The Life of an Entrepreneur
-- Dave Welling --

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Professor Joseph Paradi

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David Tam

INTRODUCTION

Dave Welling has been an entrepreneur for the past ten years. In his first entrepreneurial venture he started WRF Telemetary Ltd. in northern Ontario developing custom military electronic parts. In his second venture he started the Ontario operations of Inso/Microboutique, which was formerly based exclusively in the province of Quebec. His venture became very successful, becoming the largest Apple dealer in Ontario with annual sales as high as $40 million. He left this venture last year to start Watco Inc., a web technology consulting and systems integration company. His focus is on corporate intranet consulting, project management, and systems integration. Currently, his business is in the startup phase, with ambitious goals for the year 2000. I have had first-hand experience with the business as a summer student employee.

Dave Welling, President
Watco Inc.
100 Lombard Street, Suite 202
Toronto, Ontario
M5C 1M3
Phone: (416)943-4999
Fax: (416)943-4725
Email: dave@watco.ca

BEGINNINGS

Dave Welling was born in the small Ontario town of Parry Sound in 1962. He began work at the tender age of eight by volunteering in his Grandfather's store. With this early training and exposure to business, Dave learned the meaning of work and responsibility.

Having a strong aptitude in academics he received the award of having the highest marks in his graduating high school class of 1980. As a consequence, he entered McMaster University with a one year entrance scholarship, enrolled in the electrical engineering and management program. His strong academic performance earned him the distinction of becoming the first undergraduate teaching assistant at McMaster University, in the area of mathematics and sciences. This trend of employing undergraduate teaching assistants still remains in effect at McMaster. The engineering and management program was a special five year program that allowed engineering students to study business as well as engineering. In Dave's case, he studied electronics with specialization in microwave communications, along with marketing. In 1985, he graduated with a bachelor of Engineering and Management in Electrical Engineering and Marketing.

1ST ENGINEERING JOB

Graduating near the top of his class, Dave was quickly recruited by EMHISER Research, which was a United States defence contractor. Though this was his first real engineering job, he had worked for EMHISER during the previous two summers as a summer student. Once hired as an official engineer he worked in Nevada performing electrical engineering work. After a year, the entrepreneurial bug had bit him. He resigned from EMHISER and returned to Canada to start his own business in the same industry.

ENTREPRENEURIAL ACTIVITIES

Venture #1 - WRF Telemetary Ltd.

In the summer of 1986, his first entrepreneurial efforts resulted in the creation of WRF Telemetary Ltd. Based in northern Ontario, his company specialized in custom military electronic projects. Clients included the United Kingdom and the United States government. Though business was great, Dave knew that his over-all contribution to the world would have been negative. His efforts in engineering and business were leading the world towards remote warfare. Due to these reasons, he left the business one year later.

Building a Reputation - ASAP Computer Products Ltd.

With the need to quench his entrepreneurial thirst again, Dave entered the computer industry in the fall of 1987 to search for a new business venture. His reasons for entering the computer industry are best described as follows, "I entered the computer industry because I knew I couldn't make money as an engineer. It would take me twenty to thirty years to make a decent living, given the strata in the profession... but I knew engineers controlled a lot of the money and a lot of the world." With this reasoning in mind, he landed a job at ASAP Computer Products Ltd. selling CAD/CAM systems to engineers. However, he was given this job on the condition that he would accept the challenge of selling these systems exclusively on the Macintosh platform rather than the traditional IBM PC platform. This was a challenge of substantial size considering the markets at that time. Most engineering work and CAD/CAM systems were IBM-PC based. It was the widely accepted platform for these tasks. The Macintosh, however, had virtually no market penetration in this area. Some how, Dave had to convince the market that Macintoshes should be the platform of choice for CAD/CAM systems. He successfully surpassed this challenge. Being an engineer himself, he knew the engineering profession, the mindset of engineers, the problems they faced, and the type of solutions that would be successful. He was able to develop, package, and integrate CAD/CAM Macintosh solutions that fulfilled the needs of his engineering clients. In short, because he was an engineer, he could easily identify and fulfill the needs of his customers. Within one year, he was promoted from the position of sales representative to division manager. Dave's sales performance was so remarkable that it caught the attention of Microboutique, a giant Apple dealer based exclusively in the province of Quebec.

