



EXECUTIVE FOCUS

# The third wave: An interview with Steve Case, founder & former CEO of AOL.com<sup>☆,^</sup>



Donald F. Kuratko

Kelley School of Business, Indiana University, 1309 E. Tenth Street, Bloomington, IN 47405-1701, U.S.A.



Steve Case is one of America's best-known and most accomplished entrepreneurs, and a pioneer in making the internet part of everyday life. Steve was co-founder and leader of America Online (AOL), which became the world's largest and most valuable internet company, driving the worldwide adoption of a medium that has transformed business and society. AOL was the first internet company to go public and the best performing stock of the 1990s, delivering an incredible 11,616% return to shareholders. Today, Steve is the chairman and CEO of Revolution, LLC, a Washington DC–based investment firm. Revolution has backed more than 30 companies to date. Steve is also the author of *The New York Times* bestselling book, *The Third Wave: An Entrepreneur's Vision of the Future*. Steve's passion for helping entrepreneurs remains his driving force. It was an honor to interview him during his visit to Indiana University.

*Business Horizons: Thank you for taking the time to speak with us, Mr. Case. Can you share your insights about the creation of AOL as an example of the first wave?*

<sup>☆</sup> Adapted from the Distinguished Entrepreneur visit to Indiana University on April 19, 2017.

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E-mail address: [dkuratko@indiana.edu](mailto:dkuratko@indiana.edu)

Steve Case: As a college senior in the late 1970s, I read a book called *The Third Wave*, written by futurist Alvin Toffler. Toffler's three waves were: (1) an agricultural revolution, (2) an industrial revolution, and (3) the prediction of technology or the visualization of it. This was about four decades ago,

when I read that book—and I was completely mesmerized by it. I knew that I wanted to be a part of something similar—taking that idea and making it real. When I graduated in 1980, though, internet companies didn't exist yet and there wasn't much of a startup culture.

So, I went on to work for some big companies. One was Proctor & Gamble, headquartered in Cincinnati, Ohio, and another was a PepsiCo/Pizza Hut division in Wichita, Kansas. All the while, I dreamed of Toffler's digital future. In 1983, at age 24 or 25, I moved to the D.C. area and joined a startup poised for greatness in the digital world. Back then, not a lot of people had personal computers, but they did have Atari video games, which the company focused on. I was so excited to work for this startup, but a few months into my tenure, the company was in free fall. That was my first experience with a startup company; obviously, sometimes they work and sometimes they don't. But that is where I met Jim Kimsey and Marc Seriff, with whom I co-founded America Online in 1985.

Back then, only 3% of people were online, and even those individuals averaged just 1 hour per week. Jim, Marc, and I really wanted to get America—and the rest of the world—online. At the beginning, nobody knew what the internet was or cared much about it. So that really represented the first wave: getting everybody online. The second wave centered on software apps that could run on top of the internet infrastructure: Facebook, Twitter, Snapchat, et cetera. It entailed monetizing these ideas, which you hoped would spread virally. This is where Silicon Valley is so strong.

The third wave, which is just now beginning to occur, involves how the internet can more fully integrate into our daily lives. For example, what role technology can play in helping us to stay healthy, learn more efficiently, eat better, and save energy. Obviously, this is the key theme of my book, *The Third Wave*. Consider healthcare, to which I will repeatedly refer as an example. Healthcare has helped to grow the economy, but this growth has required a different mindset and a different path.

*Why is the third wave described as the “internet of everything”?*

The first wave was about curiosity and the beginnings of the internet. The second wave was about

software and getting people connected. But the third wave is about how you revolutionize. Again, think of the healthcare system. Care is more personalized, more convenient, more affordable. This is a big deal. We have to be more personalized and adaptive. We have to rethink learning, rethink cities. These fundamental aspects of everyday life, our society, and businesses that power our economy are really up for grabs in this third wave. That's why we've shifted from referring to it as the internet of things to the internet of everything.

*Is Elon Musk leading this third wave?*

Elon is an example of someone who only started a few years ago and has evolved to be one of the pioneers of the industry. He's focusing on some of the big problems like transportation and energy, bringing bold solutions together, and assembling a great team. The third wave is less about individual apps and more about how we rethink transportation, rethink energy, remanage education, or revolutionize healthcare. Those things are more important to more people than a photo app.

*In The Wall Street Journal there was a special feature about the changing cities and how disruption is going to happen in these cities. You think about Elon Musk talking about the Hyperloop and how people kind of snickered and laughed, but now they are saying Dubai is going to develop its own Hyperloop. Does it seem like Musk is really on to some things? What are your thoughts?*

I think this ties in with one of the other megatrends in entrepreneurship, the regionalization and globalization of entrepreneurship. The internet's first wave was pretty regionally distributed within the U.S.; America was definitely at the epicenter of internet growth. Across the country there were pockets of innovation that really powered that first wave: AOL in Washington, D.C.; Microsoft first in Albuquerque and then Seattle; Sprint in Kansas City; IBM in Paramount, New York; Dell in Austin, Texas; Gateway in North Dakota.

The second wave became a little bit more global, but also more centralized, particularly in Silicon Valley. Last year, 50% of all venture capital in this country went to Silicon Valley, to one state. A full 80% went to three states: California, New York,

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