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Why Manage More Than One Incubator?

Multisite managers offer eight great reasons

by Kathy Cammarata

In 1992, the Shoals Entrepreneurial Center (SEC) opened a 24,000-square-foot mixed-use incubator in Florence, Ala. Even after acquiring an adjoining building and expanding the existing facility, the incubator maintained nearly full occupancy during a five-year period. With the need for more space and a desire to show the political leadership in a neighboring county that it wished to fully serve that county, SEC launched a 22,000 square-foot-incubator just 12 miles away in Sheffield, Ala.

Political considerations weren't the only reason SEC chose Sheffield for its second site, says Executive Director Jerry Davis. A good building was available free of charge, and the city of Sheffield was willing to put money into the project. Beyond that, expanding at the Florence location simply didn't make financial sense. "We had already done one 12,500-square-foot expansion at the Florence location, and our available land allowed only for a similar expansion," Davis says. "New construction of only 12,500 square feet is not very cost efficient ... and it still would not have been enough to meet our need."

Even with the successful launch of the second incubator, Davis felt the SEC could do more to fulfill its commitment to serve northwest Alabama. With four applicants to the Sheffield incubator interested in food-related businesses and an incubator model that could be replicated relatively easily, he decided to pursue the idea of creating a kitchen incubator. Four years later, the Shoals Commercial Culinary Center opened in Florence.

Now, with the first two incubators profitable and helping to sustain the

third, SEC has made plans to begin renovation of a fourth facility. This incubator will be developed in response to the need for additional and larger industrial spaces and resources in the community.

“Our formula has basically been that we identify a need, the city or community makes a building available at no cost, we secure grants to renovate the facility and at the same time the city or community helps on some of the match to get the grants,” Davis says. The incubator is then able to operate without any further subsidy from the city.

To help make this multisite approach possible, Davis oversees all four SEC programs, eliminating the need to pay an executive director at each location. “This is probably the most feasible way for smaller communities to have a self-sustaining incubator,” he says. “Anybody can have an incubator if you’re willing to subsidize it like crazy. But this allows an economy of cost.”

A Solution to Common Challenges

Small staffs, small budgets and big demands on time can make operating even one facility difficult. But in many cases, multiple sites are the best solution to management challenges: they can provide more space when a first site overflows, diversify a client base and revenue streams, or expand a service area.

The approach works in a variety of circumstances – from state-supported technology incubators to rural mixed-use programs – and it seems to be gathering steam. One-fifth of all senior staff who responded to NBIA’s most recent state of the industry survey was responsible for multiple sites. Of those, one in 10 was responsible for four or more sites (see [Managing More Than One Program](#)).

But make no mistake; managing more than one site isn’t always easy. Daily challenges include dividing time among locations; ensuring all clients are receiving the counseling and other services they need to grow and prosper; and effectively managing finances at two, three or four incubators at once. For most multisite managers, it’s worth the effort if it means bringing incubation services to communities that need them. Read on to find out why.

1. Get Greater Market Penetration.

Multiple sites are one solution for

incubation programs trying to attract entrepreneurs across a significant geographic area. "There is simply no other way of getting meaningful coverage and contact," says David Rowe, director of the University of Warwick Science Park in Coventry, England.



Less than 30 miles separate any two of the University of Warwick Science Park's four incubators in central England. Pictured are the Warwick Innovation Centre, above, and the Binley Business Innovation Centre, below.



Multiple sites give the University of Warwick Science Park's incubation program greater visibility, which helps it gain access to banks, business mentors, accountants and other service providers.

Even though less than 30 miles separate any two of the science park's four incubators, the number of start-ups that will seriously consider more than one of the incubators as a possible location is well below the 20 percent level, Rowe says.

Over the years, the program's inquiry rate has not quite expanded in proportion to the number of incubators it operates, but it's not far short. "We are finding that our inquiry rate has risen from about two per week with one incubator to about six per week with four incubators," he says. "To me the message is that to be effective across a region, the mountain (incubator) must go to Mohammed (the entrepreneur)."

This phenomenon is not limited to Europe. The Shoals Entrepreneurial Center tries to attract entrepreneurs from a rural eight-county area in northwest Alabama, and Davis says having multiple sites is key. "While the original incubator may be 50 miles away from one of these counties, a satellite may be only 30 miles away, and that makes a big difference. It

brings other communities or counties into feeling some involvement.”

