Glen McLaughlin & the Band of Angels

*I recently interviewed **Glen McLaughlin** (OU BBA Accounting, 1956) for his experiences as a venture capitalist and co-founder of the Band of Angels in Silicon Valley to gain the perspective of a Price College alumnus. After graduation from the University of Oklahoma, he served six years as an U.S. Air Force pilot, accumulating 2,200 flying hours. McLaughlin then resumed his education with an MBA in finance from the Harvard School of Business in 1964. His finance and accounting education provided an extensive business career with Foremost-McKesson, McFarlane's Candies, Memorex in London, Four-Phase Systems, Venture Leasing Associates and banking directorships in California. During these years, he was underwriting start-ups in the high-tech Silicon Valley, leading to co-founding the Band of Angels in 1994, the oldest angel group in the country.*

DW: Glen, what did you and your colleagues see happening in Silicon Valley that wasn't getting the necessary funding?

GM: A group of us had been doing Angel investing on our own for start-ups beginning about 1978 or 1979. We'd been doing little oddball deals and sharing investments, and it was a very haphazard kind of thing. Seekers of start-up capital would go from angel to angel, present their plan, and often had to loop back and see if the initial ones were interested or not; it was a very awkward, clumsy, time-consuming process. The more you did, the people would know that you're the one writing checks and they would come in with a new business plan for you to review and in many cases we didn't understand the critical elements of their plan. We'd have to go through our Rolodex and try to figure out someone who really understood that area and could set us straight.

DW: And this led to the Band of Angels?

GM: What was different with the Band of Angels in Silicon Valley was the coming together of semi-retired, seasoned, high-tech corporate executives. They were technically knowledgeable individuals with direct hands-on operating experience plus profit and loss responsibility who were committed to meeting the payroll. The Band of Angels solved the problem for those seeking venture capital by providing a central clearing house for these start-up plans and finding enough Angels to make the plan work.

It was slow and uneven at the outset, but with increased publicity by Fred Hoare, the ex-PR guy at Apple and Fairchild, the word spread and progress accelerated. There was strong momentum in the stock market for high-tech companies in the mid to late 1990s and a number of projects were swept up in the enthusiasm.

Now instead of a couple guys meeting for coffee to discuss a business plan, there was a group of 50 to 70 knowledgeable guys listening to a pre-screened, rehearsed presentation at the same time with the purpose of attracting six to 10 investors. It worked!

From left, Chris Knapp, McLaughlin Chair in Business Ethics and professor of accounting, visits with Glen McLaughlin and Cynthia Cooper, former head of the internal audit division of WorldCom and speaker at the Accounting and Ethics Conference held in 2008.

DW: How does an Angel decide to buy-into a venture?

GM: An Angel will usually invest in a project where they have deep knowledge and experience, thus they do not have to do a lot of due diligence on the marketplace and can focus on the management team.

DW: The management team is critical. What qualities in managers do Angels expect?

GM: Leadership and product are key factors. The CEO cannot be a superhuman – it is just not feasible – however, he/she should be able to recruit strong talent for the functional heads and be prepared to share ownership in the venture. My experience has been that the more open and sharing the CEO, the more successful the company. Strong character and high integrity must be present; otherwise no one wants to fund a crook, nor do people want to work for one.

Second, the product should have a sustainable competitive advantage in its marketplace and be capable of diversified growth, that is, a product family versus a one-off gadget. Most growth is from incremental improvements of a strong core technology.

Finally, when the market changes or new technology is introduced, the CEO must be able to adapt. In fact, some of the greatest successes have arisen from a company working in the general field then pursuing a new opportunity since the knowledge base was already formed.

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—***Stephanie Black***
December 2012 Graduate in Marketing and Supply Chain Management