

# Successful Consulting Engagements With Startups

Panel Discussion at IEEE-CNSV

Tuesday, May 21, 2013

# Panel

- Chris Apple, Apple Enterprises
- Clyde “Kip” Brown P.E., CMBJR Consulting, Inc.
- Dr. Arthur M. Keller, Minerva Consulting
- Moderator: Sean Murphy, SKMurphy, Inc.

# Chris Apple, Apple Enterprises

[Chris Apple](#) founded Apple Enterprises in 1981, where he specializes in embedded firmware, control software and application software. He develops the embedded product, the PC control application, the manufacturing and calibration application and even the installer by taking a concept and making it a product. He has developed over 50 products for more than 25 clients.

## Clyde "Kip" M. Brown, P.E.

CMBJR Consulting, Inc.

Kip is a Professional Engineer with IC design experience in analog and mixed signal. His consulting includes work as an expert witness, and he is a CNSV At-Large Director. Kip has founded three startups, and he will provide insights from both sides of the table on the topic of startups hiring consultants.

# Dr. Arthur M. Keller, Minerva Consulting

[Dr. Arthur M. Keller](#) is Managing Partner of Minerva Consulting. He serves as an expert witness on patent infringement cases, and as an advisor to startups. Arthur has served on the board of several startups, including Persistence Software, where he was Chief Technical Advisor prior to its IPO. He has also co-founded several startups, including Mergent Systems, which was acquired by Commerce One.

# Sean Murphy, SKMurphy, Inc.

[Sean Murphy](#) founded SKMurphy, Inc., in 2003 to focus on the marketing and sales challenges that technology firms must master to introduce new products. He has helped hundreds of technology entrepreneurs in a direct consulting capacity, through hands-on workshops, or by moderating more than 250 Silicon Valley [Bootstrapper Breakfasts](#) since 2006.

# Questions For Audience

- Who Is a Consultant?
  - Who Has Done Business With A Startup?
  - Who Is Thinking About It?
- Who Is In a Startup?
  - Who Has Hired a Consultant?
  - Who is Thinking About Hiring a Consultant?

The Panel Welcomes Your Questions As We Present

# Overview: Five Sources of Consulting Fees

- Savings / Retained Earnings
- Current Revenue / Cash Flow
- Outside Investment
- Future Revenues (Near Term, Longer Term)
- Future Investment (e.g., Acquisition)



# Overview: Other Compensation

- Long Term Relationship with Founders
- Referrals
- Success Story / Testimonial
- Building Expertise In a New Technology
- Building Expertise In a New Market

# Chris Apple, Apple Enterprises

- Reward: New technology and keeping current.
- Risk: Not getting paid or ending prematurely.
- Reduce risk by knowing founders.
- Startups do not stay in business.
- Startups cash comes in waves creating lulls.
- Startups end abruptly. Invoice frequently.
- Do not burn out. Plan for the long haul.

# Kip Brown, CMBJR Consulting, Inc.

## Consulting for equity / Royalties

- HA chip – first WDRC aid – Disruptive technology
- Winchester optical head position sensor – 2X
- 1 of 7 “in spec” chips made volume production 6 of 7 revised spec after FDR
- Review the end product / Market / Competition
- Share risk but no “out of pocket”
- Invest a few “free” hours to insure long term pay
- Customer’s integrity and financial stability

# Dr. Arthur M. Keller, Minerva Consulting

## Portfolio approach

- Income deals, equity deals
- “Take stock when company wants to pay in cash, take cash when the company wants to pay in stock.”  
Or get some of each
- Put some time at risk to get to know team, especially when you take stock
- Criteria: like team, like technology, like market?
- Buy stock or take options?

# Sean Murphy, SKMurphy, Inc.

- Plain English Agreements, Not Contract
- Clarify Mutual Expectations
- Expect a Full and Frank Exchange of Views
- Trust is Built Over Time:
  - Don't Assume You Have Their Trust, Earn It
  - They Don't Tell You When You Lose Their Trust

# Chris Apple, Apple Enterprises

- Three stories about long term relationships
  1. Digital F/X (4 years) Created OS and hardware.
  2. Light Source (6 years) Apple ADB and scanners.
  3. CIPHERGEN (7 years) Biological mass spectrometer.
- Look and suggest new projects.
- Startups leads to more startups.
- Tackle projects outside expertise.
- Service Business so provide service.

# Kip Brown, CMBJR Consulting, Inc.

## Hiring consultants for a start up

- TEC – an umbrella consulting company
- Hired over 20 consultants, less than half met goals
- On average assume 2X estimated hours
- Evaluate technical skills, not fancy dress
- Check references, past successes/failures
- Meet with other team members
- Recognize consultant's strengths/ weaknesses
- Provide assistance and guidance as required

# Dr. Arthur M. Keller, Minerva Consulting

- Persistence Software story
  - Chief Technical Advisor 8 years, incl. Board 5 years
  - Paid cash, but also received stock
- Advisor
  - Who is “real” client?
  - Role, purview
- Board member
  - Legal responsibility
  - Insider or outsider



# Sean Murphy, SKMurphy, Inc.

## Final Questions for Panel