



Tech Futures:
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By [Michael Volker](#)

What's an Entrepreneur?, NewMIC Opens for Business, Vancouver's HOT 5, Capital Pool Corps Update, and Coming Events

This comment, which appeared in the **Globe and Mail** this past Wednesday, takes the cake for market movement rationale: ""stock prices rose in the absence of cataclysmic news"! Don't you just love it?

On the doom and gloom monitor, I'm pleased to report that current stock index values have returned (roughly) to their pre-September 10th index values. Must be the lack of cataclysmic events. Let's have more of these non-events! Then, we'll see the markets really soar.

We can use this kind of non-news. When I looked at my small caps recently, I could see signs of a terrorist attack on my stock portfolio. Turns out that Bin Laden and Bin Laden decimated my hopeful, Bin Laden. As the saying goes, Bin Laden, done that!

What's an Entrepreneur?

That's a question to which you'll likely get many different answers. In my [October 5th column](#), I wrote about entrepreneurship and what it really takes to be one. Since then, I've talked to numerous entrepreneurs and others to help me answer this question.

If we, as investors, can identify one, then an early stage investment should provide us with a many-fold return on our investment. So, how can you spot one and how can you identify a potential winning company?

To me, an entrepreneur is someone who, as **Tom O'Flaherty** - a well known BC software entrepreneur puts it, is someone who can "make it happen". The way I see it, an entrepreneur is someone who will make it happen - i.e. achieve his/her business goal and vision - and who will do whatever it takes to accomplish this. Whether it's a crash course, teaming up with others, working without setting limits, the true entrepreneur is totally committed to, and takes the ultimate responsibility, achieving success as s/he defines it.

There are different types of entrepreneurs. I'm talking about business entrepreneurs. In this context there are basically two types: Lifestyle vs Corporate entrepreneurs.

The "Lifestyle" ones like to be self-employed. They want to be their own bosses and their ambitions are typically smaller and less risky. These types like to run retail stores or other ventures in which they retain full control and want to run and manage their own companies. These entrepreneurs are more process (e.g. style), than goal oriented. They like to take care of their employees and customers and be right on top of all aspects of their business.

The "corporate" entrepreneurs want to go big! They set out to build large corporations. My favorite example is that of **Ray Kroc** who built **MacDonald's**. These entrepreneurs are very goal directed. They are driven to achieve certain outcomes. Management processes and internal systems and procedures are just necessary ingredients in making progress towards these goals. Success to true entrepreneurs like this comes when their businesses run without him!

In his entrepreneurship course at **Simon Fraser University**, **Ken Blawatt** differentiates an entrepreneur as someone who has created value (i.e. in an enterprise). I like this definition especially in the case of those who've been able to create a lasting value (like Ray, who's been long departed, did).

I mentioned previously that tenacity, perspicacity and commitment are characteristics which are good entrepreneurial habits. Although a strong work ethic, intelligence, and leadership also help, it may still take more.

Tom commented that leadership is important and good leaders are often able to make things happen, albeit through others. However, initially the entrepreneur must be able to create events without a supporting group".

For investors, especially early stage ones, the trick to making a good investment is being able to pick those nascent entrepreneurs which have this ability. It does not mean that they have to know all the details. One successful entrepreneur once told me that his key to success was knowing not what his strengths were (which is important, too) but also knowing his weaknesses and addressing these by finding partners with these complimentary talents.

In the high tech business, you get a winning combination when a business entrepreneur (not just a manager) and a technology entrepreneur (not just a scientist). I say "not just" to imply that one who is not only knowledgeable but one that can, as Tom puts it, "make things happen".

Investors always talk about the importance of having a good management team. Where does the entrepreneur fit in? How is an entrepreneur different from a CEO? Does an entrepreneur have to be a great CEO or manager? Are CEO's great entrepreneurs? After all, a CEO's job is to "make things happen".

Entrepreneurs can be, or become, great CEOs. But great CEOs may never be true entrepreneurs.

True entrepreneurs are different in a few ways: they do take risks (although the true ones won't admit this - they are so confident that the only real risk is themselves), they are initiators (they have the business idea, the winning concept, the vision), and they are goal oriented and driven to achieve those goals. And, they get their payoff if and when they are successful. CEOs on the other hand take little risk (they're not supposed to risk shareholders' money), they are concerned with leading a team in a certain direction (not necessarily to a defined end-point), and they are process - not goal - directed. They work for the company whereas entrepreneurs work for themselves. CEOs are professional managers, with certain skills, and they rent themselves out at pretty hefty salaries because these skills are not easy to come by.

