

# RAISING THE CAPITAL

**Garry van Soest** knows what it takes to launch and finance a successful start-up

by Natalie Bruckner-Menchelli



**N**ine out of 10 start-ups fail. That's a pretty hard pill to swallow for any entrepreneur wanting to get their foot in the door of the business world, but this figure comes as no surprise to Garry van Soest, BCom '95, who has not only created, nurtured and harvested, in one shape or another, nine companies over the past 30 years (most recently AVS Systems Inc., which he sold for \$45 million), but also seen and been part of his fair share of start-up failures.

"Success doesn't teach you a whole lot, it's in failure that you get a chance to reflect and iron out the errors," says van Soest, who was a member of one of the first business graduating classes at the University of Victoria.

Back in 1995, during his final semester at UVic, van Soest had already jumped onboard the start-up train and was powering full steam ahead. "Like most things in my life, I had a compressed mode of getting through business school. I started a company called Boulevard Technologies, got married and had a kid on the way," laughs van Soest. "That first business was a success and I went on to help a number of start-ups attract funding and monetize their intellectual properties.

I started with more of a consulting role and then realized it would be smart to negotiate equity in some of the projects and that developed into executive roles. Some of the projects were great, some were stinkers."

One of those "stinkers" was a tech company in the Okanagan. "My wife and I decided to move here 22 years ago. At the time there were around 30 software tech companies in the area; far from today's figure of around 700 in what has been coined the Silicon Vineyard. I came to the area and managed to raise a bunch of start-up capital for a company . . . but that company failed. That was a pretty big failure for me. The founder of the company was a great guy and had an unwavering vision for his product that he was willing to die for and wasn't willing to adopt a more commercial-ready attitude, he wanted all singing, all dancing, and that got to be really expensive to deliver."

Sourcing investors and raising capital is never the issue, says van Soest: "Once you've got the initial funding in place, money isn't tough to get, the tough part is understanding what you need and how you are going to use it. If you have \$50,000 cash and a compelling concept, you can start

a business. You'll have to find more investment, but that initial money should come from trusted people who see something in you. Then when you bring others into this business environment, they'll see other people have the trust to invest in you."

In order to get funding, says van Soest, people need to stay away from the same old, same old. Mention PowerPoint presentations and his reaction is: "I have zero tolerance to sit through another one of those," he laughs. Instead, van Soest learned the value of coloured markers and a bunch of whiteboards. "I recall a Toronto banker about 15 years ago who I managed to get up to the board to draw and write things out that he thought I needed to get done. He ended up saying, 'How did you get me up here?' I said, 'You're the strongest character in this room and I wanted to pay you

the respect of learning from you.' He wrote me the biggest cheque and we are still friends to this day. It's about getting the smart people to show you what they know."

This is where having a mentor comes in. Someone who is able to expose your weaknesses, without having any financial interest in your business. But van Soest warns that you need to be willing to expose those weaknesses. "Ego is important for self preservation; but it can also be your worst enemy, and you need to know when to hang it on the door."

Once funding has been secured, the next step is growing a business, and van Soest says those that do well

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are the ones who have figured out how to leverage organic growth. The ones who fail, or who fail to attract investors in the first place, are those without

a solid marketing plan. "The old adage is true that the marketing plan is always the Achilles heel in the tech community. This part of business requires a lot of social understanding, and a lot of tech people are not socially gregarious. It's tough to find an entrepreneur that has all that stuff put together."

So you've secured funding, grown your business, been transparent with your investors and reported back in a timely manner, avoided conflicts by being up front and having the paperwork in place from day one . . . what's the next step? It's time to consider selling!

"Never fall too hard in love with your business. It's a vehicle, it needs to be serviced, you will get tired of driving it. It's great to believe in your business, but everything is for sale. And never sell your own business. Only a fool tries to sell his/her own business. If I'm going to buy a business and a business owner is going to sell it to me, I will get a deal. People who sell and buy businesses, it's their business, and they are good at it, like you are good at what you do."

In the end, van Soest says to be successful requires an understanding of how much time you have in a day, as small-business entrepreneurs are committed to doing everything to begin with. This self-awareness is also essential to understanding when you may be on the wrong path. "If your marketing strategies aren't coming to fruition, and you've changed and changed them again, and taken advice and it's still not working, it may be time to rethink. I always give Q-tips as an example. When they started up they probably never had the electronics industry in their marketing plan, and yet 60 per cent of Q-tips are now used in electronics factories. Your customers are a business too, so ask them what they think." ■



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