business minds

Technology Entrepreneurs
GLOBAL VIEW

Food for thought as 2010 proves a new start with bigger dreams.

Many technology start-ups operate under the widely held belief that by staying within a protected and less competitive environment, they stand a much better chance of surviving and standing on their feet. But, this only makes sense in the short term, and not in the long run.

"Beyond alpha-testing, it doesn't work," said Gideon Tolkowsky, described as one of the "elders of the Israeli VC tribe" who has 25 years of experience in Israel and the US.

"Once you reach beta testing, let alone first product sale, there is no advantage whatsoever in staying a domestic market," he said. Alpha testing, in the business of technology, means the testing of technology and applications within the developer's premise. Beta testing, the later stage, refers to testing done over at the client's site – signalling the applications are getting readied for commercial launch.

Tolkowsky is speaking from first-hand experience. He comes from Israel, a hot bed for technological innovation, spawning numerous companies that are quoted on the NASDAQ – America's

tech-heavy stock exchange and where various global tech bellwethers like Cisco and Dell are also listed, in numbers greater than any other non-American companies.

He wears quite a few hats: founder and managing director of BME Capital Management Ltd, a Tel Aviv-based investment company specialising in "nano-caps" that which most big fund managers ignore. He is also the co-founder of Crystal Beam Melody Inc, which combines Israel's niche expertise in processing diamonds, to produce digital music based on the unique cutting of each diamond.

Feature ▶

> "*American investors are not likely to invest in your technology product if you do not have any customers in America because it is very difficult for them to relate to your company. It can happen the other way round too. For example, institutional investors in UK will bring in UK customers. The synergy between shareholders and customers are very strong, so get your shareholders and customers from the primary market as early as possible in the life cycle.*"
> – Gideon Tolkowsky

Lion's den

Tolkowsky readily agrees that going global is never easy. But, for technology start-ups, even if they exist only as a plan and a spreadsheet, need to look far. And that inevitably means overseas markets. "You are only conditioning yourself to sell in an environment which is not the primary market. You have to bring your beta-testing abroad where the primary market is," he said. In this case, 'primary market' refers not just to the market that generates the most revenue, but one where the dominant competitors already are.

Technology companies, especially product-based ones (as compared to service-based firms), need to quickly globalise, he stressed. The alternative is to fade into oblivion as quickly as they were formed. "You can't succeed in a technology company if you are located in a non-primary market. The only way to succeed is to go global. There is no such thing as domestic success," he said. Take for example, a technology start-up has newly-developed a piece of medical equipment or device. Rather than trying to convince buyers from the company's home market to take up this hitherto unknown product, it is much more effective to target buyers in a primary market. Simply put, if the start-up's products can beat homegrown competitors within the primary market, they will gain the sorely needed credibility just about anywhere else.

While many businessmen might think that going global means winning a beachhead in the primary market, true globalisation involves more than just crossing a border – it is all about competing with the fiercest rivals on their own turfs; it is about entering the lion's den, said Tolkowsky.

Tolkowsky describes four management structure variations using a rather colourful analogy:

1. Have a hen co-founder move to lion den and manage the two-legged company from there
2. Move a hen to the den and recruit a local CEO above her
3. Move a hen to the den and recruit a local VP under her
4. Find an ex-hen in the den to team up with home hen (Tolkowsky thinks this structure works best)