

## **Gainesville Technology Enterprise Center**



## **Assessment Report**

**July 20, 2011**

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This report communicates the current status of and findings from an assessment performed on the business incubator under the purview of the Gainesville Community Redevelopment Agency in Gainesville, Florida. This project is a compilation of information assembled from March 2011 through May 2011. This incubator is funded through the City of Gainesville, FL. This incubator is currently managed by the Gainesville Chamber of Commerce in an agreement with the Gainesville Community Redevelopment Agency. The Chamber is contracted to provide incubation management services to the GTEC under this agreement.

This investigation was performed by the Georgia Institute of Technology's Technology Innovation Practices team housed in the Enterprise Innovation Institute (EI<sup>2</sup>). EI<sup>2</sup> operates the Advanced Technology Development Center (ATDC), an incubator with more than 30 years of history in Atlanta, GA. Drawing on the ATDC's experience as well as other successful incubators at creating, developing, maintaining, and growing a successful incubator program, this report is intended to provide information for the improvement of the Gainesville Technology Enterprise Center business incubator.

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## Contents

|                                                                                         |    |
|-----------------------------------------------------------------------------------------|----|
| SCOPE OF WORK .....                                                                     | 5  |
| Definitions and Acronyms .....                                                          | 5  |
| Interviews .....                                                                        | 7  |
| Member Companies .....                                                                  | 7  |
| Graduate Companies .....                                                                | 7  |
| Non-Incubated Companies .....                                                           | 7  |
| Director and Staff .....                                                                | 7  |
| Board of Directors .....                                                                | 7  |
| Stakeholders .....                                                                      | 7  |
| Member Profile .....                                                                    | 8  |
| External and Internal Influences .....                                                  | 8  |
| The Local Context .....                                                                 | 8  |
| Regional Context .....                                                                  | 11 |
| Innovation Indicators .....                                                             | 13 |
| Finances / Real Estate .....                                                            | 15 |
| Factors Influencing a Successful Incubator .....                                        | 16 |
| Scoring Methodology .....                                                               | 17 |
| Best Practices .....                                                                    | 19 |
| The Results .....                                                                       | 21 |
| The Charting System .....                                                               | 21 |
| Consulting (Cs) .....                                                                   | 23 |
| Community (Cm) .....                                                                    | 26 |
| Connections (Cn) .....                                                                  | 29 |
| Center (Ce) .....                                                                       | 32 |
| Credibility (Cr) .....                                                                  | 35 |
| Other .....                                                                             | 38 |
| Summary .....                                                                           | 39 |
| Consulting: "What services?" .....                                                      | 39 |
| Community: "White noise" .....                                                          | 40 |
| Connections: .....                                                                      | 41 |
| Center: "Who is the building's competition? Anyone with affordable office space." ..... | 42 |

|                                                           |    |
|-----------------------------------------------------------|----|
| Credibility: “GTEC Doesn’t Go Past the Parking Lot” ..... | 43 |
| Recommendations .....                                     | 44 |
| Concluding Remarks.....                                   | 54 |

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## SCOPE OF WORK

The areas designated for investigation and assessment included external influences, cluster foci, local economy, investment opportunity, and current competition. Also included were internal influences such as the mission, strategic plan, infrastructure, sponsors, board members, staffing, federal and state regulations, application process, mentoring and services, and access to customer base.

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## Definitions and Acronyms

**ATDC:** The Advanced Technology Development Center is a nationally recognized science and technology incubator that helps Georgia entrepreneurs launch and build successful companies.

**CCR:** Central Contractor Registration list is the primary registrant database for the U.S. federal government. CCR collects, validates, stores, and disseminates data in support of agency acquisition missions.

**CIED:** Center for Innovation and Economic Development

**CoC:** Chamber of Commerce

**EDA:** Federal Economic Development Agency

**FL:** State of Florida

**GA:** State of Georgia

**GAIN:** Gainesville Area Innovation Network

**GAIN-net:** Local social networking website for innovation related activities in Gainesville

**GCoC:** Gainesville Chamber of Commerce

**GCRA:** Gainesville Community Redevelopment Agency

**GTEC:** Gainesville Technology Enterprise Center

**HUB:** University of Florida's Innovation Hub, future home of their Office of Technology Licensing. Planned opening in fall, 2011.

**IP:** Intellectual Property

**IT:** Information Technology

**NBIA:** National Business Incubator Association

**OTL:** University of Florida's Office of Technology Licensing

**SBDC:** Small Business Development Center

**Sid Martin:** The Sid Martin Biotechnology Incubator, University of Florida's biotech incubator located in Alachua, FL

**UF:** University of Florida

**VA:** Veterans Administration

## **Interviews**

The interview process occurred via face-to-face and phone interactions. The team consisted of Lynne Henkiel, Connie Casteel, and Jason Chernock who visited the incubator March 14 – 18, 2011. They also conducted several phone interviews throughout March, April, and May. Data collection was primarily undertaken throughout March.

### **Member Companies**

Representatives of all five current incubator companies were interviewed in person at the facility. The companies included Psigenics, Tutor Matching Service, Evolugate, Firebird Biomolecular Sciences, and affiliate Pandion Systems.

### **Graduate Companies**

The team also interviewed six graduate company representatives using the same process used with member companies. Some graduate companies have stayed on at GTEC as tenants and others have moved on to other locations or have been acquired by other firms. The graduate companies included Product Design Solutions, WiPower, Sinmat, Bioproducts, Innovative Scheduling, and AxoGen.

### **Non-Incubated Companies**

The team also interviewed three companies that chose not to be incubated at GTEC. These non-incubated companies included NovaMin, Fracture, and Register Patient.

### **Director and Staff**

The incubator director at the time of the team's visit, Booker Schmidt and the additional staff person, the Marketing Manager Donna Foster, were interviewed in person during the week of March 14 – 18, 2011 at the incubator.

### **Board of Directors**

Members of the incubator's Board of Directors were interviewed both during the visitation week and via telephone in the following weeks. The eleven Board members interviewed included Bill Rossi, Carol Villemare, Brent Christensen, Bruce Brashear, Jane Muir, John Igoe, Phil Geist, Conchi Ossa, Dan Rua, Erik Sander, Anthony Lyons and Terry van Nortwick.

### **Stakeholders**

The team also interviewed twenty community stakeholders who are connected to GTEC through Gainesville's entrepreneurial community. Some are former Board Members or managers, service providers, city employees connected to GTEC, and community influencers.

## Member Profile

Most of the current incubator members are very small businesses with an average employment of less than 6 employees (payroll and contract). One company had over three times the average with 21 employees. Only two companies were willing or able to articulate annual company revenue, one stating it was between \$150k-\$500k and the other \$2 million+. Three companies were able to project future revenue: one stating "between \$150k and \$500K", one "\$2 million +", and one "millions and millions". The industries of the members vary: chemical, biotech, social media, environmental, and psycho-responsive. Two companies have been members for five years, one for three years, one for two years, and one for one year. Four companies stated the main reason they were at GTEC was for the space at a good price, and one stated they were looking for manufacturing help. Half the companies said they rely on government contracts/grants for their income. Four of the business owners held previous employment positions as researchers—three being affiliated with University of Florida; their companies, in most cases, are a continuation of the projects they were conducting while at the University.

## External and Internal Influences

Every incubator operates within a unique set of circumstances. They are impacted by local policy, state and regional competition, and larger macroeconomic trends often beyond their control. However, identifying these trends can become a powerful strategic planning tool for the incubator's staff, board and stakeholders. The Georgia Tech team looked at several economic and innovation indicators affecting GTEC's competitive positioning. These included local economic conditions, regional factors such as new business openings and incubator competition, as well as measures of innovation such as patent activity and SBIR (Small Business Innovation Research) funding.

### The Local Context

GTEC is intrinsically linked to the City of Gainesville and Alachua County's community assets and economic development drivers. As seen in Table 1, Alachua County's three largest employment sectors are education and health services, trade, transportation and utilities, and the leisure and hospitality industry. Most industry sectors were hit hard during the recent recession and transition to recovery, and most still employ less, or nominally more people than they did in 2005. There are two exceptions. One is the Education and Health Services sector, no surprise given the prominent job creation roles that UF, Shands Hospital and the VA play in the community. The other is manufacturing, which by June of 2010 employed 6.9% more people than it did in 2005.

In some communities this type of increase can be attributed to landing a single large manufacturing operation, but that does not appear to be the case in Alachua County. Instead, there has been an upward trend in the establishment of new manufacturing firms. In 2005 there were 155 privately-owned manufacturing firms in Alachua County. In 2010 that number had increased to 192. This 23.9% increase was the largest of any industry sector for Alachua County. A community's manufacturing base is not only important because of the number of direct and indirect jobs it creates, but because of the quality of those jobs, which tend to be higher paying. In June 2010, the average

weekly wage for a manufacturing job was \$873, the second highest of all industry sectors, and an increase of 19.4% from 2005.

One of GTEC's goals is to create quality jobs for Gainesville and Alachua County. Besides manufacturing, jobs with the highest average weekly wage are found in the information and financial sectors, as well as in education and health services.