2. Pay Only One Executive Salary.

Many multisite incubation programs have just one executive director overseeing all of the sites, which means paying only one executive-level salary and a greater chance for self-sustainability and profitability. More often than not, operating more than one incubator wouldn't be financially feasible if each location had its own executive director.

Sharing an executive director doesn't have to mean your staff is spread thinner, and in some cases, it actually offers advantages. “It's a way of running two incubators with less staff than if you ran them separately, but it's more staff than if you were running just one,” says Jim Robbins, executive director of the Software Business Cluster and the Environmental Business Cluster (EBC), two incubators colocated in San Jose, Calif. “You don't have to double everything. It's more efficient than that.”

3. Leverage Human Capital.

Sharing experienced staff among multiple sites offers incubation programs benefits beyond financial savings. “You're able to take advantage of the experience that you've gained in your original locations to help another community rather than starting everything from scratch,” says Chris Downing, an associate director for the Advanced Technology Development Center (ATDC). “That one thing is probably one of the reasons why other Georgia communities have come to ATDC and are interested in ATDC playing a role in their incubators.”

Headquartered at the Georgia Institute of Technology in Atlanta, ATDC was formed in 1980 and now has locations in Atlanta, Warner Robins and Savannah – five in all, plus a small life science incubator called EmTech Bio that it manages on behalf of Georgia Tech and Emory University. ATDC has an executive director, Wayne Hodges, and five associate directors, whose responsibilities range from managing a particular ATDC incubator to overseeing the organization's “venture catalysts” or business mentors. ATDC shares experienced staff members among its locations as needed. For example, one person handles all information flow and interactions with the press, and Downing himself is the point person on facility issues. “You don't end up having to have a person responsible for each of the various facilities,” he says. “That's a consideration when you have that many.”

4. Access New Markets.

Sometimes managing more than one incubation program doesn't require you to divide time between locations. The Environmental Business Cluster and Software Business Cluster are located in the same building, which enables them to share conference rooms and office equipment as well as staff. The incubation programs also are combined at the fiscal level; rent and other income that comes into the two organizations merges into one budget.

Focusing on two different sectors enables the incubators to offset slow periods in certain segments of the economy, Robbins says. "Right now the software industry is slower and environmental, especially clean and renewable energy, is stronger – and so there are more grants and funding coming into the EBC. Two years ago, the software incubator was constantly full – with a big waiting list – and was generating a surplus, and it was helping to support activities in the environmental incubator."

Another huge advantage – whether you add a sector to an existing program or start a new incubator with a different focus – is the ability to access new funding sources. "If you think about it just as increasing the work, I think that's misleading," Robbins says. It adds not only the obvious revenue from having more clients but also that of government, foundations and corporations that are willing to support the new sector. "I think most people would be willing to solve the problem [of additional work] if it was going to generate revenue," he says.

For example, Robbins began advertising that the EBC had special programs for clean- and renewable-energy companies. Over the course of a year, that incubator generated about \$375,000 in new grant support and brought in 10 new clients – nearly double the number of clients it had had before that. "So it was a new source of revenue and a new source of clients," he says. "I think it's an important thing for people to think about. In this economy they may need some new revenue sources – and it's more than rent."

5. Create a Higher Profile.

Many incubation programs gain exposure in their communities by operating multiple sites, and the added exposure brings its own advantages. "Having a group of incubators adds considerable weight to our activity," Rowe says. "We are recognized as the technology incubator

program in our region by businesses, public agencies [and] local government. The visibility helps us to gain access to banks, accountants, etc., all of whom see us as having a market of some significant scale.”

Rowe says the higher profile also means that the incubation program can be pickier about its service providers and push them harder to give more free resources to their clients. “We also find it easier to attract business mentors, because they recognize there is breadth of opportunity so that they are more likely to find a match with their abilities and interests.”

6. Encourage Client Synergies.

One benefit that emerges from many multisite incubation programs – particularly those with a mixed-use focus – are greater opportunities for client synergies. When incubation programs have multiple sites, the opportunities for client interactions multiply commensurately.

Managers can encourage these client interactions through shared educational and training programs, networking events, and even by simply facilitating meetings. “I have had clients in both [incubators] ask to meet clients in the other facility ... for purposes of working together,” says Susan Matlock, president and CEO of the mixed-use Entrepreneurial Center in Birmingham, Ala., and executive director of the technology-based Office for the Advancement of Developing Industries (OADI) at the University of Alabama at Birmingham. “I’ve actually got a client at OADI and a client at the Entrepreneurial Center that are talking about graduating and locating together after their graduation.”

