

ACHIEVING YOUR AMBITION

Interview with
Chris Ard
Managing Director
TouchNetix

Commissioned by

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Financial Direction for your Business

Ironically, as an independent company grows and becomes more successful, so the day-today demands on the owner-manager increase and the emphasis on the 'here and now' can become the focus of the entire business.

It might be that the business has never been more successful financially, but the reality is likely to be that it has never been as vulnerable because it has never been so inward looking, less innovative, and more likely to be victim to a disrupter (the role which it probably played at the outset!).

But are there other reasons why those which have the potential to go further plateau instead and don't actually achieve what should have been possible?

In an independent report commissioned by Avonglen and to be published by DECISION magazine, business owners share their experiences and ambitions.

This is one of the papers to be published in the report.

AFTER BEING IN the Philips management stream, Chris Ard left these shores to work in the USA for nine years, where he was involved in materials science and growing crystals. He noticed a difference. “People tend to be more ambitious there, prepared to get on,” he explains, “whether they are entrepreneurs or employees; even in Pennsylvania where everything is nailed to the ground compared to Silicon Valley.”

Ironic then that the American style of management should have resulted in him and three colleagues quitting their jobs and starting their own business.

The TouchNetix story really starts in 1991 when President Clinton was in the White House and Ard joined II-VI Inc, an \$8million company. Eight years later, turnover had rocketed to \$200million. “The guys were totally driven; it was their entire lives. They ate problems for breakfast and embraced new technologies without a second thought,” recalls Ard of the owners. “In my last few years there I established a new business for them in the area of the optical telecoms components which make fibre optics work.”

He came back to the UK for family reasons, and briefly joined GEC-Marconi who had taken over the Philips operations Ard had been a part of before he went stateside. “I realised the dotcom boom was imminent and



Chris Ard



I wanted to get involved in something more exciting,” he recalls, “so I began to look for something more appropriate to my skills and interests.”

It dawned on him that a corporate environment probably wouldn't enable him to tick that particular box, so he joined the emerging Bookham Technology as a product line manager (“essentially a step back for me at the time”). But when the dotcom bubble burst, and the company acquired Nortel Telecom and Marconi's telecom business, Ard realised that it was going to shift operations to the USA (with his role crossing the pond as well), “to be where the funding was coming from basically.”

Because he saw it coming, Ard decided to retrain rather than relocate - as a plumber. “It was the time that Pimlico Plumbers were beginning to make an impression,” he says by way of explanation.

But on a local industrial estate he spotted a company involved in capacitive sensing, the chip which enables touch screens to take the place of mechanical buttons. “I joined just at the right time,” he says, “just after the launch of the iPod. For the company, Quantum Research Group, it meant that Apple was in effect doing all the marketing for the concept.”

Very successfully. The owners went on to sell to the Atmel Corporation for £135million. “It was lesson in how to recognise a market opportunity and grow a business fast,” Ard recalls. “We were market leaders in the world, but the new American owners kept trying to tell us to do things differently. Four of us decided to leave and start on our own. The company had been ignoring smaller projects so we knew we could get that business.

“We had this simple theory that if we could make the customer happy, they would come back for another project provided we were still competitive.



We resigned in the April of 2010 and left in September. The company didn't say a word to anyone until the day we departed. Our last act had been to replace ourselves, even though the people we took on didn't know we were going.

“It was a nightmare getting funding for our new business though. We must have seen twenty VCs, and while they said it was the best story they had heard, and that we had been successful as employees, it was still a start-up and they could just see risk. One actually said they would provide the investment in return for 90% of the business.”

Fortunately Ard met up with a British company keen to be involved in touch screen technology, and prepared to take a minority 30% stake in return for a £1million loan (since repaid). “It meant were able to do all the good things needed to establish a new business without our decisions constantly being monitored and pressured by hungry VCs,” he says.

Six years later, in 2016, Atmel were taken over by Microchip Corporation, and two founders of a Scandinavian business which had been previously acquired left to make their own way. After some discussions, they joined forces with TouchNetix - and TouchNetix joined them. There are two companies, one in the UK, one in Norway, with almost identical shareholdings, and which hold joint board meetings.

