

IVCA Private Equity Profile



Fieldglass, Inc.

Management: Jai Shekhawat, chief executive officer and co-founder
Sean Chou, chief technology officer

Venture Capital Partners: Bluestream Ventures, Grotech Partners, Starvest Partners, HLM Ventures, Prism Opportunity Fund

Headquarters: Chicago

If you sought an entrepreneur who had survived classic start-up tribulations, Jai (pronounced Jāy) Shekhawat would stand out. He is the co-founder and chief executive officer of Chicago-based Fieldglass Inc. The nearly nine-year-old software company helps customers manage the sourcing of all their human capital and services, especially contingent workers. And although it doesn't provide revenue or profit figures, Fieldglass is doing just fine, thank you.

That wasn't always the case. He overcame many obstacles. But none reflected his solid professional background. Born in India, the former freelance journalist served for six years as operations chief at Syntel, an international application outsourcing firm. He got his MBA from Northwestern, then worked on cross-border alliances and redesigned sales strategies among other assignments as a McKinsey & Co. management consultant for three years. He co-founded Quinnox, an IT and business-process outsourcing firm that continues to thrive under the other Fieldglass co-founders.

A Snapshot of Fieldglass, Inc.

- ✓ **Leader in supplying software that lets companies manage contingent-worker services and other human capital services through its InSite technology platform**
- ✓ **Overcame many obstacles before revenues exceeded cash outflow**
- ✓ **Employs 125, with 80 working in Chicago area**

In November 1999, Shekhawat incorporated Fieldglass (under the name b2bpeople). He believed his software concept for managing contingent-worker services showed real promise. Suppliers of such temporary workers – estimated at 2.5 million in North America – often felt that a complete lack of communications existed with buyers, who could ask many temporary-help firms to work on an assignment but then only use the services of one. Buyers had frustration, too. They considered many suppliers too aggressive and the transient help they recruited unreliable.

E-Commerce's Rise Helped

When Fieldglass began, Shekhawat still didn't have a viable software solution. But the last piece of the puzzle locked into place for him as electronic commerce grew in importance and its pioneers Ariba Inc. and Commerce One (now no longer in business) emerged. Completing transactions over the Internet was the

key. As for its niche market, Fieldglass wasn't the first; it was the fifth. But Shekhawat felt the company had a clear edge by viewing its contingent-worker operation as a supply-chain problem for human capital. None of the first four firms exist today.

In early 2000, he lined up half of his initial \$1.5 million in funding from Prism Opportunity Fund. But before the deal closed, the dot.com crash erupted on March 20, Shekhawat's birthday. "We only had two weeks of cash left at that time," he recalls. "If Prism yanked the term sheet, I figured we might be done for." But, in April 2000, after putting some additional protections in place, Prism invested \$750,000 in the company with the other funds coming from angel investors

"Certainly broader macro-economic events entered our minds and our decision process as we looked to back Jai and his team at Fieldglass with seed capital," says Prism Partner Steve Vivian. "However, start ups take time, and raw software start ups often achieve milestones measured over years – particularly when they are creating a new industry sector as Fieldglass has."

"Vivian adds: "In those situations as a VC, it's somewhat like SCUBA diving 60 feet below the surface in rough waters. You understand there is some slight impact of the waves crashing above you. But you are focused on what's right in front of you and by the time you reach the surface, you hope the sun will be out and the storm has passed."

For the rest of 2000, Chief Technology Officer Sean Chou built the company's InSite technology platform following the emerging model of software delivery known as "software as a service," or SaaS. It involves a single code base and the software is delivered entirely over the Web. After that, he, Shekhawat and their first executive vice president of sales, Chris Mortonson, were on the road constantly, seeking to entice early adopters to the InSite software. The move to drum up sales for InSite sparked the second round of fundraising in December 2000 of \$8 million.

Verizon Wireless Became First Customer

Verizon Wireless became the company's first customer, thanks to a chance introduction by a Quinnox sales rep to Verizon's then-chief information officer. By the 2000 holiday season, Shekhawat had arranged a meeting at Verizon's New Brunswick, N.J., headquarters with the VP of IT Finance. "She had one question. She asked, 'Can you produce an accrual report that tells me before the arrival of the new month what time sheets are going to be submitted at month's end?'" he says. "We showed her how we'd do it, and she said 'I'm sold.' I told her we would do the pilot program at no charge."

That proved pivotal. Verizon Wireless even wrote a large check up front to help the company. “They were very good for us” says Shekhawat. “To this day, we will do anything for them.”

So Fieldglass had its first customer. But it took many more months to land its second. And that also coincided with Shekhawat’s efforts to start raising his third round of financing. “I started fundraising in August 2001 when we had 4-5 months of cash still available. But the market had become really bad, then the 9/11 terrorist attacks occurred and everything seemed to shut down” he remembers, “Prospects weren’t taking meetings, venture firms were pushing out dates”.

What Private Investment Provides

Prism Partner Steve Vivian on Fieldglass: “We have always tried to make client or business-development introductions where we can, and we also try to work on making sure that the team is focused on prudent use of capital and strong functional leadership in the areas critical at that point in its development.

At Fieldglass, we were early pushers of both a strong CFO and a strong VP of sales. Often in our experience, CEOs may be leery of spending the dollars or the time top-grading in these functions. However, inevitably, if you find the right people, the lift, progress, and value creation can be extraordinary.”

Three weeks later, he tore his Achilles tendon playing squash and it required surgery to reattach it. It was a week before a big customer pitch and the team was also trying to raise money before they ran out of cash. . “That was one time when I wondered if we could pull this off”. Everything was in lockdown and we couldn’t even get on a plane, let alone deal with the long lines at the airports after 9/11,” he says.

