

OPINION

A hotbed of entrepreneurship

EDITORIAL

There are several ways to gauge the level of entrepreneurship in a state or region. Many of the national business magazines like Fast Company or Money provide their own rankings.

While smaller companies with less than \$2 million in revenue aren't eligible, we like to monitor Inc. Magazine's 5000 list of the fastest growing private companies in the country because the figures are quantifiable, the rankings have been a recognizable source for many decades and the companies recognized are the much-sought after gazelles that economic development officials covet.

The state of Iowa had 30 companies on the list this year, one more than in 2013. Iowa had 38 companies on the list in 2012 and 28 in 2011.

It's clear from Inc.'s 2014 list that Iowa's Creative Corridor is the entrepreneurial hub of the state. We had 16 of the 30 companies based in our state. The Des Moines region had eight businesses, and the Quad Cities and the Cedar Valley each had two businesses on the list. (MindFire Communications has locations in both Cedar Rapids and Le Claire).

This year's list measured revenue growth from 2010 through 2013. To qualify, companies must have been founded and generating revenue by March 31, 2010. Additionally, they had to be U.S.-based, privately held, for-profit and independent – not subsidiaries or divisions of other companies – as of Dec. 31, 2013. The minimum revenue required for 2010 was \$100,000; the minimum for 2013 was \$2 million.

MD Molding based in Wayland was the highest-ranked Corridor company, at No. 1404, on the list with 305 percent growth. Even more remarkable is that John Mitchell, the CEO of MD Molding, has another company on the list, MD Orthopaedics, at No. 4853.

The largest Corridor company based on revenue on the list is RuffaloCODY. The company recorded revenues of \$92 million and had 59 percent growth, earning it No. 4459 on the list.

RuffaloCODY's buying spree

Speaking of RuffaloCODY, the Cedar Rapids-based provider of technology-enabled fundraising and enrollment management services is quickly becoming a growth monster in the region.

In its third acquisition since the beginning of 2014, RuffaloCODY recently purchased Noel-Levitz, a well-established Coralville and Denver-based consulting firm specializing in higher education strategic enrollment planning, student marketing and recruitment, financial aid, student retention and market research.

We haven't seen this type of robust acquisitional growth in the Corridor since the heady telecom days, which may give pause to some readers. The big difference, of course, is that RuffaloCODY's acquisitions are funded by private equity investment rather than publicly-traded money.

RuffaloCODY has an excellent management team and is a perfect company to exemplify our region's strong educational foundation. Noel-Levitz, founded by Lee Noel and Randi Levitz in 1984 in Iowa City, also typifies the Corridor's strength in educational services. By becoming part of RuffaloCODY, it is more likely to retain a strong presence in the area than had it been acquired by another firm from a different area.

We congratulate RuffaloCODY on its success and are rooting for it to continue to grow and succeed in the region. •



ERIC ALLIE, CAGLECARTOONS.COM

Prevention worth more than cure

As health care and health insurance costs have risen sharply over the last 15 years – family health insurance premiums have increased 171 percent and single premiums 158 percent, as documented by our collaborator, DPLindBenchmark.com – employees and employers increasingly struggle to maintain health insurance coverage and benefits.

In the 90 percent of Iowa workplaces considered to be “micro-enterprises” – those that employ nine or fewer workers, yet are the primary source of entrepreneurs and new jobs – nearly half of employees receive no health insurance.

While this percentage is now increasing with implementation of the Affordable Care Act (ACA), it is far too early to evaluate any impact of the ACA on this workforce segment. However, recent reports in the Annals of Internal Medicine and The Millbank Quarterly have documented decreases in all-cause mortality and improvements in health status, respectively, among Massachusetts residents after implementation of the state's health care reform law in 2006.

The evaluation metrics used in The Millbank Quarterly study were

CDC-based, self-reported quality-of-life (QoL) and prevention behavior measurements – the same metrics we used in a 2010 statewide survey of 1,271 Iowa voters, aged 18-65, which was just published in the Journal of Occupational and Environmental Medicine (www.HWCE.org/joem.html).

This survey provided statewide employment-sector estimates of health status, prevention behaviors and productivity measures by employment status (self-employed, employed by an organization or currently unemployed but seeking employment). Most importantly, it also assessed whether measures of QoL and prevention behaviors are linked with productivity measures – in this case, sickness absenteeism and presenteeism (self-rated job performance during the last four weeks).

Of particular interest, the self-employed reported better QoL than those employed by organizations – despite having less health insurance coverage, less often having a primary care doctor and more often working 50 or more hours per week (31.7 percent versus 16.6 percent). The self-employed also smoked less, drank less alcohol, exercised more, had a

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healthier diet and more often got 8 hours of sleep, but they less often received a flu vaccine or wore a seatbelt – both actions known to be positively influenced by primary care coverage.

These findings are consistent with other studies that show the self-employed work longer hours, exhibit higher job control, often experience more stress from job and financial insecurity, but generally cope well and consume less health care.

Indeed, an important incentive for the self-employed to remain healthy in 2010 was to qualify for health insurance, for which they paid higher premiums. As more of the self-employed obtain more affordable health insurance through the ACA, it is likely that this segment will grow and that QoL differences with the organizationally employed will narrow.

