

Coming Back to Give Back

Incubator Graduates Are Resources for Incubators and Clients

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Too many incubation programs lose contact with their graduates after the companies become successful and leave the nest. That's too bad, many incubator managers say, because these experienced entrepreneurs can be strong program assets. They can serve as mentors to new start-up clients, provide monetary contributions to the incubator, or serve on the boards of client companies or the incubator itself. And it's not just the incubator and its new clients that stand to benefit from these ongoing relationships. Many incubator graduates gain useful advice and experience by mentoring nascent firms.

Developing relationships that will endure once the graduation ceremonies are over doesn't happen overnight though. "That's why it's so important to take good care of these companies while they're clients," says **Lee Huang**, executive vice president of The Enterprise Center in Philadelphia. "That way, these companies ... grow up thankful and continue to come back and give back."

As the examples in this story illustrate, that giving can take several forms. Some graduates donate their time to trade entrepreneurial war stories with new business owners at incubator seminars; others contribute financially by writing checks or donating services to help incubators assist other new businesses. Whatever form the assistance takes, graduate involvement is an asset every incubation program should develop fully, many incubator managers say. Read on for more details about how several NBIA members have nurtured ongoing relationships with their graduates to benefit a new generation of incubator clients.

SHARING SUCCESSES

Sharing success stories and cautionary tales with young companies is one way graduates can contribute to the continued

success of their alma mater incubation programs. Often, the voice of an experienced entrepreneur who already has navigated start-up business problems is just what an incubator client needs to hear. "It's not the incubator manager's job to provide all the answers," Huang says. "It's their job to provide a setting where [entrepreneurs] can find the answers."

Many incubator managers provide this setting by inviting incubator graduates to attend informal networking events or to participate in more formal mentoring relationships. **Keelin O'Leary**, manager of the Genesis Centre in St. John's, Newfoundland, Canada, does both. The Genesis Centre conducts bimonthly brownbag lunches, where clients and graduates share experiences and discuss business concerns in an informal setting. The events keep incubator graduates and clients communicating, which benefits both groups, O'Leary says.

"When companies graduate, they find that all of a sudden, they're out on their own and not surrounded by other entrepreneurs as they were in the incubator," she says. "These presentations help us keep informed about what's up with our graduates and give our graduates a chance to bounce ideas off others." Seven of the Genesis Centre's 10 graduate companies have presented at networking lunches.

Start-up businesses learn important lessons by interacting with experienced entrepreneurs who are just ahead of them in the business development process. "Incubator clients like to hear from other businesses that are just past the stage they are [in]," Huang says. "They want to hear specific steps about what it took to go from a \$1 million company to a \$5 million company or a half-million-dollar company to a million-dollar company, because that's where they want to be in two or three years."

When an incubator graduate's experience and background match those of a current incubator client, the incubator manager might be able to broker a more structured mentoring relationship. O'Leary says she's been able to recruit two Genesis Centre graduates to serve on the advisory boards of incubator clients. "They [graduates] are flattered to be asked to serve as a mentor," she says. "It boosts their image and credibility in the business world."

Genesis Centre graduate **Chris Griffiths**, president of 2002 NBIA Outstanding Incubator Graduate award winner Garrison Guitars, now serves on the board of Aurum Acoustics, a high-end loud-speaker company. The advisory board meets quarterly to discuss the challenges and opportunities the business is experiencing and to provide strategic planning, financing, operations and distribution advice to the start-up firm.

This entrepreneurial approach to solving business problems, in which each member of the advisory board brings unique personal experiences to the table, benefits both incubator clients and their advisors, Griffiths says. "Just because a business is at an earlier stage than I am doesn't mean I can't learn from it," he says. "By talking about the problems it is facing and possible solutions to those problems, I often see new ways to look at things. It's always great to listen to others."

