm, with over 3,100 employees in 51 offices worldwide. Edelman, named Large Agency of the Year in 2006 by *PR Week* and Agency to Watch Out For in 2007 and Agency A-List 2008 by *Advertising Age*, has been a leader in PR since it was founded in 1952. Richard Edelman's blog, *6 A.M.*, launched in September 2004, receives more than 2,000 visitors a day.

Edelman was named president and CEO in September 1996. Before that, he served as president of Edelman's U.S. operations, regional manager of Europe, and manager of the firm's New York office.

Edelman has extensive experience in marketing and reputation management, with current assignments for Scotts Miracle-Gro, Credit Suisse, Avaya, and Lower Manhattan. He has counseled several countries on economic-development programs, including Egypt, Israel, and Mexico. Edelman has worked on an H.J. Heinz proxy contest with Nelson Peltz and on Swiss Re's litigation over insurance claims at the World Trade Center site and has led a team helping to develop communications for the Mayor's Office in New York City on

the rebuilding of Lower Manhattan through the "This Is 2010" campaign.

Edelman won the Silver Anvil, the highest award in the PR industry, in 1981.

He was named Best Manager of the Year by *Inside PR* magazine in 1995 and Entrepreneur of the Year, New York metropolitan area by Ernst & Young in 2006. More recently, Edelman was named the Most Powerful PR Professional by *PR Week* in 2007 and Agency Executive of the Year by *Advertising Age* in 2007.

He serves on the boards of the New York Historical Society, the Centers for Disease Control and Prevention, and the Atlantic Council and is the North American chairman of the International Business Leaders Forum. He is a member of the World Economic Forum, the Arthur Page Society, the PR Seminar, and the CEO Roundtable on Cancer.

Edelman has a BA from Harvard College (1976) and an MBA from HBS (1978). He lives in New York City with his wife and three daughters.

Jason Kilar, MBA 1997 *CEO, Hulu LLC*

Jason Kilar is CEO of Hulu LLC, an online video joint venture of News Corp and NBC Universal. He joined Hulu after nearly a decade of experience at Amazon.com, where he served in a variety of key leadership roles. Kilar wrote the original business plan for Amazon's entry into the video and DVD businesses and ultimately became vice president and general manager of Amazon's North American media businesses, which included books, music, videos, and DVDs. He later served as senior vice president, worldwide application software, where he led an organization of hundreds of world-class technologists and reported directly to CEO Jeff Bezos.

Kilar began his career with the Walt Disney Company, where he worked for Disney Design & Development. He received his MBA from HBS and graduated Phi Beta Kappa from the University of North Carolina at Chapel Hill, where he studied business administration and journalism and mass communication.

Sheila Lirio Marcelo, MBA 1998 *Founder and CEO, Care.com*

Sheila Marcelo, the founder and CEO of Care.com, has always been passionate about business and family. After frequent struggles to find quality care providers for her two boys and her father after his quadruple bypass surgery in 2001, Marcelo became aware of the lack of resources available to help families address their constantly changing care needs. Thus, the idea for Care.com was born.



Marcelo is a leading expert on providing families with care-planning advice, having appeared on NBC's *Today Show* and *ABC News Now*. She has also been featured in news outlets across the country, including the *Boston Globe* and *Redbook*. In 2007 Care.com was recognized by the Stevie Awards for Women in Business as the Best New Company of the Year.

Care.com is a continuation of Marcelo's interests in community involvement and helping people through successful Internet businesses. Before Care.com, Marcelo served as an executive at several successful Internet companies, including Upromise.com, an online service helping families save money for college, and TheLadders.com, an online service helping people find jobs.

Marcelo graduated magna cum laude from Mount Holyoke College while juggling an economics major and raising her eldest son. She went on to pursue dual degrees from HBS and Harvard Law School, graduating with honors and receiving two prestigious awards: the Dean's Award for overall leadership and contributions to HBS and the Fitzie Foundation Award, given by the Margaret Fitzgerald Grogan Petersmeyer Foundation, which honors the most outstanding female students.

Joel T. Milne, MBA 2004

CEO, Ivize; Cofounder and Managing Partner, Mt. Auburn Partners

Joel Milne is the CEO of Ivize, a national legal document services company, and a managing partner of Mt. Auburn Partners, a search fund he cofounded. Since acquiring Ivize in 2006, Milne has led the company through a period of rapid growth from 75 employees to over 500 employees in 15 states.

Previously, Milne founded Season Ticket Networks, which under his leadership become the leader in season ticketing software, with over 50 professional sports teams as customers, before being acquired by a national ticketing company. Earlier, he served as president of nCode Technologies, an international IT consulting firm, and as a deputy director for Massachusetts Governor Mitt Romney's 2002 election campaign. He has also been a project engineer for one of the world's largest copper mining companies.

Milne received an MBA with distinction from HBS and a B.Sc. in engineering from Queen's University.