



HBD's Julia Long Seeks Innovators

South Africa Venture Firm Ventures Into Uncharted Waters

HBD Venture Capital (www.hbd.com) is a South African company based in the Cape Town area, founded by Mark Shuttleworth in 2000. The company invests in early stage South African companies with high growth potential. HBD's CEO, Julia Long, spoke with us recently on the topic of INNOVATION, ITS IMPORTANCE, and how it has

manifested itself in South African technology innovators.



Julia Long

NOW Magazine: Please outline for our audience the history of HBD and its activities. What is HBD all about?

Julia Long: HBD stands for 'Here be Dragons' a term used on maps in ancient time to denote unexplored territories. HBD takes both its name, and its philosophy, from this term.

As one of the few true venture capital companies in the country, HBD invests in early stage South African businesses that have high growth potential and exciting expansion plans. HBD's first fund, HBD Fund1, offered seed capital to a range of start-up companies. The fund was closed to new investments in 2006 but continues to offer support to its portfolio investments with a view to successfully on-selling these ventures within the next two years. In May 2007, HBD profitably sold one of its Fund1 investments, Red Five Labs.

The company launched its second fund, HBD Fund2, in 2006. Focused on early stage ventures, HBD Fund2 aims to provide R150-million in funding before the end of February 2008. Companies which have been generating revenue for at least six months and have the potential for successful, profitable on-sell within three to five years will be eligible for funding. Each investment will be between R10-million and R25-million. The companies should be led by passion-

ate, committed entrepreneurs and they should have the potential to grow into world-class, sustainable businesses.

NOW: So what does the term "innovation" mean to you? How do you incorporate it into your activities and into your evaluation of companies?

Julia Long: The term innovation is a powerful characteristic which we believe is evident in all leading businesses. By allowing employers and employees to challenge the status quo and constantly seek ways to improve the way to do business, innovation can take companies from good to great. Businesses which display this characteristic are often a very good fit for HBD investment.

NOW: How important is it for business leaders to be aware of their role in driving technical innovation?

Julia Long: In my opinion it is vitally important for leaders to be aware of their role in driving innovation. I believe that leaders must gain an in-depth understanding of every aspect of their business and explore how innovation can improve on the ways things are done. In so doing, they need to ensure that innovation is used to reach business objectives by constantly evaluating the innovation

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against this and not only against such criteria that evaluates how good the innovation is.

NOW: In that spirit, what are some examples of innovative products or ideas that you have supported recently in South Africa?

Julia Long: The first company I'd like to mention is incuBeta (www.incubeta.com), which is a search engine marketing business which HBD invested in January 2007. incuBeta is at the forefront of the Web 2.0 internet revolution, providing contextual paid search advertising and search engine optimisation for a large number of major multi-nationals linked to keyword searches on Google, Yahoo and other leading search engines. It currently has a turnover of R50-million and is expanding in both Europe and the United States.

Another would be EDH (www.edh.co.za), which develops products and services for the sport, defense and industrial inspection markets—for example, muzzle velocity radar systems that track projectiles in flight and provide accurate, real-time launch velocity and short-range ballistics measurement.

A third would be Fundamo (www.fundamo.com), which has been providing mobile applications and business

solutions for organisations wishing to do banking, payments and other transactions from mobile devices

since 1999. This focus and experience ensures Fundamo's clients get the best opportunity to take advantage of the huge opportunities emerging in mobile banking and payments worldwide. Fundamo is one of the leading companies in this space internationally.

A fourth would be SA Cab (www.sacab.co.za), an innovative South African metered taxi operator which, after extensive international research, has introduced the country's most sophisticated call center technology. Through the SA Cab call center, metered taxi operators throughout the country will, for the first time, be connected via a single toll free number and GPS tracking will efficiently dispatch taxis from any location. SA Cab has brought a new level of professionalism to the metered taxi industry and is perfectly poised to take advantage of increased demand brought about by infrastructural development and SA's hosting of major international events.

NOW: What are the top two or three pieces of advice you can give IT

architects and business leaders as they evaluate the concept of innovation and integrate innovation into their businesses?

Julia Long: 1. They should make sure that they fully understand the innovation. For instance, they should ask themselves if it is fulfilling an existing need or if it is something completely new. This will affect their route to market, how they pitch their product and the type of customers they target.

2. Sometimes innovation can be so exciting that it becomes a "must have" but doesn't really make business sense. IT architects and business leaders must make sure they understand why they want to integrate a new innovation into their business before making any decisions.

3. Businesses need to be sustainable and while innovation is necessary it doesn't have to be always be a 'wow' factor—there are many businesses that are extremely profitable without this. Rather in order to remain profitable, a business must be highly efficient and be able to re-evolve—that is, to innovate—well continuously. ●

