

DAVID POPOWICH
CALLS HIMSELF AN
ENTREPRENEURIAL CA

BY PAUL KNOWLES

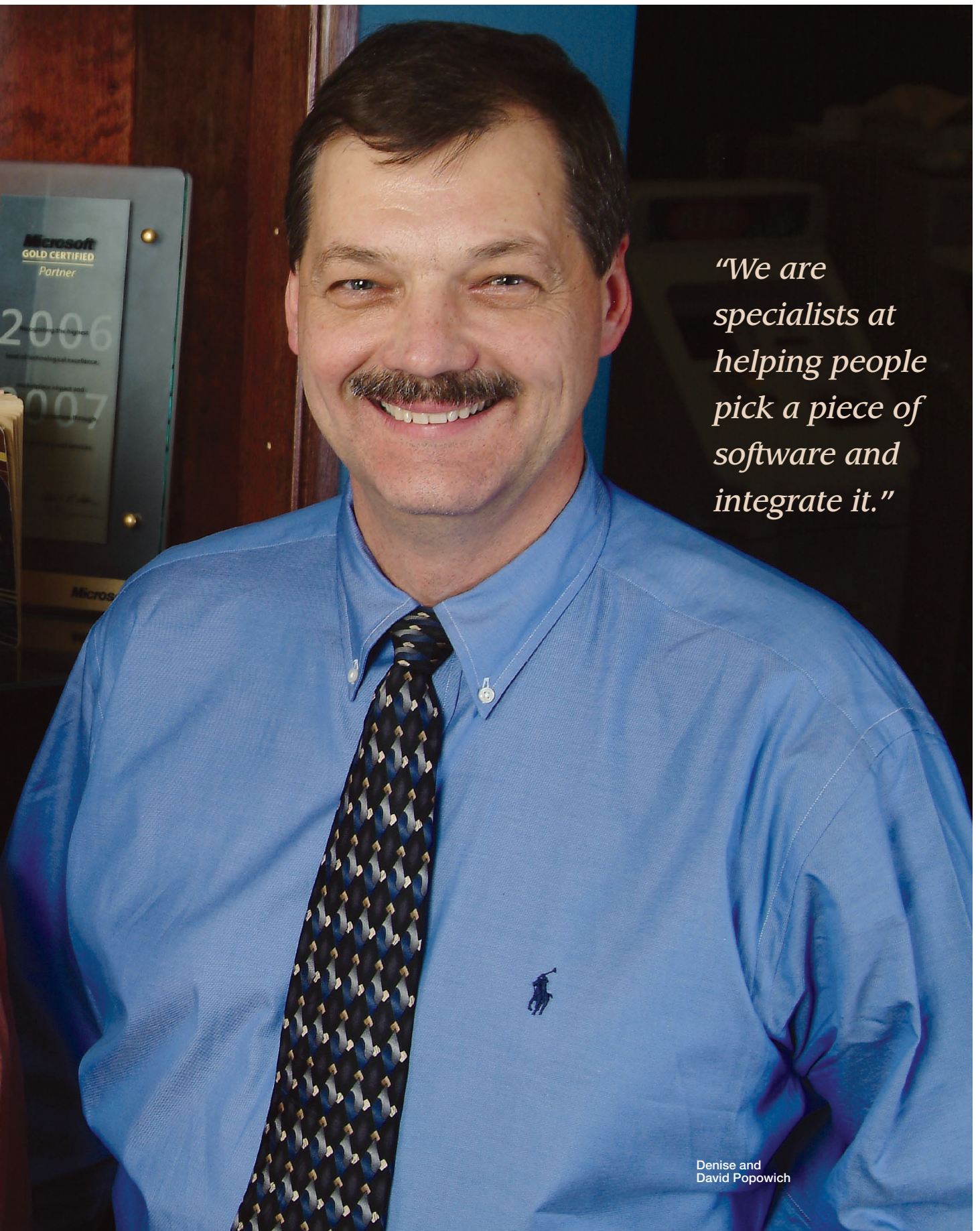
A tattered paperback sits in a position of honour among awards and important mementos in the Second Foundation offices in Kitchener. The book is Isaac Asimov's science fiction novel, "Second Foundation." It's one of the reasons company founder and owner David Popowich picked that name for his one-man business.

"One-man", that is, in 1994, when he launched the new company. Today, Second Foundation has a staff of 40 in two offices – one in Kitchener and one in Durham, North Carolina. And the business is poised for major expansion in 2007; Popowich expects there to be a Second Foundation office in western Canada by the end of the year, and that the U.S. operation will have grown by half a dozen employees by that time.

