

THE NEW ENTREPRENEURS

How They Start, Why They Succeed, Why They Fail.

They make semiconductor components out in California's Santa Clara Valley; that's how the place acquired the nickname "Silicon Valley." There's a concentration of technology, talent and support services, unmatched anywhere else in the world, available to the organization determined to build a better solid-state mousetrap.

They make companies out there, too. You don't hear nearly as much about the technology, talent and support services that it takes to make a company, but they're all available in Silicon Valley and, as Jim Patterson says, "I'd hate to try this in Ames, Iowa."

No offense, Ames. But please don't start writing a letter of refutation until you read about the way Silicon Valley nurtured the start-up phase of Quantum Corporation.

A Move To Smaller Companies

Jim Patterson's BSEE from the University of Colorado (1960) earned him a job offer from IBM in San Jose, CA, where he spent 11 years. His engineering-management assignments included work on disk drives, process-control computers and the 3800 laser printer. By the early 1970s, Patterson had seen a lot of promising companies prosper,

and had read of the swift promotions that came to high achievers who got in early enough.

Memorex looked like one of those rising stars, and when Patterson was offered an opportunity to work in business and market-planning, he left IBM. "I was attracted by the chance to exert more personal influence over the general direction of the company, and by the fact that Memorex was so much smaller than IBM. My assignment was to help put Memorex into additional peripherals, and I concentrated on tape- and disk-drive products."

The personal advantages of his new position at Memorex may have temporarily blinded Patterson to the storm clouds that were beginning to gather over the company, but it didn't take him long to realize that there wasn't enough money in the treasury for branching out into new product lines. Patterson requested, and was granted, a transfer into the Memorex engineering department, and started thinking seriously about working for a smaller,

newer company with more creative elbow room.

"Al Shugart had left Memorex to form his own company," explains Patterson, "but at the same time he was also a member of the board of directors of System Industries. I knew Al, and had heard about System Industries, and when it offered me the challenge of developing the clinical-laboratory market, I accepted it."

"It was an exciting time. System Industries was next door to Shugart and both companies were growing. I became vice president of engineering at System Industries, and when its medical business was acquired by another company, we concentrated on the subsystem market. We would buy drives from manufacturers, combine them with controllers and software, and then sell them for incorporation into OEM products in competition with firms like DEC and Data General."

"I was there for six years. During that time the company grew from about \$2.5 million to \$25 million. And it's still growing today; I think it's at the \$60-million level."

Patterson says he thought about starting his own company several times while working for IBM, and looked into the possibilities at least twice. "But I was just too naive, and nothing ever happened."

However, in 1978, Patterson was approaching the three-month paid vacation that System Industries granted to professional employees with six years of continuous service. It was coming up quickly, he says, and he had no plans.

"A friend of mine came up with an invention that showed some promise, and he had built a prototype of his electronic balance. He didn't have a business plan, he didn't have a marketing plan, and he really didn't know how



James L. Patterson

to go about raising money. I told him I would work on his project during my sabbatical leave in exchange for some equity in the resulting company, and he agreed."

"The project was too complicated to resolve in just three months, and when my sabbatical was over, I resigned as an officer of System Industries and became a consultant to my former employer. It wasn't long before I picked up additional consulting work in the Santa Clara Valley, and I got very busy."

"Meanwhile, I drifted away from the inventor who had started me on my new direction when we found it difficult to raise enough money to go into manufacturing and were unsuccessful in selling the design outright."

Jim Patterson's flexible schedule as a consultant gave him the time to pursue an old friendship with Harold Medley, who had resigned from Shugart in Sep-

tember 1979 to begin a retirement that wasn't fated to last very long. Medley and Patterson were old disk-drive hands, and the more they talked, the more they began to zero in on what they perceived as an unexploited market segment.

"Our discussions began to include a few other people," says Patterson, "until we were six men, five of whom came from Shugart. We talked about disk drives and examined all the alternatives, including the 5-1/4-in. product family."

"I remember that I paid a visit to Norman Dion, president of Dyan, a leading manufacturer of the disk: themselves. I explained our idea on Monday, and Dion asked me to come back very soon with a more formalized plan. I went home and worked all night putting together a business plan."

"During my second conversation with Dion, we zeroed in on an 8-in. Winchester-type drive. And at the time we decided to go ahead, there were 21 other companies in the same business—almost all of them missing the mark a

The Best & Worst Moments

"There is hardly any experience," says Jim Patterson, "that beats shipping your first product out the door on time. It's the best moment."

"The worst moments came when we were trying to raise money. It's the newness. It seemed to be more of a risk than the business plan itself."

to go about raising money. I told him I would work on his project during my sabbatical leave in exchange for some equity in the resulting company, and he agreed."

"The project was too complicated to resolve in just three months, and when my sabbatical was over, I resigned as an officer of System Industries and became a consultant to my former employer. It wasn't long before I picked up additional consulting work in the Santa Clara Valley, and I got very busy."

"Meanwhile, I drifted away from the inventor who had started me on my new direction when we found it difficult to raise enough money to go into manufacturing and were unsuccessful in selling the design outright."

Jim Patterson's flexible schedule as a consultant gave him the time to pursue an old friendship with Harold Medley, who had resigned from Shugart in Sep-

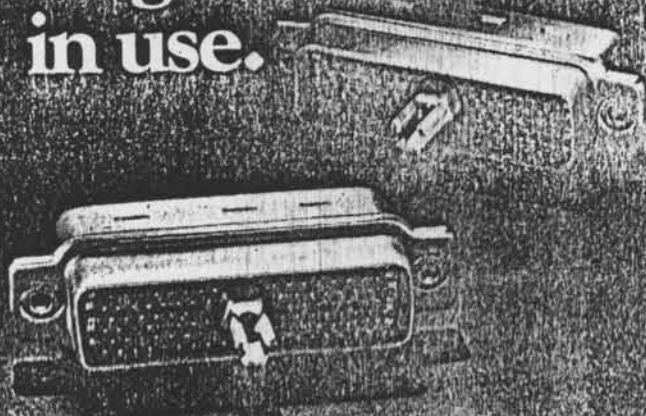
to where the real market was."

As 1979 was drawing to a close, Jim Patterson got his five prospective founders together and explained to them how he hoped to succeed with a company dedicated to marketing a product that would allow a manufacturer to upgrade from 8-in. floppy-disk drives to 8-in. Winchester drives. The key would be total compatibility, as the contemplated product would be bolted into the same slot that formerly held a floppy. "Shugart was our nominee for the dominant factor in the market," says Patterson, "and we intended to make our product compatible with the Shugart offering. It had most of the 8-in. floppy business."

The six men shook hands on their intentions, and all of them contributed toward the seed money that paid for incorporation in February 1980.

"There is a structure to the ent-

**Memorable
in performance,
forgettable
in use.**



Rectangular Connectors—High density and rugged.



DEUTSCH

COMMON TERMINATION SYSTEM

Municipal Airport, Banning, California 92220
Telephone (714) 849-7822 • TWX 910-332-1361