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HEADQUARTERS HERE, WORKERS IN ASIA

Valley start-ups' cubicles thousands of miles apart

INDIA IS MAJOR PLAYER IN A GROWING TREND

By John Boudreau

Mercury News

BANGALORE, India - Call it the global garage.

There's a new breed of start-up in Silicon Valley: the mini-multinational, launched from the get-go as a global business. The upstarts, often in tech, set up headquarters in Silicon Valley to take advantage of funding, ideas, management and the prestige. But they have major operations in places like Bangalore or Shanghai, China, giving them access to overseas markets, a cheaper but increasingly innovative pool of talent and ever-faster product development by a round-the-clock workforce.

Take NetDevices, a networking technology start-up founded in 2003. Its headquarters is in Sunnyvale, but two-thirds of its 150 employees, including most of its engineers, are in India.

Communication among NetDevices colleagues, more complicated than mere cubicle chatter, is carefully choreographed to avoid work-flow hiccups that can cause days of delay. There is the critical nightly handoff of software code-in-progress to engineers across the Pacific Ocean. Quick cell phone conversations at all hours. Weekend e-mail exchanges.

"You have to bring order out of chaos," joked Ramesh Maganti, general manager of NetDevices, with offices in Bangalore and Hyderabad.

India, with its booming tech economy and wealth of engineering talent, has become one of the biggest participants in the global garage. In the past three years, venture capitalists have invested more than \$400 million in U.S.-based start-ups operating in India, according to TSJ Media, a VC tracking firm in Chennai, India.

The model was used in Israel five or six years ago, said Ash Lilani, head of global markets for Silicon Valley Bank, which has an office in Bangalore, the southern Indian city that is the pre-eminent tech center in the country. In the past 15 months, Silicon Valley Bank has helped as many as 50 valley start-ups set up offices in India, he said.

'Instant companies'

In the past year or so, Bryan Stolle, chief executive of San Jose-based Agile Software, has seen a dramatic uptick in start-ups using his company's product-management software for high-level work conducted across many time zones. He calls them "instant companies."

"The true impact of the globalized economy is just starting to work its way through everyday life," he said. "There are going to be radical changes in the historic definition of what a company is."

Agile has its own operations around the globe, including Suzhou, China, and Bangalore. Managing the far-flung business, Stolle said, "is not simple."

But companies have no choice as India and China become major economies, said Sanjay Anandaram, founding partner with JumpStartUp, an early-stage venture fund with offices in Bangalore and Santa Clara.

“The distribution of capital is global,” he said. “The rise of two continent-size economies onto the world stage is causing these disruptions. Your markets are no longer just the United States.”

India's tech economy, for instance, is taking off even as the country continues to suffer basic infrastructure problems such as poor roads. There are more than 55 million cell phone subscribers in India, and that is expected to explode to 170 million by 2007, according to technology research firm Gartner. This year, Indian consumers are expected to buy 5 million PCs, 70 million wireless phones and about 4 million DVD players, reports Semico Research.

The rise of these “micro-multinationals,” Anandaram said, is changing the work rhythms of Silicon Valley engineers and executives and prompting young companies to develop multiple market strategies.

July Systems, a Santa Clara start-up founded in 2001 to provide software that allows companies to sell ring tones, games and other content for mobile phones, was among the first global start-ups to land in India. All of its engineers are based in Bangalore so the company can capitalize on the booming Asian cell phone market, said Guruprasad Krishnamurthy, director of product management. “The product was completely conceptualized, architected and implemented here,” he said.

‘Hybrid’ start-ups

New Path Ventures is a venture fund that backs “hybrid” start-ups operating across the globe.

Tushar Dave, co-founder of New Path, said that if one of the start-ups it backs, Nevis Networks, a Mountain View start-up with significant India operations, were solely in the valley, “we would have spent over \$150 million as opposed to about \$30 [million] to \$40 million.

“It wouldn't have been a viable company to fund,” he said. “A lot of people get concerned that a lot of jobs are moving outside the U.S. We fundamentally believe that by using these innovative models, we are creating jobs” in the valley, too.

Stephen Savignano, chief executive of Ketera Technologies, a procurement start-up that has about 80 engineers in Bangalore and 30 employees at the company's Santa Clara headquarters, noted that it's now essential for even small companies to move overseas -- and not just for technical reasons. “The writing of code isn't as big of a differential of the value of the company as it used to be. Now it's understanding the market requirements and translating that into solutions as quickly as possible,” he said.

Rafiq Dossani, senior research scholar at Stanford University and an expert on India's tech explosion, has some doubts about the global start-up concept. Having engineers scattered in different parts of the world can be unwieldy for early-stage innovation, he said.

“You can't have 10 people sharing ideas -- the serendipity you have from people sitting around talking,” Dossani said. “It can't be planned through a WebEx call.”

Fly 30 hours for a chat

Indeed, the global start-up requires delicate communications skills, workdays that stretch into different time zones and a willingness to fly 30 hours to have coffee chats with colleagues to foster creativity and camaraderie.

`` It's tough, believe me," said Ron Victor, general manager of marketing and business development for HelloSoft, the San Jose start-up whose software is used to operate chips on cell phones and other devices. The company has an engineering team in Hyderabad.

Yet the 24-hour workforce means much more can be accomplished more quickly, he said. It also makes for long days as workers stay up late or get up early to communicate with colleagues across the globe, Victor said.

For Indian engineers, it's a chance to be involved with product creation from the white-board stage onward, instead of simply being handed specifications from headquarters in Silicon Valley, said Sampada Joshi, senior software engineer with NetDevices.

`` It's a great feeling," she said. `` We are doing everything from scratch."

Global innovation also requires more than virtual communications. `` There is nothing in the world that can replace a handshake," Victor said.

Executives and engineers must endure regular journeys to India and Silicon Valley. `` Physically, it takes quite a bit of energy," said Seenu Banda, co-founder and chief executive of NetDevices. He travels to India about once every two months. `` It's not as easy as it may sound on a piece of paper."

Communications rules must be established, executives say.

For instance, some employees who have children prefer to have phone conferences later at night; others want to wrap things up earlier.

Workers need to understand each other's cultures. Colleagues in India know not to call the United States on Christmas Day; likewise, those in Silicon Valley shouldn't expect to reach someone in India during the Hindu autumn festival of Diwali.

Banda said U.S. employees of NetDevices have learned not to pepper their language with American sports metaphors, which can be confusing. Workers in India and the valley have trained themselves to speak slowly and clearly, so information isn't lost in accents.

`` Bangalore told us, ` If you don't cut down on your swearing, it's going to be very hard to work with you,' " said Banda, who grew up in India. `` As little swearing as we do, it was still too much for India."

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