Well founded and poised for growth



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"We are specialists at helping people pick a piece of software and integrate it."

Denise and David Popowich



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COVER STORY

Popowich is a Chartered Accountant, a Kitchener native and graduate of Wilfrid Laurier University. He spent 12 years with Pricewaterhouse, but he found that his entrepreneurial instincts could not be sufficiently developed in that environment. "Some people are made to be auditors, and some to be consultants," he says. "I was not an auditor... I left a CA firm because being an entrepreneurial CA doesn't fit within a CA firm."

So he made the leap in the mid-90s, founding the company he describes today as "a software integration business." Today, he is listed also as "owner", although he also has a silent partner.

"Building and re-engineering"

One of Popowich's first business decisions was not to name the company after himself – although Second Foundation's current, highly successful marketing program, "Dave Knows", is very much focused on him. But in its genesis, he says, "I did not want the business associated just with me... at some point in time it can be without me, and move on."

He knew he wanted a name that carried "the connotation of building blocks... and re-engineering," because "typically, people [already] have accounting systems, and they are coming to us for something new."

So he started listing words that implied building – like "foundation" – and words that implied starting again – such as "second." He liked that combination. Coincidentally, he was reading a lot of science fiction at the time, and the name of the Asimov book clinched the decision. "I thought it was kind of neat... and it stuck."

His vision of building and re-engineering has not changed – but the applications have expanded significantly. One of Second Foundation's promotional pieces lists ERP (Enterprise Resource Planning) and Accounting Systems covering 22 areas under five categories: Financial Management, Supply Chain, Manufacturing, Executive Reporting and Personnel.

Popowich says, "we are specialists at helping people pick a piece of software and integrate it" into their existing operations.

Those "pieces of software" are supplied by the vendors Second Foundation represents including Microsoft, Epicor, and Sage. Popowich believes that the wide variety of software choices

available through his company are the answer to what he calls "shoe-horning" – trying to force-fit an inappropriate solution. "That's why we carry more than one," he says. "Today, we have six

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piece of software,
they need a
systems change."*

different mid-market product lines. They give us a pretty wide spectrum."

Variety of challenges

They also represent an array of vendors because of the variety of assignments now facing the Second Foundation team. Popowich says that the initial focus of the company, in 1994, was accounting, but today, the biggest part of the business involves "distribution" – warehousing and shipping. There is also one three-person team at Second Foundation dealing exclusively with HR payroll systems; and another group focused on manufacturing.

Popowich sums it up: "Any industry that needs accounting, we can help; any industry that has inventory."

The variety of challenges is a key to the enthusiasm of Popowich and his team. He admits that he is frequently headhunted by his own clients, if they are seeking a CFO. "But that's not what I want," he says. "I like different situations. I like to see how I can help people. I like the travel. I'd get bored" in a typical corporate position.

And, he adds, "it's the same with most of our staff... they enjoy the variety."

Second Foundation has a client list that totals about 300. The company founder says those clients typically fall into one of three categories. About a quarter come to Popowich "because they've had a system anywhere from three to 10 years, and they feel it's time to update their hardware, so they want to find out if there's something better on the software side."

He adds, "half of the companies that



PHOTOGRAPHY: EXCHANGE MAGAZINE

Second Foundation management team (l-r): David Perlock, VP Client Services, Steve Aho, VP Sales, Stephen McInnes, Marketing Manager, Denise Popowich, HR and Billing and Dave Popowich.

come to us have realized that something is not perfect in their day to day operations." For example, they may have "way too many spreadsheets", making for significant inefficiencies. The Second Foundation team, he says, focus on solutions, not software sales. "Sometimes it's very simple... they don't need a new piece of software, they need a systems change." Often, though, new software "suited to what they need" is the answer.

The remaining 25% of clients are companies that are "growing and need something bigger." They may have a

new plant, or find themselves in an expanding international market involving "new currencies," or they may need a new payroll or time collection system.

"It is," says Popowich, "a real broad spectrum."

Growth curve

And speaking of growth, Second Foundation has seen its share, internally. When he started as a one-person business in 1994, Popowich says he was aware of two points of "critical mass" – and both related to him being able to take time off work.

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The Second Foundation marketing plan relies on testimonials from happy clients.

"I knew I needed to have six to eight people, so I could at least get a day off once in a while," he smiles. Within the first year, he had six employees, and was able to take an occasional day off... but he always had his cell phone with him, he adds.

"The next hurdle was around 14 people, so I could take a week off at a time," he says. "But I still kept my phone with me."

Today, there are 40 employees, and plans to add more with the intended expansions. Does this mean Popowich leaves his phone at the office? He grins. "No."

