

Soaring higher with the angels



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So your technology company is growing and quite successful. You have raised money from your closest family and friends by twisting arms and calling on IOU's to scrounge up enough cash to keep your dream alive. You want to take your company to the next stage of growth but are fearful that raising additional capital may result in you losing control over your own destiny.

However, you still need cash to capitalize on critical market opportunities, which may not exist next month. You have heard of technology companies raising capital from so called "angel investors" and think that this avenue should be pursued 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 angels, many 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—such as a solid management team and business plan—there is a very important ingredient that is often missing in the angel money discussion.

In my opinion, technology entrepreneurs need to approach the attraction of an angel with the same discipline that they use in identifying market opportunities.

One of the most common mistakes that young technology companies make in raising angel money is not thinking through the type of angel that they want to attract before they accept the cheque.

Running a technology business requires proactive leadership and raising money the right way from the right angels is no exception. Consider the type of angel 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 your strategic direction?

For example, an Okanagan technology company wanted to attract a small number of angels. Their ideal angel profile included investors that had invested successfully in their marketplace before; had the financial ability to fund further growth; and, were willing to provide guidance to the management team but without day-to-day operational interference.

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 angels, they were successful in attracting a lead angel investor that brought with him a small group of angels 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 a great fit for all 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 attracting angel investment will yield the same rewards as with your product—a long-term relationship that is the perfect fit.

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