

# EXTRAORDINARY ENTREPRENEURSHIP

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THE PROFESSIONAL'S GUIDE TO STARTING  
AN EXCEPTIONAL ENTERPRISE

STEPHEN C. HARPER



WILEY

JOHN WILEY & SONS, INC.



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## ABOUT THE AUTHOR

**Stephen C. Harper** is the Progress Energy/Betty Cameron Distinguished Professor of Entrepreneurship at the University of North Carolina at Wilmington. He is also president of his own management consulting firm, Harper and Associates Inc. Steve has worked with entrepreneurs and executives for more than 30 years. He was cofounder of the Coastal Entrepreneurial Council and served as director of UNCW's Small Business Institute for 17 years. He has received numerous teaching awards. He also received special recognition for outstanding service by the U.S. Small Business Administration. During his career he has been cofounder and president of three economic development organizations and has served on the board of directors or advisory committees for numerous corporations and nonprofit organizations. He has also been a featured speaker at conferences throughout the United States sponsored by *Inc.* magazine.

Steve is the author of numerous books, including the national best seller *The McGraw-Hill Guide to Starting Your Own Business* (McGraw-Hill, 2003), *The Forward-Focused Organization* (Amacom, 2002), *The McGraw-Hill Guide to Managing Growth in Your Emerging Business* (McGraw-Hill, 1994), and *Management: Who Ever Said It Would Be Easy?* (Harper and Associates, 1983). His articles have appeared in national and international magazines. Steve served on the faculty at Arizona State University where he earned his Ph. D. He has also been a visiting professor in the executive MBA program at the Fuqua School of Business at Duke University.



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# FOREWORD

Imagine spending 12 years of grueling 80+ hour weeks, five years of which were spent working for a startup, seven years spent starting three companies, creating a team of trusted mentors, managing two successful exit events, assembling a network of fellow entrepreneurs, building a cadre of venture capitalists, and raising three rounds of venture capital with the ultimate goal of leveraging all of that aggregate knowledge to build a very large business.

Then one day you realize that someone has ingeniously captured and collected literally hundreds of years of entrepreneurial experience into an easy to read book?!? By my calculations, if Dr. Harper had written this book in 1992 vs. 2005, not only could I have saved 12 years of my life, but this book would have saved me 50,000 hours of work!

## SERIOUSLY THOUGH...

Here's a quick recap of my personal entrepreneurial adventures and some of the experiences I've enjoyed mapped to concepts you'll find conveniently summarized for you in this book so you can learn from the deep experiences of others.

In 1992, when I graduated from North Carolina State University's engineering program with a Master's degree, I knew that someday I wanted to start my own business. Not just a small business, a *big* business—a home run, like a Dell or a Microsoft. I think the reason I had set my sights high was that I was raised around entrepreneurship. My father, Dale Wingo, started a business out of our house selling retail carpeting back-office systems that he ultimately grew to be quite large and sold to DuPont's Fiber/Carpet group.

As you can guess, growing up with the dinner conversation centered around the latest exciting hardware, software languages, hitting revenue targets, hiring salespeople, and other entrepreneurial exploits, I had the bug pretty bad going into college. But these were the days when entrepreneurship wasn't as widespread or accepted as it is now.

After graduating, I found myself on the horns of a dilemma with two job offers:

1. One from Motorola where my whole life was planned out. Move to Austin, start as a junior engineer and then progress through the Motorola "career ladder" for 10–20 years.
2. A startup in CT called Bristol Technologies started by an engineer I had met in a summer job. At Bristol, I would be the first nonfamily employee and there was no clear career path.

After much soul searching I talked to one of my professors and he convinced me to go the startup route.

- The Introduction and Chapter 1 will allow you to do the soul searching you need to do before embarking on an entrepreneurial journey of your own.

## STARTUP EXPERIENCE

After three years at Bristol, I had some great experiences in what to do and some in what not to do and was ready to strike out on my own.

- Again, as you'll see in the Introduction and Chapter 1, entrepreneurs don't tend to "do well" working for other folks and crave the thrill and independence of entrepreneurship. Think of Chapter 1 as a litmus test and ask yourself: "Is this me?"