A recent salary survey by **BC Business Magazine** illustrates this. **Norm Francis**, founder of **Pivotal Corp** (NASDAQ:PVTL), and a recent **Ernst & Young Entrepreneur of the Year** Award winner, was drawing a modest salary of \$182K, but his payoff is in the millions. Similarly, **Jim Yeates** of **Burntsand Inc** (TSE:BRT) was taking \$220K. **Firoz Rasul**, on the other hand, who was recruited by entrepreneur **Geoff Ballard** to manage and lead **Ballard Power** (TSE:BLD) is drawing a whopping salary of \$1.4 million (even though Ballard is not yet EBITDA positive, as we like to see these days).

So what is the difference between an entrepreneur and a CEO? And what about entrepreneurs as a corporation grows? Some start off being chief cook and bottle washer, then they bring in a CEO who takes the company to a certain level, then CEO#2 takes it to the next level and so on....some entrepreneurs hang in for a long ride, others bail out early.

What I'm looking for is to be able to, in advance - not 20/20 hindsight - be able to say, "Yes, now that's an entrepreneur we should back". What makes such person stand out?

This past week I attended a reunion meeting of a group of ten entrepreneurs which I belonged to back in the 70's and 80's. We called ourselves the **EDG** (for **Executive Development Group**) pronounced "edge". Each one has, over his lifetime, been a successful entrepreneur - creating something of value and making it happen. One fellow has focused on one business in his lifetime - taking it from a small family enterprise to a half billion dollar Nasdaq company supplying parts to the automotive industry. Another has focused on creating several new ventures which were acquired by takeovers while still quite young. Some have been corporate entrepreneurs and some have taken the lifestyle route. But, all have been successful because they never lost sight of their goals and never lost confidence in themselves to achieve these.

In observing these entrepreneurs over many years, I note that they all know when to get others involved - making that transition from being a "driver" to being a "leader". The trick is being able to identify such individuals early in the game.

I like how small business management guru, **Michael Gerber**, puts it: "Many 'entrepreneurs' are not entrepreneurs. They are simply technicians suffering from an entrepreneurial seizure". He makes the point that just because you may be a top notch programmer, microbiologist, or car mechanic that does not necessarily mean that you will be good at building a software company, a biotech firm, or an automotive shop.

It makes me sad to hear when a company such as **Polaroid Corp** files for Chapter 11 bankruptcy protection as it did a week ago. Could it be that one reason for their misfortune is the lack of a driven entrepreneur such as founder **Edwin Land**, who holds the second most number of patents issued to an individual (after **Thomas Edison**, prolific inventor and quintessential entrepreneur who founded General Electric Corp)? Land, a Harvard University dropout - like **Wm Gates** - founded Polaroid in 1937.

Take a look at **Apple Computer Inc. Steve Jobs**, entrepreneur, co-founded it along with **Steve Wozniak** back in the mid-70's. In the 80's he recruited Pepsi-Co exec, **John Sculley** to take the helm as CEO. Jobs was a tough cat to work for. **Fortune Magazine** at one time cited him as one of the "worst" bosses to work for - ruthless, demanding, condescending, etc because he was so results-oriented. Sculley squeezed out Jobs - a phenomenon often seen in tech circles - and for a while the company was performing well. But, there was no entrepreneur in the picture and Apple was steadily losing ground to other computer makers. Eventually Jobs came back. And, Apple is still here today - with innovative, refreshing products.

Closer to home, **Norm Francis** of **Pivotal** recently brought in a new CEO - **Bo Manning** to run the company. Norm remains as Chairman but is not active in day-to-day operations.

Similarly, another good example is **Sierra Wireless** (TSE:SWE). **Norman Thoms** brought in **David Sutcliffe** as CEO. Seems to me like we've got both an entrepreneur and a CEO here.

Ken Spencer, co-founder of **Creo Products Inc** (TSE:CRE) brought in **Amos Michelson** as CEO and left the company shortly thereafter. Michelson, quite unlike Spencer, is the most un-involved-in-the-community CEO I've ever seen. He steadfastly refuses speaking engagements, networking events, etc. After all, he has a job to do - and that is to run the company. That may be good, but it doesn't strike me as being very entrepreneurial. Fortunately, Ken's founding partner, **Dan Gelbart** is filling the entrepreneur's shoes.

