AN INSPIRING ENTREPRENEUR

DR HERMANN HAUSER CBE FREng

Newcomers to most professions have role models that they can look up to and hope to emulate. As an investor in high-tech businesses, Hermann Hauser had to make up the rules as he went along. There just wasn't anyone else in the UK turning research into profitable new businesses. Now he is a role model par excellence in a world that takes it for granted that venture capital and innovation go hand-in-hand. Michael Kenward caught up with him at his London HQ.

Hermann Hauser © Schofield Publishing

It all started with an investment of £50. Hermann Hauser was fresh out of his PhD research that involved measuring chemical reactions using computer analysis of calorimetric data, at the Cavendish Laboratory in Cambridge University. He had to find a way to earn a living. Like many Cambridge physicists before him, Hauser's first thought was to look for a lecturing job. Chris Curry interrupted the job hunt when he turned up and asked, "Fancy setting up a company?"

CHIP OFF THE OLD BLOCK

Perhaps because his father was something of an entrepreneur, albeit in the somewhat lower-tech wine business in Hauser's home country, Austria, he did not flinch at the lack of security. Instead, he asked, "How much does it cost?"

Back then, the bill was just £100, £50 each. This was enough to allow Hauser and Curry to start a business that became Acorn Computers.

Curry already had a track record, as a part of Sinclair Radionics. Sensing that there might be something in this 'personal computer' business, he talked it over with Hauser. The young PhD tapped into his network of fellow IT experts at Cambridge and decided that there was indeed a business opportunity here.

The pair's first move, in December 1978, was to create Cambridge Processor Unit Ltd. Operating as an IT consultancy, the business had its first success using microprocessors in a controller unit for a fruit machine.

GROWING ACORN

In March 1979, Curry and Hauser created Acorn as a separate company. Acorn went on to build a successful business on the back of the phenomenally successful BBC Micro.

Microcomputers are ubiquitous now and plenty of high-tech companies have achieved spectacularly rapid growth, but it was very different in the late 1980s. In those days, high-tech businesses didn't spring into being and soar into the stratosphere in just a few years. Outside of the USA, where technology start-ups were beginning to make waves, innovation was mostly in the hands of large companies that took for ever to commercialise new technology.

Acorn changed that. "We were the first company in Britain to go from zero to a hundred million pound turnover in five years," says Hauser. "There are still not that many companies that have managed that."

It didn't last, though. "The market collapsed around our ears." After a torrid period, with creditors banging on the door, Hauser and Curry did a deal with Olivetti which eventually became the majority owner of Acorn. "Then there was a very interesting period," says Hauser. But it wasn't all bad news. Yes, the revenue did plummet, but Acorn stayed in business for another 12 years or so. Hauser also stayed with Olivetti as Vice President of R&D for three years.

A MAJOR PLAYER

For all the ups and downs at Acorn, Hauser's £50 has grown a lot since that early investment. The latest *Sunday Times* rich list credits him with being worth £125 million, putting him at number 557 in this, some might say, spurious league table.

This probably isn't the most reliable of sources as after all it labels Hauser as being in 'Computers'. Yes, Hauser's first success was with Acorn Computers, which gave birth to ARM, the designer of chips with low power consumption, but in reality, computers are just a part of the portfolio for Amadeus Capital Partners, the business that he set up with Anne Glover and Peter Wynn in 1997 to invest in new technologies.

When we spoke, Hauser enthusiastically described a new motor technology that might revolutionise electric vehicles. "The excitement about the electric motor has a lot to do with the system that you can

Amadeus set out to change all of that. Amadeus's current portfolio runs to some 50 businesses, in sectors that as well as Hauser's traditional IT investments, include the life sciences, media and e-commerce and software.

build and run the control structure of the electric motors, not just the motor itself. This is a very different way of looking at building a vehicle."

BACKGROUND RESEARCH

Hauser can also switch effortlessly into 'biojargon' with an account of the complicated genetic science behind one of Amadeus's investments. "My bedtime reading at the moment is molecular cell biology," he explains. "I am just finishing the book that they use on the molecular cell biology course at MIT." He is also a believer in studying systems biology as a way of understanding complexity.

Does this mean that Hauser has to become an instant expert on the technologies that he invests in? "That is probably the most exciting aspect of my job," he says. He admits that he set up Amadeus partly because he needed to be better at that element of his work.

People knew that he was, as he puts it, "a sucker for technology". So they turned to him for investment funds. "I was one of the very few people in Britain at the time who had this amazing deal flow of high-tech business plans. I was probably about 50% of the business angel money in Cambridge. I just could not handle that deal flow any more."

BUSINESS INTUITION

In the past, he says, he had relied on "gut instinct". "I didn't do badly out of these investments," says Hauser. "But it was not a very professional way of assessing the deals."

Working out of an area that recently hit the headlines for having the highest rents in the UK, Amadeus set out to change all of that. Amadeus's current portfolio runs to some 50 businesses, in sectors that as well as Hauser's traditional IT investments, include the life sciences, media and e-commerce and software.

The software investments are themselves a diverse set, including Active Navigation, a spinout from the University of Southampton, which is in the business of helping organisations to make the most of large unstructured databases. An earlier investment, Entropic Research Laboratory, was a speech recognition software company that ended up being bought by Microsoft.

Better known businesses that benefited not just from the investor's money but also from management guidance, include Cambridge Silicon Radio (CSR), which pioneered short range radio links through technologies such as Bluetooth and was the winner of the prestigious Royal Academy of Engineering prize, the MacRobert Award, in 2005.