7. Share Equipment.

Operating multiple sites has enabled the Shoals Entrepreneurial Center to justify purchasing items including a digital camera and a PowerPoint projector. “You’re not only buying it for one center, you’re buying it for three,” Davis says. “Also, sometimes when you’re bringing on a new site, you might have some grant money that goes with it. Sometimes you can justify writing these types of items into your grant if you’re going to use them at multiple sites as opposed to just one.”

A related benefit comes into play when an incubation program has a relationship with a university that can lend it specialized equipment, as in the



case of the Ceramics Corridor Innovation Centers. In the early 1990s, when the southern tier of upstate New York was on the heels of a major economic recession and struggling with high unemployment, Alfred University and Corning Inc. came up with a plan to grow jobs in ceramics, glass and advanced materials.



Executive Director **Jon Wilder** divides his time between two Ceramics Corridor Innovation Centers – one in Alfred, N.Y., above, and the other 45 minutes away in Painted Post, N.Y., below.



A strong relationship with Alfred University benefits both Ceramics Corridor Innovation Centers, where clients have access to student interns, specialized equipment, and other resources.

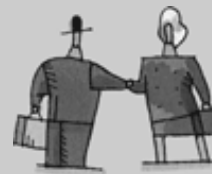
With financial support from the state, they jointly created Alfred Technology Resources Inc. (ATRI), a nonprofit corporation charged with operating two new incubators – one in Alfred, N.Y., and the other 45 minutes away just outside the city of Corning, in Painted Post, N.Y. Both incubators opened in 1992, enabling ATRI to serve a wider geographic area and providing access to the resources of Alfred University (home to the New York State College of Ceramics) and Corning Inc.'s world headquarters.

A close relationship with Alfred University benefits clients at both Ceramics Corridor incubators, who have access to specialized equipment that would be enormously expensive if they had to go out and buy it, says Executive Director Jon Wilder. "The university has been very generous from time to time, and they move certain types of equipment in – kilns or whatever the case may be – that our [clients] might need." By 2001, the program had created 2,470 direct jobs and a total economic impact of \$527 million, according to its 2001 Highlight and Impact Study. That's a 5,200 percent return on the initial investment of \$10 million.

8. Make a Stronger Statement.

When the Entrepreneurial Center took over management of OADI, one of the resulting benefits was being able to report the incubators' combined impact on the community. (See [Merging Management in Birmingham](#)) Separately, the incubators were impressive: Each had an economic impact of \$500 million from 1998-2002, based on actual sales, grant income, equity raised and resulting employment. But their combined impact says even more about the value of business incubation itself, Matlock says. "When we're able to say that over the last four years there's been more than a billion dollars in impact in this community as a result of [these] business incubation programs, that's a pretty strong statement."

Merging Management in Birmingham



For 16 years, the Entrepreneurial Center and the University of Alabama at Birmingham's Office for the Advancement of Developing Industries (OADI) coexisted in Birmingham as separate, nonprofit incubation programs with a friendly, cooperative relationship.

But over time, clients of the mixed-use Entrepreneurial Center and technology-based OADI grew more similar. "As we began in the last five or 10 years seeing more and more focus on information technology (IT) companies, we ended up with IT companies in both programs," says Susan Matlock, who today is president and CEO of the Entrepreneurial Center as well as executive director of OADI.

The Entrepreneurial Center and OADI did their best to keep from being positioned as two competing business incubation programs. They referred clients to one another, made joint presentations in the community and even served on each other's boards. "We really wanted to show the complementary relationship all along," Matlock says.

Both programs had achieved significant success over the years. When the opportunity arose to look at how to combine the incubation programs, both parties agreed that the potential efficiencies they could achieve would foster even greater success. "The executive director of OADI was retiring, and the university began to look at 'How can we do something in a more collaborative way?'" Matlock says.

In October 2001, the university and the Entrepreneurial Center entered into an agreement in which the university contracts out OADI management to the Entrepreneurial Center, which provides all business

incubation services at both programs. There is no commingling of assets, but OADI functions under a steering committee comprising the university provost, the university vice president of finance and three Entrepreneurial Center board members. Matlock remains an employee of the Entrepreneurial Center.

Prior to the agreement, the Entrepreneurial Center had one part-time and four full-time employees, and OADI had six full-time employees. Now there are two part-time and eight full-time people between the two incubators. One aspect of the staff reconfiguration that has proved particularly effective is the hiring of two business coaches to handle day-to-day interactions with the incubator clients, including prescreening of applicants, prospective client interviews and business planning. "It's freed me up to be the deal maker," Matlock says. She now has the time to be more aggressive at bringing in investors for clients at both incubation programs.

