

SURVIVOR TECHSTYLE

Three gutsy entrepreneurs ride the wave, learn to swim

By VICTORIA GITS
SPECIAL TO THE GAZETTE

Launching a technology startup in the middle of an industry collapse is not for the faint of heart.

In the aftermath of the 2000 Internet bust, when chip companies and dot-coms were shutting their doors and jobs were disappearing, there were a few die-hards whose common sense told them to forge ahead.

They are the survivors of the tech wreck of 2001.

- Kathy Boe, 42, quit a lucrative career as a recruiter/manager for a large national staffing company and started a similar business in her basement. She didn't take a paycheck for a year and a half.

- After witnessing the implosion of a 700-person tech company he founded in Boston, industry veteran Bill Miller, 43, gambled on a software startup soon to be evicted from borrowed office space.

- Alex Goldstein, 52, invested in a software product in 1999 and in five years turned it into a company with 100 employees.

Their moxie stands out in the context of a late 1990s business environment that did a tailspin from euphoria to doom and gloom.

The biggest and most successful companies were hit the hardest; the startups that scrimped along on piggy-bank money, cheap office furniture and skeleton staffs had the most to gain and the best chance for survival.

Forget hot initial public offerings and soaring stock prices. These neophyte wonders make it on sweat equity and a shoestring.

THE BUBBLE DAYS

Early in 1999, Internet enthusiasm was giving way to hysteria. Yahoo! boasted a market cap of \$120 billion. Stock in Amazon.com was worth as much as \$356 a share. Time magazine anointed Internet visionary and Amazon.com CEO Jeff Bezos "Person of the Year."

In 2000 the media marriage of America Online and Time Warner symbolized the Internet revolution. Anything that sounded technical was a hot stock: Intel, Cisco Systems, Oracle and WorldCom were soaring. The rise of the so-called "New Economy" was taken for granted.

The NASDAQ index of mostly younger technology companies took off like a rocket, reaching a high of 2,506 early in 1999. By January 2000 it was 4,303, destined to top out at 5,048 on March 10.



"If I had waited six months I would have been too afraid to leave. . . . They would have made me commute to Denver. Then after I was dead tired from all the commuting they would have laid me off."

KATHY BOE – president, Boecore

VICTORIOUS: Boecore founder Kathy Boe got fed up with working for others, struck out on her own and survived the economic downturn.

Founded: December 2000
Address: 2550 Tenderfoot Hill St., Colorado Springs
Web site: www.boecore.com
President/owner: Kathy Boe

Employees:
• 2002 _____ 2
• 2003 _____ 6
Service: Provides technical staffing on a contract basis for long- or short-term assignments. Works with Department of Defense customers to find workers with relevant skills. Specializes in rapid prototype development.
Revenue (including salaries paid to contract workers):
• 2001 - \$321,600
• 2002 - \$900,000
• 2003 - \$3 million

Sadly for many investors caught up in the frenzy, the 5,000 mark was the zenith of the roller-coaster ride. Looking back, observers said the day the NASDAQ peaked was the day the dot-com bubble burst.

The index started sinking and finished the year at 2,470, nearly half of what it was nine months earlier. Locally, homegrown high-techs such as ChannelPoint, Vanion and Noochee Solutions vanished.

As the booming chip industry began to crash in mid-2001, job losses crippled the Colorado Springs economy. Job cuts announced that year spiked at 4,761, more than three times the number in 2000, according to the Greater Colorado Springs Economic Development Corp. About 80 percent of the jobs lost were in high tech.

Statewide, between 2001 and 2002 Colorado lost a staggering 13 percent of its tech work force, or 27,000 jobs, according to a recent study by the AeA, an electronics industry advocacy group.

When two jet airplanes slammed into the World Trade Center towers on Sept. 11, 2001, Wall Street plunged into paralysis.

Yahoo's market cap is now \$28 billion, and Amazon stock is worth about \$50.

BELIEVER MAKES A COMEBACK

Computer industry veteran Bill Miller, CEO of XAware, could be a cover story for the late '90s tech boom. Today he is starting over after building a huge Boston-based company and watching it self-destruct.

"The '90s were a lot of fun," he said. "We should have known it wouldn't last. It sure did feel good. We thought, 'Let's keep it going! We saw productivity creating growth and more productivity and more growth in a never-ending cycle.'"

Storage Networks mushroomed to employ 700 people, all but two of whom ultimately lost their jobs. The decline was agonizing.

"If I knew how painful it would be, I wouldn't have done it," Miller said.

He nevertheless remains undaunted.

"I never stopped believing in the fundamentals," he said. "I believe information technology can drive tremendous improvements in productivity. That's why we have jobless recovery. Ultimately, it's a good thing."

Despite making and losing most of a fortune on paper, Miller has faith.

"True techies can see through the fog," he said. Today he is running XAware from a comfortable office; it's in a modern office complex on Briargate Parkway that has all the amenities and a view of Pikes Peak.

The company has grown from two ex-MCI engineers working out of a Colorado Springs garage to about 80 employees today.

In 1997 Kirstan Vandersluis and Rohit Mital identified the costly problem of establishing communication between incompatible software packages used by large companies. They started writing software in their spare time, avoiding the venture capital or IPO routes in style at the time.

