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Survival stories

Two local companies that put tech bust behind them

By Roger Fillion, Rocky Mountain News
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It's been bruising for high-tech companies in Colorado and across the nation since the Internet bubble blew apart five years ago.

Many local businesses were forced to close: e-mail marketer Epidemic Marketing; broadband providers Rhythms NetConnections and Jato Communications; and online marketer MatchLogic, to name a few.



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John Raeder, center, head of IQNavigator, holds a bat as he sits in his Denver Tech Center office with members of his executive team, from left, David Tulis, John Martin, Kieran Brady and David Walters. "We're finally having fun," Raeder said about the company, which survived the aftermath of the Sept. 11, 2001, attacks and is thriving.

Others struggled and issued pink slips. But they managed to survive . . . and sometimes even thrive.

IQNavigator Inc. and Vericept Corp., two local business software makers, are among those that have hit their stride. It helps that their products can give companies a noticeable bang for their buck - in cutting costs or sniffing out employees' wrongdoings.

But other factors are key, too. Talented staffers. Persistence. Committed investors. A fresh start.

Here are two case studies in the art of survival.

Customer wins helped

From his Denver Tech Center office, John Raeder is mulling something few local software CEOs have done lately - selling shares in his company to the public.

The head of Denver-based IQNavigator Inc. is meeting with investment bankers about an initial public offering.

Any IPO would come in 2006.

"We're finally having fun," said the upbeat Raeder, 41.

The company's Web-based software automates the purchase and management of business services, such as contract labor, technology outsourcing, legal services and printing services.

It wasn't always so rosy for IQNavigator, founded in 1999 during the heyday of the Internet boom.

A pivotal day was Sept. 10, 2001.

Raeder and other IQNavigator executives were in New York to meet with a key investor, Baker Capital Corp., to try to secure funding.

"We were facing certain death if the meeting did not go well," Raeder said.

The executives were "hammered" with questions. Still, the meeting was an apparent success.

But less than 24 hours later, on Sept. 11, the IQNavigator team sat down to a breakfast meeting in downtown Manhattan. During the meal, they heard the first plane smash into the nearby World Trade Center. An uproar ensued among pedestrians on the street outside. Stunned, the executives retreated to their hotel rooms and watched the inferno through the window.

IQNavigator's future suddenly was uncertain: Baker Capital could change its mind amid the turmoil of Sept. 11 and say no to any financing.

The investment firm already had nixed two companies from its list for funding because of the attacks, leaving IQNavigator's fate up in the air.

"It was a 50-50 chance of whether they were going to fund us or not," said Raeder, who fretted over his own company "imploding" because of events.

IQNavigator already was struggling because of the bursting of the Internet bubble - a period Raeder refers to as the "nuclear winter."

Good fortune, however, was with the company. Raeder and his team ultimately convinced Baker Capital that the software maker had significant traction, pointing to recent big "customer wins" - including Nike, Sony, Northrop Grumman and Shell Oil - as well as the commitment of other investors to the company.

IQNavigator survived, ultimately landing \$20 million in venture financing from the New York meeting. Last fall, the company raised another \$8.7 million.

Now, IQNavigator is thriving. Although the private company doesn't disclose details, it says revenue tripled last year.

What paid off?

Raeder ticked off several factors: keeping customers happy, ensuring that the company had adequate capital to pay employees, hiring top-notch staffers . . . and putting in long hours.

"We had to close as many new customers as humanly possible," he said. "So we traveled four to five days a week and worked 18-hour days."

A turning point came in the fall of 2001, when the sales team signed long-term deals with Northrop and Shell - deals that helped land that \$20 million in venture funding. Other customers include CH2M Hill, Level 3 Communications and Xcel Energy.

What was the most important lesson for Raeder?

"The most important lesson comes down to people," he said. "Great people create great ideas, deliver major (customer) wins, execute for our customers every day, and develop breakthrough technologies."

IQNavigator Inc. at a glance

- Headquarters: Denver
- Founded: 1999
- Product: Software that automates the purchase and management of business services
- Employees: 115; about 165 targeted by year's end
- Biggest challenge: Potential loss of key funding after Sept. 11, 2001, attacks
- Survival guide: Happy customers, adequate capital, top-notch employees, long work hours to win customers