**Table 1: Alachua County, Private Sector Employment June 2010**

| Industry Sector                             | Total Employment | Percentage of Private Sector Employment |
|---------------------------------------------|------------------|-----------------------------------------|
| <b>Education and Health Services</b>        | 21,012           | 26.4                                    |
| <b>Trade, Transportation, and Utilities</b> | 16,978           | 21.3                                    |
| <b>Leisure and Hospitality</b>              | 12,292           | 15.5                                    |
| <b>Professional and Business Services</b>   | 9,644            | 12.1                                    |
| <b>Financial Activities</b>                 | 5,893            | 7.4                                     |
| <b>Manufacturing</b>                        | 4,244            | 5.3                                     |
| <b>Construction</b>                         | 4,080            | 5.1                                     |
| <b>Other Services</b>                       | 3,402            | 4.3                                     |
| <b>Information</b>                          | 1,437            | 1.8                                     |
| <b>Natural Resources and Mining</b>         | 575              | 0.7                                     |

Source: Bureau of Labor Statistics

Another way to examine the importance of a community's industry base is through location quotients. Location quotients show the share of employment for an industry at a local level as compared to the share of employment in the same industry for a larger reference area. Table 2 shows location quotients for major industry categories in Alachua County relative to the United States. A location quotient equal to 1.00 means that the share of employment for that industry is the same in Alachua County as it is in the US. A location quotient greater than 1.00 means that the industry has a greater share of local employment than that industry does in the US, and a location quotient of less than 1.00 means that the industry has a lesser share of local employment than that industry does in the US.

The highlighted location quotients in Table 2 indicate which industries had the highest share of local employment as compared to the US in 2005 and 2010, and then shows the change in that proportion over a five year period. The figures demonstrate once again how essential the education and health sectors are to the local economy. They also reinforce how manufacturing's importance is increasing, but is still well under-represented as a share of local employment when compared nationally.

**Table 2: Alachua County, June 05 – June 10**

| Industry Sector                                 | Location<br>quotients June<br>2005 | Location quotients<br>June 2010 | Change<br>2005 - 2010 |
|-------------------------------------------------|------------------------------------|---------------------------------|-----------------------|
| <b>Manufacturing</b>                            | 0.38                               | 0.50                            | <b>0.12</b>           |
| <b>Financial Activities</b>                     | 0.99                               | 1.07                            | <b>0.08</b>           |
| <b>Trade, Transportation,<br/>and Utilities</b> | 0.90                               | 0.93                            | 0.03                  |
| <b>Other Services</b>                           | 1.08                               | 1.04                            | -0.04                 |
| <b>Professional and<br/>Business Services</b>   | 0.84                               | 0.77                            | -0.07                 |
| <b>Natural Resources and<br/>Mining</b>         | 0.47                               | 0.40                            | -0.07                 |
| <b>Leisure and Hospitality</b>                  | <b>1.32</b>                        | <b>1.22</b>                     | -0.10                 |
| <b>Education and Health<br/>Services</b>        | <b>1.64</b>                        | <b>1.52</b>                     | -0.12                 |
| <b>Construction</b>                             | 1.09                               | 0.97                            | -0.12                 |
| <b>Information</b>                              | 0.87                               | 0.71                            | -0.16                 |

Source: Bureau of Labor Statistics

Business incubators thrive in a robust entrepreneurial climate. While this recession led to an overall increased rate of entrepreneurship<sup>1</sup>, the last two years have seen mixed trends for new business openings in Gainesville. Table 3 shows the number of new businesses that opened in each quarter between Q2 2009 and Q1 2011, as well as the percent change of new business openings between each quarter.

The third quarter of 2009 and 2010 had more new business openings than any other quarter during the year. Pressuming this trend holds true in 2011, new business openings should far surpass the past two years. The first quarter of 2011 already saw 182 new businesses established, more than any other quarter during the past two years.

**Table 3: New Business Openings for City of Gainesville, Q2 2009 – Q1 2011**

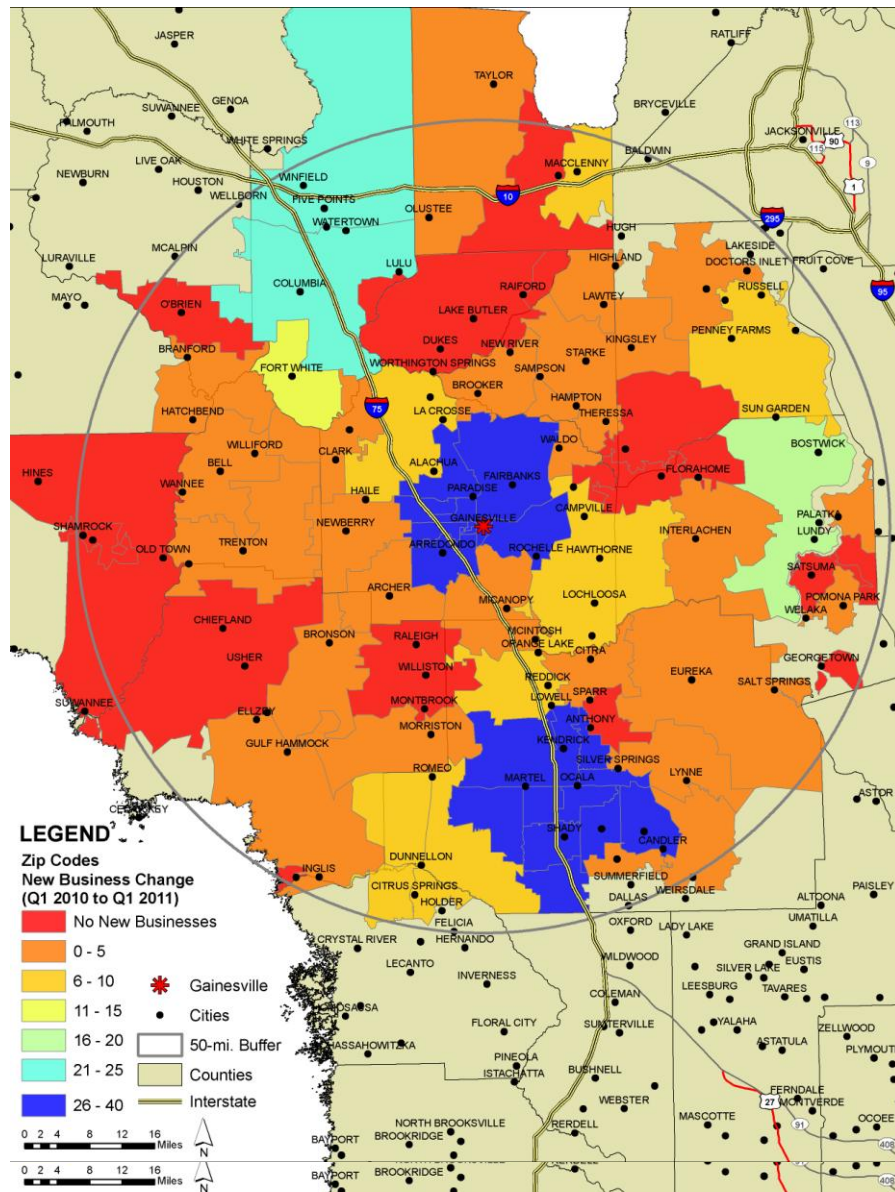
|                                            | Q2<br>2009 | Q3<br>2009 | Q4<br>2009 | Q1<br>2010 | Q2<br>2010 | Q3<br>2010 | Q4<br>2010 | Q1<br>2011 |
|--------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Number of New<br/>Business Openings</b> | 139        | 179        | 152        | 142        | 123        | 154        | 148        | 182        |
| <b>Change from<br/>Previous Quarter</b>    | NA         | 28.8%      | -15.1%     | -6.6%      | -13.4%     | 25.2%      | -3.9%      | 23.0%      |

Source: Reference USA

<sup>1</sup> Source: Kauffman Index of Entrepreneurial Activity 1996-2008

**Map 1: Number of New businesses opening between Q1 2010 – Q1 2011**

Map 1 shows the change in new business openings between Q1 2010 and Q1 2011 for all zip codes within a 50 mile radius of Gainesville. The area around Gainesville saw far more new business openings on a year-to-year basis than did most of the region. The exceptions were the areas around Ocala, which had the total greatest number of new businesses open between Q2 2009 and Q1 2011 (1,705).



