

“ While we all want to invest in technologies that can change the world, many highly successful companies have developed a series of ongoing capabilities that make what we already have work better, easier and less expensively. ”





# Q&A

**Udata Partners Co-Founder and General Partner John Burton provides advice to entrepreneurs seeking early-stage funding and discusses the state of mergers and acquisitions and venture capital in the region.**

**By Allison Gilmore**

**nvtc** You have three decades of experience in high-growth private and public technology companies. How is today's environment different than it was 20 or 30 years ago?

Fundamentally, technology itself has changed the business of technology. Overall, the pace of business has accelerated in line with the power of computing.

In the past, the development cycle for sustainable technology products was measured in years and millions of dollars; now, great technologies can be built in months and, using the cloud and open systems stacks, almost for free. Companies can grow at rates never before contemplated and virally expand to millions of users in seemingly no time at all.

All these things have been enabled by technical advances and lower costs in silicon, Internet and broadband ubiquity, and software-driven engineering tools. As a result, utilization of leading-edge development tools and techniques and constant product innovation are imperative to maintain relevancy.

Years ago, technology was extraordinarily difficult to use and prohibitively expensive. "User Interfaces" were laboratory concepts only. Selling to IT groups in large enterprises was the only market. Now the market is limitless, global and immediate, described by some as "the consumerization of IT." This creates tremendous opportunity by expanding addressable markets, but has made it far more challenging to differentiate in a cluttered technology landscape.

Social marketing and big data analytics provide immense opportunity to reach broad but precisely targeted markets quickly and overcome the clutter problem. On the other hand, a company has less margin for error or poor service; bad market feedback on a broad scale is instant; control of your marketing message is far more elusive. So, use all these techniques but never overlook planning and preparation in go-to-market activities.

**nvtc** What advice would you give an entrepreneur seeking early-stage funding in today's marketplace?

It's no secret that it's harder to raise early or seed-stage capital, but there are good reasons why. It's much harder to make money as a venture firm from early-stage investment because the path to liquidity is much longer and higher risk than in the heyday of the 1990s. As a result, there are almost 50 percent fewer active venture funds than ten years ago. Moreover, remember that since it's easier to build products, it's more difficult to differentiate your company as a potentially great investment when in the early stages.

So, constantly innovate, bootstrap and get to the stage of a demonstrable prototype before searching for institutional or formal capital. Get early clients, even for no charge, solicit and use their feedback. Then use that real evidence when seriously raising money. Remember that fundraising is an ongoing activity — keep updating your fundraising targets about your progress and achievements. Network, meet with angels, explore crowd-funding and economic development group opportunities like CIT here in Virginia, and get multiple small investments. Then

While we all want to invest in technologies that can change the world, many highly successful companies have developed a series of ongoing capabilities that make what we already have work better, easier and less expensively. By truly understanding the markets into which you sell, strong, sustainable and valuable companies can be built.

**nvtc** Over the years, you've been involved in many mergers and acquisitions. What's your take on the current M&A landscape?

It's quite good but to some extent it's a buyer's market. Acquirers are cautious and are buying companies to generate growth in existing or new markets or to supplement their own innovation and talent. But while the absolute number of acquisitions is relatively stable, the numbers of firms looking to be acquired is up exponentially — so being acquired isn't a strategy; it's a possible outcome of building a quality, well-managed and successful company. And, being acquired isn't something that just happens — most great deals emanate from existing relationships with partner companies that know your company, and see the future potential based on proven cooperative results.

**nvtc** How would you describe the venture capital market in our region? What makes it unique?

The great news is that VCs and private equity firms from all over the country are looking here for investments due to the breadth and depth of technology companies, markets and people. That's an excellent indicator for a bright future. No other locale has the federal government spawning so many ideas and companies. It's a great place to live and work that VCs know stimulates success and recruiting. I always hear that we have too few early-stage VCs. As we discussed a minute ago, we definitely have fewer, which is also the case

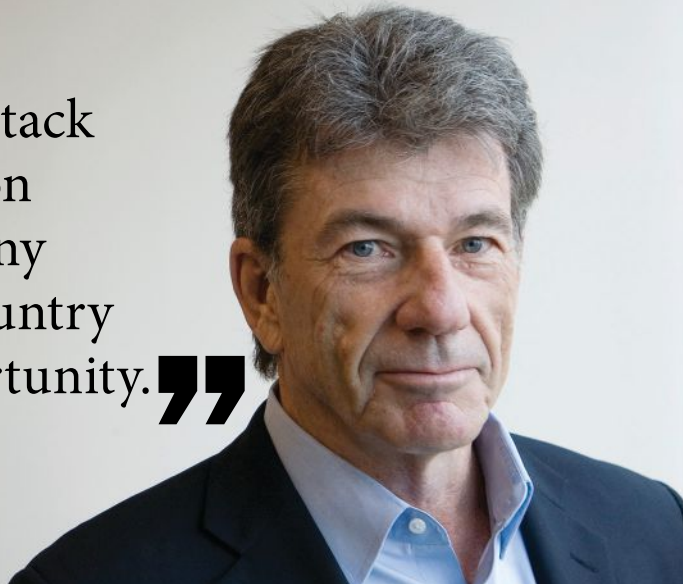
nationally. On the other hand, to fill the gaps we have vibrant and diversified sources of capital and successful people who want to be involved and invest in great new opportunities.

In this region, we have state-level administrations that understand the positive impact a healthy startup environment has on the economy and the value that new companies provide to the community. We also have angel groups that are well established to fill in the gaps — an offshoot of a successful tech history and vibrant community.

I travel extensively looking at opportunities and I would stack this region against any in the country for opportunity. **nvtc**

*Allison Gilmore is NVTC's director of communications and public relations.*

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research and begin to talk with venture firms and other more institutional sources of capital. Market your company like you'll market your product. Investment capital is definitely available, just from far more diverse sources than in the past.

**nvtc** What do you look for in making investment decisions?

Management teams that listen, are impressive and thoughtful — if they've listened to the market and their prospective customers then I want to listen to them. While the idea and technology should be differentiated, most often the starting point is far different than the end point; teams must be flexible, innovative, introspective and persevering. I want to know that a management team knows their market, understands what their product is intended to do and why the buyer should care.