So, how do you get incubator graduates to share experiences with less-seasoned entrepreneurs? Often, all you have to do is ask. That method works for **Heidi Brandow**, incubator network director for Florida's Technological Research and Development Authority. She frequently refers clients with questions about government contracting to Florida/NASA Business Incubation Center graduate **Moses Harvin**, president and CEO of American Services Technology, a Cocoa, Fla., firm that pro-

vides logistic and facilities support services to businesses and government agencies. "He has experienced the trials and tribulations of dealing with government contracts, so he knows firsthand what works and what not to do," Brandow says. "Every time I talk to Moses, he says, 'Let me know what I can do to help.'"

Harvin counsels one or two businesses weekly because he believes it's important for start-ups to understand the pitfalls of starting and staying in business. "I'm very passionate about assisting others because of the tremendous assistance my company received at the center," he says. "I believe that our calling as incubation center grads is to help others be successful. We have gone through the trial-and-error period. We need to assist others to avoid our pitfall experiences and to focus on current and future business opportunities."

DONATING DOLLARS AND SERVICES

Some successful graduates show their gratitude by contributing to the incubator's bottom line, whether by sponsoring events, donating needed services or investing money directly in the incubator. The Indian River Community College High-Tech Business Incubation Center in Stuart, Fla., discovered just that when Engineering & Water Resources, its first graduate, seeded a \$10,000 endowment at the incubator earlier this year. The endowment will be buoyed by \$20,000 in matching state funds.

EWR President **Brian McMahan** says the company donated funds to the incubator upon graduation in recognition of the quality services his firm received. "We flourished very well under the incubation program," says McMahan, whose firm grew from two to 11 employees during its four years as an incubator client. "And we thought the incubator's purpose was important enough to the community that we wanted to help support its operation even after we left." Revenue from the endowment will go into the incubator's general operating fund to help the program continue to serve technology start-ups in the region.

Getting incubator graduates to contribute to the incubator's bottom line isn't difficult, says **Charles D'Agostino**, executive director of the Louisiana Business & Technology Center in Baton Rouge, La. D'Agostino says if you do a good job assist-

ing clients, they'll be more than willing to contribute after they graduate. He should know. After more than 16 years in operation (all under D'Agostino's watch), LBTC has more than 100 graduates – many of which contribute to the incubator in some way.

D'Agostino advises other incubator managers to go to their most successful graduates and ask for help when they need event sponsors or other assistance. "Not all of those donations will be in the \$5,000 to \$10,000 range, but even those \$250 to \$500 donations add up," he says.

And sometimes, as EWR has demonstrated, incubator graduates do come through in a bigger way. When LBTC graduate Object 9, a Baton Rouge, La., advertising and design firm, heard that LBTC was sponsoring a business plan competition in conjunction with Louisiana State University's Ourso College of Business and the *Baton Rouge Business Report*, co-founder **Branden Lisi** called D'Agostino offering \$10,000 worth of marketing and creative services to the winner.

"Our incubator experience was very rewarding," Lisi says. "Our time there, though short, was instrumental in our company's growth. The knowledge, wisdom and networking opportunities we've gained through LBTC have helped accelerate our business model, so we wanted to give something back."

Huang agrees that incubator graduates make good event sponsors, but he encourages incubator managers to remember all of their graduates when looking for assistance. "Don't keep asking that one successful graduate for help," he says. "Extend your requests to a wider pool, which can help bring more graduates into the fold."

ANCHORING THE INCUBATOR

Another way incubator graduates can contribute to the financial well-being of an incubation program is by returning as anchor tenants. Diagnostic Hybrids, a 1998 graduate of the Ohio University Innovation Center in Athens, Ohio, has done just that. In 2003, DHI, the world's largest cell culture provider, approached Director **Linda Clark** about leasing space in the Innovation Center's new facility that was under construction. The new site was just across the street from DHI's manufacturing facilities and would offer the region's only wet lab facilities outside the university.

Since Clark was making a concerted

effort to find an anchor tenant for the incubator's new building, she says the relationship provided both groups just what they needed. "DHI has the space and facilities they need – with room to grow," Clark says. "And the Innovation Center had positive cash flow even before it moved into its new building from pre-paid leases from DHI and several other companies."