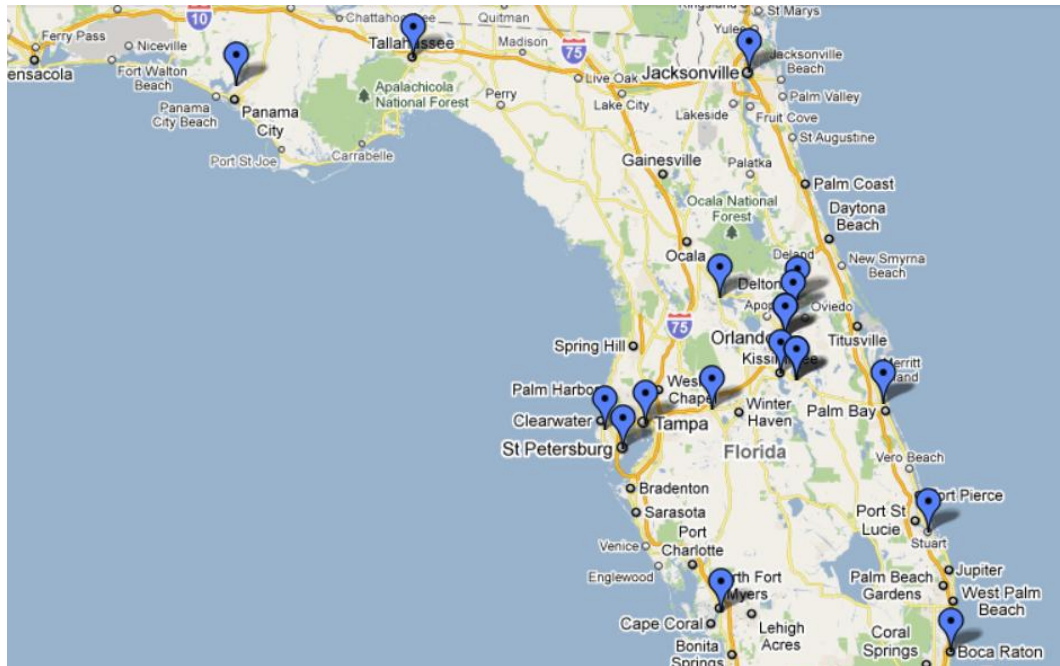
### Regional Context

GTEC finds itself in an evolving community of public and private business incubators and assistance providers, and searching to find its niche as UF continues towards development of the HUB. GTEC faces the dichotomy of significant local competition, but very little regional competition. Map 2 shows cities in Florida that contain at least one business incubator<sup>2</sup>. While Gainesville is home to no fewer than four distinct business incubators, there are currently no others located within a 50 mile

<sup>2</sup> Source: NBIA

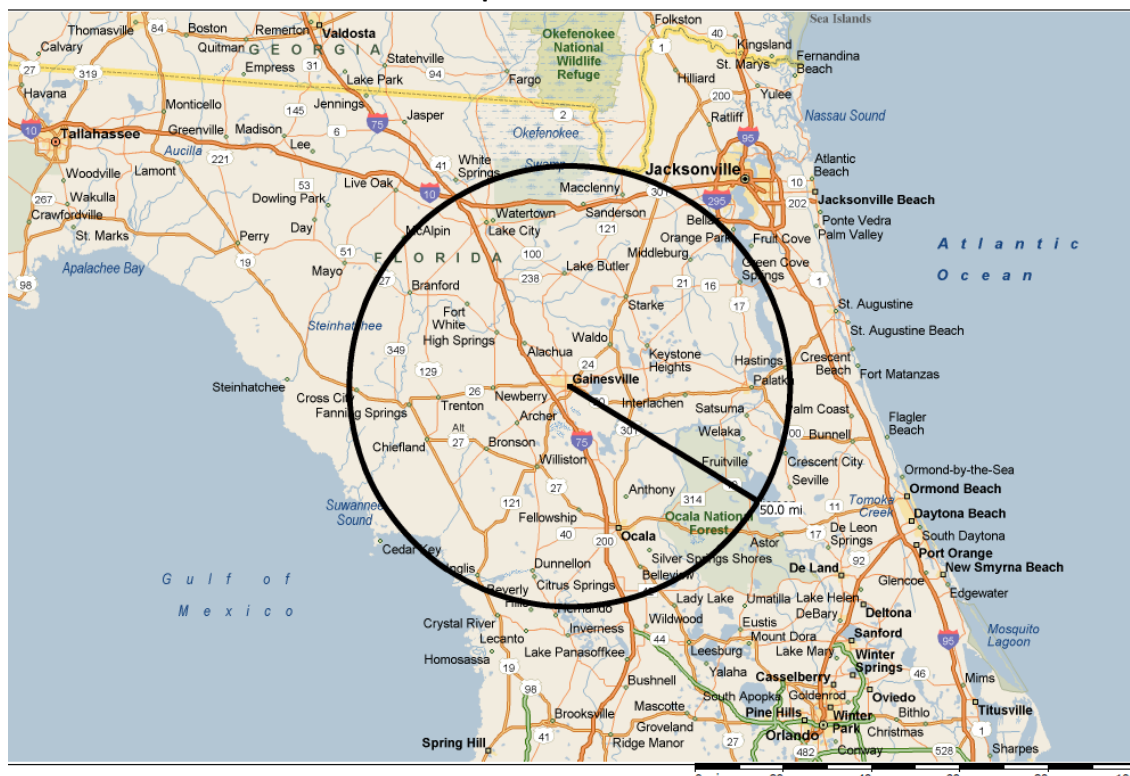
radius (see Map 3), and only three others located north of Gainesville in the state. The closest are Jacksonville to the north and Leesburg to the south. The City of Ocala is moving forward with a plan to develop a business incubator, but is currently in the planning stages. If completed, the Ocala incubator would be the closest one to GTEC outside of Alachua County.

**Map 2: Florida Business Incubators**



Source: NBIA; Map Courtesy of Google Maps

**Map 3: 50 Mile Radius**



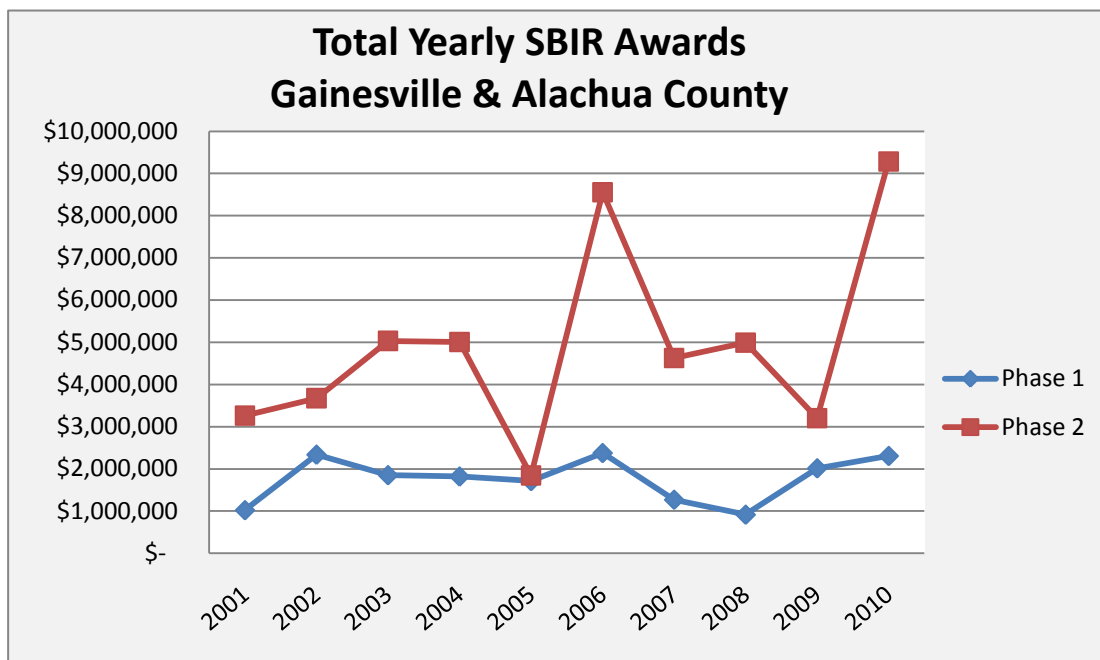
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### Innovation Indicators

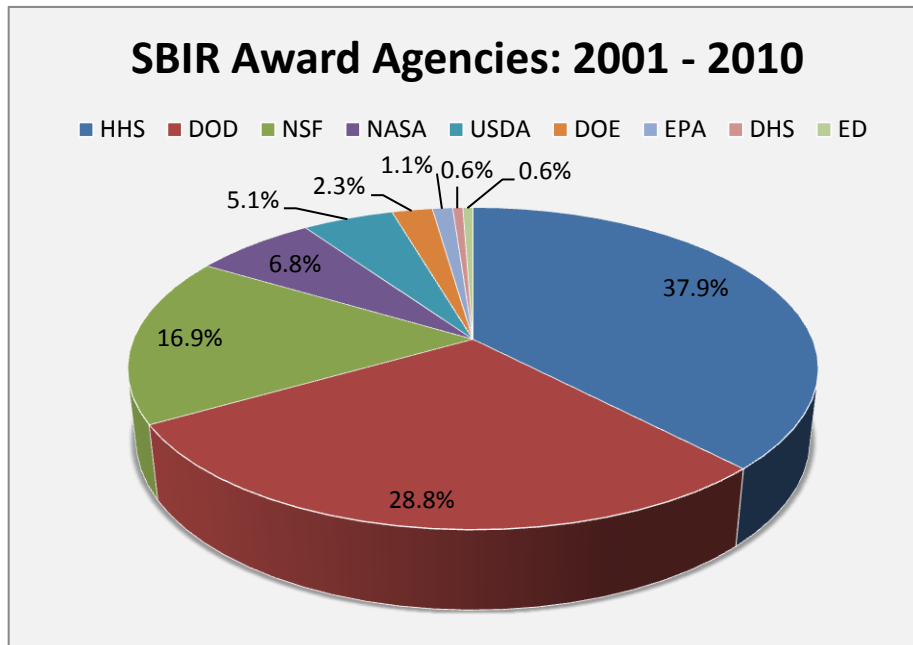
Patent activity and Small Business Innovation Research (SBIR) funding are two important and commonly used indicators to measure an area's innovation capacity. SBIR funds are competitively awarded by eleven federal agencies, to ensure that small, innovative businesses are engaged in high-tech research and development.

