

Silicon Birmingham

As the Internet heats up the American economy, a few Alabama business and technology leaders are aiming to put the state on the nation's high-tech map

by **Darin Powell**, *Birmingham Weekly*, March 23, 2000

It's the biggest economic story of the past decade: The explosive growth of the Internet and the rise of information technology companies as the new giants of the American economy.

In Birmingham, we can check our e-mail on America Online and buy second-hand junk on Ebay and curse Windows 95 (or 98, or whatever) when it crashes, just like everybody else in the world. But let's face it: The Magic City isn't a big player in the new information economy. Computer geeks and stock traders don't go ga-ga over Birmingham the way they do over California's Silicon Valley or North Carolina's Research Triangle.

Tim Taylor would like to change that.

No, he's not nuts. And no, he's not a Yankee. He's a Southern-born engineer, entrepreneur and venture fund director who thinks it's about time that Alabama grabbed its fair share of the Internet economy.

"I'm a believer that a couple of successful companies can shape a whole city," Taylor says. "Delta Airlines put Atlanta on the map. FedEx put Memphis on the map. So we're hoping for a couple of home runs to put us on the map."

By "we," Taylor means the new organization that he and some other entrepreneurs and investors in the state have founded – the Alabama Information Technology Association. It's a group bringing together entrepreneurs, bankers, venture capitalists, educators and technology companies in an effort to connect Alabama high-tech firms with potential investors.

Taylor, director of investments for Harbert Management's Aurora Harbinger fund, a multi-million dollar venture capital fund that invests in emerging medical and information technologies, serves as the group's chairman.

Two weeks ago, the AITA held its first organized event, a forum at the Birmingham Museum of Art spotlighting some of the state's fledgling technology companies, including several based in Birmingham. It was a big meet-and-greet designed to bring Alabama entrepreneurs to the attention of potential investors from around the Southeast. More than 300 people attended the conference, including representatives from two of the world's biggest investment banks, Goldman Sachs and Deutsch Bank. The latter was the conference's headline sponsor.

So why should anyone care about a bunch of bankers, businessmen and computer geeks getting together in downtown Birmingham to exchange business cards and eat boxed lunches? Simple. The Internet is creating new jobs and new business opportunities all over the planet. It's a wide-open field, and there's no reason why Alabama can't participate. After all, Birmingham used to be a steel town. Then it became a medical town. Couldn't it be an Internet town, too?

"That's the beauty of it," Taylor says. "It's not us against Silicon Valley, or us against Atlanta. There is so much room. The pie is just going to get bigger, and we have to get our piece of it."

The average person may not be aware of it, but there is already a significant high-tech industry in Alabama.

Huntsville is a fast-growing technology hotspot, home to several nationally known companies, including SCI Systems, Intergraph, Adtran, Cybex and current buzz bin favorite Time Domain, whose new wireless communication technology has been the subject of recent front page stories in the New York Times and USA Today .

Birmingham is home to a handful of established technology companies, too. The AITA forum also spotlighted a number of Birmingham-based startups, companies with names like Group 8760, Imageon, NurseMatrix, Virtual Learning, Inc., ISignUpNOW and Nationtax Online.

If just a couple of startups in Alabama or Huntsville can match the success of a company like Time Domain, it will only bring more attention to the state.

"In the Internet economy, getting to market with a new product quickly is incredibly important," says Mark Petroff, chief operating officer and chief financial officer for Time Domain. "As we have more success stories, more venture capital investors will come to Alabama to fund more start-ups, which in turn will lead to more success stories."

Movers and shakers

Tim Taylor's office in Harbert's northern Shelby County is practically a shrine to NASA. A native of Mississippi and graduate of Mississippi State University, Taylor spent his early adult years working as a NASA engineer, providing technical support for space shuttle missions. A bookshelf near his desk overflows with NASA memorabilia, including model rockets and an insulation tile from one of the space shuttles.

But a stack of books on a corner table gives away Taylor's current inspirations. Among the titles: *Cracking the New E-economy* by Gary McAvoy, *Business @ the Speed of Thought* by Bill Gates and *The New New Thing*, Michael Lewis's best-selling biography of Jim Clark, founder of Silicon Graphics and Netscape.

