

SNG-Nowlan-Facory floor of future-5-14-12

Factory floor of future is here

By Jim Nowlan

I stood in the center of the factory floor of the future last week. An Intelligentsia coffee shop behind me, to my right were three classrooms and twice as many conference rooms. In front of me was an open space big enough to accommodate 125 digital technology start-up companies and their creative entrepreneurs, each at desks rented for \$400 a month.

I was on the 12th floor of the sprawling Merchandise Mart of Chicago, in the 50,000 square feet of basically open space that encompasses “1871,” a full-service business incubator that cries out, “Collaborate!”

Named for the year Chicago recreated itself following a great fire, the new incubator is scaled big to generate energy that radiates from the bull pen of desks across to the conference rooms, where ideas are vetted and deals are done to provide financing to move an idea into a business.

What attracts 400 applications from around the world to space at 1871? Talented people, universities, capital, mentoring, and daily programming that brings in successful entrepreneurs and business people—all under one roof. The universities of Chicago and Illinois, among others; a boot camp for entrepreneurs, and a venture capital company have offices at 1871; thirty-six workshops and programs are scheduled for May alone.

When entrepreneurs heard about 1871, they came, from California, Tennessee, Ireland and elsewhere. There is a lesson here for state and local economic development

officials—become a magnet for new ideas rather than a briber, with millions of dollars in tax breaks to keep struggling, mature companies such as Sears in our state. Better to provide \$50,000 each to 3,000 start-ups than \$150 million to Sears.

“1871 is a great environment. People want to come here,” says Mike McGee, a founder of Code Academy, which provides on-site code-writing and web development training. The for-profit start-up, an idea in 2010, is already a success, having trained 150 code writers at \$6,000 a person in three-month immersion teaching programs; demand for their classes is greater than they can meet right now.

“1871 is unique,” says Phillip Leslie, CEO of ProOnGo, a start-up that allows business people to submit travel expense documents via smart phones. “We’re stirring a pot of great energy.”

Around me at coffee-shop tables, groups of two and three in shorts and tee-shirts huddle over their lap-tops, possibly trying ideas they have shared.

“Trading information is a key to start-ups,” says Kevin Willer, CEO of the non-profit Chicagoland Entrepreneurial Center, which operates 1871. “Our layout, which was designed with ideas from entrepreneurs, encourages sharing and social interaction.”

“I was set to move from Nashville to New York City,” observes Christopher Jaeger, CEO of Rentstuff.com. “When I heard about 1871, I applied. It’s very open. There is palpable energy. We all feed off one another.”

“There is now a ton of energy on the Chicago scene,” says Leslie. “Four years ago I had trouble finding people I could talk with. At 1871, they are a few feet away. I make contacts with venture capitalists in casual interaction here.”

The entrepreneurs who have been accepted at 1871 include those at the idea stage to those beta-testing (the step prior to commercialization) or operating businesses. Some are on their third or fourth business idea. Once a business reaches 10 employees, it must leave 1871 to provide space for others.

Most of the start-ups at 1871, as many as 90 percent, are destined to fail, if history is a guide.

“Entrepreneurs are tolerant of failure, I think,” says Leslie. “It’s all about learning from possible failure, and then stepping back up to the plate again.”

“Our job is to increase the success rate,” declares Willer, who adds there is nothing on this size and scale anywhere. And he has room to expand.

Once a major manufacturing city now known for its financial and business services, Chicago has been behind the curve on digital technologies. With unique adaptations such as 1871, the city may be catching up. As 1871 shows, the key is to cluster talent and resources, to draw in new ideas like a magnet, rather than prop up yesterday’s business model.