

Tech needs networking, new firms, VC investment

Publication: Chicago Sun-Times

Date: May 13, 2002

Author: Darcy Evon

Section: FINANCIAL

Page: 60

Word Count: 681

Column: I-STREET

What's in store for the next 12 months? The answers from the tech community are varied, but generally revolve around basic themes: We need new money to start new companies, create jobs and increase revenues so that companies will in turn have more money to spend on goods and services.

Pretty basic stuff, but how do we get there?

Keeping the network together

Remember the early days of the boom when First Tuesday and BIGfrontier attracted more than 2,000 attendees at a single event? Those days are gone, but we need to make sure that mechanisms are in place to maintain lines of communication among academia, government, corporate giants and upstarts.

David Jacobson, local attorney and organizer of First Tuesday, said, "You need cooperative leadership from a group of public leaders who have a common set of goals. Now, more than ever, there is a need for networking [organizations] so that people feel they are part of a larger group."

Added Steve Lundin, founder of the popular BIGfrontier events:

"Networking events are important because they allow you to knock down some of the layers of bureaucracy and get access to people you otherwise might never encounter. Also, no successful community exists in a vacuum, and networking is a critical component."

Tech transfer and new-company formation

During the Internet boom, hundreds of new companies were formed every week, and many of them received venture capital because access to the public markets was relatively easy. Now that the IPO market has dried up, investment firms are "sitting on the sideline wondering what to do,"

said Tom Thornton, senior vice president at Convergent Technology Group, a firm focused on mergers and acquisitions.

"Where is the pipeline of new companies?" asked Thornton. "We need a new-business formation entity, particularly with a focus on tech transfer opportunities from local universities. But we can't just start [new companies] here. We have to make sure that resources are in place to keep them here."

"We need to create an ecosystem locally," said Christine Mason, managing director of ClickMarkets, a business development firm focused on early-stage ventures. "We need big companies--not sleepy Motorola--that will see the value in spinning out new ventures with adequate resources to see them survive and grow."

Venture capital investment

Access to capital is the biggest challenge facing new companies and research initiatives such as the development of nanotechnology applications and biotechnology.

The Illinois Development Finance Authority recently distributed a report on the status of seed-stage investing in Illinois and concluded that focusing on seed capital would have the greatest positive impact on the market. Part of the reason is that 10 percent of the startups in the U.S., all in high-growth industries, accounted for 80 percent of the job creation since 1979.

The problem is, few VC firms and even fewer angel investors are actually making investments in Illinois. GrowThink Research, a leading venture capital investment research firm, recorded investment activity picking up in most places during the first quarter but down in Illinois. "I think people have to start taking risks again," said Barry Moltz, co-founder of Prairie Angels, a Chicago organization that is also guilty of being risk-averse in the present market. "People have to be as cooperative as possible and not competitive."

Well, maybe not. At least four separate initiatives are expected to be announced in the next several weeks, according to sources who don't want to talk about it until the paperwork is done. That would be a lot of activity in a market left for dead after the Internet and telecom boom. Maybe we need to infuse a lot of competition and passion into the market--and a sense of urgency.

We need to get very serious very quickly about access to capital, focusing on big ideas for research and new companies coming out of universities and strengthening the entrepreneurial support network. If we do, things are going to look pretty exciting by this time next year. Darcy Evon is editor of the i-Street Reporter, an independent free Internet newsletter and i-Street magazine. She can be reached at istreet@i-street.com.