Taylor jumped from the space program to the business world in 1990, after a medical experiment he developed was flown on a space shuttle mission. Seeing commercial potential in the experiment, he and Huntsville orthopedic surgeon Gilbert Aust teamed up to found Endius, a medical device company.

In 1997, for business reasons, Endius relocated from Alabama to Boston. But Taylor soon discovered that life in the chilly north didn't agree with him. The turning point came after he returned to Alabama to give the keynote address at a meeting of the Alabama Biotech Association.

"When I was here, a couple of folks approached me and said, 'If you ever want to move back here, let me know,'" he recalls. "I got back to Boston, and it was snowing that weekend. My wife was frustrated because she was away from her mom and dad. We had a baby. So I started thinking, 'Hmm, I'm going to call those guys up.'"

Holding on to his founder's stock, he resigned from Endius last year to take a job with Harbert. Not everyone he knew thought it was a good idea.

"My buddies in Boston and New York, when I told them I was moving back to Alabama to either start another company or join a venture fund, they kind of had this sympathetic look on their faces," he says, laughing.

It wasn't long after he returned that the idea for the AITA was born.

"I was attending all these information technology conferences – like Red Herring in Atlanta – as a venture capital guy," he says. "When I came back to Birmingham, I started wondering why Alabama didn't have its own IT association."

Taylor was also motivated by the struggles he faced in getting his own company off the ground. "When I started my company, it was slow. I had no help," he says. "There has to be an easier, better way. Growing a business is as much a science as anything else. Once you've started a company, you know how it works."

Right now, most of Alabama's information technology businesses are clustered in Huntsville and Birmingham. Huntsville has benefited from its long association with NASA, which over the years has brought a lot of technical-minded talent to the city.

"The space program's biggest contribution has been to bring some of the world's best engineering talent to Huntsville," says Time Domain's Petroff, answering question

via e-mail. "Once they got here and saw that it was a nice place to live, many just stayed on and set up little businesses. Some of these little businesses blossomed into major companies."

Petroff himself is a space program legacy, although indirectly. Born in Canada, he moved to Huntsville in 1963 when he was 11 years old after his father took a job as research director for Werner von Braun at Huntsville's largest NASA facility. His father eventually left NASA to found his own electronics company, inventing the first digital wristwatch in 1970.

Petroff himself founded his first technology company between stints at Cornell University and Stanford. He retired in 1995 to become a full-time venture capitalist, and in 1997 became a major investor in Time Domain, founded by Larry W. Fullerton in 1987.

Some people might wonder if it makes sense for Alabama to pursue the Internet economy. After all, the stock market's current obsession with all things Internet won't last forever. There's a lot of innovation going on right now, but also a lot of hype. How do we know we're not just chasing an illusionary pot of gold at the end of a big Internet rainbow?

"This is not an economic bubble," Petroff says. "Just like the steam engine was the driver for the 1800s, and the automobile and electricity were the main factors driving the first half of the 1900s, the coming century will be enriched by stunning advances in technology which will affect every aspect of our life."

Taylor agrees. "It's a revolution that will change our lives forever," he says. "Is the correction coming? Absolutely. Within a couple of years there will be a shakeout. But will the top 20 or 30 percent of companies still be up there? Absolutely."

"It's a fair question," he continues. "But I just think we have to add this component to our economy here. We've got a strong biotech industry. We have a great position now with industrial manufacturing, particularly automobiles. Why not add this other sector?"

Magic City dotcom

While Birmingham lags behind Huntsville, the Magic City isn't completely lacking in technology companies. Just as Huntsville has been influenced by its long association with NASA, Birmingham's technology landscape has been shaped by the medical industry.

With his long ponytail, John Williams looks the part of the renegade Internet entrepreneur. Williams is the founder and CEO of Group 8760, a Birmingham-based company specializing in business-to-business communication software that was among the companies searching for funding at the AITA conference.