The arrangement enabled TouchNetix to fast-track development of their own touchscreen products rather than only 'enabling' other manufacturers. "Without the additional expertise coming on board, it would have taken us an additional five years to get there," says Ard. "We now have the opportunity to grow sales to more than £100million. We're virtual manufacturers - we design and then provide the touchscreen for the OEM customer which is then integrated with their product."

Not that acceptance of the emerging technology was a given. Eight years ago, the major car manufacturers were telling TouchNetix that capacitive touch screens (which use the touch of a human finger) in vehicles would





be mainstream. “I remember having the same response from Nokia when they were market leaders,” says Ard ruefully. “In the future, people will look at any screen and automatically think they can touch it.” But even in the fast-paced digital age, it can take eighteen months before a touchscreen is integrated into a product, and for a car, the timeline means it can be three years plus before revenues flow.”

Meanwhile, multinationals are still calling upon TouchNetix’s ‘enabling’ expertise. “We were asked to develop a chip for a Korean company,” cites Ard, “but their motivation was to see if it could be achieved at a cheaper price. We don’t take that as our starting point. We look to see how we can make something better than is available.”

After payroll, the company’s biggest expense is patent filing and maintenance. Product development is extraordinary expensive. ‘It can

require millions to develop a new chip,' says Ard, "and for sectors such as automotive, they have to be tested to the equivalent of destruction. The design tools we need to use can cost £10,000 a week per seat."

Which is why TouchNetix prefer to take on people with the knowledge to hit the ground running, which means the recruitment process can take months. It's not the only reason why, for example, the company doesn't have an apprenticeship scheme. "It would be a lonely existence for a young person if nobody is of their age group at work," suggests Ard. "That is the same problem with graduates straight out of university." Today, TouchNetix have a dozen or so people in the UK, a team of four in Korea with another four in Germany, plus eight in Norway.

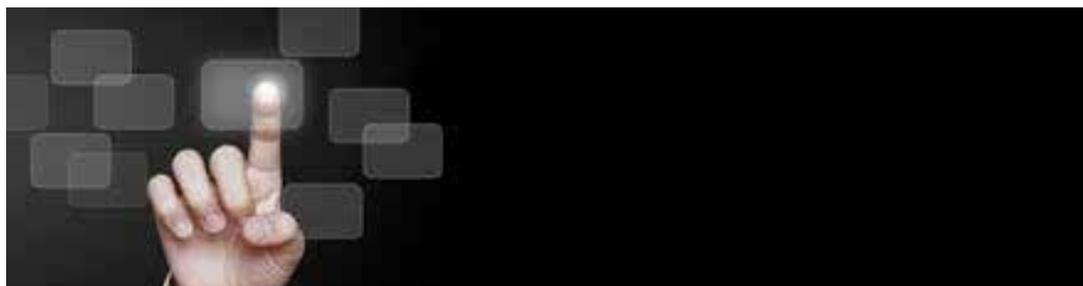
"We need to be able to hire people who can take responsibility because a business can't achieve its potential if it continues to be dependent on the founders," says Ard. "Everyone here has a level of ownership in the



shares of the company or will have. Otherwise it's tough to keep hold of talented people. Unless they are involved to that degree they can be off just for extra money in the short-term, but we aren't looking to pay dividends; the money we make is there to continue to grow the business, so the value doesn't become apparent until there's an 'event'.

"We haven't grown as fast as we could have because we always wanted to have money in the bank. We will probably look for more investment in the future, and because we're not a start-up any more, we've got suitors getting in touch with us." Not that TouchNetix are restricted to the usual sources of finance. "There are a lot of high-worth potential investors in Norway," says Ard.

"We could become a fully-fledged semi-conductor company, or be acquired because of our technology and key people, or we could go public, an option which I think is most difficult because it's constant stress. My only regret is not having done all this sooner. And 'do it bigger, do it quicker' is probably the mantra which we should have adopted. But if I could turn the clock back, I'd probably not have done it any differently; I'm aware of the fact that I do exercise a degree of caution."





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