Gainesville and Alachua County companies have benefited from this program over the past 10 years. Between 2001 and 2010, area businesses received a total of \$67,117,762 in SBIR phase 1 and phase 2 awards. Phase 2 funding is much harder to receive, and can only be granted to companies that have successfully completed phase 1 funding.

A review of awards to companies in Gainesville and Alachua County shows that SBIR funding has fluctuated year-to-year, but remained relatively high. 2010 proved to be the best year for phase 2 and overall funding. During that year, area companies received \$9,282,165 in SBIR phase 2 funding, and \$11,589,622 overall.



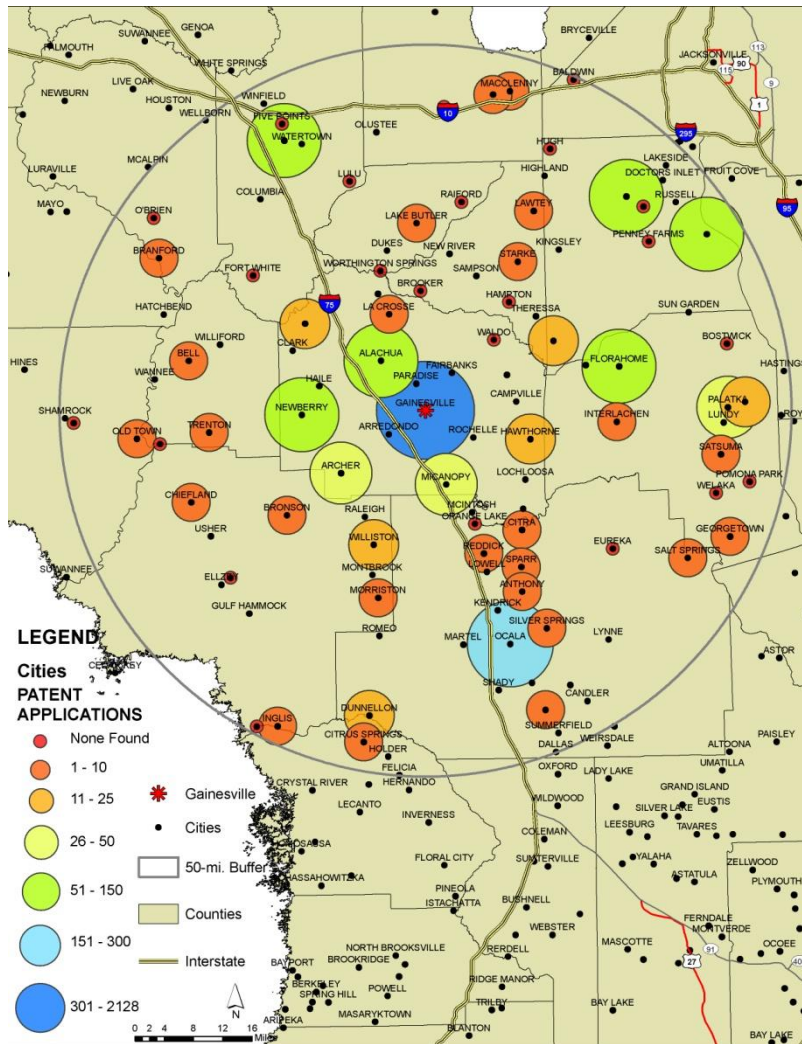
Between 2001 and 2010, 177 SBIR awards were granted to Gainesville area companies, with 83.6% of the funding coming from three federal agencies; Health & Human Services (37.9%), Department of Defense (28.8%), and the National Science Foundation (16.9%).



The City of Gainesville far and away dominates the patent activity within a 50 mile radius from the city center point. Over a ten year period between 2001 and 2011, a total of 2,128 patents applications were submitted by companies and independent inventors in Gainesville. The next closest city was Ocala, with 293 patent applications submitted over the same time frame. Both the high level of SBIR funding and patent activity in Gainesville bodes well for GTEC, as they both represent the type of business activity that lends itself to companies appropriate for an incubator. However, while the level of patent activity outside of Gainesville pales in comparison, there were still 1,211 patent applications submitted within a 50 mile radius, representing a potentially rich source of innovative clients in need of space, coaching, services and a culture of entrepreneurship.

The following map (Map 4) displays the number of patent applications filed between April 2001 and Mach 2011 in cities within a 50 mile radius of Gainesville. The larger the circle, the greater number of patents filed within that location.

**Map 4: Patent Applications by City, 2001 - 2011**



## Finances / Real Estate

An incubator is more than just space to conduct business. It is a service provider, facilitator, coach, advisor, and motivator for the member companies, and potential members make decisions on whether to join based on the rental rate they'll pay versus the services and value they receive for doing so.

The National Business Incubator Association (NBIA) states that there is no set formula for setting rental or service rates. The local market and competition drives pricing. Some incubators charge a separate fee-for-service rate in addition to the lease rate, but most incubators combine the two into a rate that provides tenants with a set of services for being an incubator company. This combined rate is typically higher than the local commercial real estate rate, due to services provided to the companies. Companies need to clearly understand the benefits they will receive, and how they differentiate incubator space over other commercial real estate. GTEC must look at the local commercial real estate

markets and then add the appropriate consulting fees for the average number of hours the manager anticipates providing to the companies.

The most recently available rate for the GTEC incubator, according to GTEC management, was \$18 per square foot, plus an additional \$2 per square foot for dry lab space. The price per square foot increased \$1 each subsequent year, a crucial detail as many GTEC member companies and tenants have long tenures within the facility. GTEC leases space to incubator companies as well as tenant companies/organizations. The rates for the incubator companies and tenants vary, including offering complimentary space to at least one nonprofit organization.

A comparison of GTEC rates with other local incubators is seen below in table 4.

**Table 4**

| Incubator                  | Center for Innovation & Economic Development         | Gainesville Technology Enterprise Center | Sid Martin Biotechnology Incubator                                 | Florida Innovation HUB      |
|----------------------------|------------------------------------------------------|------------------------------------------|--------------------------------------------------------------------|-----------------------------|
| <b>Rental Rate Members</b> | \$304.24 for cube/month<br>\$608.48 for office/month | \$18/sq ft<br>\$20/sq ft w/dry lab space | \$26/sq ft                                                         | \$24-\$28/ sq ft (expected) |
| <b>Additional Info</b>     | \$96.10 associate rate/month                         | \$1 increase each year of occupancy      | Animal care facility & biological waste pick-up charged separately |                             |

A comparison of GTEC rates with Alachua County's commercial real estate market is displayed in table 5. The average commercial rental rates solely for the City of Gainesville are not available, but most of the building inventory contained within the cited study lie within the city limits.

**Table 5**

|                        | Gainesville Technology Enterprise Center | Avg Office Rate for Alachua County, FL 4 <sup>th</sup> Q 2010*                                                                        | Avg Office Rate for Alachua County, FL 1 <sup>st</sup> Q 2011* |
|------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| <b>Rental Rate</b>     | \$18/sq ft<br>\$20/sq ft w/dry lab space | \$13.43/sq ft                                                                                                                         | \$13.36/sq ft                                                  |
| <b>Additional Info</b> | \$1 increase each year of occupancy      | Average rates for all spaces more than 501 feet are below \$16.00/sq ft<br>Dry & wet lab space in Alachua County: Avg \$20-\$22/sq ft |                                                                |

\*Source: Beau Beery, AMJ Inc. of Gainesville 1<sup>st</sup> Quarter 2011 Office & Retail Leasing Report

## Factors Influencing a Successful Incubator

This module of evaluation is based on the Georgia ATDC incubator's five keys to success. The categories, referred to as the "5Cs", are: *Consulting, Community, Connections, Center* and *Credibility*, in

no specific order. Each key factor is defined and discussed in the following sections. These factors are considered the essential building blocks of the ATDC's highly successful incubator program.

The GTEC incubator has both similarities and differences to the ATDC incubator. As with the ATDC, GTEC is fundamentally linked to a major research university containing an active licensing and commercialization program, an entrepreneurial student base, and a growing role in leading technology-focused economic development. GTEC is also an urban incubator, but operating within a smaller population center, and with fewer supply routes of technology development and commercialization. The GTEC incubator is being assessed specific to its environment and not that of other incubators.

## Scoring Methodology

The following segment of the assessment combines the two types of questionnaire responses: a question and answer type followed up by a one-one-one interview that delved into many of the responses obtained from the previous answers.

