

# Dispatches from the Next Tech Gold Rush



Biotech gets all the hype.

Until not so long ago, Silicon Valley was getting all the money. Now local high-tech entrepreneurs are forging a quiet resurgence—and might just transform the Hub in the bargain. **By Dan Morrell**

**Walt Doyle doesn't seem to belong here. Maybe in Palo Alto or somewhere**

else in Silicon Valley, Doyle's finely stitched blue guayabera shirt would be considered typical office attire. Maybe in Redwood City, a 39-year-old CEO who is *psyched* that his new office will offer a skateboard commute is not uncommon. But in Boston?

Doyle, a Beacon Hill kid who moved to California to build his career in high tech, admits he was nervous when he left San Francisco and his job at MapQuest in 2005 to return to Massachusetts to take the reins at Framingham-based uLocate, a startup that sends targeted information (on nearby restaurant options, for instance) to GPS-enabled cell phones. "When you're on the West Coast, you think that everything revolves around the Bay Area," Doyle says. "That's frankly why I was a little scared to come back."

But once he got to his new job, Doyle says, he discovered it was part of a bustling wireless-technology sector that's outpacing even what he'd seen in California. And that's on top of Boston's burgeoning Web video businesses, led by heavy hitters like

## Boston, Inc.

Cambridge's Brightcove and Maven Networks (where 10 of the 50 engineers are, like Doyle, West Coast transplants). Taken together, it adds up to an unmistakable if quiet resurgence for the Hub's high-tech industry.

Obscured by Beacon Hill's love affair with biotech—for which Governor Deval Patrick, with much fanfare, has earmarked a billion dollars of state investment—local venture capital firms spent the first quarter of this year doling out cash to high-tech and Internet companies at a clip not seen since the halcyon days of early 2000 (some \$461 million through March). Even more noteworthy than the sums being invested is the jump from where spending was a year ago: The \$174 million spent locally on software development alone represents a 75 percent increase. The investments have been paying off, too. Over the past two years a raft of Hub startups has been snapped up by bigger companies—Web news service Reddit by Condé Nast; Sconex, a social networking site for high schoolers, by Alloy Media + Marketing; AeroDiet's Calorie-Count.com by the New York Times Company. Boston-area firms added 1,000 new software jobs from May 2006 to May 2007. And this summer Google and Microsoft signaled more were on the way as they each scouted for bigger office space here. Walt Doyle's own uLocate, flush with \$11 million in new cash, is moving into fresh digs near North Station, and doubling its staff to 40 by year's end. "It is a great time to be an entrepreneur in Boston," says Dave Andre, president and CEO of Mall Networks, a Lexington firm that builds websites for customer reward programs. "If you have an idea, there is a lot of money out there and a lot of good people who can help you."

### The inglorious tale of how Boston

lost its chance to become the country's tech capital during the heady dot-com explosion is, by now, well told. A center of innovation since even before Alexander Graham Bell invented the telephone down by City Hall, Boston maintained its status as a tech incubator into the 1980s, when companies like Wang Laboratories and Digital Equipment built the Route 128 corridor into a hot zone of data storage and

## Fund My Startup, and I'll Fund Yours

The benefits of being well connected make for one incestuous industry.



**JEREMY ALLAIRE** His Brightcove Internet TV service got off the ground with a boost from Cambridge VC firm **General Catalyst Partners**, where he was an "entrepreneur-in-residence."



**HEMANT TANEJA** A General Catalyst managing director, he helped launch **80108 Media**, which text-messages news (so-called thumbcasts) to cell phones. He now sits on its board.



**DAN SMITH** A cofounder of **80108 Media** and its VP of operations, he came from **Miva**, a Florida-based firm that specializes in online keyword-search-driven advertising.



**LARRY WEBER** The PR guru sits on **Miva's** board. His marketing firm, **W2 Group**, has worked with Cambridge's **Akamai Technologies**, whose servers power much of the 'Net.



**PAUL SAGAN** The **Akamai** CEO last year steered the company to \$429 million in earnings. He sits on the board at Akamai's next-door neighbor, **Maven Networks**.



**HILMI OZGUC** He heads **Maven Networks**, a Web video company he launched with \$5 million from **General Catalyst**—and the help of one Jeremy Allaire.