"They were engineers," Miller said. "The culture is different. They didn't even think of it." To make ends meet, they did consulting and wrote software. "It was completely bootstrap."

In December 2001 the founders were working out of offices at NeoCore, a Colorado Springs software concern that closed March 19. That meant free furniture, computers from home and use of the fax and Internet. NeoCore also was a customer worth about \$500,000 in sales.

Suddenly there was no more work. Rohit and Vandersluis would have to find jobs elsewhere.

"We were in a pretty tough spot," said Mike Hill, president of XAware. "It was flying close to the flame."

Hill consulted friend Gary Markle, director of the Colorado Springs Technology Incubator. Markle put him in touch with Miller, who then bankrolled the startup and helped find venture capital as well as customers. That was the turning point.

HOMEGROWN AND HAPPIER

For self-employed tech staffing provider Kathy Boe, the turning point came when neighbor Jeff

Smith, chairman of Classic Cos., put the idea in her head.

"Why are you working for other people? Why don't you just do this for yourself?" he asked.

After pondering the notion for two years, she

High-tech industry jobs

	2001	2002	2003	Change (2001-2002)
U.S.	6.5 million	6 million	5.7 million*	- 8%
Colorado	204,380	177,680	NA	- 13%

Source: American Electronics Association
Note: Figures compiled before 2001 are not comparable. *estimated

perched a copy machine on the seat of an old kitchen chair and set up shop in the basement of her Colorado Springs ranch home in December 2000.

Before that day, the outgoing mother of three with experience as a computer programmer was a successful high-tech recruiter for two national employment firms.

But she was disenchanted with corporate bigwigs who kept cutting her pay because they thought she was making too much.

When Boe finally quit her job managing the employment arm of Computware, the tech industry collapse had yet to manifest itself. A few months later it would shake the economy to the core. Boe regards it as a blessing she started when she did.

"Thank God it worked out," she said. "If they had been nice to me I would have stayed."

The going was slow at first, then it came to a halt.

After Sept. 11, people kept calling but Boe had no jobs to offer them. Boecore provides technical staff on a contract-worker basis for short- and long-term assignments and helps fill permanent positions.

"I thought we were in trouble," Boe said. She didn't take a paycheck for a year and a half.

Boe survived the slump by working the phones all day and doing bookkeeping at night. She took a class at the Small Business Development Center at the University of Colorado.

Ultimately the events of 2001 were a bonus because they forced most of her competitors to leave town.

A former computer programmer for Hughes Aerospace for five years, Boe capitalized on her knowledge of the defense sector, attracting a loyal clientele. "We get a ton of referrals," she said.

This year Boecore moved into an office suite on Tenderfoot Hill Street and expects to post \$3 million in sales this year.

Boe credits her success to low overhead, plus having no debt, no partners and no investors. She is most proud of the fact Boecore has put almost 100 people to work this year.

A COMPELLING PRODUCT

Emerging software powerhouse Configuresoft of Woodland Park likewise is putting an increasing number of people to work. Starting with 10 employees in 1999, Configuresoft steadily has grown to about 100 today.

President and CEO Alexander Goldstein exemplifies a methodical and contemplative approach to succeeding in business.

He believes in focus, honesty, product excellence, service and telling the truth, no matter how unwellcome.

Goldstein regards the late '90s as an aberration. It was the first time in history people were allowed to be totally incompetent and spend hundreds of millions of dollars on half-baked notions without demonstrating profitability, he said.

Some had good ideas, but many never were able to

turn them into products that sold for more than they cost to produce.

The object is to spend as little as possible developing a product, he said.

"Until the actual delivery occurs and the product is proven, the business is at substantial risk," Goldstein said, uttering one of his favorite mantras: "The product must be compelling."

Configuresoft started with a software concept originally developed in the United Kingdom by ServerWare. Goldstein and two other successful tech industry veterans bought the rights and started the company in 1999 to develop and market the tool.

The idea was to simplify the job of managing large computer networks by keeping track of and automatically updating configuration settings on individual workstations.

It played to two of the strongest trends in the post-Sept. 11 era: increasing security and reducing overhead. (Configurations refer to the versions and updates that have been applied to installed software packages and the locations and network addresses of hardware devices, according to whatis.com.)

By starting with a highly marketable product and growing slowly as sales increased, Goldstein took Configuresoft to 100 employees in five years. He has no burning desire to go public and spend lavishly.

"There are advantages to living within a tight budget," he said. "You are more careful. Some things get done a little more slowly but that means the money is spent more cost-effectively."

He encourages tough performance and product assessment.

"We have lots of public discussions and people have critical things to say about me. . . . People are entitled to be heard," Goldstein said. "We make sure nobody ever suffers for being critical of me."

All this methodical planning, market analysis and soul-baring has produced a booming business in the teeth of an ugly downturn.

Going slow and starting out in a slump can be a good thing.

As the market shifts from what XAware's Bill Miller calls "rampant pessimism to rational reality," competition decelerates, giving newcomers time to grow organically.

"There's not as much pressure," Miller said. "There are not 100 companies being funded to do the same thing. We're happy because we started early. We've got a lot of customers and a head start."