I could go on. This is a fun subject to write about. If you've got some views on this - especially those of you who've been there and done that, let's hear from you!

NewMIC Opens for Business

Yesterday, there was a ribbon-cutting ceremony at the **New Media Innovation Centre** (NewMIC). NewMIC is a collaboration between industry, academia and government that focuses on the research, development and commercialization of cutting-edge new media technology.

What's "new media"? The word "media" is a bit of a misnomer. It makes many of us think about traditional media - newspapers, TV, radio etc. But, it's not that at all. New media refers to the digital convergence of all forms of information - video, audio, text, and graphics content and the transmission, delivery, storage, manipulation, processing, etc thereof. That makes it interesting to entertainment companies, networking, internet, and communications firms, artists, advertisers, broadcasters and many others.

Starting with a strong commitment to research by bringing researchers in-house and by developing a research network combined with a residency program, there will be lots of fundamental development taking place at NewMIC - most of which will serve as fodder for technology commercialization and spin-off opportunities.

Working from a 25,000-square-foot state-of-the-art facility in Vancouver, NewMIC is an interdisciplinary centre at which players in the new media industry can share resources, learn from one another and push the boundaries of how we think about new media. Sustaining Members are **Electronic Arts, IBM, Nortel Networks, Sierra Wireless, Sony Corporation of America TELUS** and **Xerox**. Academic Members include The **Emily Carr Institute of Art & Design Simon Fraser University, TechBC, University of British Columbia** and **University of Victoria**. Government Members are the **Government of British Columbia** the **National Research Council of Canada** and **Western Economic Diversification Canada**. Partnership Members include **BC Advanced Systems Institute** and **TRLabs**. NewMIC also has more than twenty Industry and Professional Affiliates. For a complete listing, please visit www.newmic.com.

Sony Corporation of America recently committed \$1,500,000 over the next five years to sponsor a newly established research cluster in Rich Media Entertainment. In this cluster, industry and academic researchers will work together on technologies aimed at delivering rich media (the convergence of audio, video, graphics, animation and digital pictures) to the home.

Vancouver's HOT 5 Picks

We were asked to pick some winning prospects from B.C. and earlier this month, the **Seattle Investment Forum** recognized **BC's HOT 5** up and coming tech companies at its Venture All-Stars event at Safeco Field. This event recognized the Pacific Northwest's top 35 hot technology companies. In selecting these companies, the definitions for entrepreneurship referred to above were applied, albeit loosely. The HOT 5 were, using their own words:

Airgames Wireless

URL: www.airgames.ca

Industry: Wireless Entertainment

Year Established: 2000

Company Director: **Frederick Ghahramani**

Company Description: Air Games Wireless Inc. is a leader in delivering - Mobile, Interactive, Fun - to the next generation of personal wireless devices. Since its inception, in early 2000, Air Games Wireless has focused on designing and publishing creative wireless entertainment content. Air Games are action-packed, multi-player and downright addictive games that are guaranteed to entice and excite. Games are delivered in multiple languages and geographically localized for specific target markets. Air Games Wireless combines cutting edge cross-platform wireless technology, with creative video game production talent. What results is exciting and interactive new-media channels. These wireless channels can be commercially exploited for their 'sticky' nature, platform independence, and engaging human interactivity. With a solid command of the latest wireless technology, and the promotion of creativity as a core company value, Air Games Wireless will continue to deliver - Mobile, Interactive, Fun - to all personal wireless devices. NB - Airgames also won first prize - \$50,000 - in the recent **NewVenturesBC** competition.

fSONA Communications

URL: www.fsona.com

Industry: Wireless

Year Established: 1997

CEO: **Theresa Carbonneau**

Company Description: fSONA is a privately owned corporation, based in British Columbia, Canada. The Company was formed in 1997 after reaching a global licensing agreement for a free-space optical receiver technology developed by British Telecom (BT) Labs in the UK. Using this technology as the corner stone building block, fSONA has developed a series of low-cost, high-performance wireless products for telecommunications and data networking service providers. fSONA is committed to being an industry leader in the development and supply of high capacity, optical wireless telecom products. Their primary customers are the pioneers of today, building the networks of tomorrow: CLECs, ISP's and global carriers who provide services within cities and campus networks or within "the last mile" of the local carrier backbone. fSONA provides reliable, short haul, high bandwidth wireless links (OC-3 to OC-24) for those requiring connectivity to existing networks, where ready access is either unavailable or too expensive. They are committed to assisting our customers in the buildout of their network infrastructure, so that their customers can benefit from improved access to new services. The SONAbeam series of products, use innovative transmit and receive technologies, developed and tested over several years in both Europe and the US. They are highly reliable and robustly built, enabling them to withstand extreme climates. The commitment to the use of the 1550 nanometer wavelength is of significance, because of its enhancement to the product's eye safe properties - certified ANSI and IEC Class 1 eye safe.

