

# ‘Truly brutal’ – That’s how veteran finance exec sees 2009 for tech firms, entrepreneurs

*Editor’s note: This is the eighth in Local Tech Wire’s series of interviews with leading tech executives in the Carolinas and Georgia about what to expect in 2009 as another “nuclear winter” settles in.*

**CHARLOTTE, N.C.** – Veteran financial executive Dave Gilroy, who recently helped negotiate the \$24 million sale of marketing firm Quaero in the Queen City, warns entrepreneurs and tech executives that 2009 is going to be bad.

Very bad.

“I don’t think any of us imagined a second nuclear winter in the same decade,” Gilroy told WRAL Local Tech Wire. “I spend a good part of every single day talking with VCs around the country and conditions are truly brutal.”

Gilroy is managing director Scale Finance, a growing provider of financial and other services to emerging companies. His Q&A with LTW:

**A “nuclear winter” appears to have descended upon us as a New Year begins. But in the last such ‘winter’ the Internet and Web 2.0 emerged as entrepreneurs seized upon tough times to deliver innovation and to grow their businesses or start new ones, not just survive. What is your advice to fellow and would-be entrepreneurs entering the New Year – Conserve, cut or invest? None of these? Please explain.**

False choice as each company’s situation is unique. 2009 is obviously all about either (1) incontrovertibly saving customers serious money, or (2) demonstrably helping your customers to sign new accounts and deliver new revenue. If your business does not directly, inextricably drive P&L results for your customers, then 2009 will not be your year. Therefore, invest and be aggressive to the extent your value proposition resonates in this way – the market is receptive. On the other hand, to the extent your value proposition is less ROI intensive or you have much work to do in developing products and services, engaging customers for the first time, proving out value, etc, then you have to be careful and think about 2009 far more conservatively – survival mode for sure.

**Who will be not just the survivors but the winners still standing when the recession ends sometime in 2009?**

Self-financed companies that have obsessively focused on unmet market needs and leveraged this brutal year to hone operational efficiency and capture share from fallen competitors.

**What is your biggest fear/concern entering the New Year?**

The tragedy of the year will undoubtedly be the many, many young companies with spectacular ideas, terrific technology-based assets that reflect multiple years of hard work and often millions of invested dollars, but, for any of several reasons, have not yet matured their P&L. Running out of cash in 2009 will mean awful, truly unfair and unfortunate endings for great people whose hard work deserves much better.

**Conversely, what are you most optimistic about?**

There will be investments in late stage companies at extraordinarily low valuations that result in truly superior returns years from now.

In what areas do you see opportunities for growth in 2009 – Means to help companies become more efficient? Enabling technology to help people do more with mobile devices? Investments in clean technology? Further evolution of the Web? Tell us what you think.

Clearly late stage healthcare services, business services, medical devices, and clean energy are the most robust segments. Across the board though, there will be companies that simply have fantastic growth momentum having hit a chord in the market and extraordinary financial performance always, under ALL market conditions, speaks for itself and will command attention from investors.

**If the IPO markets remained closed, how can life science, medical device and other capital-intensive startups best generate cash to keep investors onboard and the company doors open while pursuing R&D?**

Will be dreadfully tough because strategic partnerships inevitably have very long lead times.

**What do you believe will be executives' biggest challenges this year – Financing? Growing sales? Balancing the cutting of costs with need for R&D as well as consumer support?**

All of the above, but focus has to be sales, sales, sales. Without top-line strength, the other efforts can become fools' errands.

**Will venture financing tighten, especially for startups, as recent surveys have indicated? If so, how do you (or) your clients (or) your portfolio companies adapt?**

Companies absolutely have to assume that no institutional financing is available for early stage companies. Lightning will strike here and there, but planning for success in raising institutional capital, as an early stage company, is imprudent.

**Do you believe off-shoring of jobs will increase this year? Please explain.**

Major trends along these lines will continue as companies aggressively, relentlessly pursue lower

cost

**What advice would you offer to job seekers in such a tough environment?**

A year for retraining or more education if affordable. Definitely migrate to robust segments – healthcare services, scalable business services, medical devices, clean energy.