Williams, a Birmingham native, attended John Carroll Catholic High School and earned his engineering degree from the University of Alabama. He also has a law degree from Samford's Cumberland School of Law. Before founding Group 8760,

Williams was chief operating officer of Maces, a Birmingham-based developer of software for the managed health care industry. He helped found Maces in 1990 and left the company in 1996 after Pennsylvania-based SunGard Data Systems purchased it for \$58 million.

Williams admits that he could have simply retired after Maces was sold. Instead, he decided to start another company. Why take on the challenge?

“This is fun,” he says. “People start businesses because they want a challenge, and this is definitely a challenge. Once you have something like Maces happen to you, it would be easy to just sit back. But I didn’t want to do that.”

“This isn’t easy,” he continues. “If it was, everyone would be doing it.”

While Maces was closely tied to the health care industry, Group 8760 is focused on that now-familiar buzzword, e-commerce. With more and more business being conducted online, someone needs to provide the tools to allow companies to easily exchange data with customers, suppliers and each other. That’s what Group 8760 is hoping to do.

“We have a leg up in that our chief technology officer, Richard Brooks, had a hand in working out a lot of the current Internet standards,” Williams says.

The recent AITA conference, Williams says, was definitely beneficial for his company and for the others that made presentation. Already, it has put Group 8760 in touch with several potential investors.

“It was a good conference,” he says. “I knew about a few of the companies there, but not all of them. If I was a venture capitalist, I’d definitely be looking at some of them ... I wouldn’t be surprised if all those companies are funded within a year.”

A couple of the fledgling Birmingham technology companies at the conference were health related. Imageon, founded in 1998, specializes in online distribution of medical images, such as MRIs and CT scan. NurseMatrix.com, founded in 1999, is a personal and professional information site for the nursing profession.

But other Birmingham companies at the conference were targeting different areas. Nationtax Online is a site allowing businesses to file their taxes over the Internet. Virtual Learning Technologies makes online educational software. ISignUpNOW is a registration engine designed to make it easier for small businesses and organizations to sign up new members and customers.

Also showcased at the conference was a more established Birmingham company, Hunter Systems. Founded in 1986, it makes management software for churches, schools, libraries and non-profit institutions.

This ain't Hicksville

Before people Alabama can become a nationally recognized center for dotcom entrepreneurs – or even just a good place to launch a technology business – there are some obstacles to overcome: Namely, the outside world's view of Alabama as a low-tech backwater.

“One of our biggest disadvantages is the perception – and it's just a perception – that we're all playing on Hee Haw down here, riding around in our four-wheel drive trucks,” Taylor says. “Friends of mine who have never been here, that's what they see on television and they believe it. They're just shocked when I tell them that companies like Intergraph and Adtran are from Alabama, or that the space program originated in Huntsville.”

Some people say Alabama shouldn't care what the outside world thinks. But business inside the state can't grow without outside money.

“Who cares? Wall Street cares,” Taylor says. “I understand where people who say that are coming from. But at some point, if you want to take a company public on Wall Street, or get it acquired nationally, the perception's got to be there.”

Petroff says Alabama must overcome some other disadvantages, including a historically weak educational system, a lack of venture funding, lack of support from state and local governments, a messy constitution and a lack of talented management and entrepreneurs. But he's encouraged by recent developments.

“After many years of lackluster leadership in Montgomery, I think that we can truly say that we have a governor now who gets it when it comes to high-tech,” Petroff says. “We need a major focus by local business leaders, city and state politicians to correct these historical weaknesses. As Werner von Braun once said, ‘All we lack is the will to do it.’ Those are big negatives.”

Williams says people aren't used to looking for high-tech startups in out-of-the-way places. “It's not just Alabama,” he says. “If you're not in the San Francisco Bay Area, or Boston, or Austin, or the Research Triangle in North Carolina, it's hard to get any attention for your tech company.”

Alabama may never achieve the fame of those high-tech meccas, but Taylor believes that encouraging the growth of technology companies here still makes good business sense. At the very least, it will help the state diversify its economy and keep more of its talented technical and business leaders at home.

“It's a lot of work, but you have to start somewhere,” Taylor says. “It's not going to suddenly become Silicon Valley in the next 10 years. But it's going to be a lot better.”