NeuroMed Technologies

URL: www.neuromedtech.com

Industry: Biotechnology

Year Established: 1995

of Employees: 25

CEO: **Natalie E. Dakers**

Company Description: NeuroMed Technologies Inc. is an early stage biopharmaceutical company focused on the discovery and development of drugs to treat neurological and cardiovascular disorders. NeuroMed's drugs target two of the most significant healthcare markets namely, pain and stroke. The Company has fast-tracked the drug discovery process. In less than three years it has taken its lead candidate for the treatment of chronic pain from conception through highly promising animal studies and is now preparing its first IND application to the FDA. In addition, the Company also has lead candidates in development for the treatment of stroke and migraine headache, and has well advanced pipeline programs for epilepsy and cardiovascular disease. In the same period, NeuroMed has raised \$26 million from Canadian and international venture capital sources, expanded from three to 26 employees, built independent corporate and laboratory facilities and established an intellectual property portfolio of over 35 patents.

WestBay Semiconductor, Inc.

URL: www.westbaysemi.com

Industry: Semiconductors

Year Established: 1999

Employees: 41

President: **Tino Varelas**

Company Description: West Bay Semiconductor Inc. is a fabless semiconductor company based in Vancouver, British Columbia. The company designs, develops and markets ultra high-density broadband integrated circuits for optical communications network systems. West Bay is focused on developing fully channelized standard physical layer solutions for Synchronous Optical Networks/Synchronous Digital Hierarchy (SONET/SDH)-based telecommunications and data communications networks. The company is also positioned to provide high density semiconductors for optical transport network (OTN)-based systems, including Dense Wavelength Division Multiplexing (DWDM). With a sales network already established in the United States and Canada, Europe, South Korea, China and Israel, West Bay Semiconductor is establishing itself with some of the world's largest network equipment manufacturers as a serious player in the optical networking semiconductor market.

Xantrex Technology, Inc.

URL: www.xantrex.com

Industry: Advanced Electronics Manufacturing

Year Established: 1983

Employees: 700

CEO: **Mossadiq S. Umedaly**

Company Description: Xantrex Technology Inc. develops, manufactures and markets leading advanced power electronic and control products for Distributed Residential and Industrial, Portable and Mobile, and Test and Measurement markets. The company's enabling technology converts raw electrical power from any source into high-quality power required by electronic and electrical equipment. Xantrex products are used every day for various applications: to supply backup power for homes, small businesses and traffic lights during electric grid disruptions; for distributed power solutions such as solar, wind, flywheels, microturbines and fuel cells; to provide power on the move in boats, recreational vehicles or heavy duty trucks; and to develop, test, and power precision equipment such as semi-conductor manufacturing and medical equipment. The company sells its products under the Xantrex, Trace, Heart and Statpower brands.

(Note - I was just informed this morning that Xantrex won this year's award for Entrepreneurial Spirit at last night's **Burnaby Business Awards** gala.)

Capital Pool Corporation (CPC) Update

In this column, I keep track of **Capital Pool Corporation** ("CPC") companies (see chart below) as defined by the CDNX because they may provide funding and management to, and in the process acquire, technology companies. They provide companies with an alternative to traditional venture capital financing. CPCs are the continuation of the former VCP and JCP programs on the Vancouver (VSE) and Alberta Stock Exchanges.

CPCs and Angel investors may be the primary sources of investment capital in B.C. for the next few months while Venture Capitalists figure out what to do. It seems that most of them (i.e. the VCs) are sitting on the sidelines, preserving their cash hordes for follow-on investment in their current companies since they, too, are finding that this is a tough time to be raising additional capital for new investments. I believe that Angels will ultimately become the driving force behind early stage new venture creation. To learn more about local angel activities, check the Vancouver Enterprise Forum's site at www.vef.org.

