



## Getting back to the growth groove

Executives question whether Ottawa might indeed have 100,000 technology jobs by 2008, but they're applauding the optimism just the same, Kristin Goff writes.

**Kristin Goff**

The Ottawa Citizen

*January 26, 2005*

Mark Scott, chief executive of N-able Technologies, has found success in the technology market, even at a time when others seem to talk about nothing but doom and gloom.

"We've been able to find the magic spot of getting the right technology and programs and people at the right time," he says.

It has worked well for the five-year-old company, which makes information technology performance software.

Like Cognos, which has continued to roll up record sales of its corporate performance software, N-Able is finding companies are willing to invest in software that helps them to evaluate their technology systems.

N-Able more than doubled its workforce to 125 from 50 last year, and it expects to hire another 45 employees by the end of 2005 as revenues climb. While he hasn't done a detailed three-year forecast, Mr. Scott thinks it is safe to say the company's growth will continue at an explosive pace.

"I could see N-able employing north of 500 people by that time," he says.

That kind of growth in small and medium-sized technology companies is what's behind OCRI president Jeffrey Dale's bold prediction this week that Ottawa's technology sector will surpass the federal government to become the city's biggest employer by 2008, providing jobs for 100,000 or so people within three years.

Many question whether he might be overly optimistic. But a surprising number of technology executives and analysts are applauding his forecast anyway.

"I do think it is a very optimistic number," says John Kelly, one of Ottawa's technology pioneers who co-founded SHL Systemhouse 35 years ago. He thinks it might take a few years longer to reach the 100,000 mark from 67,800 at the end of last year, the figure contained in the latest survey by the Ottawa Centre for Research and Innovation and released this week.

But he compliments Mr. Dale's enthusiasm nonetheless.



CREDIT: Wayne Cuddington, The Ottawa Citizen

N-able Technologies chief executive Mark Scott says his company has managed to get the right technology, programs and people at the right time to enable it to increase employment to 125 staff in five years. Three years from now, he expects N-able to employ 'north of 500 people.'

"Sometimes by setting stronger goals, you stretch more to achieve them," said Mr. Kelly, co-chairman of the Canadian Advanced Technology Alliance and chairman of NexInnovations, a technology consulting company.

He and others say that Ottawa's technology sector is at a turning point. The potential is there to build a strong and more diversified technology centre that can be a powerful engine for the region. But the new technology boom -- if one comes -- might need to deal with some traditional financing and marketing barriers.

To put Mr. Dale's forecast in context, you need only think back to the kind of sizzling growth of the last boom. From 1998 to 2001, employment grew at an explosive 55 per cent, adding 28,000 jobs to peak at 79,000.

Mr. Dale predicts that will grow to 100,000 or so by 2008. At a minimum, it should grow enough to exceed the federal government as the biggest employer in Ottawa, which might employ about 95,000 now, he said in an interview.

(Statistics Canada reported that federal government employment was 111,700 in Ottawa-Gatineau in September, but it didn't break that down by city.)

To achieve OCRI's target, the region's technology companies would have to create more than 30,000 jobs, or 10,000 a year, for the next three years. Last year, the sector increased by 1,100 jobs, or less than two per cent, including 600 jobs in the past six months. (The year-over-year comparisons exclude from 2004 the 3,000 technical workers at Bell Canada and Rogers that OCRI first included in its survey in June 2004.)

Mr. Dale's faith comes largely from the activity of a growing number of small and medium-sized businesses. They are a huge factor in the nearly 1,700 technology businesses in the region. OCRI's December survey shows they hired 2,000 people in the past six months, even as Nortel and others offset that with 1,400 job cuts.

But Nortel, which has slashed its Ottawa workforce by two-thirds since its heyday, "is no longer reflective of our economy," he says.

Mr. Dale is adamant that the "tech sector is coming back," but he also hints that he has another motive in throwing out his controversial forecast: to focus attention on the technology sector once again.

"I want a debate in this city to be around how we're going to grow it -- not to be about how we're not going to do it," he said.

Adam Chowanec, chairman of Tundra Semiconductor and active in both industry and economic development groups, says there is reason to be optimistic that seed companies will promote growth. But he also believes that for the near future existing global semiconductor and telecommunications companies face generally flat markets.

"How companies will grow and succeed is by taking market share, rather than because markets are growing," he said.

Mr. Chowanec also points to a study by Patrick DiPietro, managing general partner of VenGrowth Capital, as the best analysis he's seen of what impact startups might have.

Mr. DiPietro told a conference last month that the successes that come from 85 companies that received venture funding in the past four years, should produce 6,500 jobs by the end of 2010. That would bring overall employment to about 71,500 five years from now, he said. That assumes 65,000 people worked in technology as of 2004. But even if his assumptions are applied to OCRI's 67,800 figure, it would still leave technology employment more than 25,000 short of Mr. Dale's predicted 100,000.

Glenn McDougall, managing partner at Doyletech, says its research suggest the technology sector historically has grown by 6.5 per cent, which would leave it about 18,000 short of OCRI's forecast.

He points to two specific factors for caution. With a slowdown in venture capital funding that followed the technology collapse, many small companies are forced to "live within their means, which lowers the amount of growth," Mr. McDougall said.

He also says Ottawa has faced a long-standing problem of getting companies to move full cycle from research to commercialization and into global companies. Last year's sale of QNX Software, which held the promise of being a global success, is only one example of the disproportionate number of companies that get bought out, instead of growing as an independent entity, he said.

Solving the problem of getting small companies to grow locally into big ones, could be the key to reigniting the boom. But that might involve recruiting sales and marketing expertise that some suggest is missing from the region's technical expertise.

It also might require mentoring and financial leadership from within the industry itself, says Christopher Henderson, chief executive of The Delphi Group and co-chairman of The Ottawa Partnership, a public-private economic development board.

But if only a few companies can be turned into global successes such as Cognos Inc., there can be powerful spinoffs for smaller companies and Ottawa's reputation as a global player.

"I bet you a bottle of wine that, if we get three more (companies such as) Cognos, we'll go to 150,000 -- easy," he says. "You can't look at this in an arithmetic way. You have to look at the multiplier effect."

'You Have to Look at the Multiplier Effect'

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