



# “ Pick the right CEO, and support him all the way ”

—Eric Benhamou, chairman, 3Com, Intransa, and PalmOne

Entrepreneur, tech visionary, investor, and chairman of a large number of young, budding companies, **Eric Benhamou** was in India a few weeks ago. Benhamou is among those few investors who believe in giving their CEOs plenty of space, and support and guide them till very far. The **VOICE&DATA** team met up with him during his last visit to Bangalore. Benhamou expressed his strong belief in storage as a high-growth, high-value area, among other things. Excerpts:

**Y**ou are wearing lots of hats—3Com, Palm, Cypress, Real Networks, Intransa; in most of the cases as the chairman. Is it the visionary’s role that you play in these companies or is your involvement more than that?

I think of myself primarily as an entrepreneur in the IT field and for a long time I have been focusing all my attention on one company, 3Com. After 2004, I decided to spend more time with younger companies, startups and real-

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ly help the new generation of entrepreneurs build interesting and impactful companies. It turned out that I was not able to do this full time in 2001 because I had to go back to Palm and help navigate it through the difficult periods of 2001 to 2003.

**Traditionally, your interest has been in networking companies. So what all do you look for when considering the younger companies?**

I have a fairly well defined investment model. I do not invest in everything but in companies where I feel I really understand the business. So this will basically limit my scope to networking, storage, security, handhelds and a little bit of semiconductors.

Now, enterprise software is not an area where I feel I have any particular expertise and so I am not going to take any interest there.

My model is not to be a passive investor. If only I have to be a passive investor, I could use my money in mutual funds. The whole point of this is to be able to learn and teach at the same time. So right now I am learning great deal about storage and I am helping build a great company.

It is very rewarding. Intransa was one of the first companies, which I started as a spinoff of 3Com. I had challenged one of my smartest architect and engineer Peter Wong to think about clever ways to use Gigabit Ethernet. This was in the late 90s and Gigabit Ethernet had not yet been established. So he thought about using it as the infrastructure for storage networks and I was very intrigued by this. In fact, I was very excited and decided to build a company around that. Knowing that it would be difficult to do this within 3Com because of its networking focus, we did that as a spin-off.

I stayed close to the company even after the spin-off and agreed Avi to become the CEO. I understand the business, I understand this whole philosophy and architecture of the company and that is what I want to do for I guess for the rest of my career.



**“If an investor doesn’t have a plan to either invest in India or develop the Indian market, then I think something is wrong with the entrepreneur...”**

**As a venture capitalist, do you see something happening in India, and are you exploring possibilities here?**

Yes. In fact, this is a relatively recent change. India was not in my mind in year 2000, but today if an investor doesn’t have a plan to either invest in India or develop the Indian market, then I think something is wrong with the entrepreneur; he has not

figured out that times have changed. So to me, India has a very important role to play as a partner, as a big market it is bound to get hug, as a source of talent.

**And about funding some startup or some young companies in India....**

Probably not, because the venture business is still a very local business and even though I travel a great deal, my home base is still Silicon Valley. So I will definitely look at businesses that have headquarters in Silicon Valley but whose founders may be in India or the R&D would be in India. In fact I am looking at one business right now and its too confidential to talk about this, but it is exactly this kind of model.

**That’s interesting. One would think that technologists like you would have more faith in videoconferencing, et al for interaction. Do you see gaps or conflicts between investors and startups increasing or will they get smoothened out?**

The tension between investors and entrepreneurs has probably increased as a result of a burst of the bubble and disappointing results and the frustration that the market was just not responding. Often, when a company goes through a crisis, there are multiple perspectives available. I find myself more often taking the perspective of the CEOs than the perspective of the investor.

**You have this advantage because of your background....**

Yes, I have been in a situation like this before and often I find that investors may know a great deal about returns, and about managing funds, but they do not know a great deal about people’s situations.

There are lots of situations in the life of a company, which are grave and where you do not have an obvious answer. During these situations either you trust the CEO or you don’t but as an

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investor, often the temptation is great to do the latter. I think it is a terrible mistake.

An investor has a big choice to make which is who they pick as the CEO to run the business, but once that choice is made they have to support the CEO all the way until the day they stop supporting him.

I think it is fine to provide suggestions, coaching, ask questions, ask very tough questions, but at the end of the day one has to leave it to the CEO to be an integrator of really complex variables and make the best decision possible. CEO is an integrator of incredible number of variables, not all of them can be quantified. If you start messing around with the equation then you are going to get a very poor result.

things to make sure that these children get the best possible education.

Education of that degree will typically create good entrepreneurs. In addition, there are many good role models available today.

When I look at this from a global perspective, when I compare India to many other countries including China—its big neighbor, India has institutions that will scale even though they are imperfect today. A country like China is riskier from that perspective. India may have a few roughages, but it is unlikely to have a big breakage. The long-term investment that India has made in its institutions will pay. IITs and IIMs are absolutely world-class institutions and people who come out of them can be global entrepreneurs and not just Indian entrepreneurs. Also, the

**But storage hardware is getting more and more commoditized....**

Just because something gets commoditized does not mean that you cannot add value to it. You can have high volumes of high value-added products if there is a good pace of innovation. The innovation stops when the only difference between today's products and last years products is that they are a little bit faster or a little bit cheaper. In case of network storage, some segments are going to have very high volume acceleration and companies like Intransa may actually chose to participate in this because there is lot of innovation potential.

**You have talked about the need to tackle the WAN bottleneck, which is the last-mile. Do you think that wireless could be the way to address that, especially by using technologies like WiMax?**

I think metro investments in Wi-Fi/Wimax would be excellent ways to tackle the WAN bottleneck from the physical standpoint.

I am chairman of a company called GO Networks, which focuses on WiMax and Wi-Fi deployment for carriers. What is interesting about Wi-Fi is that it has been deployed in smaller environments and hotspots and homes so increasingly people are realizing that it could be deployed in hot zones, with bigger footprints and could be managed by carriers. GO Networks is focusing on that using very, very clever technology to broaden the footprint, and all the carrier management features.

So if you are a large wireless operator in India, you have the choice between deploying 3G and WiMax. The difference between the two in terms of price is a factor of 10. Also, with WiMax you get substantially higher speeds and devices that don't consume as much power. Also, with a company like Intel building WiMax into its chips is a guarantee for lower price.

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Of course if the CEO makes a whole series of bad decisions then you need a change.

**You have also been a very strong proponent of entrepreneurship. Also, the general perception about Indians entrepreneurs is that they are really good. Do you agree with this? Do you think they will be able to play a big role in the Indian IT and telecom space?**

Yes, I think India is a very well positioned country to spawn lots of great entrepreneurs. The main reason is that India made a very significant bet on higher education, and even education in general. That has created a nation that has high values. So Indian families have high aspirations for their children and they would sacrifice a lot of

Indian community is very strong in Silicon Valley and the Indian Diaspora there is well connected to India. So we see a very interesting ecosystem building up.

**Do you see consolidations happening in the near future in the network storage space?**

Right now, I don't see consolidation happening. However, companies that are poorly positioned in storage markets have to restore their positions through acquisitions.

Storage is one of the fields that have not migrated to the Internet up till now. So the effect of the Internet on storage is only being felt now through companies like Intransa, so there is a lot of innovation to bring to storage, until we do that there is no reason that we go through a consolidation phase.

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