Since the CPC program was launched in B.C. a few years ago, more than 250 CPCs have been formed and more than 30 have completed their so-called Qualifying Transactions (QT). Right now, there are dozens just sitting there with modest amount of cash - usually around \$500K - not knowing what to do with it. I'm even seeing a number of CPCs looking at merging with one another to pool their capital.

On the negative side, though, it can take at least a year - sometimes longer - for a CPC to find a suitable takeover candidate and another six months to a year for a deal to be finalized. One way to expedite the process, in my view, is to eliminate the need for a special shareholders meeting to approve the deals - leave it up to the CPC boards.

Check our [Capital Pool Corporation chart](#) (in .pdf format) for a complete list of the CDNX's CPC and VCP companies, thanks to **David Ing** of **Pacific International Securities**. This list is updated on a monthly basis. The Chart is current to September 28, 2001.

An introductory article explaining CPCs may be found at <http://www.bctechnology.com/statics/mvolker-jun0200.html>.

Coming Up

The next **Vancouver Enterprise Forum** event will be held on Oct 23rd and the topic will be the Fuel Cell Industry and business opportunities therein. The following companies will make presentations: **Cellex**, **QuestAir**, and **GreenLight**. Details at: www.vef.org. By the way, at a

recent Board meeting of the VEF, a simple catchy tag line describing what the VEF is all about was created. It is: "VEF - Advancing Technology Entrepreneurship."

In November (Nov 4-6), the **Softworld 2001** conference will take place in Vancouver. This is the best place for Software execs to meet potential partners drawn from business executives from all over the world including leading companies like **Cisco, Sun, Adobe, BSQUARE, Electronic Arts, Macromedia, Intel** and **Nortel**. They are coming to listen to, and learn from, the partnering war stories, best practices and elevator pitches. And they are coming to do business. Register now for Softworld 2001 at: <http://www.softworld.org/cfm/regpro.cfm>.

The **Science Council of B.C.** will hold its annual awards banquet on October 29th. See www.scbc.org for info. This event is, as I predicted, already a total sell-out. But, if you're really keen, you can try going on a stand-by basis. I'm always amazed how many sold-out events end up with vacant seats.

A complete calendar of technology events can be found on [T-Net's Events page](#).

Footnotes

Did you hear about the American economists who won the Nobel prize for their "asymmetric theory"? **Joseph Stiglitz, George Akerlof** and **Michael Spence** theorized that markets are not efficient, i.e. some people have more information than others and this tends to throw markets off-kilter. Hmmm, I always thought that anyone who invested in the junior markets, e.g. CDNX companies, knew this! Are you an asymmetric investor?

I mentioned that a number of junior public companies (e.g. **ACD Systems, Triant Technologies, Ignition Point Tech**) are in the market buying back their own stock (i.e. a good sign for investors insofar as the company has cash, confidence in its own future and not a cash burner). Another local one to join the ranks is **Burntsand Inc** (TSE:BRT) which has received Toronto Stock Exchange approval to commence a normal course issuer bid to repurchase for cancellation up to 4,217,452 shares, which represents 10 per cent of the public float of the corporation or 6.4 per cent of the 65,390,471 issued and outstanding common shares at Sept. 30, 2001.

I mentioned **Imagis Technologies Inc** (CDNX:NAB), a Vancouver software company, a couple of weeks ago. At that time, Imagis traded up to \$1.75. Today it hit \$2.80 (don't say I never give any good tips!). The company is faring well because of the interest by law enforcers in its facial identification software technology. The company's software is getting installed at various airports around North America. Before the Sept 11th attack, the stock was in the low \$.60's.

A reminder: **SFU's TIME Centre** is open for business - business folks, that is. TIME is an acronym for Technology, Innovation, Management, and Entrepreneurship. TIME supports the growth and development of the tech industry in B.C. TIME features a "BusinessCentre" (looks like an airport business lounge) which is open to technology entrepreneurs and business people to use as a drop-in downtown office facility. Need to plug-in? Make some calls? Do some work? Hold a meeting? Why hang out at MacDonald's when you can work productively at the TIME Centre? Drop by and check it out! It is located at SFU's downtown Harbour Centre campus at 515 West Hastings St. More information can be found at www.sfu.ca/time. PS - there are some great facilities for holding your company meetings.

For a convenient printable, pdf version of this column, [click here](#).

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Tech Futures is a bi-weekly column that focuses attention on new and emerging BC publicly listed technology companies.

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