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Bright Ideas

By **CHARLES PROCTOR**
Los Angeles Business Journal Staff

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Even in the rarefied world of businesspeople who start multiple companies, Bill Gross stands out: He's started dozens of enterprises, from a stereo speaker business in his Caltech days to the alternative energy ventures he now leads as chief executive of Idealab, a business incubator in Pasadena. Gross sits on the boards of 15 companies and is also chief executive of eSolar Inc., an Idealab startup that builds solar energy power plants. Gross started his first company when he was 15 years old, selling solar energy kits out of his home. He continued his entrepreneurial path with the speaker business, a computer store and an educational software company before founding Idealab. The venture started as an incubator of Internet businesses in the dot-com boom. Post-bust, Gross has transformed it into a hub of alternative energy companies. Among its portfolio companies are Energy Innovations Inc., a solar panel developer, and Aptera Motors Inc., a manufacturer of a three-wheeled electric car that looks more like a spaceship than a Honda. The companies get part of their funding from Idealab and can draw on the expertise of Gross and his colleagues. Gross sat down with the Business Journal at his Pasadena office recently to discuss his enthusiasm for alternative energy, how he founded his companies and how the roots of Idealab stretch back to his days in junior high wood shop.

Question: How do you keep track of all your companies in Idealab?

Answer: My focus is really on ideas, and many other people run the operations. For all the other companies, I read all the time about everything happening in business, and I try to share the ideas I come up with.

Q: Walk me through a typical day in the life of Bill Gross.

A: I wake up probably at 5:30 or 6. Every other day I try to do some aerobics on a treadmill or some weightlifting because I spend a lot of time sitting down in meetings. Otherwise I get on e-mail right away. I often make a lot of phone calls to the East Coast or internationally in the early morning, and I come into the office around 8:30 or 9. I work until about 6:30, and then I work again a few hours after dinner.



Q: Do you have any time to spend with your family?

A: Yes, I have dinner with my family every night. My wife and I have a really tight requirement on sitting down to dinner with our kids and talking to them about what's going on. It's amazing the stuff that gets picked up at the dinner table. My 4-and-a-half-year-old must have heard me talking about fundraising because the other day he came up to me with two quarters and said, "Daddy I raised some money." When he's 5 and says he's doing a series B round, I'll know we're in trouble.

Q: Are you a California native?

A: Actually, I was born in Tokyo. My dad was a dentist in the service and I was born on an Air Force base in Tokyo. I lived there for one year, then we moved to Fort Lee in New Jersey until I was about 10, and then we moved to the San Fernando Valley.

Q: What hobbies did you have as a kid?

A: I loved baseball and soccer, and I really loved woodworking. When I got to junior high school and took my first woodworking

course, I was blown away. I loved the hands-on aspect of it, and the idea of making things that other people could enjoy.

Q: What did you make?

A: All kinds of things. I used to make checkerboards and real working telephones out of wood and Plexiglas. I would get a booth at the Rose Bowl swap meet and put all my wares out. I just loved the idea of shifting and shaping materials into something more valuable, and then making a customer happy with it. I still think about that in everything we do at Idealab. Every company we have has a germ of that in it.

Q: So woodworking led to Idealab?

A: Yes, I think so.

Q: How did you get interested in alternative energy?

A: The energy crisis started a few years after we moved to California in 1969, and that's when I really started thinking about solar energy. I told myself, "There's got to be a way to take the resources we have from the sun and convert it into a useable form of energy." So I would go to the library after

school and stay there until they closed at 9 p.m. to read everything I could find about solar energy and mechanical engineering and even direct marketing. Then I started selling these little solar devices when I was 15 years old.

Q: Was that your first real business?

A: That was my first successful business. I took reflective material and shaped it into dishes that could concentrate solar energy. Then I came up with plans and kits to manufacture these things. People could use them for solar cooking or boiling water, things like that. I sold the plans for \$4 each and kits for \$19 each. That endeavor taught me a lot about business, and may have even played a factor in me getting accepted to Caltech because I wrote about it on my application.

Q: What did you want to be when you started college?

A: I think I went to Caltech thinking I was going to be a physicist or mathematician. But then I saw this opportunity in engineering and that took advantage of all my love for building things and analyzing how to make things better.

Q: How did the stereo speaker business get started?

A: A lot of the seniors had really fantastic loudspeakers, but I couldn't afford any. And then someone asked me, "Why don't you use the student shop and build the equipment yourself?" So I started building my own speakers. Then I started building speakers for everybody on campus. I took a year off between my sophomore year and junior year to build up the loudspeaker business, opened a store on Colorado Boulevard called GNP Loudspeakers, and that helped pay for my education.