Venture #2 - Ontario Operation of Microboutique

In 1989, Dave was recruited by Microboutique and given the task to start the Ontario operations of the company. Before this position was fulfilled by Dave, Microboutique was in search for a dealership in Ontario to expand its operations. Though they had a large number of proposals from various candidates, none appealed to them except for Dave's proposal. Consequently, Dave was flown to Montreal where he faced a twelve hour interview. Afterwards, he was given a Macintosh computer, a cellular phone, $50 to buy an office desk from Ikea, and a plane ticket back to Toronto. From these few resources, Dave was given the task of starting business in Ontario. Basically, he was left on his own to explore and develop the business with very little intervention, guidance, support, or feedback from Microboutique. Given the vast amount of freedom, Dave's entrepreneurial thirst was going to be quenched once again.

The only restrictive factor was that the location of the business had to be approved by Microboutique. Consequently, Dave's first and only mandate to the parent company was to find a location for the business. He roamed the streets of Toronto, conducting research, viewing property after property, and contacting numerous real estate agents. His search criteria included close proximity to the downtown core (targetting small and medium sized businesses), convenience, ample parking, a ground floor location with room for future expansion, and adequate loading and operational facilities. Initially, he developed a list of thirty prospective locations and later reduced this list to ten. He then contacted the president and presented his list of ten. After viewing all ten locations with the president, none met approval. Unsatisfied, the president and Dave roamed the streets of downtown Toronto until 3 am, searching for the right location. At three o'clock in the morning, they found the perfect location on Toronto Street. Ironically, Dave had previously rejected this site in his list of thirty locations.

On September 1, 1989, the lease for the location was signed and major renovations began. Since Dave was basically on his own, he had to supervise the renovations, assemble the necessary equipment, and recruit employees. He was given a $1 million budget, which as sufficient for one year of operation without any sales, supporting thirteen employees and maintaining the current location. On October 17th, the first employee, a receptionist, was hired to manage incoming calls.

By December, Dave had assembled a launch team of 10 employees. Notably, none of these employees had past experience in the computer industry. Instead, Dave strategically recruited people from his target market industries to bring a fresh, new, and realistic approach to the application of computer technology. He knew that the best way be sensitive to customer needs was to have employees who had been in the customers' shoes in the past.

From January to April 1st, time was spent on getting the corporate system up and running, and on training the team. Believing that the right corporate culture was going to be a key ingredient to success, Dave also spent time orienting his team on the culture of the company.

The official launch date took place on the 17th of April, 1990 with the unveiling of "Humanware" to massive media attention. The company's target market were small and medium sized businesses. They took on the philosophy that they could help Canadian companies become more efficient and competitive by integrating the right technologies into their businesses. They offered total solutions to their clients. While a variety of companies in the computer industry offered certain software or hardware products, none offered the value-added service of integrating all of these ingredients into one package to provide a complete solution to the corporate market. In effect, Microboutique fulfilled this need with their "Humanware" line of complete solutions. They provided the hardware, software, integration and customization of the entire solution. This created very high value, complete, all-in-one solutions for their clients. Their slogan was "After hardware and software, what's left? Humanware!" Because of its success, this marketing strategy remained in effect for the next four years.

One of the key ingredients to Dave's success was in learning to say "no". When Microboutique was initially launched in Toronto, they had zero sales, zero customers, and zero letters of intent. Dave did not believe that it was wise for the company to accept customers until they were fully ready to do so (which was on the launch date). Customers would come with good and proper preparation. As Dave states, "Saying 'no' does not mean 'no, never'. It just means 'no, not now, but maybe later'. Accepting customers without being ready could jeopardize the business, but saying 'no, not now, but maybe later' would keep the opportunities open." Dave believes that a weakness of many entrepreneurs is that they tend to over promise because they need the support of many people. As Dave states, "Entrepreneurs tend to forget their promises because they are so busy, and so many things are happening around them... but those whom they make promises to never forget!" Dave's strategy worked. Microboutique became very successful because they were fully ready for business on the initial launch date.

