

StorageTek parents data storage boom



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Zoltan Herger, left, and Juan Rodriguez, shown in 1972, were two of Storage Technology Corp's founders. The data storage computer company in 1997 employed 3,400. Rodriguez left StorageTek in 1985 to start Exabyte Corp.

This is the sixth in an ongoing series of stories tracing the family tree of Boulder County's entrepreneurial marketplace. The Boulder County Genealogy Study is now online at bus.colorado.edu/faculty/meyer/BCC.htm

BY VICKY UHLAND

LOUISVILLE — If Boulder County is the state's fertile valley for start-up businesses, then Storage Technology Corp. is a mighty, prolific parent.

Since its inception in 1969, the Louisville-based data storage manufacturer has spawned more than a dozen entrepreneurial children who went on to head multimillion-dollar companies like Exabyte Corp., McData Corp. and Miniscribe.

In fact, according to the Boulder County Genealogy Study conducted by the University of Colorado Center for Entrepreneurship, ex-StorageTek employees have started more businesses than their counterparts at such heavy hitters as IBM, NBI Inc., Ball Aerospace & Technologies Corp. and the University of Colorado.

Turbulent past

StorageTek, which in 1997 employed 3,400 and had revenues of \$2.1 billion, has had a turbulent history, with massive layoffs and reorganizations in the early '80s and '90s. The layoffs are certainly a big reason behind the multitude of start-ups shooting off from the parent, but some ex-StorageTekers who today run successful businesses say that's only one factor.

Consider Exabyte, StorageTek's most successful offspring. The company was started in 1985 by Harry Hinz, Kelly Beavers and StorageTek Co-Founder Juan Rodriguez.

While working at StorageTek, Hinz discovered ways to advance the helical scan recording technique which was developed in the '50s to capture the sounds and images of broadcast TV. But the idea was outside StorageTek's business plan, and company officials didn't want to expand their focus to encompass Hinz's ideas. The result: Hinz, Beavers and Rodriguez set off on their own.

Today, Exabyte employs more than 1,500 and had 1996 sales of



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\$363 million, with \$66.8 million cash on hand. It is the world's largest company devoted solely to designing, manufacturing and marketing tape drives and fully automated libraries.

Another ex-StorageTeker, Pinetree Peripherals, President Chuck Tilleman, says StorageTek is vulnerable to spinoffs like Exabyte because it must maintain its lead and its niche in the very competitive date storage market.

The company (StorageTek) is focused on one market, and that causes them to step around things like the Miniscribes and Exabytes," he says. "StorageTek needs to focus on the big hardware to survive."

Tilleman was a technical manager for an original equipment manufacturer group at StorageTek until 1992, when his job was abolished in a company reorganization. By then, he had identified a group of StorageTek customers that needed support for non-strategic products. He had approached StorageTek management with his idea, but was turned down for lack of funding.

So he, his wife, his son, a friend and a fellow StorageTek employee, Don Laneen, formed Pinetree, which specializes in tape sub-systems and custom cabling. They financed the company with \$100,000, and the principals took no salary for the first four months.

Today, Pinetree employs 21 people and had 1997 revenues of just under \$5 million. Along the way, Tilleman has hired other ex-StorageTekers.

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StorageTek's first headquarters, above the Aristocrat Steak House in downtown Boulder, August 1969.

Entrepreneurs evolved from StorageTek

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ageTekers, including a man who weathered 22 StorageTek layoffs.

Layoffs were the "biggest favor StorageTek ever did for me," Tilleman says, but he believes he is an exception. For most employees, layoffs are far from an entrepreneurial nudge.

"When you go through 21 or 22 layoffs, it's sort of like having a snowstorm. You don't like it, but you stick around because there's nowhere else to go," Tilleman says.

McData founder

McData President John McDonnell was another StorageTek lay-off casualty. He was recruited from California in 1980 by StorageTek to start a networking division. But by 1982, the company decided to go a different direction and scrapped McDonnell's division, putting him and five co-workers out of a job.

Although he jokes that his initial plan was to play a lot of golf within three months McDonnell and his ex-co-workers had come up with a vision for a new company that would develop cluster controllers that allowed attachment of a number of terminals to an IBM mainframe computer.

The group did individual contract work to finance the company until it landed its first venture capital infusion — \$3.2 million in September 1983. By April 1985, the company was turning a profit, with 90 percent of its business coming from IBM.

In 1995, McData, which is headquartered in Broomfield's Interlocken business park, was bought by Hopkinton, Mass.-based EMC2 Corp. But by the end of 1997, the company had changed its focus and its status. Although 80 percent of McData still is owned by EMC2, the company now has an independent board of directors.

This allows it to do business with EMC2's competitors. That's necessary because McData is expanding its focus to cluster controllers, a family of fiber channel extenders for mainframes. The company, which now employs 220, also plans an expansion of its Interlocken headquarters in June.

Although being laid off gave McDonnell impetus to start his own company, he believes it takes more than that to be an entrepreneur.

"StorageTek recruits very bright people, and bright people have an



urge to be independent," he says. "StorageTek also has a reasonably bureaucratic atmosphere, and that can mean a lot of chafing for some people."

In addition, StorageTek is situated in a community that encourages entrepreneurship, McDonnell says.

Recent offspring

But not all local entrepreneurs are willing to quit their day jobs. That's the case with Rick Follenweider, who started one of StorageTek's most recent offspring, ReConnX, in 1996.

Follenweider has been a reliability engineer at StorageTek for more than 20 years. He and two other investors formed ReConnX because they had a pioneering environmental preservation concept.

ReConnX researches and develops automated processes to recondition and reuse what's known as "dimension lumber," leftover cut lumber discarded at construction sites. According to Jon Giltner, vice president of ReConnX, the amount of leftover lumber laying around when construction is done is equivalent to the wood used to build every single-family house in the nation.

Giltner says Follenweider gives

about five hours a week to ReConnX, and the skills he has learned at StorageTek have helped him in his entrepreneurial venture.

"He (Follenweider) was a former StorageTek manager, so he's got good management skills. He's a good negotiator, and he has good mediation skills," Giltner says.

"He loves his job — he's certainly not going to quit it," Giltner adds. "But he's very intrigued by the potential of this business and the necessity of infusing some high technology into it."

Students at the University of Colorado's Center for Entrepreneurship, under the direction of Dick Meyer, professor, strategy and organizational management, are compiling the Boulder County Genealogy Study. The Boulder County Business Report is working in conjunction with the project and will publish results. To submit information for their study or to ask questions, contact Heidi Neck at 492-4169 or e-mail to Heidi.Neck@colorado.edu.



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Storage Technology's first product, recorded for this picture in 1970, was the 2470 computer tape drive.