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Banking on business strategies

Gary Valdez's Focus Strategies mentors corporate clients

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Special to the Austin Business Journal

When longtime Austin banker Gary Valdez started spreading the news that he was going to set up his own business venture, one friend told him he was crazy. Another says she was shocked. But not even for a minute did they doubt that he would succeed.

Valdez began his career in 1975 with Texas Commerce Bank in Austin. In 1986, he became a founding shareholder, president and CEO of Cattlemen's State Bank. During his tenure at Cattlemen's, assets grew from \$2 million to \$110 million in nine years. After the Cattlemen's acquisition, Valdez assumed the position of president for the acquiring organization -- Norwest Bank -- until forming financial advisory services and merchant banking firm Focus Strategies LLC in November 1999.

"I was shocked. [Valdez] was the consummate banker, and I couldn't see him doing anything but banking," says Kerry Hall, president of the Austin region for Dallas-based Texas Capital Bank.

Hall, a banker herself for 20 years, says Valdez has served as something of a mentor to her during her career. "He was always one to watch," she says.

Focus Strategies works directly with owners, boards of directors, management teams and investors to develop strategic and operational plans. Focus Strategies then provides advisory services while the plans are being carried out, thereby establishing mentoring relationships with management teams.

Jack Jacobs, chairman and CEO of Austin-based Adorno Rogers Technology Inc., met Valdez in 1987. When Jacobs learned of Valdez's plans for Focus Strategies, he expressed his agreement for the need that kind of company in Austin.

"I also told him he was crazy," Jacobs says.

Jacobs questioned the wisdom of entering an environment filled with venture capital dollars flying after dot-com startups.

"My thought was that he would get lost in the shuffle, in the stampede of dollars being thrown at businesses that were just ideas. ... But he's a hard worker, thorough and grounded in what he does."

Valdez's business concept of offering private equity resources and long-term advisory relationships to later-stage, middle-market companies might have gone against the grain, but it suits him.

"Because the middle-market sector has been in the shadow of early stage companies, there's not been as much enthusiasm for them, even if they make money every year. But that's something to pay attention to -- making

money every year, that is," Valdez says.

Jay McEntire, managing partner of Austin-based merchant banking firm M2Capital Partners LLC, says it will continue to be difficult for the smaller companies in Austin to gain access to capital.

"Equity markets will come back toward the end of the year, but not to where they used to be. ... Companies need to focus on fundamentals," McEntire says. "They can't be just 'idea' companies anymore. They have to focus on growing sales."

When businesses decide to undergo change, it usually affects the corporate structure and financing. Valdez says that's where his company comes in. Focus Strategies is brought in when a company experiences a change, such as making an acquisition, divesting assets, opening branches, expanding into other markets, recapitalizing the balance sheet or selling the business.

Carrying out a plan frequently requires additional outside funding, and Focus Strategies also aids in those transactions. Focus Strategies works with a client to develop a strategy for change and might participate in that company as an investor.

"Often, the plan calls for a chief financial officer or a director of sales. We can help in that scenario by trying to get the right partners together," Valdez says.

Helped along by recent accounting scandals, strategic planning and governance -- even for private companies -- is a growing aspect of Valdez's business.

"Starting Focus Strategies has been my best decision, even though it's taken awhile to get the model going. We're focused on long-term stability, and we take a holistic view of the client company. What's good for the company is hopefully good for investors and for the management team," Valdez says.

Hall says she's heard Valdez was a "slave driver" while running Cattleman's. She adds with a laugh that such a work ethic might come in handy with Focus Strategies.

"It takes a lot of energy to start and run a business," Hall says. "He's got energy, along with plenty of support from the community."

Valdez, former chairman of the Greater Austin Chamber of Commerce, might have high expectations of staff, but he imposes the same standards upon himself. In seeking a balance, Valdez has learned his most valuable lesson.

"I thought I could get things started, do everything myself and not spend much money to do it. I learned that I could better leverage myself by bringing in good people. I could have started smoother and faster by counterbalancing with people and used my talents more effectively," Valdez says.

Valdez is committed to building his business with the right people.

"It's great to make money doing something you enjoy. The people have a lot to do with whether you enjoy it or not," he says.

Valdez plans to add one more professional to the firm in the near future.

"Our next big decision is the timing of building of our own investment fund to complement our services," says Valdez, adding that he expects to do so within the next five years.

Anthony Mariotti is a principal with Austin-based business and financial advisory firm Proactive Finance

Group LLC, which advises companies on long-range financing and business plans, transaction financing and serves in key functions within the client company on an interim basis.

"[Valdez] knows all sorts of businesses and has been involved in their respective financial issues. He brings a lot to the table on that front. He knows the criteria for funding for different institutions, and he's a hard worker," Mariotti says.

Mariotti says a big challenge faced by his company and the whole industry is that although the economy has picked up, there aren't a lot of transactions taking place.

"A lot of the work we do is geared around planning for transactions and making them happen," Mariotti says.

Valdez says activity has picked up in the past 60 days to 90 days. Some of that has resulted from work with companies undergoing restructuring. For Valdez, the linchpin of his business is a combination of his expertise and the network he has built throughout his career.

"As bankers, we are approached all the time by investment, merchant banking and private equity fund representatives," Hall says. "They kind of come and go from Houston and Dallas, just in Austin for the day."

"[Valdez's] opportunity is outstanding because he's been here so long and networked so well. ... He'll listen to any deal and direct you to the right party. He's almost your first stop, kind of a clearinghouse for those opportunities," Hall says.

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