

Background

I have had a hand in starting a couple of companies. You can find out about some of the [tales and advice](#) that I gave some time ago in a talk at Stanford.

Not all were successful. The first, Netek, I started in 1984 and was fired from on January 31, 1985. Pretty fast exit! Netek was a company with a mission much like Finisar. To participate in driving fiber optic technology into data communications applications. This company had a business plan, spreadsheets showing the revenue and profit growth over the next 5 years. It was kept in a 3 ring binder that I shared with the backers. We started off to build prototypes of the ideas contained in the plan, filed patents, hired people, had a nice building. But we did not engage with customers as we felt the “products” were not ready.

I was fired from Netek for all the wrong reasons, but key to my life is that pretty quickly I realized that I should have been fired if they had known the right reasons instead of the wrong ones. I learned from that time.

So when I started Finisar we did things a bit differently. We had no written plan, but we had revenue and were profitable from the first month! We added our second customer by month 3 and grew from there. We did not have a great building with nice furniture, but we did have a sign proudly announcing who we were.

Over the years, we crossed 3 “chasms” in the growth of Finisar. Others have published on this [subject](#) and I encourage you to read about their thoughts. We experienced this first hand. But in each case, our crossing was not empowered by a great idea and subsequent leap over it, but rather by steady progress and consistent effort. Looking back, I can point to the chasm but not to any single thing we did to overcome the fundamental problem.

The Three Chasms

Our 3 chasms were:

- 1) The transition from being an engineering services company to a products company. We derived nearly all of our revenue in our first 3 years from services. By year 4 we were a products company but not before we had a down year that nearly killed the company.
- 2) Our initial products were based on CD laser technology and these proved sufficiently unreliable that we had product returned to us from both of our largest customers in year 7-8. The quantities were so extensive that my partner suggested our name was so soiled by this quality failure that we should change it. But instead we drove ourselves to be better manufacturers and our quality improved. And we switched from CD to VCSEL lasers and our products became the highest quality in the industry.
- 3) Finally Finisar participated in the bubble burst that happened in 2001 (for us) and we returned to profitability after 4 years of transformations. We started that period with all of our employees in the USA and ended it with 86% of the employees in Asia. We had an outsourced model for manufacturing and our key elements in the supply chain and ended it fully vertically integrated.

Each chasm was not like you read in books. They were lengthy, often painful, and involved changes in personnel and methods of business.

The early chasms were crossed while we were still in our self-funded mode. We did not use venture capital to grow the company from its founding in 1988 through its first decade. By not having money we were forced to innovate but also to be quickly self-critical. We did not have luxury of being able to wait or to think that money would get us across the chasms. We had to take action and make changes as the results came in.

Applying the Lessons

Today, I work with a number of smaller companies, just starting out life. I encourage all of them not to take money for as long as possible. And if they must have some cash, to take as little as possible. The outcome of this is that the best ones focus on their business instead of fund raising. They focus on near term results and customer feedback and do not get too enamored with their own ideas.

Each of the companies I have funded has some sales and therefore customer interaction. I do not fund companies with great product ideas. It is just not something I understand. Moreover, it represents a trap for me, as it was how I founded Netek and what led to its rapid demise. I love gadgets from cool looking kitchen tools, to elegant software and even great tasting cookies. And so I need to be careful that my natural predilections do not help me lead groups I interact with astray. Ha!

Today, Finisar is on its way to having sales greater than \$1B before too long. And so many things are different from those earlier times. But one thing has not changed and that is the company remains customer centric. It is deeply part of our DNA. And much of it comes from Jerry Rawls, the CEO and my long time partner, but some of it comes from the fact that we started out servicing customers and never left that ground.

Supposedly, the best article ever written for the Harvard Business Review was by Theodore Levitt entitled Marketing Myopia. In it, he talks about keeping businesses customer centric and not product centric.

Finisar was started out without product direction at all. We had customers and we let them lead us into markets and products that had value for them. In the end that was a pretty good plan and all that we needed.

About the Author



Frank H. Levinson, Ph.D., is the founder and managing director of Small World Group, with an office in Tiburon, CA.

From 1988 through 2005, he was founder, CTO and chairman of Finisar Corporation, a technology leader in fiber optic subsystems and

network performance test systems, headquartered in Sunnyvale, California. Finisar went public in 1999 and in early 2001 was still entirely based in the USA. Over the next 5 years, Frank helped the company expand both manufacturing and R&D into 4 different locations in Asia — Ipoh, Malaysia; Singapore; Bangkok, Thailand and Shanghai, China so that now Finisar has >85% of its employees in Asia. Today Frank still serves on Finisar board of directors.

Frank is an investor and serves on 5 private company boards — [Fabrinet](#), [Dewey Homes](#), [Daylight Solutions](#), [Vixar](#), [Cloudbreak Software](#) — all of which have revenue and are in various stages of growth from a filed S-1 for upcoming IPO to just formed.

Frank is also active philanthropically with the Smithsonian and their biology and biodiversity group located in Panama. Together they are working to create a series of earth global observatories based on the CTFS plots for tropical forest census and monitoring. Frank also works part time on engineering simple sensing solutions that can work in the tropics to improve the data collection capability from the observatories.

Frank has been a judging chairperson for the California Clean Tech Open business plan competition since its inception in 2006 and has worked with various companies in the clean tech space that have yet to receive their initial funding.

Frank earned a B.S. in Mathematics and Physics from Butler University in Indianapolis, Indiana, and both an M.S. and a Ph.D. in Astronomy from the University of Virginia in Charlottesville.