Our Conversation with Brian Hamilton

**Duke I&E:** You went to Sacred Heart University for your undergraduate degree. What did you study and were you involved in anything entrepreneurial while you were there?  
**BH:** When I was at Sacred Heart, I studied management and finance. My entrepreneurial experience started significantly earlier than Sacred Heart. In middle school and high school, I was always running businesses. This was both a matter of personal interest and need; I needed to save money for college and I also just loved running a business. Of course, when I was at Sacred Heart, I also ran a few businesses during the summer, including a painting and contracting business.

**Duke I&E:** What did you do between Sacred Heart and coming to Duke for your MBA?  
**BH:** I worked for a bank as a credit analyst for one year, which I disliked immensely. I knew that kind of stuff was just not for me. After that, and before Duke, I ran a small service company in Connecticut. I was used to running these types of businesses so it was a happy time for me, and I was also able to save money to pay for my education at Duke.

**Duke I&E:** Tell us about your time at Duke. What was your goal coming to the program?  
**BH:** My goal in coming to Duke was going to Duke. I wanted to feel as if I could go to a great school and, now that I think about it, to be honest, the type of program I enrolled in was less important than the quality of school I would attend. So, in this way, my end point was to get an education at a great school like Duke. I'll always be grateful that Duke accepted me and that I got to meet a lot of smart people.

**Duke I&E:** You graduated in 1990. Where did you work after graduating and how was that experience?  
**BH:** After 1990, and even while at Duke, I was really torn about what I wanted to do so I worked from the back to the front. I knew that I did not want a typical corporate career and that my fit in the world was probably more suited toward entrepreneurship. The challenge was that I really didn't know what business to start. I ran a consulting company from 1990 to 1997, a company which helped privately-held businesses with financial issues like developing business plans, preparing forecasts, expense reduction, and strategic planning. Honestly, during this time, I was really looking for the right entrepreneurial play for my career. These were not lost years because I consulted with hundreds of companies from which I learned a great deal. In a way, I was getting paid as a consultant to learn about what would work and not work in other companies.

**Duke I&E:** You started Sageworks in 1998. Tell us the story of how it got started.  
**BH:** I met a woman, Sarah Tourville, at a course I was teaching at Duke Continuing Studies on reading financial statements. I think this was around 1992 or so. I was
working off of a blackboard (they still had blackboards in those days) and instructing the class in ratio analysis. I remember turning to the board and looking over at the formulas and saying to the class, "I'm kind of surprised someone hasn't automated this stuff because it's not that difficult." During the break, Sarah, who was one of the students in the class and a Duke Alumnus, came up to me and told me that she could program a system for financial analysis if I could get one committed to paper. From there, we just sort of became friends. From '93 to '98, she would lightly prod me about the idea of developing an automated financial analysis program, but I was caught up in the other business and didn't get serious about considering it until around 1997. By '97, I knew the consulting business wasn't scalable and had been noodling on the idea of a financial expert system for some time. From my banking and consulting experience I knew that people needed help reading financial statements so I thought seriously about starting a business around this. Sarah and I started talking more regularly and just decided to start Sageworks in 1998.

**Duke I&E:** I understand Sageworks converts hard-to-understand financial data into easy-to-understand language. Can you say a little more about how that works, so people can understand your business?

**BH:** The idea of taking a single number and turning it into a sentence is not super insightful. For example, if you have blue eyes, and I know this from an input area to a program, I can generate a text sentence that says "You have blue eyes." The same thing is true for financial analysis- you can make single conclusions from single pieces of data very easily. The real challenge is to combine multiple financial factors and develop unique characteristics or algorithms that tell you a lot about a business. That is where a lot of the work was done in our expert system. Even then, though, we were not out of the woods because all companies probably look at their net profit margins, but many companies operate in dissimilar industries, so we had to benchmark each financial metric for each industry, i.e., a net profit margin of 1% for the grocery store industry is probably quite good, where a 1% net profit margin for a doctor's office is probably quite bad. So, really, all we do is take many financial metrics, combine them into algorithms, benchmark each metric, and generate a unique section of text that gives you a full understanding of a business. We have a patent on this process, but I really think our concept is clever at best rather than revolutionary. Right now, our technology is used by thousands of accounting firms and financial institutions to analyze financial statements.

**Duke I&E:** The company has done well and you have been in business for over ten years. Tell us what your business is like these days.

