Ernst & Young Entrepreneur of the Year Nomination

Randy Smerik, CEO

I. About the Nominee

Discuss the nominee's high standards relating to him/herself, the business, and his/her determination to be successful. How does the nominee demonstrate perseverance in the face of adversity and overcome obstacles? Describe how the nominee is an independent thinker and is willing to take risks in the face of uncertainty.

If Randy Smerik of Tarari, Inc., does his job properly, every Internet connection will be as clean and secure as it was ten years ago, except that it will run at today's speeds. Wouldn't you like to have that all over again?

Randy embodies the unique combination of talents found in a great CEO – an eye for market appeal, a sense of commercial viability and sufficient risk tolerance to make tough calls – with those of a corporate executive – a knack for building organizations, the ability to leverage relationships and a nose for good data on which to base decisions.

The driving force behind Tarari's creation in 2002, Randy has placed the company squarely on the path to creating acceleration hardware for the next generation of network equipment (servers, routers, switches). He has logged about a million miles of travel evangelizing Tarari's technology and discovering new ways in which customers and prospects can implement it. While everybody needs acceleration, the risk for Randy and Tarari lies in choosing and successfully exploiting the most bountiful opportunities before they look like opportunities. Randy's personal and working investment in Tarari is enormous, even as the markets for acceleration technology continue to shift and the competitive landscape evolves.

Timing is everything. Randy based some of the company's early product decisions on his predictions about the nascent importance of XML in the Internet, with the result that Tarari has truly skated to where the puck was going to be.

II. Type of Business and Current Activity

** What is the history of company?*
** Include the source of the idea for the original business strategy*
** Explain the difficulty of launching and building the business, and the personal and financial risk involved.*
** Discuss any significant obstacles overcome within the industry.*

While general manager of Intel's 500-person Network Equipment Division, Randy sold Intel's CEO Craig Barrett on a completely new approach to detecting network threats; to be successful, however, the technology needed an independent company to develop and market it. Randy's enthusiasm for the opportunity convinced Barrett to let him lead the first management-initiated spin-out in Intel's history, and Tarari was born.

Randy's plan was to capitalize on his team's network equipment expertise, and to apply acceleration to network security. Manufacturers knew how to make networks secure, but that security almost always came with a performance penalty. The core technology was the acceleration needed to keep stronger security from slowing down the network, and Tarari would build this acceleration into specialized silicon components to improve the performance of network equipment. Success was only three steps away: employees, money and customers.

Randy convinced 20-30 acceleration experts to leave comfortable jobs and take the risk with him. Next he sought and landed $15 million in Tarari's venture capital A-round, at a time (spring 2002) when the VC community was extremely skittish about funding technology companies. Finally, he successfully created excitement among and closed deals with several major tier-1 network equipment manufacturers, many of whom were more focused on downsizing and retrenchment than on a new product in a new space. His enthusiasm and evangelization have never stopped.

III. Innovative Approaches and Future Plans

** Explain how the nominee created a business model that demonstrates a clear and sustained capacity for creativity and innovation in the development and implementation of major products and/or services.*
** Highlight any competitive points of differentiation.*
** What is the nominee's vision or plan for the future growth of the business?*

Randy foresaw the need for acceleration in network security and anticipated the growth in that market, yet strove to keep options open for other segments. Randy has made sure that as Tarari chooses markets, it does so with an eye to related and synergistic segments for greater leverage and faster growth. While many companies have burned their network security technology into an expensive, single-function chip, Randy knew that combining high performance with versatility is the sweet spot for network equipment manufacturers, so he encouraged his team to develop an unprecedented architecture in silicon – the Tarari Content Processor – to meet the needs of several key customers, with the potential to meet the needs of even more.

Tarari has adopted a reprogrammable and versatile model for its products. Customers and investors have validated that business model, demonstrating that Randy's vision was indeed correct and confirming that it will scale into even more markets, such as Voice over IP, Internet telephony and storage.

Under Randy's leadership Tarari is already growing from a market contender in an emerging space to a market leader in an established space. The company enjoys first-mover advantage and is in the catbird seat as first-tier brands, original equipment manufacturers and original device manufacturers look to capitalize on Web 2.0, the next generation Internet. Tarari has already closed major deals with a number of world-class switch and security vendors, and is on track to be cash-flow positive by late 2006 or early 2007.

IV. Company Initiatives/Culture

** What is the nominee's contribution to philanthropic organizations; how does the nominee give back to the community?*

** Has the nominee created or sponsored any key people initiatives within the company?*
** How have these initiatives changed the company's culture and helped to empower and retain employees?*

The local business community has recognized both Randy and Tarari, and they have reciprocated. Bullish on the San Diego area and on what it can grow to be, Randy is active in local university and industry groups, participating in UCSD Connect and the American Electronics Association. Randy is also visible and active in the venture capital community, through which he has raised $42 million in three rounds of funding, most of which goes straight back into the San Diego economy in local jobs and services.

Attracting and retaining industry talent is essential to Tarari's vision. Tarari has, for example, sponsored employees for UCSD's Leadership and Management Program (LAMP). Randy's management style has engendered a culture where a relaxed, focused work environment and regular social activities promote solid employee retention and growth. He and the other executives regularly prepare and serve food at company barbecues, and encourage bonding through off-site events like Padre Games, movie premieres and beach parties.