The scoring process for the questionnaires entailed rating the individual questions on a 1-to-4 category rating system, with each separate questionnaire having different numerical values.

The Value/Importance questionnaire, see example in Figure 3 below, is structured to identify the level of value or importance a particular activity, behavior or attribute is to the respondent. The Value/Importance questionnaire rated the responses in the following manner:

1. Not important
2. Somewhat important
3. Very important
4. Extremely important

Also available was a category called "don't know".

**Figure 1: Example of Value/Importance Questionnaire**

| <b><i>What is the value/importance to you?</i></b> |                          |                               |                           |                                |                       |
|----------------------------------------------------|--------------------------|-------------------------------|---------------------------|--------------------------------|-----------------------|
|                                                    | <b>Not<br/>Important</b> | <b>Somewhat<br/>Important</b> | <b>Very<br/>Important</b> | <b>Extremely<br/>Important</b> | <b>Don't<br/>Know</b> |
| An incubator's physical proximity to a university  | 1                        | 2                             | 3                         | 4                              | N/A                   |

The Performance questionnaire, see example in Figure 2 below, is structured to identify how well the incubator is performing or providing the particular activity, behavior or attribute. The Performance questionnaire rated the responses in the following manner:

1. Poor
2. Fair
3. Very good
4. Excellent

Again, a category called “don’t know” was available.

**Figure 2: Example of Performance Questionnaire**

| <b><i>How well is the incubator meeting your needs?</i></b> |             |             |                  |                  |                   |
|-------------------------------------------------------------|-------------|-------------|------------------|------------------|-------------------|
|                                                             | <b>Poor</b> | <b>Fair</b> | <b>Very Good</b> | <b>Excellent</b> | <b>Don't Know</b> |
| An incubator's physical proximity to a university           | 1           | 2           | 3                | 4                | N/A               |

The Statement, also called the Agree/Disagree questionnaire, see example in Figure 3 below, aided in identifying common trends and opinions related to the incubator. The Statement questionnaire rated the responses in the following manner:

- Strongly disagree
- Disagree
- Agree
- Strongly agree
- Don’t know

**Figure 3: Example of Agree/Disagree Questionnaire**

| <b><i>Please check the answer that most closely reflects your opinion.</i></b>        | <b>Strongly Disagree</b> | <b>Disagree</b> | <b>Agree</b> | <b>Strongly Agree</b> | <b>Don't know</b> |
|---------------------------------------------------------------------------------------|--------------------------|-----------------|--------------|-----------------------|-------------------|
| We can find less expensive real estate in the local community that will fit my needs. | 1                        | 2               | 3            | 4                     | N/A               |

Each of the questions or statements contained within the surveys was correlated to one of the five key factors (*Consulting, Community, Connections, Center, and Credibility*). The scores for each of the 5Cs were also combined for member and graduate companies. The Statement questionnaire data was compiled separately to determine a trend in the responses.

In addition, one-on-one interview questions were asked across a host of 5C topics with a representative from each of the member and graduate companies. One-on-one interviews were also

conducted with members of the staff and board of directors. Their responses are incorporated into the commentary throughout the report.

Finally, the Stakeholder interview process was conducted to outline other interested parties' perception of the incubator. These results are found in the *Credibility* section of the assessment results.

Once the interviews were completed, the data was compiled & consolidated, and then translated into the graphics and explanations presented in the next segment of this report.

## Best Practices

Business incubators are not just office space for startup companies. They are programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and coordinated by incubator management. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Services are offered both within the incubator and by connecting its member companies with its extensive network of contacts outside the incubator. Companies being admitted into the incubator should be expecting and willing to participate in a growth program.

Companies join an incubator to garner knowledge and to be at the center of new developments. A thriving incubator should be bubbling with excitement. The right mix of member companies, staff, an Advisory Team, and Board of Directors create this excitement through services, events, and education.

High functioning, successful incubators typically:

1. Define the age of the members: new startup (0-1 years), initial startup (1-2 years), or emerging startup (3-4 years). What type(s) of companies are (and are not) appropriate for the incubator (for example, is there a specific industry or sector focus?). Defining the ages and business sectors they encompass will help provide a reasonable level of expectation of performance. For example, a software startup will have to be able to produce and sell a product much more rapidly than, say, a biomedical device startup that will have to go through clinical trials and FDA approval. Every effort is made to adhere to these criteria so the incubator develops a "brand" for those considering membership as well as for local and industry community recognition.
2. Provide appropriate physical space to meet the needs of potential member companies based on the member definition. For example, if biological or chemical experiments will be conducted, appropriate ventilation, safety, and hazardous materials handling equipment will be standard and meet or exceed all federal and local codes. Appropriate electrical and storage units will be available to handle the capacity needs of the companies, and appropriate common equipment and common areas be furnished for the types of member companies admitted. These expenses are usually included in the rental rates of the startup companies and are managed by the incubator.
3. Define, publicize and abide by the application and acceptance process fairly and equitably. Admittance criteria are standard for the age and industry of the members. All potential companies are evaluated in a team approach—not just the recommendation of one individual to

ensure an equitable match for the environment and atmosphere of the incubator. Companies are considered based on their business concept, business and financial plan, coach-ability and willingness to share in the full Community of an incubator.

4. Establish minimum standards. Companies being considered should have a business potential (not just a research project), commercial viability, a quality management team, availability to utilize the incubators services (an incubator typically should not be a place to house the work team while the management have offices elsewhere), and the potential member company must fit the mission of the incubator. Before being admitted into the incubator, members will have completed business and financial plans, signed leases, and memorandum of agreements acknowledging that they are more than just tenants but are expected to and will be active participants in community activities, educational programs, and socials. Potential members understand that they are a vital component of the incubator and acknowledge their efforts will contribute to the growth of all member companies.
5. Help member companies envision a path for growth. Personal coaching from the advisory board and incubator staff is focused on what the companies need to do to overcome hurdles. Once admitted, the member company and incubator staff/advisory team develop a milestone plan and clearly communicate personalized goals which will lead to each company's eventual graduation and transition into the "real world". These milestone plans are formally reviewed on a periodic basis (monthly if appropriate) to recognize gaps in growth and identify possible solutions for growth barriers.
6. Provide privacy but also provide an open environment which promotes collaboration. Companies need privacy to conduct their business. It is overall a vibrant environment which provides member companies opportunities to interact regularly in networking, educational, and social settings. These interactions are with other members as well as service providers, investors and potential clients. The environment should be motivational and encourage entrepreneurship and milestones of individual companies should be acknowledged and celebrated by all members in a group environment. Being a member of the incubator should help validate the company and increase the company's credibility in the local community and in their industry.
7. Mentor companies with an engaging advisory team made up of service providers, serial entrepreneurs, and graduates of the incubator. This team helps the member companies establish goals and a plan to reach those goals, provides advice on company operations, and creates connections for the companies outside the incubator.
8. Hire experienced businesses people and compensate them well. Incubators are typically staffed with an incubator director who serves as a facilitator, mentor, coordinator, and colleague of all the member companies, being involved with the selection of members and the coordination of all business services. Every incubator director should have small business experience, subject matter expertise, coaching skills, and be well-respected in the community. The director is also responsible for ensuring that all policies and operating procedures are adhered to. In addition, a membership services coordinator manages the day-to-day operations and upkeep of the facility, coordinates all shared and additional contracted paid services (computer support, secretarial support, marketing/promotional, etc.) and contributes in creating an atmosphere of enthusiasm

in the incubator. A third position, a receptionist, is the face of the incubator, answering the phone, directing visitors, coordinating conference rooms and equipment, managing the incubator's main website. Incubators also use the resources of local management schools to recruit student volunteers and MBA interns.

9. Educate the CEOs of the start-ups. Besides networking and educational programming open for the staff, incubators should conduct monthly CEO Roundtables to share and exchange information in a confidential arena at the executive level. This is a practice that ATDC in particular, is strongly committed to in their support of startup companies.

## The Results

**There is no one standard for what an incubator should look like, but there are characteristics which are found in most successful incubators.** All successful incubators should strive for the upper right quadrant of the Results quad charts ("high importance"/ "high performance").

