

# [The rise of picsel technologies ltd](https://assignbuster.com/the-rise-of-picsel-technologies-ltd/)

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You have been allocated into groups for thiscase studypresentation and written report. The presentation should last no more than 10 minutes. It is anticipated that you will use either slides and an OHP or power point to assist your presentation. The presentations will take place on November 27 in lecture and tutorial time. The exact time and place for your presentation will be posted on blackboard. This assignment should be answered in not more than 2, 000 words.

The assignment can be answered in one part encompassing the two issues you are asked to address. Credit will be given for additional sources used, proper referencing, a structured argument and evaluation of the issues posed. The following case study charts the extraordinary development and growth of Picsel Technologies Ltd, a Renfrewshire-based software design company that has raised millions of pounds in venture capital.

From its roots in a small print design company in 1992 to its current status operating in global markets with household-name customers such as Sony, Toshiba and NEC, the story of Picsel Technologies clearly demonstrates the relationships among business success, unwavering team vision, strong ethics and flexible strategies. In a move almost unheard of in Scotland in recent times, the company recently announced publicly that 95% of the group's earnings is to be invested in charitable trusts and ventures. The Early Days

In the early 1990's, a series of life-changing discussions took place among four young men and their respective partners. All were from orthodox Muslim backgrounds and knew each other through the Asian community in Glasgow and their shared interests in community work. Suhail Rehman, who had studied avionics, was a recently graduated software engineer, working for GEC Ferranti. Majid Anwar was a juniordoctor, working in hospitals. Imran Khand had graduated from the University of Paisley in computerscienceand was working in technical support at ICI and part-time at the Woodlands Advice Centre as a counsellor.

Mussadiq Salim was still studying at university. Many entrepreneurs report a need to control their own destinies as part of theirmotivationfor starting businesses, and all four members of the team had this very same desire. Suhail commented: "... we had greater aspirations in life rather than being stuck in a job with a nine to five routine... our aspirations were to have a business to generate income for ourselves and to do everything we wanted in life.

" What distinguishes these entrepreneurs, however, was their vision to link a potential business with reinvestment in local charitable causes: " Our long term aim was to establish a business that would generate cash that we could put back into the community, to manage institutions, trusts and voluntary work. " Somewhat against parental advice, the men (along with their wives) decided to pool their resources and start a design and print company, to exploit new technologies becoming available in desk-top publishing.

They knew they had customers from their own community work, since they were already helping groups to produce brochures and posters and were confident that they could expand this type of business. A deal was struck among the group to establish a company called Alternative Publishing, managed on a day-to-day basis by Suhail and Majid, while Mussadiq continued his studies. Suhail and Majid would be giving up their professional careers for the business and their families were naturally anxious about the wisdom of this decision.

Imran at this stage would sit on the company board and act as an adviser, with his job at ICI helping to subsidise wages in the start-up period. The women sold part of their own personal jewellery to get the business off the ground, and contributed their university grant cheques. It was agreed that the company would reinvest 20% of its future profits in the community. Alternative Publishing was launched in 1992. The Struggle to Grow Over the next few years, Imran and Mussadiq spent every spare minute in the small Alternative Publishing offices.

Imran commented: "... it was like showing support for the guys, because it is fairly lonely when you are starting a business and you are dealing with everything. " In the early stages, the team found it very challenging to establish a customer base, but they eventually found a niche in the public sector, servicing organisations such as the Greater GlasgowHealthBoard and Scottish Enterprise. Imran acted like an ambassador for the company, making introductions and trying to establish networks that the company could use.