Growth has not been a constant, however. "Our market is unusual," he says. "It does not follow the normal cycles of the economy." If the economy

is booming, companies have money available for new software, and that's good news for Second Foundation. But if the economy is bad, companies focus on finding efficiencies, and that is also good news for Popowich's team.

"The only time the economy can hurt us is if it goes flat." Which it did, from 2000-2002, in the wake of the mostly-unrealized Y2K fears. In 1999, Second Foundation employees totalled in the high 30s; after 2000, the number dropped to 25. Today, though, the team is larger than ever. That team includes Chartered Accountants, Certified Professional Accountants, business consultants, project managers, developers, and technicians. Popowich says they recruit from the local universities –

both University of Waterloo and Wilfrid Laurier are listed under "partnerships" on the Second Foundation website. And he adds that the academic area of study may be less important than the fact that a person has a degree, which proves they can think and learn. He notes that his employees do not all come from traditional accounting backgrounds – there are staff members with degrees in mathematics and geography, for example.

One team member with a unique relationship with the president is Denise, Dave's wife, who works in the HR and billing department. "It's nice," says the founder. "She appreciates what I do." The Popowiches have two 20-something sons, both of whom have

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clearly inherited entrepreneurial genes; the eldest has launched a construction company, the youngest, a Conestoga College grad, is planning to return to earn the new International Business degree to be offered at Conestoga in a year's time.

Dave knows marketing

Second Foundation's marketing campaigns currently feature testimonials from satisfied clients; the ads are built around the theme, "Dave Knows," as in "Dave Knows Integration," or "Dave Knows Small Business." Popowich says this has been their marketing approach for the past two years, and "it has worked out very well for us."

He has targeted his media carefully, too, noting that he advertises almost exclusively through Exchange Magazine for Business and through the Greater KW Chamber of Commerce.

Popowich says he chose to use testimonials – recent campaigns have highlighted Brick Brewery, Elmira Truck Service, MHBC Planning, Buon Vino, and Mennonite Savings & Credit Union, among others – because Second Foundation was better known in places

like California and western Canada than it was locally. "We found that even

"Even though from Day One we've been based in the K-W area, our company is better known throughout the U.S. and other parts of Canada."

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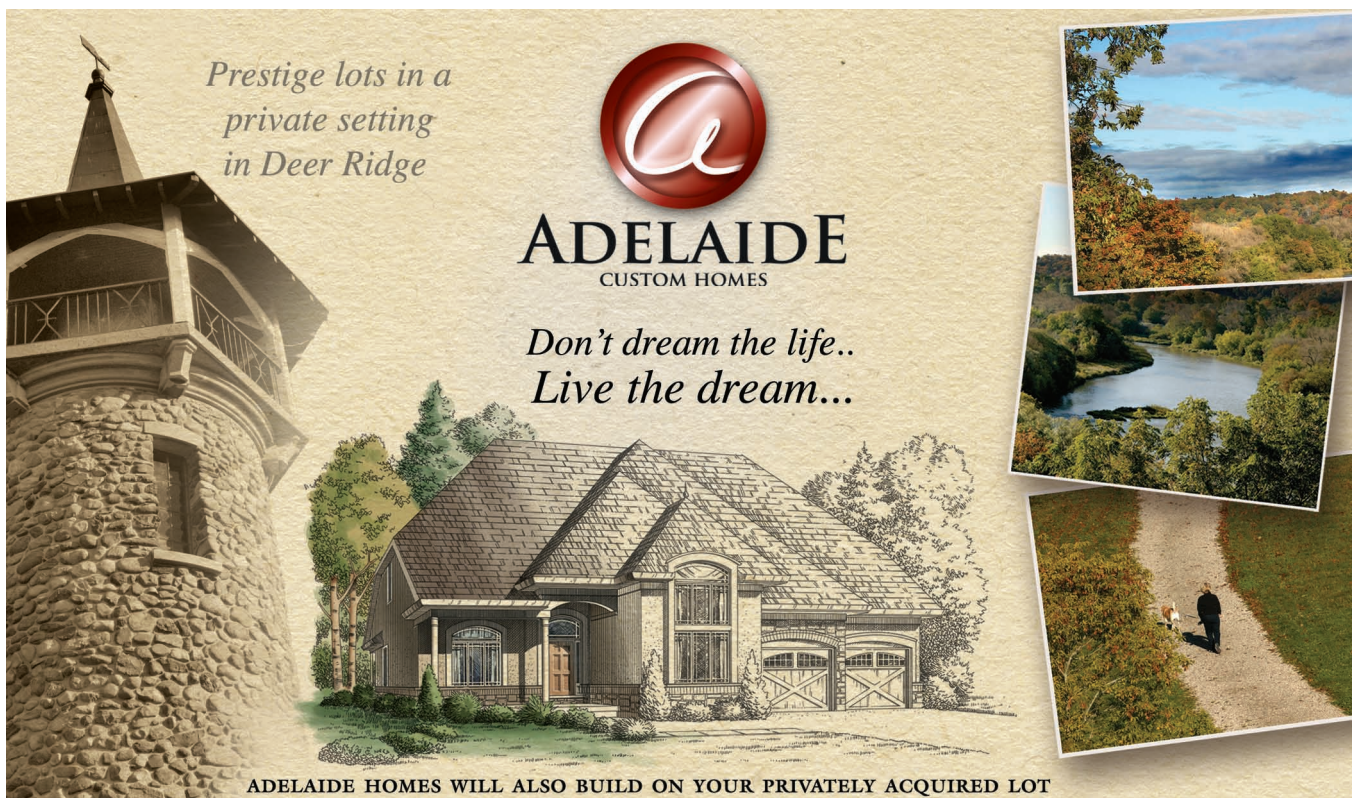
He reasoned that readers would identify with his local clients, and the

