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Tech firms put growth on hold to cope with today

New Mexico Business Weekly - by [Kevin Robinson-Avila](#) NMBW Staff

Lem Hunter, president and CEO of Vibrant Corp., said growth is not a goal for his business in the current economy.

Instead, Albuquerque-based Vibrant — which does non-destructive testing of parts for aerospace companies — is focusing on existing customers to pull it through the recession.

“In this economy, you have to protect what you have rather than look for brand new business,” Hunter said. “We’ve pared down to concentrate specifically on folks that we already work with.”

James Caruso, vice president of sales and marketing for digital sign maker TRED Displays Corp., said his company is saving cash through lean operations that emphasize outsourcing.

“We look for external partnerships wherever possible,” Caruso said. “In today’s economy, you don’t need to build everything in-house. With electronics, you can and should outsource as much as you can.”

Such strategies reflect textbook advice that venture capitalists are now showering on portfolio companies to survive the recession, said Trevor Loy, managing partner of Flywheel Ventures, which invested in TRED.

“Business managers need to carefully revise their plans and projections and adjust accordingly,” Loy said. “This is an extremely difficult time and it’s likely to last much longer than other recessions.”

Still, Flywheel is cautioning its client firms to not panic or overcorrect their business plans. Rather, companies need to realistically assess their operations and markets and respond appropriately.

Companies should also work to strengthen balance sheets, paying down debt whenever possible, Loy said. A savvy manager can turn a strong balance sheet into a competitive advantage, such as providing financing to customers or suppliers.

David Durgin, general partner with the Verge Fund in Albuquerque, said he advises technology startups to re-size their operations to current business levels rather than try to finance growth.

“They need to assess their markets and sales expectations going forward and then adjust operations,” Durgin said. “A new technology startup with little revenue is not going to get credit now, so size the business to survive on the level of cash flow that can be generated. Frequently, that means downsizing.”

Technology firms might also consider reorienting their business models toward government and defense contracts, Durgin said.

“Government and defense budgets are actually increasing in critical areas like energy development,” Durgin said. “Many firms may be able to tap federal funding in those areas.”

Tech tidbits

Four tips to help tech firms through therecession from Flywheel Ventures Managing Partner Trevor Loy:

- Maintain close communication with existing customers and markets. “Managers need to understand customers’ financial operations better than ever, because the ones who help customers be more financially successful are the companies that will most likely succeed in this environment.”
- Sell products and technology that meet critical needs: “Sell medicines, not vitamins. If you just make somebody’s life better, you’ll be in trouble. The best products are the ones that save customers money, because people are not thinking about how to grow their business right now, but how to stay in business.”
- Be “brutally honest” with your management team and employees: “People are worried and nervous, so businesspeople should be straightforward. Communicating honestly about where the business is at will likely boost morale and confidence because employees often imagine or fear that things are worse than they are.”
- Focus on cash flow, not profits and losses: “Income statements provide useful financial metrics in a robust economy, but in a downturn, a profitable firm can still fail if it suddenly loses cash flow. We recommend that companies monitor cash-flow statements at least every week.”

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Lem Hunter’s technology company, Vibrant Corp., is forgoing growth to focus on existing customers.

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