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INSIDE TECHNOLOGY

Program pairs experienced execs with start-up entrepreneurs

BY JON VAN

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When approaching the Valley of Death, most entrepreneurs don't seek comfort from the Psalms. They prefer cash.

The valley is what start-up companies call the period when their original "angel" investor cash begins to run out, but the young firms haven't matured to the point where venture capitalists or others are prepared to invest.

"Almost any young entrepreneur you ask will have the same answer to the question of what they need to succeed," said Tom Churchwell, managing director of the Chicago-based ARCH Development Partners venture fund. "They say it's money."

That's inexperience talking, he said. While money is essential to fueling a start-up, sound management, good planning and smart execution of a strong business plan not only will put a young firm on the path to success but also will attract funding from savvy investors.

To impart these lessons, several experienced chief executives have joined together to offer a mentoring program for Chicago-area firms. After a competition among several young firms, three have been selected to receive intense mentoring for the next six months.

The firms are RevStor LLC, a Schaumburg-based data storage firm; ParkWhiz LLC, a Chicago-based firm that uses the Internet to match people wanting to rent out parking spaces with motorists needing a place to park; and PrepMe Inc., a Chicago firm that helps people prepare to take standardized tests.

"We see this as a pilot program," said Churchwell, president-elect of TiE Midwest, the group sponsoring the project. "After six months, we'll see how well this scales up."

The effort is tailored after experiences of Silicon Valley entrepreneurs who take their firms to success, make bundles of money and jump back into the fray either by starting other firms or investing with young innovators while acting as mentors, said Churchwell.

"Serial entrepreneurs know pitfalls they can help younger guys avoid," he said. "They also recognize and avoid blind alleys."

Knowing how the game is played can be more helpful than being handed a bag of money, Churchwell said. To pave the way for future investment once initial funding runs low, an experienced entrepreneur plans ahead.

"You contact potential investors way before you're ready to ask for money," he said. "You explain your business plan and tell them the milestones you intend to hit over the next six months. When you go back, if you can say you hit those milestones, plus some other accomplishments, an investor appreciates that. You'll get serious consideration."

Even though most entrepreneurs are in love with the bright idea that causes them to start a new company and the technology behind it, Churchwell said, investors aren't impressed. Instead of listening to descriptions of slick technology and rosy sales projections, they look for solid management with a proven success record.

"When you put up your money, it's always about the management team," Churchwell said.

SIGNAL SWITCH: A lot of television viewers don't know that in about 14 months, the nation's existing TV stations will stop broadcasting analog signals, a survey by the Cable & Telecommunications Association for Marketing found.

The nation will move to digital TV broadcasting on Feb. 17, 2009, and people who watch television broadcast over the air will need to have either sets that receive digital signals or a converter box that gets digital signals and converts them to analog for the old set.

Those who get TV from cable or satellite providers, which is most of the country, needn't do anything, as their provider will take care of the details. But even cable households might have some old sets that aren't connected and rely on broadcast signals.

The survey found that only about one-third of households that aren't connected to cable or satellite services are informed about the switcheroo.

A government program to be launched next year will provide subsidies to citizens who must buy converter boxes. A report to Congress by the Government Accountability Office said the agencies supervising the transition have yet to embrace a strategy to measure progress and results of programs to educate the public.

Rep. Edward Markey (D-Mass.), who chairs the House subcommittee on telecommunications, said the GAO is correct that the government needs to devise a blueprint to guide a successful transition to digital TV. He noted there is still time for such a plan to be drawn up and executed.

"Without a comprehensive plan," Markey said, "tens of millions of consumers could be adversely affected."

They might miss some TV shows, but at least they won't be denied the 2009 Super Bowl, which will occur just before the transition to digital -- in case of snafus.

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