Remarks of Al Schneider Upon Recognition as LA County Technology Week

2011 Technology Leader of the Year

10/20/2011

Thank you, Mark. Certainly it's a great honor to be receiving this award, and to be on the same program honoring the Sarnoff family for their very impressive, long-term contributions to the modern media. Like everyone else, I really enjoyed hearing Tom Sarnoff's reminiscences about the development of the television industry.

In a way, I feel I am receiving this award on behalf of all my fellow angels in leadership positions at Pasadena Angels and Tech Coast Angels over the last decade. As you know, though I have chaired high tech companies, I am not an engineer, inventor or former tech company CEO. But I do believe that angels have given some good advice over the years to entrepreneurs trying to move their companies forward, raise money, and build a business around new products and services. But let me come back to the role of angels in a few moments.

Just 10 days ago when you e-mailed me about this award, I was in Wales and western England, on a vacation trip with my wife that included seeing two sites that made a great impression and somehow seem very relevant to this LA Tech Week conference, as we think about the importance of innovation and technological change to our local and national economy.

The first was the iconic development at Stonehenge. Over 4000 years ago, after a long period of rising agricultural productivity and increasing population, early English settlers undertook what amounted to a "Project Apollo" for their era. The project involved incredible challenges and absorbed vast resources, but over centuries rather than decades. You've probably seen photos of the site. Massive stones were shaped, transported by land and sea up to 150 miles, fitted together and then lifted into carefully selected locations that created a veritable light show during the summer and winter solstices. Still today these stones inspire awe and wonder. How, and why, did they get there?

The second site that sticks in my mind is less well known-- the partially destroyed remains of the massive Blaenafon Ironworks in South Wales. Iron and steel are of course basic to modern life, yet it's easy to forget how important the gradual improvements in production techniques were in the 18th and 19th centuries, beginning with the use of coke rather than charcoal as fuel about 1709. Later, in 1779, cast iron from England was used to make girders for the first iron bridge ever built, across the nearby Severn River. Ten years later, three massive blast furnaces were built at Blaenafon for production of iron using the abundant local coking coal as fuel, and by 1796 they were the second biggest producers of iron in Wales.

Over the next 75 years, despite a lot of volatility in the local economy, there was a significant expansion in iron production and then, in the 1870's, steel production was also begun. The Blaenevon Iron and Steel Company grew to 5000 employees and briefly became a pioneer in using key new technology now called the "basic steel process." But success would not last. Iron and steel operations stopped in 1904, unable to compete with producers in other areas, and the Ironworks exists today as a World Heritage site, a vivid example of what the economists call "creative destruction," and an important monument to the Industrial Revolution.

But what does this all have to do with Tech Week? To me, it confirms just how quickly technological change is accelerating, how much it affects our social and cultural life, and how ephemeral commercial success can be, even if based on technological leadership.

4000 years ago, our ancestors were predominantly farmers, investing to create monumental stone sculptures probably focused on their hopes for bountiful harvests, but also bringing together thousands of people for mid-winter gatherings of great cultural if not religious importance. There was no mail service, much less phone service, so face-to-face meeting was essential to bind together the larger community.

300 years ago, Welsh and English entrepreneurs were hard at work trying to Improve iron production by using bigger and bigger coke-fueled blast furnaces, up to 5 stories tall and running 24/7, under working conditions almost as dangerous as those in nearby coal mines.

How distant that seems from LA in 2011. Today, in the US, most of us are neither farmers nor factory workers. And many of us at this conference are working on commercializing scientific advances, whether they are medical innovations, greener energy sources, or improved digital communications, in a world far removed from the early farms of 4000 years ago, or the mines and factories of 300 years ago.

In a former life, I taught a university course that focused on the root causes and unintended consequences of just this type of technical change. The Industrial Revolution of the 17th and 18th centuries was of course of critical interest, and there had been a great amount of research and theorizing about what cultural values might have favored the type of work ethic, desire for material success and willingness to try new approaches that are critical for technological advances, like coke-fired blast furnaces or iron, and then steel-framed, bridges.

Today, hard work and innovation are still essential, and the mantra that "you only fail if you don't try" encourages risk-taking. I would suggest that technological change happens when r & d meet marketing and production; when the inventor teams with the entrepreneur; when necessary investment is advanced by sources of finance. Scientific advances need to be embodied in new products and processes that create economic value to realize their full potential.

And that's where angels come in.

I've been fortunate to be involved in both Pasadena Angles and Tech Coast Angels for 11 years. Organized angel groups composed of up to 100 or more investors, with minimal pre-existing relationships, but sharing an interest in early stage investments, are a new type of organization that arose and spread dramatically over the last 15 years. Like the BTC itself, and a whole host of other forms of incubators, accelerators and similar institutions, angel groups have an important role in helping inventors and entrepreneurs get tech companies funded and moving forward. In some ways angel investors function as gatekeepers, trying to select and assist those young companies we think can be successful, by providing **capital and counsel**. Fundamentally, angels like companies that can develop sustainable competitive advantages—whether or not they are based on technological innovations.

On a combined basis, Pasadena Angels and Tech Coast Angels members have provided more than $140 million in capital to over 220 Southern California companies over the last 14 years. Certainly many successful companies do not seek, or do not attract, such assistance. Both groups are organized as non-profits, and never

charge an entrepreneur any type of application fee. We try to provide useful feedback to **all** companies that apply, including the many companies that don't arouse sufficient interest to generate funding. We also try to fast-track smaller, seed capital investments, say from $50k-$150k, when we believe an entrepreneur has a concept of great interest, albeit one still quite untested.

Like other angels, I often am skeptical of an entrepreneur's estimate of the impact of his innovation, or the size of his market, or the estimated time and capital investment needed to make his dream into a reality. But that is the angel's role—providing an outside "reality check" on the entrepreneur's hopes and expectations. This role is as important as writing checks, since it is foolish to encourage an entrepreneur to pursue a road that is likely a dead-end, however difficult it might be to write off months or years of effort. Of course we're fallible and make mistake in the funding game, both false negatives and false positives.

But if you are building a technology-based company, **do** reach out to angel investors for both counsel and capital. Such company-building work is a **team** effort, and certainly not just an engineering or scientific exercise. The fellow entrepreneurs that you will find in angel groups--along with the financiers and marketing experts, the legal, accounting, p.r. and h.r. professionals--can help maximize your chances for success, even if you are not ultimately funded.

In closing, Mark, I want to thank you and the others involved in this awards process again, and congratulate you, and the County, for making the BTC such an important institution, and the LA Tech week such a fine event.