

# *Talking Technology*

## How to increase market value through innovation

By Steve Burns, Capital News contributor

As a technology company, many CEOs are pondering how they increase their market value to potential investors.

Each day, more technology companies are learning the hard lessons about the need to focus on profitability and ensure that the expectations that they are setting are both realistic and achievable.



An increased sense of accountability is pervading the investor community.

While many of our local technology companies are not publicly traded, they are still looking for ways to shore up their market value to investors. It may be easier than they think.

Let's face it, whether you are a technology company or not, people matter.

We say it often enough: people are a company's most important asset.

And, likely it's something we understand intuitively—good people make good companies and good companies make good profits.

But did you know that there is now clear evidence that human capital management practices actually do impact the market value of a technology company?

I recently read a confidential report on Human Capital in technology companies in Canada that studied over 500 technology firms and benchmarked every aspect of their human resource practices.

This included publicly-traded and private companies and showed a clear return on investment.

The data suggested that how a technology company recruits, manages and rewards its talent can add up to 30 per cent in a company's perceived or actual market value.

Not only it is necessary to have a strong senior management team, but it is also required to demonstrate that you are investing in, rewarding and retaining your people.

The study reported that the following areas could boost the bottom line and market value of a technology company:

Rewarding innovation could increase an organization's market value by over nine per cent.

Improving corporate culture and management, creating a collegial and flexible workplace, can add over eight per cent.

Honest and open communications may add two per cent more to the bottom line

When I read reports like this the numbers seem almost unbelievable.

However, they have the empirical data to back up their findings.

What do you think were the top areas that if a technology company improved upon would have the largest positive effect on their bottom line and market value?

The answer is recruiting excellence and rewarding innovation.

According to the study, excellent recruiting and rewarding innovation – both of which result in lower turnover and longer tenure - can increase a technology company's market value by more than 10 per cent.

An example of leadership in both areas is DY -4 Systems in Ottawa.

In an effort to differentiate themselves, they launched an initiative to reevaluate all of their "recruiting and rewarding" practices a number of years ago.

Their employees came up with the idea to have potential candidates create their own dream job and see if DY-4 could support it.

The idea was simple: create your dream job, coupled with the business case for why this would work, and they would look at bringing you in.

The result was outstanding – within two years of launching this program DY-4 attracted the top 12 engineers, technologist and scientists in their field.

They clearly differentiated themselves from the pack.

Another great idea was to foster and reward innovation within DY -4 with a new initiative called Innov8.

Innov8 is DY -4's annual internal awards program designed to stimulate and reward employees for creative and innovative ideas.

Ideas are judged based on their potential to make a significant change to the company's existing processes or product design, and their ability to make an impact on the company's bottom line.

Winners are selected based on creativity and innovation, entrepreneurship, and the sense of urgency associated with implementation of the concept. First place is The President's Award of \$10,000 for innovative, entrepreneurial idea that impacts results in an area of strategic importance to the company.

The Excellence Award is up to two awards of \$5,000 for an innovative, entrepreneurial idea that results in significant impact on the efficiency, effectiveness or productivity of the organization.

The Spirit of Innov8 Award is up to five awards of \$1,000 for an innovative, entrepreneurial idea that results in improving the efficiency, effectiveness or productivity of a process, team, or function of the organization.

Examples of past winning ideas include:

- Design of a simple removable memory cartridge
- Develop a PMC mounted USB Hub
- A new line of products, Hardware Accelerator boards for cryptography, hardware capable of realizing and accelerating public key cryptographic functions of widely used security protocols
- Add the capability to monitor and debug our products remotely via the Internet
- A Virtual Benchmarking System where customers would be able to log on remotely and have access to a fully functional product

Innov8 has been very successful and keeps innovation alive and well at DY-4.

Employees say that it is both rewarding and fun to have employees rewarded for their innovative ideas.

While your technology company may not be able to afford cash awards, there are many other ways to foster innovation within your company.

Creating a Spirit of Innovation with your company by rewarding employees for their innovative ideas may be the best investment you will ever make.

In fact this study is even bolder – without such an innovation strategy, your company will not likely attract investors to your idea.

Rewarding innovation will ensure that the words that employees hear so often that “employees matter” will be backed up with “action”.

Time to get moving on your innovation reward strategy ...

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

[steve@burnsinnovation.com](mailto:steve@burnsinnovation.com).