## The Charting System

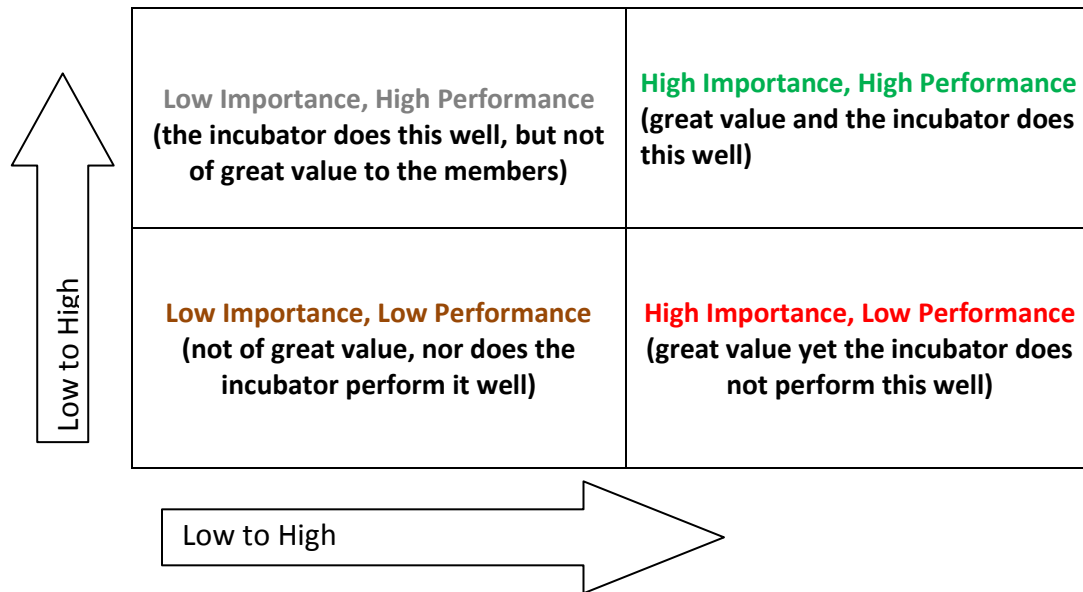
The first chart in each section will have the question and corresponding responses given in the Importance and Performance questionnaires, see Figure 4 below.

**Figure 4: Response Results Example**

|     | <u>Question</u>                             | <u>Result</u>                                    |
|-----|---------------------------------------------|--------------------------------------------------|
| Cs3 | Access to mentors who have built businesses | <b>Important, but GTEC does not perform well</b> |

The second chart is a graphic depiction of each consolidated response. See Figure 5 example below. The responses will land primarily in one of the four quadrants described below.

**Figure 5: Graphic Chart Quadrants**



## Consulting (Cs)

*Consulting* refers to the type of services provided to the incubator companies giving them a greater chance of success. Services may include providing strategic business advice, (usually with a staff or board of experienced entrepreneurs), entrepreneurs-in-residence programs, business planning experts, or simply having daily access to serial entrepreneurs who are interested in encouraging fledgling businesses succeed by making themselves available for advice and counsel.

Based upon the surveys, GTEC does not perform well on three important attributes: access to mentors who have built businesses, incubator staff with direct relevant incubator experience, and responsive staff. To a lesser degree, director's knowledge of funding options ranked in the high importance yet low performance quadrant. It is extremely important to the success of a startup firm to expose it to people who have successfully developed and thrived. There were no mentions of any type of marketing roundtables, volunteer entrepreneur coaches, or strategic planning seminars from the member companies, although the Director did state that these types of informational seminars were held periodically. There does not appear to be any type of formal entrepreneur- or executive-in-residence program. Another comment (73% of current and graduate clients) was that GTEC did not provide services to help companies that were not incubating very well.

Survey respondents had little interest in coaching workshops or advice from the Board of Directors, and instead preferred one-on-one interactions with other successful entrepreneurs. They also believed there were adequate educational tools provided for their use (73% of current and graduate clients).

Figure 6 details the survey results. Cs# corresponds to the question number on the questionnaire.

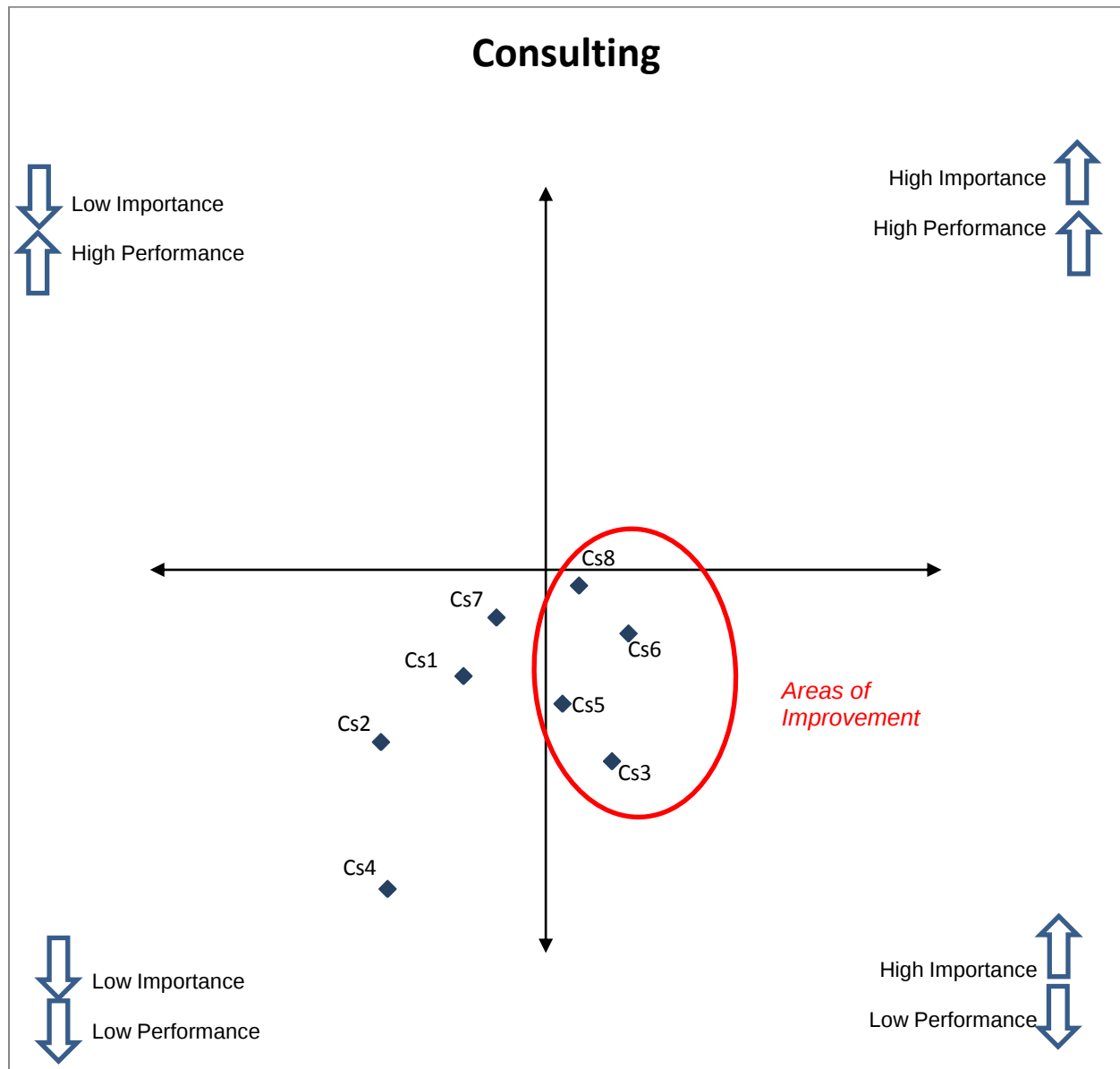
**Figure 6: Consulting Question Results**

|     | <b><u>Question</u></b>                           | <b><u>Result</u></b>                             |
|-----|--------------------------------------------------|--------------------------------------------------|
| Cs1 | Personal coaching focused on my company's growth | <b>Low importance and performance</b>            |
| Cs2 | Scheduled coaching workshops                     | <b>Low importance and performance</b>            |
| Cs3 | Access to mentors who have built businesses      | <b>Important, but GTEC does not perform well</b> |
| Cs4 | Access to advice from the advisory board         | <b>Low importance and performance</b>            |

|     |                                                           |                                                  |
|-----|-----------------------------------------------------------|--------------------------------------------------|
| Cs5 | Incubator staff with direct relevant incubator experience | <b>Important, but GTEC does not perform well</b> |
| Cs6 | Responsive staff (timely and effective)                   | <b>Important, but GTEC does not perform well</b> |
| Cs7 | Director's knowledge of strategic planning                | <b>Low importance and performance</b>            |
| Cs8 | Director's knowledge of funding options for the startups  | <b>Important, but GTEC does not perform well</b> |

In Figure 7, the responses are plotted out in graphic form. The upper left and right quadrants of the chart are the “high performance” ratings of the responses. Conversely, the bottom left and right quadrants are the “low performance” ratings. The “high importance” quadrants are the top right and bottom right, and the “low performance” quadrants are the top left and bottom left quadrants. For example, a high rating in both value and importance will be found in the upper right hand quadrant, and a low rating in both value and performance will be found in the bottom left quadrant of the chart. The CxX dots show a compilation of the responses to each corresponding question.

**Figure 7: Consulting Results in Graphic Format**



## Community (Cm)

*Community* refers to the environment in which the start-up businesses are engaged, both in an internal facility as well as local community support. Attributes of this category contain: interactions with other incubator companies, creating an environment for entrepreneurship to encourage learning and sharing, bringing on new recruits, creating a team environment through networking, and social activities. Having a friendly and approachable staff is also a factor in this category. Benefits of a healthy community for startups include the development of long-term, trusting relationships (entrepreneurs, community leaders), expansion of a human support base, group thinking and problem solving, and reciprocity of experience and “tribal knowledge” to all involved, providing, of course they are in a non-competitive situation.

