

THE WALL STREET JOURNAL.

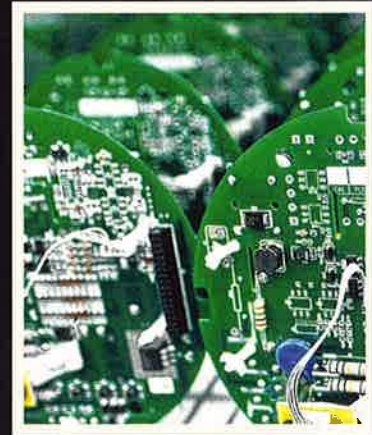
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And the Most Innovative Entrepreneur Is...



The winner of The Wall Street Journal's small-business innovation competition thrived during the downturn by finding a new direction—and new markets



Sayre Swarztrauber (left) and Doron Shafir, two founders of the winning firm, Quadlogic Controls

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DOW JONES

(The following has been excerpted.)

By SARAH E. NEEDLEMAN

Imagine this. You're coming off the best year in your company's history, with record sales and seemingly smooth sailing ahead.

Then the industry implodes. Your sales drop 70%, and your prospects seem even bleaker.

What do you do?

If you're Quadlogic Controls Corp., of New York City, you think fast, get creative and rewrite your business plan. And you do it so well that you not only stay afloat but thrive in the teeth of the recession -- taking on dozens of new workers and setting a record for revenue.

Quadlogic's nimble reinvention put it at the top of The Wall Street Journal's Small Business, Big Innovation competition. In July, the Journal invited entrepreneurs to share the ideas they've used to survive the worst downturn in decades. Over the next three months, more than 100 entries poured in, ranging from a rubber-duck manufacturer in San Rafael, Calif., to a consignment retailer in Tampa, Fla., and a Chinese-language school in Riverside, Conn.

Their strategies for overcoming the harsh economy were just as diverse -- and could be a model and an inspiration for other companies that face similar struggles. Some expanded their offerings, adding goods or services to appeal to consumers with less disposable income. Others tapped new markets to cater to a larger demographic or an underserved niche. Some abandoned their original business model and pursued an entirely different venture.

The Journal's small-business staff narrowed the field to 10 finalists, and then a panel of editors -- Vanessa O'Connell, Alan Murray and Dennis Berman -- chose an overall winner. Readers also voted for their favorite (see article on page R4).

So, what exactly did Quadlogic do to earn the top spot? Let's go back to early 2009 for the answer. Times were good for the company, which made energy-tracking products that let different tenants in the same building manage and pay for their own usage. The two remaining founders -- Doron Shafrir and Sayre Swarztrauber -- had just put up the best revenue

figures the 27-year-old company had ever seen.

All of a sudden, though, the housing market was in shambles, driving sales into the ground. So Quadlogic decided to stake its future on a daring reinvention plan.

Messrs. Shafrir and Swarztrauber had learned from a business associate a few years earlier that in developing countries, energy theft was a major problem. The entrepreneurs had even begun tinkering with a new product to prevent utility-metering systems from being breached. Only it was far from complete, and they hadn't yet identified any potential buyers.

The partners decided their best move would be to ramp up production of the experimental line and launch an intense marketing push. "You have to place your bets," says Mr. Swarztrauber, 56. "We saw our survival threatened and that gave us the incentive to make it happen."

The gambit paid off. Within five months, Quadlogic Controls signed a multimillion-dollar deal with a private utility company

in Jamaica, and a recovery was under way.

Today, Messrs. Shafrir and Swarztrauber say the company's new line has a dozen customers, all in markets thousands of miles away such as Jamaica, Mexico, Costa Rica and Ecuador. What's more, demand for its original energy-tracking systems is close to the level it was just prior to the recession, thanks in part to an improvement in the commercial housing market.

The company has ballooned to roughly 90 employees from about 20 two years ago, and it's on track to post \$20 million in revenue this year, \$5 million more than its previous high.

Messrs. Shafrir and Swarztrauber credit the turnaround they pulled off to constantly keeping an eye out for new business opportunities. While they say it's important to focus on proven models of success, it's also critical to regularly set aside time to investigate potential alternative sources of revenue.

"I always have a plan B and a plan C for just in case," says Mr. Shafrir, 64. "You never know."