

Jeff Ready, chief executive of Scale Computing, and his partners turned a declining stock-trading scheme into a successful data storage concern.

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The path to entrepreneurial success is not always obvious. In fact, in the case of Scale Computing of Indianapolis, failure was the springboard.

Jeff Ready, the chief executive of Scale Computing, and his business partners said they originally thought they would use the artificial-intelligence technology they had developed at a previous start-up company to forecast stock prices and make a fortune as hedge fund gurus.

But by the time they had built their “magic box,” the economy had turned grim and they were unable to raise the \$100 million they thought they needed. It was only after potential customers rejected other software technology ideas that they realized their device could be marketed as a more practical product: a data storage system. Two years later, the orders are pouring in.

Andrew Zacharakis, a professor of entrepreneurship at Babson College outside Boston, said Scale Computing’s owners followed a classic entrepreneurial path of shifting gears as necessary to seize real, as opposed to perceived, opportunities.

Mr. Ready (pronounced REE-dee) and his partners at Scale Computing, Scott Loughmiller, the chief product officer, and Ehren Maedge, its chief operating officer, are serial entrepreneurs. They created their first venture, an Internet services provider, in 1996 as college students. The next year, they sold it for \$300,000 and formed an Internet advertising company. They sold that in 2001 for \$2 million. In 2002, they started a company called Corvigo that fought [spam](#), and sold it two years later for \$42.5 million.

Then, in late 2005, they started a company called Volt Capital with the goal of adapting Corvigo’s antispam technology to make stock market forecasts. But they needed much greater data storage space than they could afford to track the short-term fluctuations in the prices of more than 2,000 [stocks](#) they were aiming at.

So they created a Rube Goldberg contraption. “We built a grid computer by hand,” Mr. Ready said. “We had this monster of a device with 400 processors on double-stacked motherboards all mounted in a custom-built rack we had made at a local machine shop.”

The apparatus required so much energy that it heated up the garage where it was housed to 120 degrees, requiring Mr. Ready and his partners to blast air across it with giant, high-speed fans that made more noise than revved-up race car engines. “If you stood next to it while it was running, it was a bit frightening, knowing that one misstep would have you chopped up in the fans and dispersed evenly across all the processors,” Mr. Ready said.

For all the racket, the machine enabled Mr. Ready and his partners to make successful trades with their own money. Alas, it soon became clear that that they would be unable to reach their goal of raising \$100 million for their hedge fund.

They were left with a device that had cost them \$60,000 to produce and had a storage capacity that rivaled products selling for up to \$1 million. But it was so clunky, it did not occur to them to market it. Instead, they cast around for new software technology ideas.

Potential customers were not interested in their pitches. “They would say, ‘That sounds really great, but what we really could use is something to make shared storage systems cheaper,’” said Mr. Ready, a 35-year-old father of two girls.

It took awhile for the message to get through. “We thought the storage space had far too many big competitors, so we just made note of the request,” he said. “But it kept coming up, again and again. It was like people were smacking us around with a fish trying to get our attention about this high cost of storage problem.”

Finally, they took the hint. In April 2007, they started Scale Computing to develop low-cost “storage nodes” of one, two and four terabytes that could be stacked together as needed to operate as one system.

In February, they began delivering the nodes, and sales are picking up quickly, they say. Small businesses, hospitals, law firms, school districts and even one Fortune 100 company like the devices because they can buy as few as they want and, as their storage needs grow, add as many as they need at multiple locations.

Because their systems sell for one-half to one-fifth the price of equivalent products made by giants like [Hewlett-Packard](#) and [EMC](#) — the SN4000, Scale Computing’s most expensive model, costs \$7,000 — customers can treat the purchases as an operational expense rather than a capital investment, Mr. Ready said.

“I’ve never run a company that gained so much traction so quickly,” he said. It has grown to 22 employees, and he projects sales of \$2 million this year and \$8 million in 2010, though he acknowledges that fortunes can change quickly at start-ups, for good or ill.

He recalled his second venture, Radiate, which was an early pioneer in Internet advertising. Silicon Valley venture capitalists spurned it because it was located in Indiana. (They later moved it to California.) They finally raised \$5 million from a Boston firm and went on to build Radiate into a \$20 million company so quickly that they had visions of overnight riches.

Instead, they got caught in the technology crash and were forced to sell Radiate for \$2 million. “I made \$652 in the deal on my six years of work, but who’s counting?” Mr. Ready said. “I had to lay myself off so I could collect unemployment checks.”

On the other hand, their next company, Corvigo, made all of them wealthy in just 27 months, even though they had founded it on a whim. He was staying at his parents' home in Indiana over the Christmas holiday in 2001 when Mr. Loughmiller, a fellow Hoosier, called him from his family's dairy farm to say his mother was frustrated by all the junk e-mail she was getting.

"Clearly, if Scott's mom on the dairy farm had a spam problem, everyone had a spam problem," he said. "Thus, Corvigo was born."

In 2003, the [venture capital](#) firm, Sequoia Capital, invested \$5.5 million in Corvigo. Six months later, in March 2004, Tumbleweed Communications (now part of Axway Inc.) bought it for \$41.5 million, netting each of the three partners several million dollars.

Mr. Zacharakis, of Babson College, said Mr. Ready and his partners exhibited the familiar entrepreneurial trait of nimbleness in changing circumstances.

"They take low-cost tests and learn along the way," Mr. Zacharakis said. "They don't get discouraged. These guys didn't say, 'We need to raise \$20 million.' They built their machine for \$60,000. And when it didn't pan out, they listened to what customers said and adapted it to the market."

With all the twists and turns of fate that small-business owners confront, might Scale Computing fail? "If it does, we'll say, 'All right. Let's do something else,'" he said. "The point is to have fun, and we're having a blast."

Correction: An earlier version of this article incorrectly described Scale Computing's storage nodes as coming in 1,000, 2,000 and 4,000 terabyte sizes.