Dave's marketing plan also included an aggressive free seminar campaign. Again, Dave decided to recruit seminar presenters from his target market industries. These industries included (1) CAD/CAM, with more than 6000 businesses in the Greater Toronto Area; (2) Pre-press, which included advertisement agencies and graphic design firms that totalled to 7000 businesses; (3) Multimedia, which consisted mostly of post-production houses, totaling 1500 businesses.

Dave's strategy paid off once again as his seminars became so popular that they had to be presented as often as four times a day. In contrast to his competitors, who offered seminars for a certain fee, Microboutique educated customers for free, offering a lot of value to corporate clients as well as retail customers.

Microboutique's market targets eventually grew to cover the industries of image/document management, education, and even retail. Dave managed to build these successes despite industry analyst speculations that the markets were already well-served by the existing providers. Basically, industry analysts believed that there was no room in the industry for Microboutique. However, within five years of operation, Microboutique grew to a business that achieved annual revenues as high as $40-million, employing one hundred employees. Notably, these successes were all achieved during the infamous recession period. During this period, Dave saw three of his major competitors go into bankruptcy -- Computer Connection, Archon, and Computer Care.

Being an entrepreneur, Dave saw the opportunities that were presented during the recession. When many people in this country were laid off, many decided to start their own businesses. Dave captured this market and promoted the use of technology as a "business weapon". He provided all-in-one business solutions to this market.

Through his efforts, Microboutique in Canada became bigger than Apple Canada itself. They employed more people than Apple Canada and also represented 20 % of Apple Canada's annual revenue. However, such successes and rapid growth caused a few growing pains for Microboutique. While Dave had originally intended to service the target markets mentioned previously, the huge successes soon overflowed into the retail market.

In the fall of 1991, Apple introduced its very first low-cost computer, the Macintosh Classic. With a base price of under $2000, it opened a large market for Apple and Microboutique. Dave had anticipated this opportunity and decided to open a retail division of the company. With the intended release of the Macintosh Classic, Apple had warned dealers that to survive in the new market, they had to either become solely retailers or specialize in providing integrated solutions, but not both. Microboutique managed to overcome this challenge by becoming equally successful in both areas. Dave's key to success was by creating segmented teams. The corporate clients team dealt exclusively with the corporate clients, while the retail team dealt solely with their respective customers. In this way, each of the teams remained highly focused and specialized in their respective areas.

However, as a consequence of the very successful retail operations, Dave felt that Microboutique on the whole was beginning to lose its focus of servicing business clients. Too many of the retail customers were flooding the support services that were intended for corporate customers. Resources were not being utilized effectively. In October of 1994, he decided to create a new division of Microboutique, called Inso, that focused resources exclusively on corporate clients and offered high-end total solutions to these markets.

Dave repeated his tried and true formula for success and Inso saw rapid growth in 1995. Inso was involved in the construction of the Toronto Star web pages. They provided a total, integrated solution to their client by co-ordinating and managing the project from conception to final product. They provided the hardware, software, integration, customization, and programming expertise. The team at Inso continuously tried new methods and approaches in finding solutions for their corporate clients. Continual learning was a philosophy that was implemented. For instance, Dave attended a one week management training program at Harvard University in Massachusetts. He believes that entrepreneurs must continually invest in themselves and their corporate team by investing in life-long learning. In this way, entrepreneurs and their corporate teams would be able to effectively handle their growing businesses.

Financial results for the year ended November 1995 reported revenues of $22 million from the Inso division, $8 million from the Microboutique retail division, and $10 million from the education division (which included the K-12 schools and colleges in the Metropolitan Toronto area). These figures created a total annual revenue of $40 million.

