

Chicago Tribune

MINDING YOUR BUSINESS

Need for innovative start-ups stronger in economic downturn

Innovate Illinois contest to choose winner from among 12 finalists

By Ann Meyer, Special to the Tribune

November 17, 2008

You know you have a good idea when competitors come calling, asking to buy your design or hire you as a consultant.

When a Japanese manufacturer that hired Chicago harmonica-maker Bradley Harrison as a consultant offered to buy his innovative design for \$310,000, plus 40 cents an instrument, Harrison declined.

"I noted that they needed me more than I needed them, so I decided to open up the only harmonica manufacturing company in the United States instead of giving them my secrets," he said.

Harrison's newfangled B/Radical harmonica, with replaceable reeds, is one of the new several ideas from 12 finalists competing for \$40,000 cash Tuesday in the Innovate Illinois contest, established to recognize the state's best new ideas from start-ups.

"We're looking for that 'Aha,' whether it's a product or service, that really differentiates them in the market," said Jason Felger, executive vice president of the Chicagoland Entrepreneurial Center, which is administering the contest.

Innovation is particularly important in a downturn, when competition is fierce, Felger said.

"In tough economic times, you have to be creative. You have to figure out solutions," he said.

Jack Lavin, director of the Illinois Department of Commerce and Economic Opportunity, which funded the contest, agreed: "In times like this, you'll often see an increase in innovation and entrepreneurship because of career transitions. We want to make sure we are nurturing an environment for high-growth companies."

Companies that survive are likely to grow when the economy improves, adding jobs. Last year, about 6,500 start-ups employed more than 36,000 employees, according to the state agency.

Many of the finalists' concepts grew out of personal frustration.

Darren Guccione came up with the idea for Callpod while at the closing for a business he sold in 2000.

"My two partners were trying to figure out how to get onto my phone call," recalled Guccione, president and chief executive. "I thought, it would be nice if I could pair this phone up with a couple of headsets," and a new product concept was born. Four years later, the patent for mobile conferencing came through. Callpod opened its West Loop office in 2006 and launched its first product, a multidevice charger, in mid-2007.

By the end of 2008, the company, which is funded by founders, angel investors and private equity from Bridgestreet Capital Partners, will have six products, including the Phoenix, which allows up to five people to participate in a conference call without a landline. It also makes mobile power devices and chargers and wireless headsets.

Balanced IT Solutions, a Rockford consulting firm, saw a need for software to computerize government-required airline manuals.

The company's paperless technical-publication software makes it faster and less costly for the airlines to update manuals and distribute them to workers, said Kerry Frank, director of business. The company, which opened in March, has 10 employees and is targeting revenue of \$500,000 this year and \$5 million next year, as its publications software enters the market.

But judges also know it takes more than a good idea to build a company. They look for management strength and a well-conceived plan for bringing the innovation to market.

"We look at how are you going to grow a business around this idea you've been presenting," Felger said.

When it comes to executing an idea, Guccione points to Callpod's flat-management approach, where members of all departments participate in meetings.

"We work together as a unit. Everyone collaborates in real time," he said.

By busting bureaucracy, the company can get new products to market faster. "If I come up with a new headset today, I know that in quarter one, I'll launch it," he said.

In the biomedical field, those timetables are an impossible dream.

"Besides the technology, you have the business challenge of getting enough investment to develop the technology to the point where a large company would be able to take the product and get it to hospitals," said Guillermo Ameer, president of VesselTek BioMedical.

The company has developed a vascular graft that potentially inhibits clotting and long-term scarring to extend the success of bypass surgeries

The company, which was launched in March, has a \$100,000 government grant but will need about five times that amount to prove the concept, he said.

Small grants and proceeds from competitions have helped fund SanoGene Therapeutics' efforts to commercialize a new technology to treat glioblastoma multiforme, a deadly form of brain cancer, said Dr. Caralynn Nowinski-Chenoweth, co-founder and president. The company was founded in 2006 as a class project at the University of Illinois at Chicago.

"To get to market, it might cost \$20 million or more," but Nowinski-Chenoweth hopes a pharmaceutical company will acquire SanoGene's technology in the next few years and take it to the next level.

Meanwhile, Harrison has invested \$260,000 of his own money into his harmonica company and hopes to

secure a \$500,000 Small Business Administration loan. That will allow him to purchase the die casts he needs to mass produce his harmonicas. With a six-month wait list for Harrison's instruments, "There's no way I can meet the demand" manually, he said.

He hopes to boost daily production from three handmade harmonicas to 44 by machine. Ultimately, Harrison hopes to produce 1 million of the \$150 to \$165 instruments in the next five years.

"I want to get everyone on the assembly line trained to build the best," he said.