



# REPLICATING SUCCESS

**Serial entrepreneur and investor Brian Caulfield is well-versed on what can be done to help Irish tech start-ups succeed and the characteristics that are essential for growth**

Ireland is enthralled by start-ups and besotted by entrepreneurs. Barely a month goes by without a summit, seminar or boot camp proffering advice on how to become the next big thing. Hubs and incubators have sprung up in our towns and cities, workspaces where entrepreneurs can hone their ideas alongside like-minded people, while a growing number of venture capital companies are ready to invest in the brightest and the best, supplementing seed fund schemes set up by the Government.

There is a start-up commissioner in Dublin and a start-up gathering coming to Cork. Over 40 research and technology centres have been established across the country's universities, where technology transfer offices are primed to take the best ideas to market. A new political party, Renua, even put entrepreneurs at the top of their policy agenda (though its subsequent electoral failure suggests that the love affair with self-starters may have its limits).

Brian Caulfield is delighted by the new national fixation. Back in 1996, the serial tech entrepreneur founded one of the first early stage software companies to raise venture capital in Ireland, subsequently selling it on for \$26 million in 2000. "Things have changed beyond all recognition," he says. "There was virtually no capital available in the market back then and you could count the number of tech start-ups on two hands."

In the past year alone, 10 Irish companies raised €280 million between them, and the Irish Venture Capital Association – which Caulfield currently chairs – reported

that funding for Irish small and medium-sized enterprises (SMEs) has increased by 30 per cent to €522 million. "I've been involved in the start-up community for 25 years and I don't think I've ever seen the grassroots community as vibrant as it is today," he says

And he's still in the thick of it. After selling his second start-up, Similarity Systems, for \$55 million in 2006, he has sat on many boards, acted as an angel investor, and become a partner for venture capital compa-



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## Making the call How to spot an entrepreneur

Having been involved in around 50 investment transactions, Brian Caulfield is better placed than most to make a call at what makes for a successful entrepreneur. He identifies five key traits:

### 1 Market knowledge

Caulfield is most likely to invest in a company that has been around for a couple of years, gone to market and won customers that confirm there is a gap in the market for a product or service. "It doesn't even matter how good the entrepreneur is if they're targeting the wrong opportunity or the wrong problem," says Caulfield.

### 2 Focus and drive

Great entrepreneurs are relentlessly focused on their goals and prepared to hustle to achieve them. If he has to ask

someone to do something twice, he will lose interest pretty quickly.

### 3 Passion and conviction

Essential at every stage of a start-up's progress, for attracting investors and customers in the early phase, and for leading from the front and inspiring team members as the business develops.

### 4 Ability to listen

Caulfield always looks for entrepreneurs that are "coachable" and willing to learn – not blind allegiance but somebody that listens and is prepared to take advice.

### 5 Charismatic and compelling

To attract talent to their companies as well as investors, the best entrepreneurs are smart and charismatic self-starters that you want to go into battle with.

ny Draper Esprit. Clearly passionate about his work – he could have comfortably retired from the scene long ago – Caulfield remains an enthusiastic lobbyist for the start-up cause, most recently criticising government for the lack of tax incentives.

"There was a little bit of progress in the last budget in terms of the tax environment for entrepreneurs, but we're very poorly placed relative to the UK and the US," he says. "A reduced capital-gains tax rate was introduced for entrepreneurs but a tiny proportion of people are going to benefit from it, and it still compares extremely unfavourably with the situation in the UK."

## Start-up ecosystem

While Caulfield welcomes the buzz around start-up activity in Ireland, he is realistic about its impact. "Nearly all research comes to the conclusion that there isn't a recipe, and that you can't develop a start-up ecosystem by trying to push particular things. It just isn't as simple as that," he says.

So if we can't create entrepreneurs in some perfectly curated ecosystem, where are the seeds sown for the next-generation of successful start-ups?

Top of Caulfield's list are members of successful start-up teams who get the bug and feel driven to do it for themselves. Second are employees of tech multinationals. The waterfall effect of FDI (foreign direct investment) has helped spawn Ireland's indigenous tech industry, up-skilling people to the point where they have the tools to do

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their own thing.

“Multinationals have attracted foreign talent into the market and trained a cohort of managers who have experience of operating at scale,” he says. “One of the most exciting developments in recent years is seeing Ukrainians and Italians leave Google to launch start-ups in Dublin. That’s a very positive trend.”

A third source comes from university spin-offs, but it’s a distant third, according to Caulfield, because the technology transfer officers in Irish universities struggle with the transition from test lab to marketplace. “Unfortunately, the focus has been much more on the protection of IP [intellectual property] and ensuring that the institution isn’t ripped off rather than commercialisation. That’s changing and they’re making progress, which is good because it’s pointless protecting IP if you’re not commercialising it.”

#### Economic recovery

With the economic recovery he would like to see the government offer tax incentives that encourage more people to invest in start-ups, something that failed to happen during the Celtic Tiger when property was the only game in town. He fears the same thing could happen again because there’s still a misconception about entrepreneurs, that they are a bunch of chancers with a wedge of cash in their pockets.

“An education job needs to be done.

What people didn’t realise was that not only can you lose your capital in property, you can be left with debt on top of that,” he says. “People perceived property as risk-free and unfortunately our tax system has consistently encouraged people to invest in it at the expense of early stage, job-creating businesses.”

He is also concerned about the decline in the Irish education system and worries that the production line of young talent that has played such a big part in attracting FDI may be starting to stall. “Traditionally Irish universities produced very high-quality, well-educated graduates, but there are issues now because the amount of funding going into education has declined dramatically,” he warns.

In his time as an investor, Caulfield has taken around 10 companies to successful exits, giving venture capitalists and angels their big paydays. There have been relatively few write-offs, he says, but acknowledges that mistakes will always be made in such a high-stakes business.

“I would say they fall into two categories: market timing, where you are a little bit late or a little bit too early, and backing the wrong people. You’ll often hear VCs say ‘great guy, wrong company.’”

For Draper Esprit the sweet spot is start-ups that have their first customers, tangible evidence of a commercial opportunity that needs series A or B funding to scale. If Caulfield likes what he sees he will raise investment from a variety of sources and set up a team to steer the business on to

the next level. It sounds a good deal simpler than it is.

Markets change and start-ups have to change with them, exercising the “pivot” that many undergo to find a new opportunity when old ones look less certain. Some people only see the high-profile success stories in the media and think it’s easy, warns Caulfield, the multimillion dollar deals that only tell part of the story. “What they never see are the unsuccessful exits which by definition are not reported, where a company gets a term sheet for an acquisition by a potential acquirer but the deal never happens.”

#### Open invitation

In terms of what’s hot right now, he expects big things around augmented reality and virtual reality. “I think it’s a revolution in the making that is not dissimilar to what happened with the introduction of smartphones. And there are a number of aspects of digital health that are incredibly interesting,” he says.

If this sounds like an open invitation for would-be entrepreneurs to bang on his door, be warned, you’ll need more than a flavour-of-the-month idea to be taken seriously. “I can spot really good entrepreneurs in minutes,” he claims. “When you’re having a tough time working through some problems, it’s the really high-quality ones that will have the talent, ideas and personality to see a way around it. When that happens it reminds me why I love my job.”



ONE OF THE MOST EXCITING DEVELOPMENTS IN RECENT YEARS IS SEEING UKRAINIANS AND ITALIANS LEAVE GOOGLE TO LAUNCH START-UPS IN DUBLIN. THAT’S A VERY POSITIVE TREND