As mentioned previously, one of Dave's formulas for success was to hire employees who had no past involvement in the computer industry. Through six years of operations, he had only hired six employees who had this past experience. In this way, Dave was able to maintain the company focus without the traditional biases and attitudes that stemmed from so called "computer experts". Instead, he hired employees from the industries of his target markets to become more customer oriented. The result of his strategy created a company with employees that had a burning passion to get involved in the computer industry. This gave them a common ground to build a distinct, strong, supportive corporate culture. Dave believes that entrepreneurs are control freaks. They often feel that they are more important than their business. However, Dave realized that the only assets of his company were his employees. Consequently, a high reward/recognition system was developed. This also helped to bring out a highly competitive team culture. On the whole, Dave and his team were out to prove that they could outsell the "computer geeks" in the industry.

Whenever Dave discovered that the competition was copying his past marketing or sales plans, he personal initiated new marketing plans that changed the "rules of the game". For instance, he changed the rules when Apple introduced the Macintosh Classic. The competitors spent time debating whether to stock up on the Mac Classics in time for the Christmas season, which was a very lucrative selling period. These dealers had doubts about the success of the new Macintosh model. Meanwhile, Dave purchased the entire stock of 1000 Mac Classics from Apple Canada before the competition had even placed a single order. With this move, Dave effectively prevented his competitors from having any Classics for sale during the Christmas season. During that period, the only place consumers could buy a Mac Classic was at Microboutique. This strategy was successful, as the Mac Classic proved to be highly popular amongst the mass consumer market. As Dave puts it, "If others start copying you, it's a sign that they think they know your formula for success, but they don't!"

Dave's passion was to make a difference in Canadian companies by applying technology successfully. He wanted to be on the positive side of technology rather than the negative side (such as his engineering job at EMHISER). This led him to start Microboutique. However, Dave was never granted ownership, by the owner in Quebec, despite the successes of Inso/Microboutique in Ontario and the promises made by the owner. At the end of November 1995, Dave left Inso/Microboutique in search of another business venture.

Venture #3 - Watco Inc.

Dave decided to pursue a business opportunity that he and his friend, Todd Finch (who is now the president of Netscape Canada Inc.), had seen in the summer of 1994. They had their first glimpse of Netscape's Navigator browser software and recognized its potential. During that period, most of the world was not aware of Netscape nor the internet.

From January 1996 to May, Dave conducted technology and market research, and developed a business plan to start Watco Inc. The focus of the company was on constructing corporate intranets using a total solutions approach similar to that of Microboutique. From conception to implementation, Watco would provide a total solution by providing hardware, software, and custom programming, with project management, consulting, subcontracting, and support. Competitors in the market included Systems House Limited, Electronic Data Systems Limited, and IBM. However, these big competitors only provided these services to very large corporate customers and ignored small to medium sized ones. Watco was going to fulfill this need by servicing these clients.

In May of 1996, a location in the downtown Toronto core was leased and in June, Dave hired his first employee as the product manager. On July 1st, he hired his second employee, a summer student, to assist in technical research and support. A few weeks later, a sales representative was hired to develop and follow business leads.

While still in the startup phase of the business, Dave was busy trying to raise capital from the capital venture community. Watco Inc. required $1 million in funding aside from Dave's personal investment. However, Dave found the task of raising venture capital to be the most challenging. Though he had spent a lot of time on market research, he did not conduct much research on the Canadian capital venture community. Instead, he relied on the experience and advice of others to help him obtain capital venture funding. Unfortunately, the information Dave had received was not the complete picture. The Canadian venture capital community did not invest a large percentage of their funds in technology companies. Instead, they invested in resource-based industries and biotechnology companies. According to Dave, there was a total ignorance of the opportunities in the service-based industries. As a consequence, he had underestimated the time needed to secure adequate financing from this source. Of the few prospective investors that he had found, most would only fund ventures that required $2 million to $5 million.