approach has worked. "We're getting a lot more activity in terms of people calling in" from the immediate area. And there has been an unexpected side affect – many other clients would like to be featured in Second Foundation advertising campaigns.


The local marketing campaigns underline one of several, diverse growth strategies at Second Foundation, which range from local to international. The majority of business is with companies that are located within an hour and a half drive from the Kitchen-er office. He believes his home town is perfectly suited for his business. "KW is so central to all of Ontario."

Popowich wants to strengthen the local client base, while seriously considering expansion in the U.S. – there are already seven staff members with immigration visas which allow them to work in south of the border – and in both western and eastern Canada.

No final decisions have been made, but Popowich is leaning toward opening a western Canada office while growing his U.S. business in cooperation with American partners. His



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COVER STORY

expansion plans are fueled by demand from the companies that supply Second Foundation's software products. Two suppliers "have asked us to have a western presence," he says. "They recognize that we're different from some other vendors."

Eastern Canada – especially Québec — is also a potential market. Second Foundation is currently identifying and recruiting bilingual staff members.

However, none of the expansion plans are carved in stone. Popowich is pleased with the current success of Second Foundation, and he stresses, "when things are going okay, be careful you don't break it." He doesn't believe in adhering to a "hard time line... I haven't got any official targets," he says.

But then he adds, "We'll probably have an office in western Canada by this time next year, and we may add half a dozen staff in the U.S. I'd rather in the U.S. go the partnering route, while in Canada, maintain the control."

"Pivotal stage"

Expansion does not come without its challenges. Popowich recognizes that "we're at one of those pivotal stages

where you can get big, quick, if you want to... Some of our suppliers are pushing us a little extra."

He describes a change in methodology that has been a factor in all of this: "We have gone from being a passive marketing organization to being more active," including the development of a five-person telemarketing staff at the Kitchener office. Popowich is quick to deflect the baggage of that term: "Our is more of an informative telemarketing," and he points to the success of the venture. "We're selling way more than we did before."

Second Foundation clients range significantly in size, but Popowich says there are flexible lower and upper limits. The smallest company to which "our services actually give somebody a benefit would be about 40 people and at least close to \$10 million in sales." At the upper range, "I don't think we would want to target anybody over a thousand employees."

Second Foundation clients include Air Jazz, which has been with Popowich from the beginning; Nikon, based in Mississauga; Semex, head-


quartered in Guelph but with offices world-wide; and the head office of M&M Meat Shops.

"Time to put up a sign"

Second Foundation is located at a somewhat confusing address – officially, 5 Hill Street, Kitchener, it is most easily identified as occupying the top floor of the Hogg Fuel & Supply building at Lancaster and Hill Streets. There is no "Second Foundation" signage to be seen.

Popowich laughs, and explains that the company was originally housed in a building in Waterloo, owned by Research in Motion. "RIM is very good at making the products they do... but not as a landlord," he says. Popowich had the impression that RIM would be happier without tenants, so three years ago, Second Foundation moved to office space owned by one of their clients – Hogg Fuel.

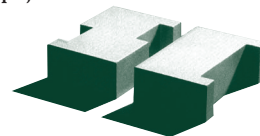
Popowich thought that might be a temporary solution, but he says "we can see that as we expand, we're good for at least another three years" in that location.

He smiles: "So it's time to put up sign." 



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