

# Business climate

## Entrepreneurs Bring New Approaches to Traditional Business Sectors

Innovative entrepreneurs are transforming the Indianapolis region's long-established industries into foundations of growth for the 21st Century.

They are bringing new ideas to the automotive and pharmaceutical industries to create tomorrow's leaders in life sciences technology and clean-tech energy. The stories of two men, John Waters and Raul Zavaleta, illustrate how entrepreneurs are transforming old-line industries to create world-class companies for the future.

### A "Bright" Idea

John E. Waters, CEO and president of Bright Automotive Inc. in Anderson, Ind., is on a mission to produce a commercially viable lightweight, plug-in hybrid electric vehicle — and to make a profit doing it. Bright's IDEA vehicle is aimed at the market for corporate and government fleets.

Waters' engineering roots include a stint as manager of product engineering at Delphi Corp. where he launched a new lithium battery business that led to the design, building, testing and production of multiple lithium battery products for the Segway Human Transporter and iBOT medical device. He also led the design, analysis and manufacturing of advanced energy storage system products for hybrid-electric automotive applications.

Bright is developing fleet vehicles because, as Waters says, that purchase decision is driven by dollars and cents.



Bright Automotive's IDEA fleet vehicle is 100 miles per gallon efficient.

He points out that the United States Postal Service's fleet of 162,000 neighborhood delivery vehicles cost taxpayers an additional \$8 million per year every time the price of gasoline goes up by a penny.

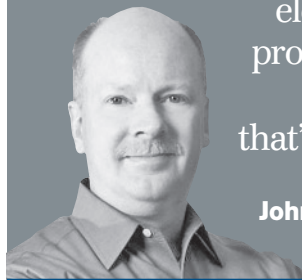
Walter's said, "How do we change our country as fast as possible? Do we develop efficient transportation that goes to a small sector like sports cars, do we look at consumer models, or do we go to

these fleet managers who have a rational purchasing process and don't really care about sun roofs and DVD players, but are buying vehicles on a spreadsheet? There's a large market here, and maybe this is the way to introduce efficient technology that could leverage the (electric) grid in a way that we've never seen before in our country."

Waters visited managers of large fleets, such as Coca Cola, UPS and Cox Enterprises, and saw the same issues over and over. "The Postal Service dilemma of having a very inefficient fleet, having it not addressed by Detroit manufacturers, became very compelling, and that's what motivated Bright to say, 'This is a sweet spot. No one's in this field. It's driven by an economic solution with electrification and it accomplishes national objectives simultaneously, without those objectives necessarily being the driver.'"

When the decision was made to set up Bright Automotive "we began to analyze multiple cities in the U.S. Some of our factors were quality of life, access to tier one automotive suppliers, the highways, workforce and academic institutions nearby. No other location made more sense than Central Indiana, based primarily on the strong automotive history and,

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John Waters

most importantly, the strong electrical propulsion history that's here. Central Indiana is the Silicon Valley of advanced power trains.

"The expertise and technology developed by Delphi, Allison Engines, Remy Motors and Cummins is starting to get engaged, and there are two lithium battery companies here with EnerDel and Altair Nanotechnologies," Waters says. "It was just a rich, fertile region that was unique in the cluster of manufacturers and innovation in design, along with Purdue, Rose-Hulman, Notre Dame, IUPUI and, of course, from the business side, Indiana University and Ball State. It just made a lot of sense to come here."

Waters says the biggest challenge to developing a commercially viable plug-in hybrid is the cost of the battery. "You've got to build a better mousetrap and you've got to provide better value to consumers so they say, 'I'd rather be driving this.'"

Bright's solution is to make the lightest, most aerodynamic vehicle in its class and to reduce the rolling resistance of the tires. "We can tell our customers that we have a vehicle that's cheaper to operate, it's 100 miles per gallon fuel

"I get satisfaction from getting a problem, solving that problem and seeing it through to the market. That's probably much better than the financial rewards."



Raul Zavaleta

efficient, and it's going to clean up our skies and reduce our oil dependency. But none of that is relevant to our fleet customers. It's really about spreadsheet purchasing.