**BH:** We are growing 30-40% a year and we are profitable. Because we didn't know any better, we were horrible at raising money in the beginning, so we've largely grown the company organically, although we have raised some outside money. We focus hard on revenue growth and profitability each year, as we don't want to live through rounds of financing.
Duke I&E: What do you spend your time on, and who is your target customer?
BH: I spend my time on the product side of the business for the most part. Our target customer is any financial professional who wants to streamline financial analysis.

Duke I&E: As you reflect back on the years since you've started, what are some of the things you've learned that you wished you'd known when you were starting?
BH: I wish I knew how long it would take to develop a truly ongoing enterprise. It's easy to underestimate the amount of time it takes to develop a business. For example, it took us two years just to develop the expert system. It took us another two years to find a market. I think there is a popular misconception that technology companies just take off right from the beginning.

Duke I&E: Thinking back to when you were a student, were there things you wished you'd done differently to prepare for being an entrepreneur? And what did you do as a student that you are glad you did?
BH: Well, I'm very grateful for the education that I have, but I'm not sure that the traditional academic education lends itself to entrepreneurship education. I believe there is a significant gap between what is taught in the classroom and what you need to know as an entrepreneur. Clearly, this does not negate the importance of a formal education but I don't see a huge correlation between what is learned in school and what you need to know as an entrepreneur. Recently, schools are attempting to get this right but, for the most part, they are way off the mark. For example, most programs focus on developing business plans and raising capital, leaving out the critical elements of truly knowing your market and getting customers.

When I was a student, I was running businesses, which I am very glad for.

Duke I&E: For students that are thinking of starting a company, but thinking about getting work experience first, how would you help them analyze that decision?
BH: It sounds like a truism or a platitude, but I always encourage people to do something they love to do. It seems so basic but it is missed so often. If you find something that you're passionate about that will enable you to be a true expert in a given field and then develop some type of unique feature that can lead to a new business, getting that work experience first is a good idea.

Duke I&E: A lot of students focus on doing something disruptive like create the next Google or Facebook, and your idea is pretty disruptive. Is the disruptive part of your business (translating numbers into natural language) the key to your success, or has it been something else?
BH: Disruptive is a good word because my intent to develop a disruptive technology was almost destructive to our business. Most "disruptive" technologies require a long percolation period, which is very well outlined in the book, The Innovator's Dilemma. Most of us (including me) think we can come up with a brand new concept and everyone will flock to that concept. At Sageworks, it took us six to seven years to educate the
market, a very painful process both personally and professionally. In hindsight, I wish I had started a plumbing business or maybe a painting business with a unique selling feature— it probably would have saved a lot of personal stress. Young entrepreneurs tend to define the capacity to start a business by their ability to come up with some revolutionary idea. To me, this is very poor thinking, which is sometimes encouraged within academia. Serious students of entrepreneurship should start with something they love and build from there, not with trying to change the world as we know it in some fundamental way. Making the world a better place incrementally is a better way to think about starting a business. Small changes by millions of entrepreneurs are what really will have an effect on the economy and the lives of people. I also think people have to rethink their idea of success. When I was younger, my idea of success was being a billionaire. This is like trying to hit a tennis ball while you're looking at the scoreboard. If you focus on adding real value the market will reward you by buying your products and services. This may incidentally lead to you being a billionaire but you have to get your goals straight from the beginning. At root, this is a good thing because it forces all of us to create real value and to think about how to serve, rather than receive. I wish I had really understood that a little more when I was younger but the market teaches you very quickly that is how you have to think.

**Duke I&E:** Tell us what types of things your role entails. What are you responsible for?
**BH:** I'm largely responsible for corporate strategy and product development.

**Duke I&E:** Tell us what it’s like to be headquartered in Raleigh. Did you consider other locations for headquartersing the company?
**BH:** Well, I'm originally from Connecticut and the difference between Connecticut and Raleigh is night and day. The Raleigh-Durham area is incredibly entrepreneurship focused. There are so many smart and energetic people here that it is easy to develop a reference group as an entrepreneur. Obviously, there are plenty of talented people in Connecticut but I think Raleigh-Durham is much more focused on entrepreneurship than almost any other area of the country.

**Duke I&E:** Anything else you would like to share with students?
**BH:** I hope that students who are truly interested in starting a business actually give it a shot. I worry that they feel some type of internal obligation to not fail at anything since most of them have had very little failure in their lives. Even at Duke, where the students are smart and capable, I worry that these same attributes make it hard for them to take chances. They really need to redefine what failure is in the first place. If you view starting a business and losing it as a failure, you're probably not even going to get out of the gate. I will say that I think that the younger generation of students probably has a better handle on this than when I was at Duke, when very few people started businesses.