## C'mon In, Bill, the Water's Fine!

Why the little guys want Microsoft and Google to encroach on their turf.

Google is said to be in the market for as much as 200,000 square feet of Hub office space. Microsoft, meanwhile, just picked up 136,000 square feet—enough to double its Bay State workforce to about 1,000. And Boston's digital-industry denizens couldn't be happier.

Why? More big companies are relying on startup acquisitions to make up for the R&D work they're doing less of. So rather than getting crowded out by the giants, even the smallest firms are seeing their chances of getting bought up by their neighbors improve. Google and Microsoft can also serve as a home for serial entrepreneurs who are between launches. "[They give] powerful thinkers a place to perch," says Forrester Research analyst Josh Bernoff. If Google's new digs are anything like its Silicon Valley HQ—where free gourmet meals are the norm—they might not want to leave.



## What's Good for the Geek Is Good for His Lawyer...

And publicist. And broker. A look at who's riding the tech coattails.

**THE SKILLS** Demand for bodies at tech-centric marketing firms is so pronounced that some recruiters have resorted to a rather crude technique for drumming up prospective hires: calling an office and ringing cubicle after cubicle in an effort to lure someone, anyone, away. "They just start dialing different extensions," says one local tech-PR vet. "It's hysterical."

**THE SUITS** Pretty much every new moneymaking tech idea means a new patent application—and a rush on the latter has meant a frothy job market for the city's intellectual-property lawyers. "There's a bit of a squeeze," says Ron Cahill of Nutter McClennen & Fish. "Recruiting has been a major priority for firms all around Boston with IP practices."

**THE SPACE-MAKERS** In the past year the price of office space in East Cambridge jumped \$10 a square foot. That can add six figures to some leases, but the spiking prices haven't left buildings empty. The amount of vacant office space in the neighborhood has dropped 3 percent during the same time—making for some very happy landlords and real estate brokers.

## Boston, Inc.

microcomputing. But despite being well positioned for the next tech-centric boom, the region was notoriously eclipsed by Silicon Valley. Boston lost its footing, it's been said, because of the insular, risk-averse brand of business practiced here. As West Coast venture capitalists birthed bubble-era blue chippers like Cisco Systems, Yahoo, and eBay and created a roaring regional economy that prided itself on network building, good old Yankee self-reliance was bested by the freewheeling (and free-spending) California mindset.

Yet at the same time, the Hub never completely lost its infrastructural advantages—the universities to produce ideas, the capital to back them, and the ability to attract the talent to bring them to life. And on this ground, the climate favors Boston in new ways.

In a nod to Silicon Valley-ites, the local tech scene has started to embrace the sort of networking it formerly did without. Industry get-togethers like the Boston Web Innovators Group, launched by venture capitalist David Beisel, have cropped up to connect ideas with money. Over the past two years, Beisel has seen his meet-ups grow from a dozen entrepreneur friends at Tavern in the Square to more than 300 investors and tech geeks packing the ballroom at the Royal Sonesta in Cambridge. At the events, neck tattoos are more popular than neckties, with hipster entrepreneurs in complicated sneakers mingling with financiers in wrinkle-free khakis, each kinetically doing his part to plot the future. These socials are creating buzz for local innovations: Reddit, Sconex, and Calorie-Count.com all trotted out their concepts at Web Innovators meetings while they were getting off the ground.

One reason the good ideas that are getting traded are more often finding traction is that there's less risk and guesswork involved in the tech business today. Venture capital firms in the region have had the chance to learn from the mistakes of their predecessors. The current scene is dominated by proven winners and younger entrepreneurs who've grown up with a keener sense of the business of technology. And both groups possess a better feel for what will work right now.



## Less-Sketchy Online Classifieds, Stress-Free Babysitter Referrals, and Other Wondrous Web Services

Four local startups it's worth keeping an eye on.

**CARE.COM** This Waltham company's site can help when your babysitter picks have come down to the "edukated male with no track marks" and the lady who brags in her Craigslist ad, "WON'T SPARE THE ROD." Here you can tailor your search for sitters, tutors, pet sitters, or adult-care helpers, and even run a background check.

**BUZZWORD** Google has already toyed with a rudimentary online challenger to Microsoft Word with its Google Docs program. Waltham-based Virtual Ubiquity wants to go much further with its Flash-based Buzzword, a word processor that sits in a user-friendly Web browser. The technology enables two people to work on the same project at once, allowing your screwups to be noted by your boss in real time.

