



Investing in innovation

Back in 2000, industry veteran Peter Claydon and wireless 'guru' Dr Doug Pulley joined forces as picoChip to create a solution to a digital signal processing need they had identified.

"We had developed the business concept and technology over a period of five or six months," said Claydon. "We were using our own money and knew from the start that we could not afford to continue for more than a year before securing investment, so it was at this very early stage that we got in touch with Pond Ventures."

High risk, but big rewards

According to Pond's Richard Irving: "The market for dsps is huge – about \$8 billion a year and growing. But for hard tasks, current architectures have run out of steam. What the dsp market needs is a powerful engine that allows software to be written and then modified easily at a later date.

"The big companies generally can't afford to develop and launch a new architecture: it is too risky and expensive," he contended, "and takes away resources

Start ups fish in the same 'Pond'.

By **Graham Pitcher**.

from existing product lines."

Because of these market pressures, this problem has been addressed primarily by start ups – companies like Chameleon, Morphics, BOPS, Equator, Systolix and Chromatic Research have all taken up the challenge.

"Pond was naturally sceptical when picoChip claimed to have solved the problem, but it did a great job at convincing us that a key hardware innovation made it much easier to write software," continued Irving. "We realised a breakthrough on this scale could build a very successful company."

Pond was serious about picoChip from the beginning. At the time, due diligence for an early stage investment normally comprised an hour long phone call. However, Irving took four key picoChip staff to meet prospective customers. These intensive visits, which included all day meetings with technolo-

gists, were a baptism of fire for Claydon and Dr Pulley.

This approach was useful, not only to picoChip, but also to Pond as it helped to clarify whether it was going to invest. For picoChip, it meant its strategy and focus became clear at an early stage. "This is what Pond is good at," said Rupert Baines, picoChip's vp of marketing. "It has the ability and the address book that can get start ups into places they would never be able to get alone."

After completion of due diligence, but while the lawyers were finishing the paperwork, a local group of engineers was let go by a US company. picoChip's founders knew them and wanted to hire them – but the money was not yet available.

"It was frustrating", Claydon recalled. "We had 12 experienced engineers we wanted to employ, but although they wanted to work with us, many had other job offers. We discussed this with Pond and, one Friday evening, two Pond partners came to Bath, looked them in the eye and assured them of Pond's commitment." As a result, all 12 decided to join and several started work immediately,



They had a great idea

Stewart Graham, pictured above, was working with Renesas in a senior rf marketing position, but had started thinking about what to do next. "I'd met a number of people in start ups and was impressed with their sparkle," he said. "It inspired me to look into it a bit further."

One of the first things he did was to get in touch with Pond to present some of his ideas, but they didn't work out. "But we built our relationship over a couple of years, discussing ideas and I got involved with due diligence with some of their other projects."

Meanwhile, Air's cofounder David Tester, had come to Pond with his own ideas. "Pond liked him and saw some potential," Graham continued, "so they introduced us. We worked together for a couple of months, then went back to Pond with a business plan, which they agreed and funded."

Air was founded in May 2006, since when it has recruited seven people and now has plans to expand further.

Graham noted that, from a very early stage – almost the Powerpoint stage – Pond recognised his and Tester's marketing and engineering expertise. "That's the part we're trying to do," he noted. "But there's a lot of other stuff involved and we had no idea about this. Pond really understands the business and supports us. They fill in a lot of the 'blanks' themselves and get other people involved when they can."

trusting they would be paid when the money came in.

Pond invested in picoChip in 2001, along with Atlas Ventures, and the company grew to 35 people by the end of the year.

Having committed to picoChip, Pond used its financial and marketing expertise

to ensure the company got off on the right foot. In that first year, Irving was involved in operational issues, such as planning for manufacturing, whilst Baines – a Pond associate partner at the time – helped with marketing and strategy.

Whilst this sort of help would not be unusual in the US, especially in Silicon


Valley, it was unusual in the UK. "It is getting better," commented Baines, "but five years ago, it was difficult to find a VC working like this. It is unusual for a UK based VC to have the technical understanding that you get from Pond." In July 2002, Baines moved full time to picoChip.

Baines believes this is the way forward for European VCs. "This is the way VCs operate in the US and it works. The cliché is that Britain has great technology, but fails to commercialise it. For early stage investing, there is a need for investors with industry experience, who can roll up their sleeves to help with the 'go to market' strategy and who have a deep understanding of the environment."

Posing a key question

One key question which Pond helped picoChip to answer was whether to sell chips for terminals, like mobile phones, or for infrastructure, like wireless base stations. "Together, we chose the latter," Irving concluded, "and picoChip is the only player to focus on infrastructure. That, combined with an easily programmed architecture, has made it the *de facto* solution for next generation wireless."

Today, picoChip has a workforce of more than 75 people, it has working technology and blue chip customers, including Intel, Nortel and Korea Telecom. As a result, Pond is less involved in the day to day operations, although it still has partners on the board.

"A friend once said there are three types of VC – hands off, hands on and hands in – and the art is to strike the right balance between the three styles," continued Baines. "Now picoChip is more established, there is less input from Pond, but that doesn't mean it isn't involved and we know it is there to give as advice whenever we need it." 



Left:

picoChip's founders Pete Claydon, left, and Doug Pulley, with the company's LTE basestation development board.