### Stingray Software

From 1995 to 1998, I cofounded our first company, Stingray Software with two of my friends from graduate school: Aris Buinevicius is one of the best developers I've ever met and Dean Hallman is a true technological visionary. We were literally profitable from the first days and thus didn't need venture funding.

When we started Stingray, we decided that I would run the business side (what engineers jokingly refer to as "the dark side") of things with Dean and Aris running the technology side. At Stingray we developed software development software for software developers. We quickly grew to 75 people and a \$12 million run rate, but realized we had a problem. We had chosen a somewhat small opportunity—probably about \$20 million–\$30 million total revenue opportunity size. Based on that information we decided to sell the business, which we did in 1998.

- Chapters 2 through 5 will help you avoid this pitfall by focusing you on larger opportunities and giving you the tools to evaluate the business ideas you do come up with so you can select a "home run."

At Stingray one thing we did "right" was to create a business plan that we stuck to and it was more of a "living" document versus something we wrote just before starting the company and looked at three years later. The plan gave us fiscal discipline as well as general focus discipline so we wouldn't chase odd opportunities, which is a trap that catches many entrepreneurs.

- Chapters 6 and 7 are the best treatment I've seen on business plans.

### AuctionRover.com

In 1999, caught up in the Internet boom, Aris and I started an online auction search engine company (think Google for auction sites) called AuctionRover.com. This was to be our "home run" and as with any second effort we felt we had solved all of the problems with the 1.0 effort. Primarily we knew we were onto a marketplace that was already big and would be getting a great deal bigger—fast. This was clearly a \$100 million + opportunity and we intended to own it.

Sensing that we needed to grow fast versus slow to capture the opportunity we funded the business with a sizable out-of-pocket amount and immediately started looking for venture funding.

Fortunately we were able to get several term sheets, but they were full of terms and terminology that were like Greek to me. In fact, I searched for weeks for any books or other information on venture capital and found nothing. I ultimately had to resort to talking with

a handful of entrepreneurs and lawyers I could find that had actually gone through the process and every one had a different experience than I would have. Ultimately we closed a \$3 million round, but what a learning experience that was.

- You will find Chapters 8 through 12 extremely valuable if you ever seek funding of any kind—especially venture capital.

Within six months we had our second version of the site live and surprisingly while we had no revenues yet we started to receive acquisition offers. We said no to the first several offers because we fully intended to grow this second business, do an IPO, and build a substantial billion-dollar business.

Ultimately we felt the dot-com bubble burst coming because of the insane valuations being placed on anything and everything dot-com and knew there would be a shakeout at some point. Serendipitously in early 2000 an offer came in from GoTo.com (now called Overture—part of Yahoo!) and we decided the value was right, the timing was right, and it was best to go ahead and sell the company.

### ChannelAdvisor Corporation

For 18 months we rode out the dot-com bubble burst (dot-bomb) as part of Overture. In July 2001, opportunity knocked and we were able to buy back some parts of AuctionRover we had sold as well as some new ideas we had been working on over those 18 months and we spun out of Overture as ChannelAdvisor.

At ChannelAdvisor we provide software and services that help companies of all sizes (from single-employee microbusinesses to Fortune 100 firms like IBM and Motorola) harness the power of online marketplaces like eBay, Amazon, Yahoo! Shopping, Shopping.com, etc.

As of 2004 we have raised two venture rounds (again see Chapters 8–12) and we have our sights squarely fixed on eventually taking the company public and building that billion-dollar business.

- See Chapter 13 for information on the IPO process.

There's a saying in the software world that it takes three versions to get all the kinks worked out of the system; we're hoping that's the case with ChannelAdvisor, but only time will tell.

We've been working on ChannelAdvisor for three years now and occasionally when I've had a rough day, I'll pick up this book and scan through the Epilogue, Entrepreneurial Dos and Don'ts, for inspiration.

- The epilogue is a great way to spend 20 minutes and get yourself reenergized if you need a little “pep talk.”

Hopefully this tour through my personal entrepreneurial adventures compared with the content of this book illustrates just how important and groundbreaking I believe *Extraordinary Entrepreneurship* is.

Now save yourself 12 years of hard work—read this book cover to cover and then go start your own adventures!

Scot Wingo  
*President and CEO, ChannelAdvisor*  
*Serial Entrepreneur*  
*2004 Entrepreneur of the Year for the Carolinas*