**GEEZEO** College kids love to text-message. College kids also tend to bounce checks. Framingham-based Geezeo thinks it can use the former habit to stop the latter. By texting their Geezeo account, users can check credit statements and bank balances; the company also offers a budgeting application that shows how much of their book money they're blowing on booze.

**IMOONDO** Another improvement on the online classified model, iMoondo is like Craigslist with videos. Since going live with its website this May, the Mission Hill-based firm has begun expanding its offerings to more than 20 other cities, giving homebuyers and hopeful lovers alike the ability to scout the inventory more carefully.

## Getting the PayPal Set to Open Their Checkbooks

How the new tech barons might reshape Boston philanthropy.

Bill McAvoy works with corporate donors at the Museum of Fine Arts. The sources he used to rely on for gifts have been drying up, and the reason's not surprising: Financial companies have been moving out of the region. So McAvoy's tapping a new breed of patron. In June, he convened a group of prospective donors from the tech world for a tour designed to strike their fancy, taking his guests through the conservation lab and digital-imaging studios, and showing off the electron microscopes that analyze artworks.

A popular refrain says tech geeks belong to a so-called techno-libertarian class—a maligned group of self-interested achievers with no use for civic engagement. But that's an endangered stereotype. And the change amounts to more than just writing some checks: Experts say the take-charge attitude that propels tech entrepreneurs in business makes them leaders when they get into community causes. "We see a real drive for results in a lot of the younger donors who have made their money in technology," says Phil Buchanan, head of Boston's Center for Effective Philanthropy.

One executive who's applied his experience to not-for-profit pursuits is General Catalyst's John Simon. The venture capitalist founded the GreenLight Fund, which mines the country for great civic organizations and then adapts their ideas to attack Boston issues. "There is this great community of supporters in the venture and entrepreneurial community who are saying, 'We love creating things and making things happen,'" he says.

Edward Glaeser, director of Harvard's Rappaport Institute for Greater Boston, thinks the emphasis on getting involved shows that the tech community has grown up. "There was a gap where older industry types were disappearing, and people who were leading these new industries were not old enough to be playing this role," says Glaeser. "In the long run, the median tech CEO will be just as engaged as the old types, and probably with a lot more money." As that happens, he says, techies will direct the philanthropic priorities of the city toward the goals they value. Meaning more resources for things like education—and, if Bill McAvoy is lucky, fine art.

## Boston, Inc.

One key understanding: They know you can get up and running without the massive overhead that doomed Hub dot-boom flops like MotherNature.com (\$113 million in capital down the tubes, 225 workers at its peak) and Furniture.com (\$75 million, 195 workers). Not unlike many of today's success stories, Reddit employed just four people with only about \$100,000 in capital when it was acquired for what was rumored to be double-digit millions. Further sweetening the math for VCs is that there's finally a lot of money being made through the Web. Online advertising, for example, totaled almost \$5 billion nationally in the first quarter of 2007—up 26 percent from the previous year.

**Though they're talking with one** another, the movers and shakers of the emergent tech boom remain an arm's length from the networks of traditional influence in Establishment Boston. This is nothing new. For years, the inhabitants of the technology world have huddled in Cambridge or on Route 128, uninvolved in the tussle of civic affairs downtown. Real estate executive Kevin Phelan, who for 31 years has led the city's most important confab of power brokers, says there's not a single tech leader in the mix for his monthly Breakfast Group roundtable.

Boston's relationship with the big swingers of business, as we're often reminded, has changed as mergers and takeovers now have many of the city's players taking their orders from bosses in far-off corporate headquarters. But if that branch-office reality has reduced the influence of some of our business titans, it's worth wondering how a growing class of successful tech wizards—newly smitten with networking as they are—could reshuffle the power landscape, should they really break out of their bubble to engage the old-line leaders and spread the message that boom times are afoot. In the meantime, these venture capitalists and CEOs—the city's newest alpha dog entrepreneurs—are building their own institutions as they see fit. For Walt Doyle, that means moving uLocate to the city, into a new building in the Bulfinch Triangle with enough wall space for big projections of Nintendo Wii tennis—with nary a call to, say, Charlotte or Cincinnati for the go-ahead. **B**