During this time, Majid and Suhail had been tinkering with some software, a graphics viewer programme that was aimed initially at theeducationmarket. Called ImageFS, the programme became a company " product" and began to sell well into markets in the rest of the UK. In general though, company growth was still slow and by 1996 and with four staff in addition to the directors, the turnover of i?? 100, 000 per annum was not meeting their needs. As Suhail explained: "... we hit a watershed... Design companies by their very nature never become the size of Sainsbury's or Tesco's...

we had future aspirations and the design business is very much a cottage industry. " Reading the Market The arrival of the commercial internet, and the " massive opportunity to develop our business" that thistechnologypresented, was to prove the turning point. The directors of Alternative Publishing chose to become the Scottish franchise of a UK company called The Web Factory. Cautious about debt and reluctant to release equity to an investor at this stage, the team used profits and borrowedmoneyfrom friends andfamilyto kit out new, larger premises.

They began trading as Web Scotland in 1996. The new company provided internet services, along with web design and development services. Their business networks within the public sector and large companies began to pay off. Existing clients soon realised the need to have web sites and internet-based communications and were happy to choose a familiar team to supply these new services. Their client portfolio soon grew to include impressive names such as BT (with whom they became an accredited partner) and through the BT contract, major organisations like the John Lewis Group.

One third of their business came from their traditional public sector clients, a third from the BT accreditation and the remaining third from high-end SME's like the Weir Group. Alternative Publishing Ltd. was slowly wound down, as the team could no longer see much value in remaining in the limited design and print sector. By 1999, turnover had grown in just three years to a far more impressive i?? 500, 000 per annum. Staffing had grown too, however, and the company was now employing 19 people, including a sales team.

Serious Money The rapid growth of Web Scotland meant the team had to consider formalising organisational structures and business practices, with the funding growth issue raised once more. Although proud to be Scottish and based in Scotland, the directors at the same time felt the company name, Web Scotland, was limiting their markets and making them appear too parochial, so they changed the trading name to Focus Blue. This was to help attract business from England, which was a far larger market for their internet-based services.

After years of self-financed growth, the directors had to approach the bank for an overdraft to help fund taking on more staff for Focus Blue. Imran and Suhail recall that making the payroll every month was often nerve-wracking. As the company continued to grow (they were aspiring at this point to grow and sell Focus Blue for i?? 1-2 Million) the directors realised that they had to have more formalised systems. It was no longer feasible just to buy equipment on a personal credit card when it was needed, what was required now was a proper business plan and departments, managers, cost centres, budgets and HR systems.

The company really needed proper investment too, and the directors were still reluctant to sell equity in the company to outside investors. It was decided that a bank loan would be the best move. When asked why it had taken the company seven years to approach a bank, Suhail explained: " It was an issue of confidence more than anything else... we believed in the product, believed in our skills and there was a buzz about high tech at the time. We had employed a financial adviser and he advised us to raise money.

At that time it [the Small Firms Loan Guarantee Scheme] was the shortest route to raisingfinance. " Web Scotland/Focus Blue spoke to three banks about their plans: Royal Bank of Scotland, Bank of Scotland and HSBC. Royal Bank of Scotland seemed to be supportive of their aims, so helped arrange a loan of i?? 250, 000 (payable over 7 years) through the Small Firms Loan Guarantee Scheme. The loan was arranged before the plummet in the value of technology stocks but at the time, the Royal Bank was very keen to invest in a growing internet company.

The directors described them as " hungry for the business. " The team had to provide personal guarantees for 15% of the loan. The Birth of Picsel The directors recognised again that while Focus Blue was making more money than Alternative Publishing ever could, the growth that could be achieved was still limited and would not provide the team with the millions they envisioned putting into community trusts. The ImageFS product had also developed further, with a new version, ImageFS2 released.

Now working full-time with the company, Imran had been developing different applications of this same technology, and a product called E-page was the result. Another company was incorporated to protect the IPR. E-Page Ltd. became Picsel (Research) Ltd. in August 1999. E-page was originally a product designed to be an imaging system for printers, but the huge growth of the mobile phone market was not missed by the directors: E-page became a product to enable mobile phone users to " read" documents emailed to their phone and created on any platform, such as Word, Excel, pdf and so on.

