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It's a Great Time To Start a Business, Especially in Southeast

By John Yates, Special To LTW

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ATLANTA - Why is 2003 a great time to start a technology business? Ask any venture capitalist, angel investor or investment banker, and you'll probably get several answers. You may also have some who emphatically disagree.

I believe this is a perfect time to begin a new business venture for several key reasons:

1. Talent is Plentiful: The talent pool is unbelievably plentiful. Executives at all levels are readily available and looking for opportunities. Many of them are seasoned veterans who have re-entered the workforce and are looking for challenge and opportunities.

In addition, programming talent is widely available, especially in the Southeast. My experience is that most technologists would rather stay in the Southeast than move to another region. As a result, talent is often readily available to fill open positions in new technology businesses.

Southeastern companies have a true advantage in hiring top talent. Many executives would rather remain unemployed in the South than move out of the region for another job.

2. More Money Chasing Fewer Deals: Based on my discussions with venture capitalists from all over the country, I've concluded there is plenty of money available for the "right" deals. The problem is that there are not enough of these quality companies looking for outside sources of capital.

Many private companies could use additional capital but are reluctant to raise it when valuations are low. Other companies that are desperate for capital (at any price) are often plagued with insurmountable problems – no referenceable customers, unmet financial forecasts and disappointed investors.

Several reasonably sized transactions have been closed in the Southeast during the first quarter. STI Knowledge (Atlanta) raised millions from new investors, and Prenova brought in $18 million from a combination of new and existing investors.

For many venture funds, the problem is being invited to invest in the "hot" deals where other venture funds are already invested. If a company is considered a desirable investment, the inside investors will usually handle the additional capital requirements in an inside round. As a result, other venture funds are precluded from entering the market for these hot deals.

3. A Great Time for Development: Everyone knows that customers are cautious and sales are hard to close in the current market. As a result, this is a superb time to focus on product development. Many technology start-ups are foregoing sales and marketing expenses to focus on developing a strong product that addresses the needs of large customers.

Don't create unrealistic sales expectations. Rather, focus on developing a strong product or service.

4. Select Strategic Customers and Partners: Despite the difficulties in closing deals in 2003, tech companies have been successful in aligning themselves with strategic customers and partners. A strategic customer may be one for whom you are developing a customized product to a specific set of requirements. The customer may be willing to fund the development in order to receive preferential treatment from your company. If you can retain ownership of the technology, then such a strategic relationship can be invaluable in funding your development efforts.

Starting a new company can be accelerated through a close relationship with the strategic partner. In the current economic climate, many consulting firms are willing to align themselves with growing technology companies as a way of providing value-added services. Also, key strategic partners can provide much needed credibility to a start-up enterprise.

Start-ups should consider trying to establish strategic relationships with national and regional consulting firms, local accounting firms, and reputable service firms. Even though these relationships may be informal, they can provide valuable credibility to your company.

5. A Time of Active Angels: While angel investors are hard to find, *active* angels are prevalent. Now more than ever, angels are looking for good investment opportunities and often want to be directly involved in company management. This is a great time to pick up an angel investor, another member of your Board and an active member of your management team.

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