Innovation Center clients also have profited from having a successful incubator graduate close by. DHI pegged MediaBrite, an e-commerce and marketing firm in the incubator, to update and maintain its corporate Web site. A year later, the company also contracted with MediaBrite to design its marketing materials and product and box labels. "This has given MediaBrite a jump-start in growing their company," Clark says. "With the cash flow and the experience base, MediaBrite has been able to attract more clients faster than they had anticipated and to obtain significant contracts with larger companies."

The Innovation Center now is helping DHI develop plans for its own new building. The company is projected to move in 2007, giving the incubator time to market the soon-to-be-open space to other companies. In the meantime, the presence of a successful biotech company that was named to *Inc.* magazine's 2004 list of the 500 fastest-growing privately held companies helps promote the Innovation Center's incubation program, Clark says.

LENDING THEIR VOICES

Like Clark, other incubator managers have found that sharing success stories with the local media or government officials can lend credibility to an incubation program, which can help the incubator attract new clients and secure additional funding. So it doesn't hurt to ask your graduates to mention specifically how your program's assistance has played a role in their success when they're talking to the press or other stakeholders. For example, Harvin has written letters to local and state government officials to ask for additional money to help fund the expansion of the Florida/NASA Business Incubation Center.

At LBTC, D'Agostino takes the process a step further than just asking graduates to mention their incubator experience. "Sometimes, you have to help them make the news," he says. "Sometimes, they don't think of spreading their good news or they

don't know how to get the news out there." LBTC, through its affiliation with Louisiana State University, has numerous local and regional media contacts, which D'Agostino uses to help spread the word about incubator success stories. LBTC aggressively contacts clients and graduates to remind them about the importance of sharing their successes through the local media. As a result, LBTC clients and graduates are featured frequently in news reports throughout the state, which generates additional publicity for the companies, LBTC, and the university, the incubator's sponsor.

When **Rick Ritter** directed the Idaho Innovation Center in Idaho Falls, graduate firm AMX International appeared on the cover of *Fortune* magazine. Within the article, company founders **Jay Price** and **Andy MacKay** described how their incubator experience benefited them. The publicity provided the incubator with the ammunition it needed to show stakeholders the results of its work, says Ritter, who now serves as director of technology outreach at Boise State University's Technology and Entrepreneurial Center in Boise, Idaho. Ritter says after *Fortune* published the article about AMX, he carried a copy with him and included a copy of the cover in incubator marketing materials to demonstrate the incubator's value to potential clients and others.

The Florida/NASA Business Incubation Center saw an increase in the number of inquiries from potential clients as a result of publicity about an incubator graduate. In January, the Brevard County (Fla.) Founders Forum, a local investment group, recognized Harvin as its Entrepreneur of the Year. Soon afterward, the local business journal published an article about AST, in which Harvin credited the incubator with helping his firm get where it is today. And the calls started coming in, Brandow says. The Founders Forum then invited several other clients of the Florida/NASA Business Incubation Center to make presentations before the investment group.

COMING BACK FOR MORE

The incubator-graduate relationship doesn't have to be one-sided, incubator managers say. Sometimes, incubators continue to serve as a resource for graduates who need additional guidance in growing their businesses. "Once you become a valued resource for incubator clients,

they'll often continue to come back when they have questions or need introductions," Ritter says. More than four years after he left the Idaho Innovation Center in Idaho Falls, Idaho, he still gets calls from former clients.

Many times, incubator clients aren't yet ready to avail themselves of all the resources the incubator can offer, but incubator graduates can benefit from more advanced assistance, D'Agostino says. For example, a start-up business with one or two employees might not need formal human resources policies, and a company with a small office in an incubator probably isn't ready to apply for bank loans to fund a new facility. LBTC has helped graduates apply for SBIR grants, tap into Louisiana State University internship and student employment programs, and upgrade their marketing plans.