"It's a market. I've got to provide a product people want to buy that is profitable to the producer.

"The producer has to make a profit without government subsidies. A business model based on policy is a flawed business model for the long term," Waters concludes.

## A Region of Opportunity

A chemical engineer by training, Raul Zavaleta started his career at BioScience Laboratories where he used information technology to improve work flows in research laboratories. Later, as manager of information systems for Smith Kline, he worked with pharmaceutical companies on clinical trials.

Zavaleta became convinced there was a market for a laboratory that did nothing but clinical trial work for pharmaceutical companies. Indianapolis-based Eli Lilly & Co. was interested, so Zavaleta moved to Indianapolis to establish SciCor, a clinical laboratory and data management services company for the pharmaceuticals industry.

SciCor was acquired by Corning Inc. which spun the unit out on its own as Covance Central Laboratories and remains one of the company's strongest revenue producing components.

In 1991, Zavaleta moved to Geneva, Switzerland, pioneering his laboratory and data services throughout Europe.

Proximity to Lilly is what brought Zavaleta to Indianapolis initially. Even though his parents and his wife's parents

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# Climate

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as well as the rest of their extended families lived in Los Angeles at the time, when the Zavaleta's returned to the U.S. in 1994, they chose to make Indianapolis their home.

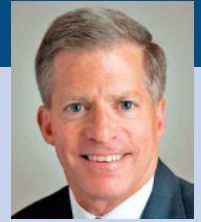
"I don't take the credit for that," Zavaleta says. "My wife was born and raised in Los Angeles. She came to Indianapolis kicking and screaming the first time." But it was his wife who wanted to come back to Indianapolis the second time. She thought L.A. schools were a "disaster" and she didn't want to raise her children there.

Los Angeles' loss was Indy's gain because Zavaleta followed his entrepreneurial passion, founded another company — Avantec — and developed a new electronic data collection process for biopharmaceutical research.

He is currently a partner in Volatus Advisors, a consulting firm for high tech entrepreneurial companies, where he helps emerging companies with strategic visioning, business planning and capital structures. Zavaleta has been involved with several companies, including Performance Assessment Network of St. Louis, Mo.; Maaguzi of Waltham,

## Perspective by Dr. Donald F. Kuratko

*Jack M. Gill Chair of Entrepreneurship,  
Indiana University, Bloomington*



*Kuratko*

Zavaleta and Waters are just two examples of entrepreneurs building companies in the Indianapolis region who are world leaders in their respective areas, and Waters' reference to Silicon Valley isn't such a far stretch. Investors are voting with dollars. Annual venture capital investing in Indiana has grown nearly 400 percent over the last decade. Dr. Donald F. Kuratko visits Silicon Valley often and he sees many advantages for entrepreneurs in the Indianapolis region.

"I think we truly have a business climate and a sense of family in Indiana that's very powerful," he says. "And because we have a lower cost of living than, say Silicon Valley or the Boston area, we're a very affordable market. We have the reputation of having true Midwest values. We offer emerging entrepreneurs far more of the intangibles as well as the tangibles. What I mean by that is we offer the tangibles of lower property rates and the lower cost of living, which is very tangible and easy to see. We offer the tangibles of the partnership between the public and private sector. But we also offer the intangibles of the Midwest values.

"An entrepreneur coming in finds an atmosphere that is welcoming to them, not challenging them. In Silicon Valley, if you talk to the entrepreneurs there, they will tell you it is a very competitive environment, and they almost feel as if either they're going to make it or they're going to get squashed by the competition. I don't think there's that feeling in Indiana. In Central Indiana we give them the feeling that we want you here and we want you to grow and prosper. That's a far different feeling than Silicon Valley."

Mass.; and Strategies For Tomorrow, Strand Analytical Laboratories, Semafore Pharmaceuticals and Indigo BioSystems, all based in Indianapolis.

Zavaleta says a big part of his motivation is to make the world a better place. Referring to SciCor he says, "We knew

clinical trials were going to get better, that patients would be much better off if we did what we set out to do."

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