SELLING HIGH

Amadeus, and Hauser, made a packet when CSR went public. Many predict a similar fate when another of Amadeus's investments, Plastic Logic, eventually reaches fruition. Plastic Logic is a spin out from Hauser's old stomping ground, the Cavendish Laboratory, where Professor Richard Friend and Professor Henning Sirringhaus laid the foundations for electronic materials that are suitable for low-temperature ink-jet printing.

Amadeus doesn't just bring in the cash, it has unbeatable connections. It can put fledgling businesses in touch with larger businesses that might be customers, for example. Along with all of those businesses successfully floated or sold, Hauser reckons to be rare in Europe in having a hand in launching three, billion-dollar ventures "all vaguely related with silicon".

Hauser himself has sat on the boards of more than 20 technology start-ups. In the process, along with the successes he has made mistakes, and seen others make their fair share. All this adds up to the sort of knowledge that simply isn't a part of the experience of most people starting new businesses.

ATTRACTING TALENT

These are areas where Hauser thinks that venture capital investors can play a crucial role. As well as making connections with larger businesses, experienced venture capital investors with a good track record can persuade first class managers to take a leap of faith, give up well paid jobs in large corporations and run tiny new ventures on the understanding that if everything goes to plan, they will end up with a large pot of money when it comes to selling their share of the business. Enough people have believed in Hauser's track record to have done just this.

Then there are the business models which are "an often neglected part of the story," says Hauser. Should a company manufacture, say, chips? Or should it design them and sell the rights to other companies to make them for their products? That is the way in which ARM works. Or implement another model where "you can capture all the cleverness in the design and just farm out the manufacture to the big semiconductor fabricators."

"We have to think business models through every one of our investments," says Hauser. "The investment itself has to think it through only once. We are not any smarter than other people, it is just that we do it more often."

NEW LABOUR, NEW OUTLOOK

Recent political changes have also improved the prospects for innovators. "Tony Blair and Gordon Brown were the first two leaders of this country ever to bother to come to Cambridge to look at the so-called Cambridge phenomenon," says Hauser. "And

ACHIEVEMENTS

Education Dr Hauser obtained an MA in Physics from Vienna University. He also holds a PhD in Physics from the University of Cambridge.

1978 co-founded Acorn Computers, leading the development team towards the production of the BBC Micro Computer. **1986** Made a member of the Esprit Advisory Board. **1990** Honorary Doctorate University of Bath. **1997** co-founded Amadeus Capital Partners Ltd, investing in early stage European technology companies. **1998** Honorary Doctorate Loughborough University. **1998** Made a Fellow of the Institute of Physics. **1999** Honorary Fellow of King's College, Cambridge University. **2001** Honorary Doctorate Anglia Polytechnic University. **2001** Honorary CBE for 'innovative service to the UK enterprise sector'. **2002** Made a Fellow of The Royal Academy of Engineering. **2004** Made a member of the Government's Council for Science & Technology.

Hauser remains optimistic about innovation in the UK. No longer considered a maverick, he is doing his bit to ensure that future generations of Cambridge researchers don't have to negotiate such a steep learning curve.

they took it seriously. We always had an opportunity to talk to them and to tell them what the problems were."

Hauser has himself had a hand in the development of government policy. He is currently a member of the Council for Science and Technology, which describes itself as "the UK government's top-level independent advisory body on science and technology policy issues". He was also a member of the influential committee, chaired by Sir Peter Williams, which was, he says, "the most successful government body that I have ever sat on".

The committee's report, *Financing of High Technology Businesses*, paved the way for R&D tax credits and 'taper relief' for capital gains to recognise the time it can take for an investment to deliver any returns.

BACKTRACKING?

Hauser is less than pleased by the recent proposal to tamper with this taper. "I think it has already done a lot of damage in terms of the government being perceived as backtracking on their commitment to support entrepreneurship." He isn't taking this lying down and has joined the industry in speaking out against the proposals. He even has a solution: start off with a higher tax on capital gains and reduce the level the longer you hold the investment. After all, funds investing in new technology ventures usually have to wait at least five years before they can realise their investment.

PENSION FUNDING

As yet there has been no sign of backtracking on another important result of the Williams' report. "We also recommended the British equivalent of the prudent-man legislation in the States."

The legislation basically said that a pension fund, acting as a prudent man, can put small amounts into high risk private equity ventures. "That opened up the opportunity for pension funds to invest in venture capital much more so than they had in the past."

Before this legislation, the UK's insurance funds had put something like 0.8% of their money into supposedly 'risky' investments like venture capital funds. In the USA it was more like 8%. Now in the UK it has grown to around 2%.

BUILDING A BRIDGE

All in all, then, Hauser remains optimistic about innovation in the UK. No longer considered a maverick, he is doing his bit to ensure that future generations of Cambridge researchers don't have to negotiate such a steep learning curve. After minor delays, while Cambridge fought over the university's regulation of intellectual property rights, work can finally begin on a new building, called the East Forum, that Hauser is funding.

A visualisation of the East Forum, Cambridge

Just along the road from the Cavendish Lab, the new building will house the Cambridge Entrepreneurship Centre and will be the base for the university's corporate liaison office and will be what Cambridge has described as "a stepping stone between Cambridge research and business".

Back when Hauser was contemplating the choice between physics and business, Cambridge was rare among universities in having anyone working seriously to turn research into profits. But even there it was a hand-to-mouth affair, run out of a cramped office in the middle of the town. Somehow, though, you wonder if Hauser would have had quite so much fun in his own career as an innovator had professional support been so readily available in the 1970s.

BIOGRAPHY: Michael Kenward OBE

Michael Kenward has been a freelance writer since 1990 and is a member of the *Ingenia* Editorial Board. He is Editor-at-Large of *Science|Business*.