



Startups that thrived in 2009 were lean, mean

By Jonathan Brinckman, The Oregonian

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2009 was Darwinism on steroids for Portland startups.

Fit companies -- those that could draw income despite the downturn, trim costs and attract investors -- thrived. Others floundered.

"You had to be strong and adaptable to survive," said Eric Rosenfeld, a managing partner of the Oregon Angel Fund, which invested \$2.7 million into homegrown startups this year, nearly 23 percent more than last year.

"If you had an experienced team and knew your technology well, it was a fine year," he said. "If you were a first-time entrepreneur just learning your market, you had trouble." Rosenfeld is also a managing partner of Capybara Ventures, a Portland venture capital firm that specializes in tech companies

Many newbies couldn't raise enough money or generate enough revenue in 2009, amid the worst recession in generations, the state's double-digit unemployment, skittish investors, and reduced spending by consumers and businesses alike.

"It was a very humbling year," said Josh Friedman, co-founder of NedSpace, which provides shared office spaces for Portland startups. "But making it through a hard time like this sets you up for success in the future."

NedSpace opened in February and is now home to 50 startups in two locations, in Southwest Portland and Old Town.

"It was hard to raise money, it was hard to sell products, and companies were very careful with their marketing dollars," Friedman said. "What 2009 made startups do is become creative and focused."

The high unemployment rate made it possible to find talent, and investors began returning as the stock markets started to climb. And with competition winnowed, 2010 could be great for survivors.



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Jasmine and Mike Fullman talk shop with Summer Widmer (left), their VP vice president of sales and marketing. The couple's Lake Oswego company, **Naturally Knotty**, sells apparel and accessories made from scrap and sustainable materials.



JAMIE FRANCIS/THE OREGONIAN

Eric Winquist's Southwest Portland company, **Jama Software**, has created software that helps large teams comprising dozens, even hundreds, of people to work together on complex and detail-laden projects.

"Startups that made it through 2009 are coming out stronger than they went in," said Gerry Langeler, a partner with OVP Venture Partners, which has offices in Portland and Seattle. Survivors learned lessons in efficiency that will pay off when the economy turns, he said.

Indeed, companies formed during economic downturns often develop business cultures that enable long-term success. The roster includes such corporate icons as FedEx Corp., started during the oil crisis of 1973; Hyatt Corp., launched in the recession of 1957; and Hewlett-Packard Development Co., which began at the end of the Depression.

"Companies that survived 2009 are coming out lean and mean," Langeler said.

Steve Morris, executive director of a Washington County incubator for high-tech startups called OTBC, said many companies worked much harder for funding in 2009 than they'd expected.

"Investors got more conservative and more selective," he said. "I saw a lot of startups just hunkering down and keeping their expenses low so they can

survive on revenue until markets improve."

The smart use of technology also helped keep a lid on costs. Naturally Knotty, a home-based Lake Oswego company that designs and imports apparel made from reclaimed and sustainable materials, relied on free Internet calling to keep in touch with factory managers in China.

"Skype is always on," said Mike Fullman, a former high-tech executive who now works for the company founded in 2007 by his wife, Jasmine.

Key to earning money in 2009 was offering products that helped companies become more efficient.

"The companies that are doing well are helping their customers make money or save money," Rosenfeld said. "Companies that don't have a really strong value proposition are having a hard time."

Eric Winqvist, founder of Jama Software, attributes much of his company's success this year to the fact that its software helps companies design products that exactly meet specifications.

"The margin of error is much slimmer in times of recession," Winqvist said. "Companies have to get it right the first time."

Friedman said ActiveTrak, a NedSpace tenant with four employees, is the kind of startup that picked up steam in 2009. The company, which does business as GadgetTrak, makes software for cell phones and other portable devices that finds them should they be lost or stolen.

"He epitomizes 2009," Friedman said of ActiveTrak founder Ken Westin. "With little investment and sales that are not extraordinary he's continuing to move the ball forward."

For Westin, survival comes down to tenacity. "I'm very stubborn, I don't give up," he said. His company, which has received \$60,000 from friends, should gross \$150,000 this year compared with \$80,000 in 2008, he said.

"When building a business through a recession it's all about guerrilla rules and combat," he said. "A lot of people get money and spend it too quickly. I look for anything that is free."

Westin said he is building relationships with large companies which he hopes will install his software in their products, and is now seeking to raise \$500,000.

"We view 2010 as being our tipping point year, the year when things really accelerate," Westin said.

-- Jonathan Brinckman



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Software engineer Greg Truax shows how streaming video products are tested at Portland's **Elemental Technologies**. The camera picks up CEO Sam Blackman (right) and Chief Technology Officer Jesse Rosenzweig.

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