He soon realized, however, that he could go through the handicapped security line at the airports in a wheelchair. With Chris pushing him, they sped past the long lines. “I’ve never been past airport security quite that fast since”, he adds. “That gave us hope.” Still, he suffered through 90 venture-capital presentations on crutches, flying all over the country, and he was rejected in all but two of them. “With my crutches and asking for money, I looked like a beggar. So before a

presentation, I would get to the room early, shove my crutches under the table and lean against a chair to make my pitch,” he explains.

More Tribulations

Other trials followed. In the summer of 2001, Fieldglass was in the final stages of securing American General Insurance Co. as its second customer. But in August 2001, American International Group Inc. suddenly acquired the insurer. It took awhile to sort things out, but Shekhawat and his team arranged a meeting with AIG procurement officials “and they put us through the wringer.” But they came through as a customer in 2002. Other customers followed, including Allstate, GlaxoSmithKline and Johnson & Johnson.

In addition, new venture capital partners came aboard, including Bluestream Ventures of Minneapolis, HLM Ventures of Boston, and Starvest Partners of New York, which was found through Prism's Vivian. By June 2003, Fieldglass had raised \$17 million in its third round of funding. In the two-and-a-half years between his second and third fundings, Shekhawat says he learned several things. "If there is the slightest hint of an opportunity, you chase it like a maniac. If a VC firm or a prospect showed any interest at all, we would drive seven hours to Dayton or to some obscure upstate New York location. You haven't had a road trip until you stay in a \$19-a-night motel made entirely of aluminum siding and moulded plastic."

He also believes in the importance of the key gesture to land an opportunity, like agreeing to underwrite a pilot program. "The gesture is underrated in business," Shekhawat contends. "Deals are done on emotion, and to make sure that emotions are on your side, bet on your ability to deliver and trust that the customer will be fair at the end of the day."

And, as far as venture capital firms are concerned, he finds it practically useless as a Chicago-based company, to seek funding on the West Coast. "I made hundreds of trips to Silicon Valley and Los Angeles and, ultimately, nothing came of them," he says. "You seldom get a straight 'no'. What you get is 'maybe,' which is a slow 'no.' He believes West Coast investors prefer high-risk Brave New World-type ideas like Google where the risks are high but so are the rewards. Fieldglass' investors are from the East Coast, Minneapolis and Chicago. .

Better Days Arrived

Those three years took its toll, although Shekhawat says he "never doubted" Fieldglass would endure. Monies from the third round of funding went for sales and marketing activities to grow revenues. The \$11 million in fourth round funding in June 2005 also was to be used for expansion. That round introduced Fieldglass to its fifth major investor, Grotech Partners of Vienna, Va.

Most start ups aren't designed to be venture-backed as long as Fieldglass has been backed. But it achieved a milestone in 2006 when it stopped consuming cash as revenues climbed. As a result, the company still has \$9 million of the \$11 million raised in round four. "People are running hard but we are also enjoying our growth now," Shekhawat says.

Today, Fieldglass is making big international deployments regularly and lining up new customers all over the world. The InSite application is available in eight languages and is localized for dozens of regions around the globe. Recently, Shekhawat was in Europe for four days of customer meetings in four countries. He and his European Unit head spent a day with reviewing additional rollout plans with Johnson & Johnson, which uses the software in many countries in

Europe. In the first eight months of 2008, the company added 35 new name accounts and dramatically expanded business with existing customers.

Fieldglass expects the annual spend on services by its customers will climb to \$5 billion this year from \$2 billion a year ago, based on the contribution from its new customers. Fieldglass, of course, earns a much, much smaller share of that spend. It doesn't disclose revenues.

Shekhawat anticipates further strong growth to come. He notes that of the 3,800 companies in North America with more than \$500 million in annual revenues, fewer than 300 employ any kind of human capital system like Fieldglass' single InSite technology platform. And of the estimated 2.5 million contingent workers in North America, only 300,000 have gone through a software application like that of InSite.

Midwest's Advantages for Start Ups

Shekhawat says there are advantages to being based in the Chicago area, where 80 of Fieldglass' 125 employees work. The Midwest, he says, "offers a nice stable employment environment. It offers a group of people who are dependable, loyal and work as hard as anyone. He expects to expand his workforce by another 50 to 60 people over the next year, with most of them working in Illinois. The company also has offices in the United Kingdom and India and has customers deploying in the Asia Pacific, South America and Europe, the Middle East and Africa (EMEA).

As for those tribulations, Shekhawat endured one other one early: the purchase of the fieldglass.com Web site. When Bluestream first became an investor, its partners urged him to change the company's name from b2bpeople, contending that the business-to-business tag was outdated. Shekhawat, Chou and former EVP Mortonson all had connections to the military, and they liked the symbolism of Fieldglass, one of the more presentable names to come out of a beer-and-pizza brainstorming session.

But a 12-year-old New York boy owned the rights to the fieldglass.com website. "I figured I was Mister Negotiator, so I called the boy and told him that since he had paid \$75 for the Web-site name, I would be glad to give him \$500. He said he would think about it," says Shekhawat. "Well, the boy conferred with his uncle, who just happened to be a lawyer at a big name firm. By the time the negotiations were over, I had sent the young lad a check for \$6,000 to get the name". Such is the life of an entrepreneur.

The **IVCA Private Equity Profiles**, a continuing series of portraits of Illinois venture capital and private equity investments, spotlights companies that are

emerging or proven successes. Each account furnishes information about the company and the private equity firm or firms that invested in it, illuminating the important role they play in nurturing the companies.

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