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TRANSLATE

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although not as a video relay service with government funding support.

The global market for language services is estimated at \$37 billion, Mr. Kielty said. The interpretation segment of the market, which applies to the spoken word, is expected to grow from \$7 billion in 2013 to \$13 billion in 2016 as immigration and globalization accelerates.

Despite high demand, the interpretation market is highly fragmented, with services delivered mainly through small,

independent businesses that have to send interpreters to their client's location, or have them interpret via telephone without important visual cues such as facial expressions and hand gestures, according to Mr. Kielty. Only about seven companies out of roughly 28,000 worldwide have annual revenues over \$20 million, he noted.

The startup has already completed its A round of capitalization almost entirely from Iowa investors. One indication of support from early investors is the fact that they voluntarily reopened the A round to add to their investments in the company, Mr. Kielty said.

"It's leveraging Cedar Rapids-devel-

oped technology to provide a top-quality platform for web translation," said Curt Nelson, manager of the Cedar Rapids-based Iowa Seed Fund II, an early investor. He sees Connectivity having a "first-move advantage" in consolidating the fragmented interpreting market because of its technological capabilities.

Mr. Kielty's management team includes Bill McClelland, a former partner and chief operating officer in URrelay, and Chris Heidelbauer, a veteran networks specialist who runs the company's network operations center.

The road ahead

The next major step for Connectivity will be to launch an online global marketplace for interpreters and language service providers.

Mr. Kielty says the marketplace will have more "bells and whistles" than the initial web-based platform, and become a kind of language services equivalent of Priceline, the web-based service for booking hotels and travel.

The marketplace could be rolled out as early as the first quarter of 2015, Mr. Kielty said.

Over the next two years, Mr. Kielty expects Connectivity to employ a staff of 100 in its Cedar Rapids office. He is working with the University of Iowa and other schools with accredited foreign language programs to recruit interpreting talent for the venture.

The Connectivity service is being marketed with the theme, "Get Connectivity." The marketing effort is at an early stage, however, as the company works to ensure that the depth and breadth of its interpreting staff is up to the demand.

Mr. Kielty is a veteran of more than 20 years with Wall Street financial companies, much of that time spent overseas. He became interested in relay services for the deaf through a lifetime of relationships with people who were disadvan-

tagged by blindness, deafness or hearing impairments.

Aequus, Mr. Kielty's previous company, was one of several companies that provided video relay services to the deaf and hearing impaired using specialized video phones. He became disenchanted with the market because of the government funding model that made it difficult to generate adequate profits to attract investors, and the capital-intensive nature of the video phone business as the technology went through frequent upgrades.

As Mr. Kielty explored the technology platforms available on which to build an interpretation company, he became aware of URrelay and its closure in 2012. He was impressed by URrelay's technology, realizing it could speed up Connectivity's launch and give it a technological edge.

As Mr. Kielty spent more time in Iowa to work on the acquisition, he found a wealth of telecommunications talent and an exceptional workforce. He's been challenged by the availability of language talent in the area, but said language skills are actually more abundant here than he had expected.

While Connectivity hopes to reap the advantage of being first to market with its concept, Mr. Kielty said it will be execution, not the concept or the technology platform, that determines whether it can become the market leader. One of the things the company has going for it is more experience than the usual startup.

"We're old, experienced operators who have built businesses before," Mr. Kielty said. "We've been there before and we've learned from our mistakes."

Mr. Kielty declined to get specific about numbers, either in capital raised or sales projections. He said the company expects to go out for its B round of funding within the next year or so to fund a sales, marketing and customer-education effort. It will, he said, be "sizeable." CBJ



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IN THE HEART OF THE OLD CAPITOL CULTURAL DISTRICT

PREVENTION

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The picture for the sample of the unemployed (6.8 percent in Iowa at the time of the survey) was much different. The unemployed reported much poorer QoL measures across the board. While rates of depression (associated with poorer QoL) are well known to be higher among the jobless, this segment also reported much higher rates of smoking, much less weekly exercise and much more obesity – but less alcohol consumption and higher seatbelt use – than the currently employed.

Evaluation of the multiple factors that may explain QoL differences among all employees found smoking and obesity to be the most consistently reported modifiable risk factors. These are important for employment and health insurance eligibility, as well as the causes of many chronic diseases. Smoking cessation and obesity prevention should be primary targets for

employee and employer prevention and disease management programs.

The cost to employers of sickness absenteeism and presenteeism are estimated to be three times greater than health care costs. Therefore, we evaluated these two productivity measures in association with QoL and prevention behavior measures. The results were similar for the self-employed and organizationally employed. As QoL and prevention behaviors increased, self-reported absenteeism decreased and job performance increased – both in a step-wise fashion.

Workplace programs that emphasize worker satisfaction, promote healthy behaviors and provide prevention programs provide employers of all sizes the opportunity to influence far more than just their health care costs. Iowa employers, who pay all productivity costs and 70 percent of health care insurance costs, have every incentive to enhance their employees' health and quality of life while also improving their bottom line. •