**Figure 8: Community Question Results**

|     | <u>Question</u>                                                                | <u>Result</u>                                    |
|-----|--------------------------------------------------------------------------------|--------------------------------------------------|
| Cm1 | A motivational and encouraging entrepreneurial environment                     | <b>Important, but GTEC does not perform well</b> |
| Cm2 | Opportunity to interact with other incubator companies (networking and social) | <b>Low importance and low performance</b>        |
| Cm3 | Customer friendly staff                                                        | <b>High importance and performance</b>           |
| Cm4 | Offers a process for feedback to incubator staff                               | <b>Low importance and low performance</b>        |
| Cm5 | Implements suggestions from its members                                        | <b>Low importance and low performance</b>        |

**Figure 9: Responses to *Community* Questions in Percentage Value**

### Community: Agree/Disagree<sup>1</sup>

- Small majority think all other companies belong in the incubator.  
 64%
- About half have benefited from advice from another member.  
 55%
- About half want more community events.  
 55%
- Most report a sense of community in the incubator.  
 73%
- Small majority find opportunities for community interaction.  
 64%
- Very few found the Board inspirational  
 27%

1- All percentages are for top two box responses

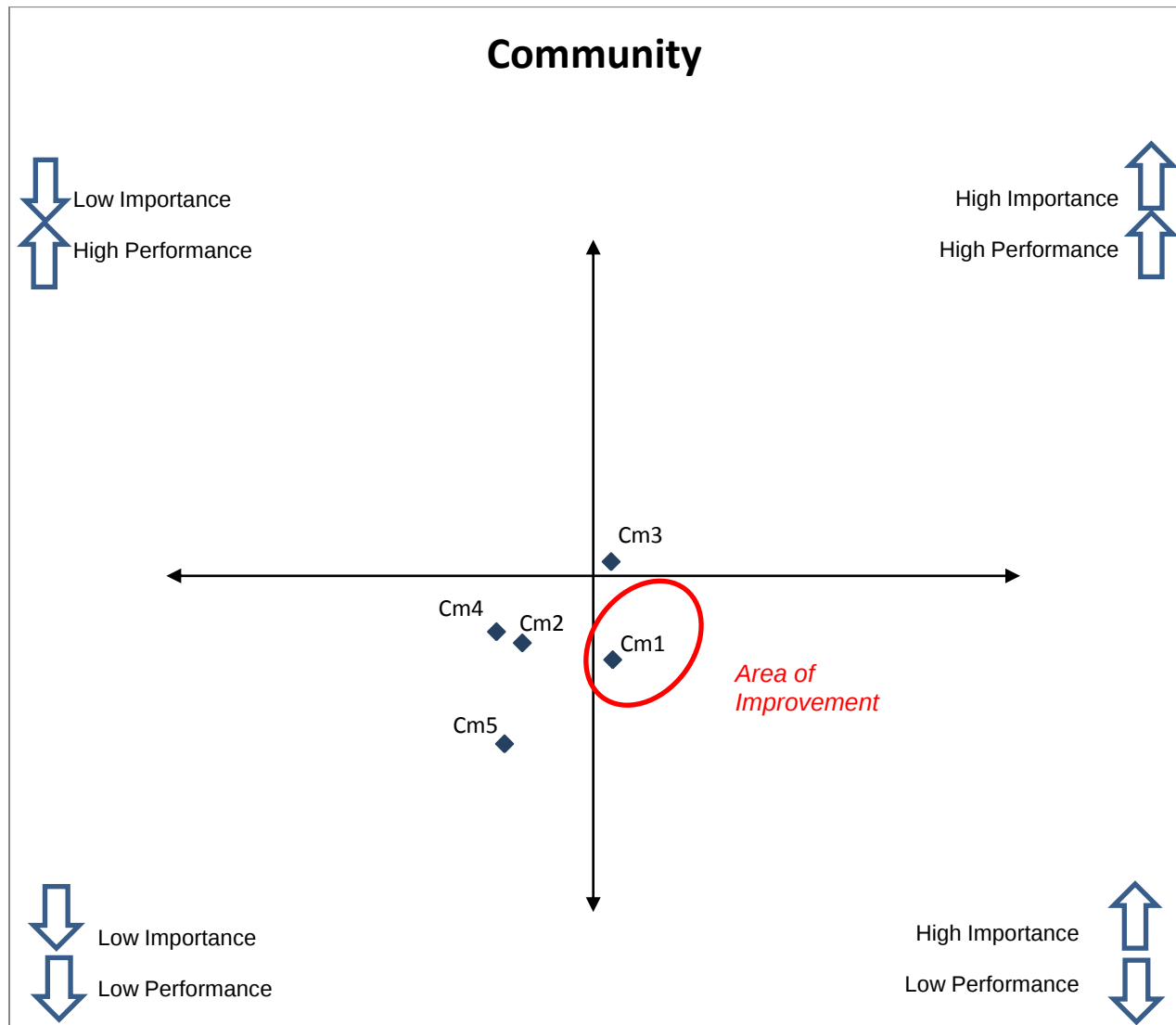
As you can see from the responses above, 73% of the respondents said they have a sense of community, however notably, during the one-on-one interviews the respondents repeatedly talked about not having a “sense of community” and how “everyone pretty much does their own thing their own way”. These conflicting statements will be addressed later during the report. Statements like these are indicative of a mismatch between current member companies and the intent of a business incubator program.

Many were not aware of any guest speakers or planned activities open to all incubator customers. There was no mention of any milestone celebrations or acknowledgements, entrepreneur showcases, or any type of mini-socials to encourage interaction between the incubator members.

When asked specific questions about what the staff does to help support member’s businesses the common response was that “we are on our own, they don’t provide any type of administrative support”. Most respondents said that they did not have the time to participate in any type of social or networking interactions with one another; however, they felt that there was not a lot of opportunity to do this. Although the embracing change question was answered with a slightly better than medium performance, no one customer could provide a specific example of how this was demonstrated, either by personal experience or observed interactions with other startups.

There seemed to be clear confusion as to what the “advisory” board’s purpose was. For the purposes of this report, we are referring to the GTEC Advisory Board as the Board of Directors. The misnomer of the “Advisory Board” caused confusion, adversity and frustration on behalf of the member companies since their perception was that the Board of Directors had done nothing to “advise” them on, regarding their pursuits of success.

**Figure 10: Community Results in Graphic Format**



## Connections (Cn)

*Connections* refer to the connectivity between the startup companies and the people and resources that would help them promote and grow their businesses. Some examples of connections are venture catalysts, founders' forums, service-provider relationships, resume databases, angel investors, large-industry sponsors, advisory boards, presentation/showcase events, and state or local seed fund programs. This category also contains the ability to use the Internet to provide a network of tools and connections to aid company development.

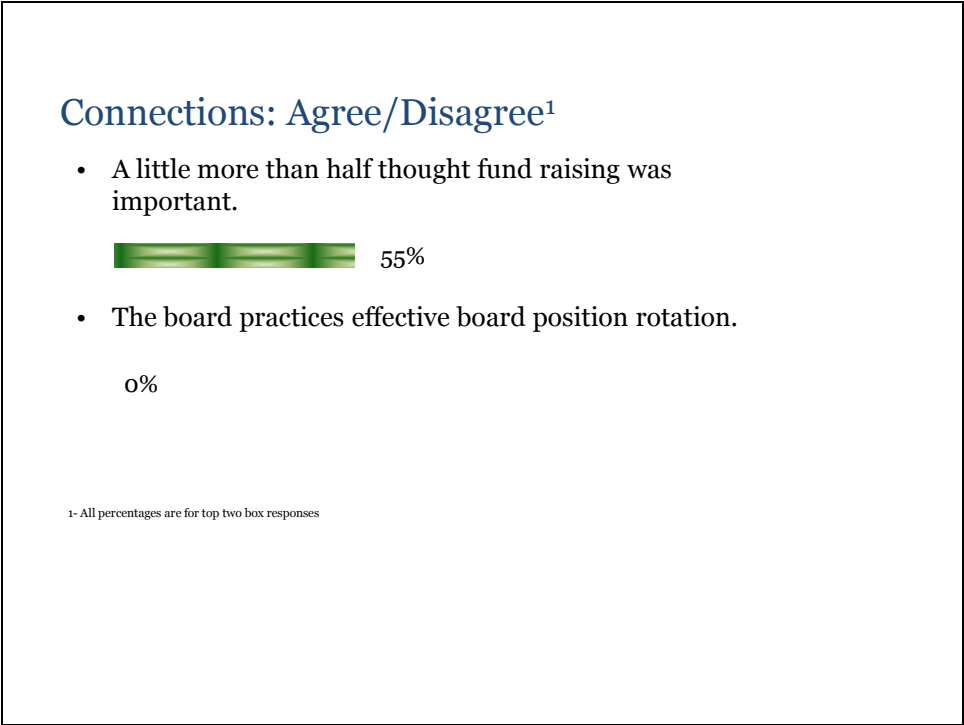
The members and graduates did not value access to service firms, potential management team members, or channel partners. They valued access to investors, but did not have an expectation that the GTEC staff could assist them with finding appropriate investors. This was another divergent category where the respondents claimed it was of value in the one-on-one interviews, but not rated well in the questionnaires. The contrast was apparent during one-on-one interviews - most companies were surprised to be asked about whether the incubator had helped them find potential customers and whether the board actively assisted them in their pursuit of customers and connections. They saw the value of such assistance but were not aware that the incubator staff and board could be of service to them in those ways. Many of them said access to service businesses (lawyers, accountants, staffing, etc.) would be nice but they never expected that the incubator could help in meeting these needs.