Q: What kind of music did you listen to?

A: I remember listening to classical music and falling in love with Beethoven, but also Fleetwood Mac and the Beatles, and all the rock bands coming out in the late '70s. I loved music, but I also loved sound. I loved the pursuit of making sound closer to what you would hear during a live performance.

Q: What happened after college?

A: In 1981, the year I graduated, the IBM PC came out. And I thought: Computers are going to be a revolution. So my partners and I opened up a computer store right next to the loudspeaker business. Then we began developing software to make computers easier to use, and in 1985 Lotus acquired that company. I moved to Cambridge, Mass., for a year to work at Lotus, and I would be there probably to this day had it not been that in 1991 my son turned 5 years old. And I

decided I wanted to make educational software to help him learn. So I left Lotus to start a software company in California, Knowledge Adventure.

Q: What happened next?

A: Well, Knowledge Adventure was doing very well. And yet, I had all these other ideas for other companies that were gnawing at me. And I wondered if there was a way where I could have the ideas for businesses, pass them on to other people, teach them what I knew, but let these other people run the companies. That's how I dreamed up Idealab.

Q: So do all the ideas for Idealab companies come from you?

A: Most of the ideas start with me. Sometimes the ideas come from other people who are at Idealab or people on the outside. But mostly we're looking for things where I feel I can contribute the most, and that has to be something I'm excited about. So in some way or another, I get deeply involved with the idea.

Q: Idealab produced a lot of Internet companies during the dot-com boom, right?

A: Yes, the first 10 companies we did, seven went on to do series B rounds and three went public within just a few years. We had wild success from that initial crop, and it was a very heady time. Actually, for about 60 months, we were basically coming up with a company a month. Some of them were wild, wild successes, and some of them were wild, wild failures.

Q: But then Idealab lost a lot of money when the market crashed?

A: Idealab invested in a lot of companies, and we veered from our initial model of investing in in-house companies and began putting money into outside ideas. We started acting like a VC firm, not like a tech incubator. And that cost us some big losses. In addition, we invested some big, big amounts in internal companies at the height of the market. So when it crashed, we suffered from that.

Q: How did all this affect you?

A: Well, there was an unbelievable amount of sleepless nights. It was a very challenging two-year period after the dot-com crash. It took all the heart we had to build Idealab's cash base back up, and to build the company base back up. We certainly beat ourselves up over not recognizing that the crash was coming. And we tried to learn.

Q: What lessons did you take from it?

A: We learned to never get too carried away with your success, to always be focused on fundamental values and not the market values of your companies. You have to look closely at profit and cash flow, not just the market

cap. Market cap can be ephemeral, but your company can't go away if you have cash in the bank. The only way to learn these kinds of lessons was through pain. It's kind of like your children have to skin their knees sometime, you can't keep them shielded from everything. It's really hard to say, but living through the crash was the best thing that ever happened to us.

Q: How did you turn Idealab's focus from the Internet to alternative energy?

A: It was actually a very easy transition. My roots are in mechanical engineering and building things, and I've always been fascinated by alternative energy. So, really, it was a detour for me to start developing software and Internet companies.

Q: What's the most promising company in Idealab right now?

A: I think there are two. There's eSolar, which is pursuing large, utility-scale solar generation. I think it's a huge opportunity because you can generate a big, big number of megawatts – maybe even gigawatts – of power at once in a patch of desert somewhere. And then we have a company called Aptera that is making a streamlined electric car, and I think that has great potential to change the face of transportation.

Q: What advice would you give to an entrepreneur?

A: Pursue something that you're passionate about. Entrepreneurship is always going to have its setbacks. There is no company that is going to go along and not have difficult periods along the way. And the only way to make it through those periods is to be absolutely, totally in love with the mission of your company. You really have to love what you're doing, because entrepreneurship can be really tough.

Q: What's been the toughest moment for you?

A: Obviously whenever you have to let people go from a company, it's very difficult. Especially when the people are good and they've genuinely worked hard, but the company just didn't make it. That's maybe been the worst part of being an entrepreneur.

Q: Will you be driving an Aptera?

A: I can't wait until I have one. It drives beautifully, very much like a regular car. We had a car out here recently and we drove it around Pasadena a few times and you should see the stares it got when we drive that thing around Old Town Pasadena. My 14- and 15-year-old sons, they both want it to be their first car.