

TWO CORPORATE GIANTS VENTURE TOGETHER

For all its success in films and publishing, Gulf & Western Industries Inc.'s cupboard is nearly bare when it comes to research and development. American Telephone & Telegraph Co., rich in R&D through its vaunted Bell Laboratories, nevertheless hungers to learn what is going on in the heads of obscure lone-wolf inventors. And Harry Edelson, whose work as a high-tech stock analyst was known at G&W and who had been a consultant for AT&T, was in an entrepreneurial mood.

So now G&W and AT&T are each putting \$15 million into a new venture capital fund, Edelson Technology Partners. Harry Edelson, who has left First Boston Corp. to be the firm's general partner, enthusiastically proclaims this a great time to start a venture fund. With venture money in short supply and a lot of fledgling companies in need of growth capital, there are many good deals available. Says Edelson: "I'll be in the catbird seat."

Both AT&T and G&W hope Edelson is right about the opportunities. "This is not a charitable contribution," says John L. Segall, AT&T's vice-president for corporate strategy and development. Mike Hope, G&W's chief financial officer, says his company is after "venture returns."

IDEA FACTORY. But they both want more than a financial return. G&W is hoping the venture will develop new business ideas for its units, which run the gamut

from movies to mattresses, according to Hope. Adds Segall: "Although we have substantial and extraordinary research efforts, we want a window on that world" of entrepreneurs' garages and professors' laboratories.

What unites the otherwise unlikely joint venturers is that the Edelson fund will focus on information processing, broadly defined. "That means not just software, hardware, voice recognition, artificial intelligence, sensors, and robotics but also things like biotechnology, to the extent it deals with information transfer," comments Segall. While such research is often in the public domain, reviewing the technologies "Harry has chosen" will provide "more direction and focus," he adds.

Increasingly, corporations are making venture investments with an eye toward finding new business opportunities ranging from acquisitions to licensing. But most do it on their own, or in groups of a dozen or so, according to Venture Economics Inc., of Wellesley Hills, Mass. The closest parallel to the Edelson fund is InnoVen, initiated by Emerson Electric Co. and Monsanto Co., both of St. Louis, back in 1972. The joint venture has, says Gerald A. Lodge, manager of the Saddle Brook (N.J.) fund, made a "reasonable" amount of money, gotten that "window" on technology, and developed some business relationships.

COMPLETE CONTROL. All that takes pa-

tiency, a virtue often lacking in top managers of giant corporations. "If they try to take over a new company too early, they smother it—they lose their entrepreneurs," says Stanley E. Pratt of Venture Economics. Edelson is convinced he can avoid that problem. "I have complete control," he says. "The only control [G&W and AT&T] have is that they can veto a partner." (Edelson plans to raise a further \$14 million from two or three other partners.) And AT&T's Segall agrees. "As a limited partner, we're not going to manage it. If we were into management, we did the wrong thing by picking an aggressive guy to run it."

Edelson already has sent one entrepreneur's idea for a new product in the automotive parts field to a G&W unit. "I didn't know anything about it, but they said it looks interesting," says Edelson. "So we're pursuing it." Still, one old-timer in the venture game questions whether "the business of stock picking and market timing" equips one for "the business of building companies."

Edelson does have a little venture experience, though, and Benjamin M. Rosen, a successful venture capitalist whose home runs include Compaq Computer Corp., had been a stock analyst. "Venture capital needs lots of talents," says Rosen. "If he was a good analyst, he has a good chance of being a good venture capitalist." ■



EDELSON'S WORK AS A HIGH-TECH STOCK ANALYST WAS KNOWN AT GULF & WESTERN, AND HE HAD BEEN A CONSULTANT FOR AT&T

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