

Time for Canadian tech business to take off the gloves



The Venture Viewpoint
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This is the last of six articles in a series addressing how startups can overcome the hurdles to building a successful, globally competitive technology company from the Ottawa/Canada base. Here, I lay it all out and address the attitude and measures required if we are truly to compete on a global stage.

I wrote the first article in this series more than six months ago, outlining the key systemic issues hindering our emerging tech companies, including the following:

- Capital is scarce and companies that do get funded are undercapitalized
- Undercapitalized companies spend their money mostly on tech development and do not ramp sales fast enough to get within reach of a money-making exit event
- Companies fail, are sold or have small IPOs – not emerging as anchor tenants that can, in turn, buy other companies or spin out new startups
- Returns are poor for investors and this leads to less funding available for the next round of companies
- All of the above results in a thin tech eco-system. Despite enviable depth in

technology development, we have a shallow pool of tech entrepreneurs and investors.

Since I wrote that article, things have actually deteriorated on a number of fronts despite an apparent increase in tech employment. We lost Cognos as an anchor tenant, have seen just a couple of small IPOs and venture capital investment has plummeted. Meanwhile, Silicon Valley and other jurisdictions, such as Israel, China and India are quickly growing far deeper tech ecosystems.

So what do we do about it? Below are some actions that we can take as individuals and as a community to improve the situation. We also desperately need more government action in delivering forward-thinking, technology-centric policies for Canada – that topic is outside the scope of this group of articles; I hope to address it in a future column.

Deliver

Certainly in the short term the work falls mainly on the shoulders of all us folks that are involved in the current crop of Ottawa startups nearing exit events. We must deliver outcomes for the \$1 billion that has been invested locally over the last six years, in order to lay the foundation for the next phase.

What matters in a startup is to ramp a business that generates an outcome for investors (VCs, founders, employee shareholders). Results validate previous

investment decisions and have participants desiring more of the same - creating a virtuous cycle. Unfortunately, we have yet to create a return for investors with the current crop of companies. Everyone engaged in the startup community can make a difference here by resolving to do five things differently or better this year to create value for what you are working on. Simple-minded as this sounds, incremental improvements across thousands of people really add up to make a big difference at the macro level, which is an absolute requirement for any future ecosystem growth.

Push the envelope

I have noticed that startups are often working on stuff that is already being done somewhere else in the world. Not to say you can't win, but if someone else is already doing it, you are probably behind your Silicon Valley or, increasingly, your India/China competitors. This typically means you will be late to market and consequently have poor sales.

We have to reach further, think more innovatively, look to solve more fundamental issues and deliver inventive products that are highly in tune with what customers will buy.

Think differentiation. Think of what iPod did to mp3 players, iPhone did to smart phones, Wii did to gaming, Google did to search, Facebook did to social

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networking and YouTube did to traditional media. Some of these require the big budget of an Apple or Nintendo, but many start with a couple of very clever people and a deceptively simple idea. Since we can't do it with money and contacts we have to do it with sheer creativity and hard work. The Internet is the great leveler of the playing field, you can deliver any application anywhere for the same cost as anyone else!

Leverage others, locally and abroad

Many local companies are trying to sell to the same customers, whether enterprise or carrier (telecom). Generally we do not have two or more companies in town competing for the same product space, so some level of co-operation is useful. Take IBM for example. It buys a lot of stuff, OEM stuff, and it buys companies. Knowing who makes decisions, how they are made, what the procurement process is, etc., would be valuable to many local companies trying to do business with IBM. Actively sharing these relationships and intelligence would really leverage local companies.

Some companies have complementary solutions they are separately trying to sell to an AT&T. Why not get together? With the general level of undercapitalization of our startups, co-operation could increase their effective coverage, making them look bigger than they are. This "pack hunting" works well for predators in the natural world.

I recently returned from China. It struck me how little presence Canadian business

has there. In over 35 different meetings with businesses, communities and government departments, the main take-away was: "We like and admire Canadians, we think you have great technology, we want to do business with you, why are you not here?"

We are not leveraging emerging economies very well, and I'm not just talking about outsourcing development and support. China has just passed 500 million cell phones and India has passed 150 million. There are new networks bigger than Canada's going in literally every year. They need every kind of infrastructure we can supply and every kind of application we can imagine. Doing business out there is not easy and must be done carefully, but I have directly witnessed 5:1 advantages if done right.

Play to win

I have pondered this for a long time and I think I have finally figured it out. Why is it that Canadians continue to have the reputation of being great technologists but not great business people? Is it capability? Is it a lack of depth in operations, sales and marketing (as is the current working hypothesis)?

Fundamentally I think it boils down to attitude. We like being liked by the world. We play by "Marquis of Queensbury" rules (i.e., do business in a "gentlemanly" manner). We seldom exercise the killer instinct.

Let me give an example: whenever our Olympic athletes are interviewed, we generally get responses like "it's great to

be here representing Canada." "I hope to compete well." Rarely "I'm here to win."

However, when it comes to hockey, the responses are entirely different. I'd bet that no one (including 80-year-old grandmothers) following the world junior championship did not expect to win the gold medal. Silver would have been perceived as failure. In hockey, we play with the attitude that our lives depend on it. At that level, all the elite teams have the competence to win, but Canadian players simply "pay the price" and "do what it takes."

You know where I am going with this. Pat's "made in Canada" theory of success: Let's do business like we play hockey. Play to win, expect to win.

In Canada, we have good people everywhere, but somehow we are not acting as a team. As individuals, I urge you to pick an area you are knowledgeable and passionate about and get involved in efforts to push the agenda for the continuing transformation of Canada from a resources/manufacturing economy towards the knowledge-based economy that has been predicted for some time and is now actually happening all over the world. We have had a number of notable one-off technology successes and we have talent.

If we step it up and work together, we can overcome the thin ecosystem in the short term and build capability that will deliver our future.

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