The BioAccelerator, a biotech incubator operated by the Fairfax County (Va.) Economic Development Authority, has formalized its support of incubator graduates that remain in the county. Through its after-care service program, the incubator passes along information to graduates about funding and business opportunities, facilitates partnerships between incubator graduates and other companies, and assists graduates with their marketing and public relations efforts.

BioAccelerator Manager **Brian Smith** meets at least monthly with incubator graduates to monitor the companies' progress and to see how the incubator's economic development agency sponsor might be able to assist the firms' continued growth. This continuing relationship makes it easier to call on graduates when the incubator or its current clients need assistance from graduate firms. "Then, it's a much easier call to make," Smith says. "By maintaining communication, the feeling of community is reinforced. They know our door is always open if they need help, so it's easy to get them to come back to help us, too."

CREATING LASTING RELATIONSHIPS

Developing ongoing relationships that will continue once a company graduates from the incubator isn't really difficult, incubator managers say. Just do your job and do it well. "It all goes back to the experience they've had with your incubator, whether they see you as a valued

resource," Ritter says. "If you've done the things you should have done while the companies were in the incubator, it really shouldn't be a sell to keep them involved after graduation."

Of course, you can't just pick up the phone and ask graduates for support if you haven't kept in touch with them periodically since they left the incubator. At LBTC, staff contact incubator graduates at least quarterly, both to gather key statistics about the firms' growth and to see how the incubator might be able to offer additional assistance to the companies. (*See the sidebar Tracking Graduate Data for more details about LBTC's graduate-tracking process.*) "Business incubation isn't a one-time act," D'Agostino says.

By engaging graduates in ongoing conversations about their businesses and continuing to provide assistance as needed, incubator managers can keep graduates active in their programs. "Incubators often leave a lot of volunteer time and money on the table because they don't want to ask," Huang says. "Most incubator graduates are more than willing to help, however they can, if they've had a good incubator experience."

Huang says the key to keeping graduates involved is to let them know early and often how and where they can help. "Incubators are very communal, so there's already a real sense of community among clients and graduates," he says. "Sometimes, all it takes is to ask [for help]. Particularly since we have youth programs and business plan classes, there are ample opportunities for businesses to help the next generation."

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Tracking Graduate Data

Having positive economic impact data and success stories to demonstrate your program's influence on the local economy can go a long way toward helping your incubator secure ongoing support from stakeholders. And while the process of collecting employment and revenue data from incubator clients and graduates requires effort, **Charles D'Agostino**, executive director of the Louisiana Business & Technology Center in Baton Rouge, La., says it's time well spent.

LBTC, NBIA's 2005 Randall M. Whaley Incubator of the Year, conducts annual audits of all incubator graduates, during which incubator staff collect data on sales, employment, financial success and capital acquisition. The audits originally were designed to track the number of graduates still in business five years after graduation, but they have since been expanded to measure the overall economic impact of incubator graduates. The results of the audits provide LBTC with success stories and economic impact data to use in its annual reports and marketing materials. (For

example, these audits have revealed that LBTC-assisted businesses have created nearly 9,000 jobs in Louisiana – an impressive statistic to share with stakeholders.)

During the audits, D'Agostino or another senior staff member visits incubator graduates to ask questions, collect data and provide information about incubator programs and services that might benefit the still-growing companies. Most firms are eager to participate in these audits because they feel it shows the incubator is still concerned with their success, D'Agostino says. LBTC also employs seven graduate students who call clients several times during the year to see if they have questions the incubator might be able to answer.

“We make it clear to them that they are a client of the LBTC for life,” D'Agostino says. “Graduation means they physically are not in the building, but they are a part of the family even after graduation.”—*Linda Knopp*

Giving Back to Entrepreneurship

In recognition of the important role entrepreneurs can play in nurturing the next generation of business leaders, the Ewing Marion Kauffman Foundation recently launched “Giving Back to Entrepreneurship.” This Web site teaches entrepreneurs about the many ways they can make financial and service contributions to

help their communities and other entrepreneurs. See <http://givingback.kauffman.org> for suggestions of ways incubator graduates and other experienced entrepreneurs can share their knowledge with your program and your clients.