Dave believes that there is a financial marketing scam led by the big banks. Another problem faced by his new venture was that credit, for cash flow purposes, was hard to obtain for the newly incorporated business. He found that no one wanted to give a credit line to a new company for the first two years of operation. Even though Dave himself has had an excellent history and reputation with financiers and the computer industry, he found that the credit department of most businesses he dealt with ignored his past credentials. Under corporate policy and bureaucratic red tape, they could only base Watco's credit line on the incorporation date of the company. Since a corporation is legally considered as a separate entity registered under the provincial government, Dave's past credentials were legally not applicable to his newly formed company.

If he had to do it all over again, he would skip the venture capital route altogether and find smaller amounts of financing from elsewhere. He would have probably operated out of his basement, hired three to four employees, aggressively closed sales deals, and met contracts using a fly-by-night approach that was oriented towards short-term goals. Eventually, this type of operation would build cash reserves high enough to allow Watco to achieve long-term goals. A lesson that Dave has learned is that it is very important for entrepreneurs to understand financing and cash flow.

The marketplace has changed since Watco's incorporation. When Dave first started this venture, the wonders of the internet received tremendous amounts of media attention, while the potential of the corporate intranet was ignored. Now, everyone has "jumped onto the intranet bandwagon". ISPs have changed their marketing strategies to target corporate intranets instead of the mass consumer market. Even Netscape Corp. has drastically changed its company strategy to target intranets. Netscape barely paid attention to the potential of the intranet during its IPO launch. They focused on electronic commerce over the public internet. Now, 80 % of Netscape's revenue comes from companies using its software to set up corporate intranets.

As of now, Dave's strategy during the startup phase is to follow a very methodical procedure of measured steps. First, venture capital must be found. Once adequately funded, the first few deals with clients would be closed. Dave's goals for the next five years are to (1) build Watco Inc. into a company with annual revenues of $55 million; (2) have a business model that is attractive enough for an Initial Public Offering; (3) employ 100 staff; (4) become known in the industry as "The Intranet People" -- the best implementors in the intranet world; (5) develop an evolutionary propriety technology (e.g. Sun Microsystems' JAVA language); (6) do things differently than those in the industry; (6) and to have sufficient resources to spawn new high-tech companies. A challenge faced by Watco is that there is confusion amongst most corporations concerning the capabilities of corporate intranets. This is partly due to the marketing confusion purposely generated by companies such as IBM Lotus and Microsoft, who have made their profits on the pre-internet/intranet computing model. Watco must do its best to educate corporate clients, perhaps using the same formula that was implemented at Microboutique.

Dave plans to develop the corporate culture by recruiting employees with a passion to be in the computer business, rewarding performance, and making everyone stake holders in the company by giving everyone a "piece of the action". Dave believes that entrepreneurs must learn to delegate responsibility to others. Consequently, he plans to empower his team members by allowing them to make key decisions. However, whether the results are good or bad, accountability would be upheld. Dave believes that entrepreneurs must be infectiously passionate about their goals. They must become so passionate about their goals that it infects other members of the team and these members develop the passion as well. In this way, Dave hopes to create an environment that fosters creativity and the pursuit of excellence. As he remarks, "The enemy of great is good. Anybody can be good." Once you think you are good, you stop trying to achieve greater things and fail to remain progressive and innovative.

CONCLUSION

Dave's success can be attributed to many factors. He has a high level of integrity, and takes responsibility very seriously. He believes in taking full ownership whether the results are good or bad. He acquired these ideologies at a very early age while working at his grandfather's store. What Dave has learned from his grandfather is that, "Your name is the only thing that is really yours. At the end of the journey, what your name stands for reflects your life."

Dave has a passion in life. He wishes to make a positive contribution to the world by making a positive contribution to technology. He left his engineering career because he knew that his work aided the world towards remote warfare. This desire to make a positive difference first led him to Microboutique and now to Watco Inc. In the fast moving, volatile world of the internet, many companies are sinking in the quicksand, but some are seeing tremendous success. A tough challenge lies ahead for Dave and his new company. Hopefully, Dave's entrepreneurial instincts will lead him and his team towards the successes he has so often seen.