

# The Dallas Morning News

## Start-ups have everything they need, except money

**Tough market demands that entrepreneurs take conservative approach**

By SUDEEP REDDY  
Staff Writer

Rick Sabolik has written the business plan and created the product for his start-up technology firm. All he needs is funding — and that's been the hardest part.

"We've got a product, and the product actually works," Mr. Sabolik said. "But as they say, timing

is everything."

The harsh market conditions are a bigger-than-expected roadblock to entrepreneurs such as Mr. Sabolik, a former KPMG consultant.

Despite a flood of new business ideas, the technology sector's woes are keeping many young companies from getting off the ground.

"We're in a chicken-and-egg situation," said Mr. Sabolik, whose company, ez-GT Inc., uses a Web-based system to connect business travelers with ground

transportation such as limousine services.

"The pendulum has swung the other way, and companies like mine have to fight being painted by the dot-com paintbrush," he said.

"Even if you have a sound business model that can make money, that fear permeates the marketplace."

Venture capital firms are spending more time on their existing companies instead of investing in start-ups. That leaves Telecom Corridor entrepreneurs

with little funding with which to grow.

"Two years ago I could have had a five-page summary of a business plan and I could have landed on \$5 million," said Tahir Hussain, a former Ericsson engineer and manager who launched his own telecom company in February.

"Now you have to look into greater detail at day-to-day operations rather than speculate."

Even without any funding, Mr. Hussain — whose company, Fusion Solutions Inc., helps firms

integrate wireless technology into their business practices — has been able to land his first client and hire three employees.

He's done so by focusing on slow, incremental growth.

"The whole business model is very conservative," Mr. Hussain said. "Tough times actually teach you good business practices — having good cost control, having a good business focus, having the right direction."

But even focus and determina-

See TOUGH Page 10R

## Tough times in what was a land of plenty

Continued from Page 1R

tion aren't enough, said Rashmi Malhotra, a former Nortel executive who is developing a start-up with a friend.

Their company would teach communication skills to information technology professionals, especially those who don't have a business background.

But budget cuts by potential clients are making it difficult to get started, Ms. Malhotra said.

"Education and the whole concept of training budgets are the first ones that are hit," she said. "They understand the need ... but it's a challenge for them, and it's a challenge for us."

Ms. Malhotra said she's trying to establish the contacts she'll need once the economy recovers.

"We are seeding the marketplace," she said.

"We are out there networking, spending a lot of time communicating to corporations. When things do start opening up, they



HANDY ELI GROTHE/Staff Photographer

"Tough times actually teach you good business practices," said Tahir Hussain, who recently launched his own company.

will be considering us."

Marco Marchetti, however, is having trouble even lining up potential clients.

He's been designing a wireless security device to be used in transporting hazardous materials.

And despite the interest in security since Sept. 11, Mr. Marchetti said he hasn't been able to reach anyone in the Office of Homeland Security to discuss his technology.

"The biggest problem at this stage ... is penetrating the barriers," said Mr. Marchetti, also a former Nortel employee. "Small individuals like myself don't have the contacts to be able to address these things."

Many entrepreneurs who dreamed of launching their own companies are abandoning their plans because the market is too tough, said Mr. Marchetti, who's looking for another job in the meantime.

"I can't throw all my eggs in one basket," he said. "The bottom line is that we can only do this for a few months on our own. At some point we've got to turn around and scramble for a job."

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