

Talking Technology

Angel investors can help a firm flourish

By Steve Burns, Capital News contributor

Take the time to find the right investment fit.

So your technology company is growing and becoming quite successful in the marketplace.

You have raised money from your closest family and friends, which has not been easy, but you have twisted arms and called on enough IOU's to scrounge up enough cash to keep investing in your dream.

You want to take your company to the next stage of growth but are fearful of the implications of raising additional capital.

You are worried that raising additional money beyond your circle of influence may result in you losing control over your own destiny.

However, you still need cash to capitalize on market opportunities, which may not exist next month.

You have heard of technology companies becoming even more successful in raising capital from so called angel investors.

You seriously think that you should pursue this avenue further but are not sure how.

Angel investors or angels as they are sometimes referred to, can be very useful in helping a young technology company reach its market potential.

With a cash injection from angel investors, many Okanagan Valley technology companies have captured critical market share, expanded product lines and positioned their company for a potential acquisition.

While you may have read all of the things that you need to have in place to properly attract angels to your technology business, such as a solid management team and a strong business plan, there is a very important ingredient often missing in the angel money discussion.

In my opinion, technology entrepreneurs need to approach the attraction of an angel investor to their business with the same discipline that they have used in identifying market opportunities and creating new customers.

One of the most common mistakes that I see young technology company's making in raising angel money is not thinking through the type of angel that they want to attract before they accept the cheque. I know that capital is scarce and the competition fierce but defining the profile of your ideal angel investor can save you enormous headaches later on.

Running a technology business requires proactive leadership and raising money the right way from the right angels is no exception.

In considering the type of angel investor you would like to attract, are you looking for their money only, their money and their expertise or only their expertise?

Are you expecting them to be passive investors or active in helping you shape the future direction of your company?

I have seen numerous examples in the Okanagan Valley of technology companies attracting the perfect fit angel investors that share the vision of the management team and which are absolutely clear on their role in making it happen.

For example, one Kelowna technology company wanted to attract a small number of angel investors.

They were looking for angel investors that: had successfully invested in their marketplace before; had the financial ability to fund further growth; and, were willing to provide their expertise and guidance to the management team on a fairly regular basis but without involvement in the day to day operational decisions.

Secondary considerations were their financial connections to the venture capital community and their market connections for potential acquirers.

After several rounds of discussions and introductions to potential angel investors, they were successful in attracting a lead angel investor that brought with him a small group of angel investors that were the exact profile that they were looking for.

Not only was the lead angel investor impressed with the management team, the product and its market potential but the homework that the management team had done on the profile of their ideal angel investor was particularly impressive.

The lead angel commented, The management team was not desperate in their pitch but rather after presenting a compelling market opportunity, they did a great job of communicating what they were looking for in an angel investor. After we performed due diligence on each other, we determined that this was the perfect fit for both of us.

The relationship continues to flourish with successive rounds of angel financing. So before you go hunting for angel investors, pitching your idea and cashing your first angel cheque, take the time to define the ideal profile of your angel investor.

A targeted approach to angel investment will yield the same rewards as with your product a long term relationship that simply fits.

Steve Burns, CA, CMC, CFP, is the president and CEO of the Burns Innovation Group Inc. (www.burnsinnovation.com), a full service consulting firm. If you have any questions or comments, contact Steve at 763-4716 or:

steve@burnsinnovation.com.