

Companies on the Fast 50 list also have to fend off the growing lineup of venture capitalists intent on giving them money. In the first quarter of this year, total new and follow-on venture capital investments in Canada hit \$1.15 billion, an increase of 88% over the \$612 million invested in the same period of 1999. High-technology companies received the lion's share of the money, accounting for slightly more than \$1 billion in the first quarter versus \$459 million a year ago. The Canadian Venture Capital Association, which publishes the figures once they're compiled by Macdonald & Associates Ltd., says the first quarter pace is unlikely to last for the full year. And that, says CVCA president Ron Begg, is a shame. "Venture capital investing in Canada has grown at a remarkable rate, but this growth is nowhere near its potential and is far eclipsed by our neighbours to the south," he says.

The high-technology sector would also like some help on the tax front in order to help retain talented workers. "We searched in the U.S. for a chief financial officer, but the personal tax structure here makes that almost impossible," says Derek Woods, chief executive of Stratos Global Corp. (No. 2). "It's getting very, very tough to get good people to come to Canada."

Canada's relatively high tax burden is an irritant for business in general. A Compas, Inc. poll this spring, for instance, found that 85% of 400 chief executives think high taxes are the biggest single obstacle to going public, let alone to retaining talented people. In the high-technology sector, the most publicized handwringing about the talent-diluting effects of taxation, not surprisingly, has been done by Nortel's John Roth.






Whatever the merit of the tax issue, the Canadian technology talent market is tight. Deloitte & Touche's Foster says worries about skill shortages are not easing. "When we talk to companies, the constraints on human resources is a constant issue. [But] it is a much tougher situation in the U.S. where the retention rate is lower."

Ironically, when it comes to the talent hunt, high technology firms in smaller centres seem more optimistic. They say they can fill the vast majority of their positions with local talent at costs far below those in cities like Toronto or Vancouver. "There is still a sense of loyalty in smaller cities if the work environment is right and the mission is clear," says Vic Toews, chief executive officer of Rise Healthware (No. 39), a Winnipeg software company.

Toews admits he isn't exactly a household name even in Winnipeg — he is frequently confused with a former Manitoba attorney general of the same name — but he has plans. "There are advantages to starting small. You don't become a threat to the big boys and that gives you time to get your feet under you." Rise Healthware makes software that allows medical practices, hospitals and medical clinics to track patient care and measure financial performance and, Toews says he's setting his sights on European markets once he gets established in Canada.

With slightly more than \$3 million in annual revenues, Rise Healthware has plenty of room to grow. All the company has to remember is that, beyond a certain point, it's extremely hard to keep up the expansion pace. Last year, for example, the No. 1 company on the Fast 50 list was Richmond, B.C.-based Sierra Wireless, Inc., a producer of wireless data communications hardware and software. Sierra Wireless reached the top by posting a five-year growth rate of 7,643% to annual revenues of US\$17.8 million. In 1999 though, it stumbled, comparatively speaking, and grew a mere 34.6% to post revenues of US\$24 million, far below the meanest performer on this year's list. In this game, unless you're up several hundred percentage points, you're an also-ran.

The Canadian Technology Fast 50 ranks the 50 fastest growing Canadian high-tech companies based on revenue growth over five years, and is compiled by Deloitte & Touche Canada. Nominations are solicited from public and private technology companies. To be eligible for the Canadian Technology Fast 50, companies must have been in business a minimum of five years, have 1995 revenues of at least \$75,000 and 1999 revenues of at least \$1,000,000, and be headquartered and controlled in Canada. New this year is The Canadian Shooting Star, for fast-growing companies that have not yet been in business for five years.

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