

Talking Technology

High Tech: Access to capital critical for local technology CEOs

By Steve Burns, Capital News contributor



What are the three major issues facing technology CEOs today?

I recently conducted a series of interviews of 10 technology CEOs in our community. Here is what they believe to be the top three critical issues:

Critical Issue #1

More access to financial capital. Technology CEOs complained that it is very difficult to raise money these days.

The majority are struggling to create new products and enter new markets with very limited cash flow.

As one CEO put it: "Angel investors are in hiding, venture capitalists have all but disappeared and our options are dwindling."

All of the CEOs are aggressively looking for ways to generate a profit and increase their cash flow, which is managed tightly.

Innovative Ideas: All of the CEOs applauded the recent developments with the Okanagan Capital Fund, a venture capital fund that is designed to invest in B.C. companies.

The Okanagan Capital Fund is a \$5 million fund that is available to B.C. residents, which provides an opportunity for local investors to invest back into their community and receive a 30 per cent provincial tax credit plus a share in the Fund's future investment success.

As a community based fund its objective is to raise capital locally that is invested in local companies.

The Altura Growth Fund intends to raise \$25 million in each of the next three years and invest in B.C. companies that are in the Technology, Life Sciences and Basic Industry sectors.

Altura will target growth companies across the province with a focus on opportunities in the Lower Mainland, the Interior, Vancouver Island and the North. While each fund is not specifically targeted to providing seed capital, software CEOs would like to see both funds focus on assisting in bringing innovative technology products to market.

Said another CEO: "Imagine if everyone in our community decided to invest in the future by putting some or all of their RRSP investment this year towards one of these funds.

"What better investment could you make to help improve our economy in B.C. by ensuring that your money goes to work here?"

"To me, it is an obvious win/win. While the existence of these funds provides no guarantees that local innovative companies will receive the funds, it significantly increases our funding opportunities."

Critical Issue #2

Staying focused on profitability.

Trying to raise money often detracts from the need to stay focused on the bottom line and generating positive cash flow.

While technology CEOs are slashing expenses, some deals, particularly in the US market, are taking much longer to close than anticipated.

Technology CEOs have been playing the 'anything for money' game, which results in the company straying from their core business, which dilutes their company's strengths.

Innovative Ideas: Technology CEOs suggested that they need to rethink their business plans and stay really focused on what they are good at, which means passing on the pursuit of some opportunities.

Filtering opportunities by determining if the opportunity is a fit with their core strengths, is the highest and best use of their time and will generate a profit with positive cash flow are critical questions that need to be asked constantly.

Getting caught up in reacting to something simply because it landed on their desk is what they are all trying to avoid.

Critical Issue#3

Grow the business.

A common theme among the technology CEOs is that they have already squeezed expenses as tight as possible.

While this may be necessary to stay profitable, it can often lead to too much focus on expenses and not enough focus on sales.

Innovative Ideas: Technology CEOs felt that they needed to stop over analyzing their expenses, which keeps them internally focused, and start worrying more about revenue, which keeps them externally, customer focused.

A common theme was to simply get back to the basics of building their businesses.

Focus on growing the business with their existing customers.

Resell, up-sell, and cross-sell. Apply the 80/20 rule—20 per cent of your customers provide 80 per cent of your revenue—and ask what you can sell them: training, upgrades and so on.

Look closely at what your existing customers are buying to see if there is a new product to create that might be willing to purchase.

Examine where your strongest referrals are coming from and if this provides a new niche market that you could explore.

Provide additional services that you can invent, extend or reposition.

This is a great time to sell services, which demonstrates immediate results to customers.

Said one CEO: "These issues are not unique to the technology industry. Perhaps other companies have innovative ideas on how they handle their most critical challenges. I sure would love to hear from them."

So what are the three most critical issues facing your business? What are you doing about them?

I welcome the opportunity to share with our readers your perspective.

Next Week: Inside Assured Software Ltd.

Steve Burns, CA, CMC, CFP, is the president and CEO of the Burns Innovation Group Inc. If you would like your innovative company profiled in the column, contact Steve at 763-4716 or e-mail:

steve@burnsinnovation.com