Other benefits of the relationship:

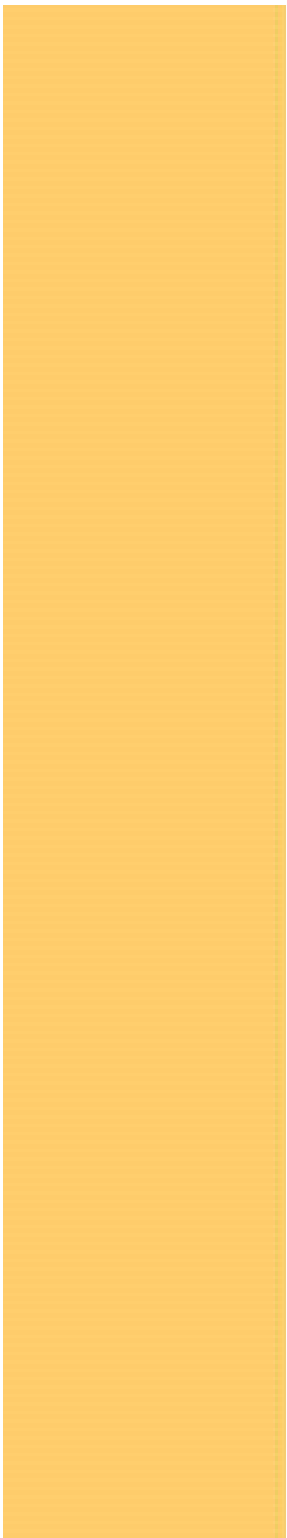
- The incubators share education and training programs, which has reduced duplication of services in the community.
- OADI helps link Entrepreneurial Center clients with the University of Alabama at Birmingham.
- The Entrepreneurial Center's location outside of the university has given it stronger ties to the business community over the years. Now, OADI clients can benefit from these ties.—KC

Let the Buyer Beware (Even if the Building Is Free)

Choosing a suitable site for a second, third or fourth incubator is important for the success of not only the new incubator, but the program as a whole. "I think any proposition to do a satellite location has to be like your initial investment," says Jerry Davis, executive director of the Shoals Entrepreneurial Center's four locations in northwest Alabama. "You could jeopardize the existing facilities if it isn't."



Davis advises following proper procedures to determine feasibility, such

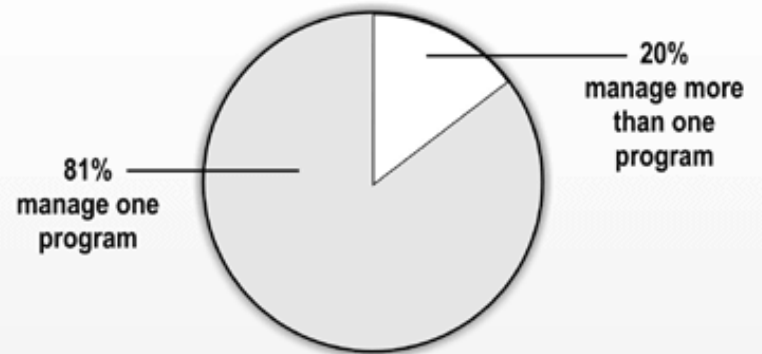


as studying a community’s entrepreneurial climate, creating a solid financial plan and setting realistic goals. “You shouldn’t select a location just because there’s a free building there. You have to have a demonstrated need – a market – just like a new business does. And it has to be feasible for you to manage.”

When the Shoals Entrepreneurial Center was ready to start its second incubator in Sheffield, Ala., it turned down four free buildings that simply weren’t suitable, including one building that had only 11,900 square feet and no room to grow. The space wasn’t capable of generating enough rental revenue for the incubator to become self-sustaining.

“We’re entrepreneurs, but don’t make it a gamble,” Davis says.—KC

Managing More Than One Program



Note: Percentages do not add up to 100 percent due to rounding.

(n=251)

Number of Locations	Percent of Multisite Managers Responsible for That Number of Locations
2	58
3	31
4	2
5	2
6	4
13	2

(n=45)

One-fifth of all senior staff at incubation programs that responded to NBIA’s 2002 *State of the Business Incubation Industry* survey were responsible for multiple sites. Of those, one in 10 was responsible for four or more sites, although more than half managed only

one additional site. This is the first time NBIA has tracked this type of data, but anecdotal evidence suggests that multisite management is a growing trend.

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