Picsel was incorporated on the basis that it would be a high tech, high growth venture that would seek equity finance in the traditional manner. The directors were confident that the E-page product would make them the millions that they sought. This was an exciting but often confusing phase of development, with Picsel launching and the loan for Focus Blue coming in. The directors were out taking advice almost from anyone within their networks that was prepared to talk to them, and as Suhail said at the time: "...

it's been a whirlwind of meeting people and getting different ideas, different opinions, and its just to try to consolidate these into something that works best for us rather than something that's going to be a bit of a problem. We spoke to about, maybe six or seven different consultants, four or five potential investors, two or three different business angels and obviously they all have their own vested interests.

We all came back with completely different experiences and advice on how to progress in the future, so one of the things we thought was look, lets get all these people together and hopefully we can actually narrow it down to about four or five people who can be of use to the company and who wanted to do well for the company's growth. " Funding for Picsel initially came from well-known businessmen in Glasgow in the form of business angel finance. The investors were prominent businessmen in the Asian community and known to the directors.

Their investment enabled the company to register patents and develop prototypes, thus increasing the value of the company to future VC investors. The directors did not want their remaining equity stake to be so diluted as to have no value: the more the company was worth when they approached venture capitalists, the better the deal they could strike. The directors also sought other well-known names, people who had already grown and exited from significant companies from beyond the Asian community and invited them to become non-executive directors of Picsel.

This strategy was again designed to impress venture capitalists. Realising the Dream The road to riches was not straightforward. The directors had maintained their strong ethical vision and struggled for years to develop a significant business that would help them realise theirdreams, however, they now had a product with fantastic potential but little personal profile in the industry or real experience of running and managing such a business. Even worse, the market place was beginning to buck against technology-based products.

The directors used a network of big-name consultants and businessmen but found the lack of experience in Scotland of taking a product to global marketplaces a real drawback. There were very few from within the Asian community who had global business experience. The directors also found a similar lack of experience in the wider business community: they could find neither those who were either prepared to help nor those able and experienced enough to help. The team needed introductions to VCs but also to the CEO's of potential customers.

One non-executive director with extensive experience and a Jewish background understood the ethnicity issues and was very supportive. However, some consultants and advisers the company found merely " tolerant"; they tended to say what a good idea the products were, but the directors felt that this was " smatterings" of help that could be better called professional etiquette. The team were out networking, and people felt obliged to appear to be nice to them. No-one went out of their way to push the company into the sights of the money men and the power brokers.

The company, after a long struggle to raise finance in the UK and North America, finally raised i?? 12 Million in funds from Softban Ventures Europe, BancBoston Capital (Europe) and a consortium of hard to impress Japanese investors. As CEO of Picsel, now valued at over i?? 50Million, Imran has constantly sought coaching or mentoring from wise heads but, in his own words: " I said [to some investors] I would like you to get in touch with someone that can mentor me, someone who can coach me, who else has done a global business?. And they couldn't find anyone.

And here we are, 3 years down the road, we've done all thehard work, we've got significant board members on from all across the world and even now it's difficult to find someone who has the experience of growing a global company and penetrating Eastern markets the way we have, and with a technology phoenix. Once we were trailblazer, but I think we recognised fairly early on that we were really going to be master of our own destiny and which is why we probably went through a lot of consultants, we realised very quickly that the help that could be offered was minimal.

" Imran now calls VC funding that offers nothing more than cash " dumb money". Future Strategies The current ownership of Picsel Technologies Ltd. recognises the commitments and tiny but vital investments made in the early 1990's. The four young men and their wives, ten years on, still have a significant stockholding. Alongside the speedy development of Picsel, the team has also grown their community commitments, involving 15 people today in the management of trusts, social enterprises and community concerns.

They also desire to help others to set up businesses that in turn pour their profits back into the community. The team expect to invest 95% of their profits from Picsel in this cascading, innovative charity and they are already looking to new businesses in property, tourism and the exploitation of nano-technologies. Asked if he had any regrets, Imran commented about the time he and Mussadiq spent on community work: " Regrets... It would probably be that we did not get into the business early enough. We should have done this a lot sooner. "