**Figure 11: Connections Question Results**

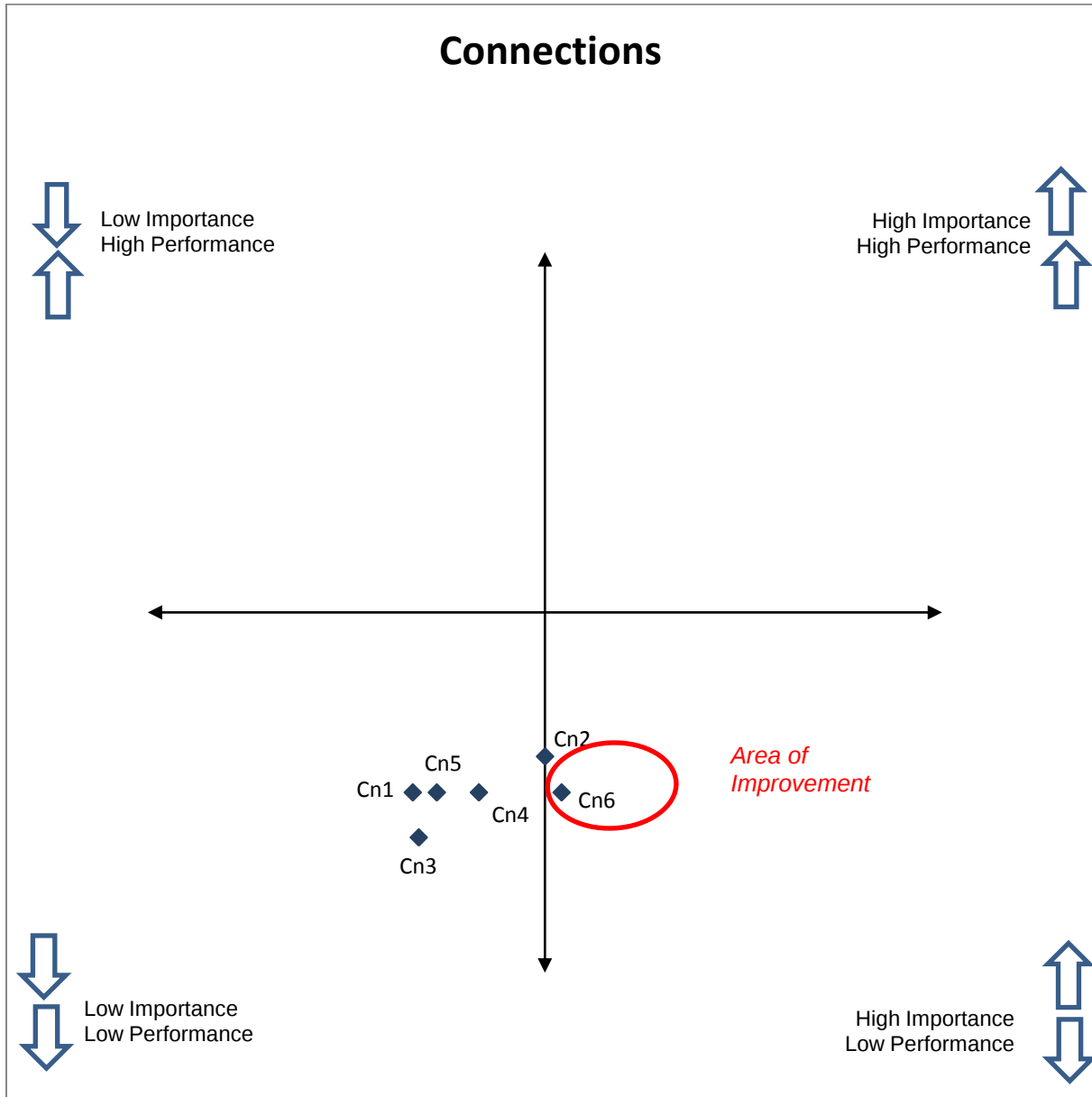
|     | <b><u>Question</u></b>                                                             | <b><u>Result</u></b>                          |
|-----|------------------------------------------------------------------------------------|-----------------------------------------------|
| Cn1 | A board that is actively involved with local government and community based groups | <b>Low importance and low performance</b>     |
| Cn2 | Access to service firms (accountants, lawyers, etc.)                               | <b>Neutral importance and low performance</b> |
| Cn3 | Assistance in recommending management team members                                 | <b>Low importance and low performance</b>     |
| Cn4 | Access to potential customers                                                      | <b>Low importance and low performance</b>     |
| Cn5 | Access to channel or manufacturing partners                                        | <b>Low importance and low performance</b>     |

|     |                     |                                           |
|-----|---------------------|-------------------------------------------|
| Cn6 | Access to investors | Important, but GTEC does not perform well |
|-----|---------------------|-------------------------------------------|

**Figure 12: Response to *Connection* Question in Percentage Value**



**Figure 13: *Connections* Results in Graphic Format**



## Center (Ce)

*Center* refers to the actual physical facility (location, conditions of the building, proximity to research facilities, etc.) as well as internal attributes like office space privacy, tools to do the job, Internet access and condition of the furniture provided.

Respondents were divided on the value of having access to a research facility or university. They marginally liked the idea of being near one, but found no value in using it. Access to labs or research facilities and skilled staff is usually rated much higher by technology-based startup companies as opposed to service-based and lifestyle companies.

The GTEC incubator does not perform well on four attributes of high importance: facility design, competitive rental rates, quality facilities and state-of-the-art tools. Clearly potential exists for improvement in these areas. Regarding Internet access and connectivity, there was concern from several member companies about the GTEC's ability to provide for their basic IT requirements. Connectivity was also mentioned as a concern to the degree that some companies had to additionally fund their own alternate connectivity needs. These services were included in their rental agreement, but were so subpar for the companies' basic requirements that they still had to outsource their service and still continue to pay for the GTEC's service as well. The frustration level was noticeably high when discussing IT access at the GTEC facility.

The member companies believed that the rental rates were not competitive for the location and services they were being provided.

Access to privacy to conduct business was never an issue with any of the respondents.

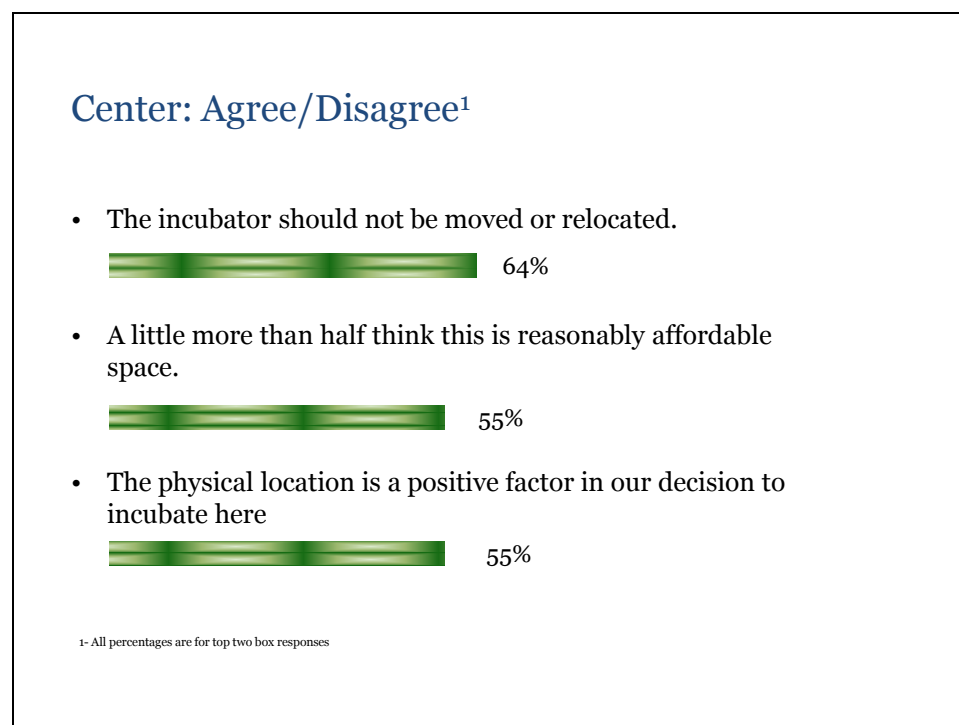
**Figure 14: Center Question Results**

|     | <u>Question</u>                                        | <u>Result</u>                             |
|-----|--------------------------------------------------------|-------------------------------------------|
| Ce1 | An incubator's physical proximity to a university      | Neutral importance and low performance    |
| Ce2 | A facility designed specifically for startup companies | Important, but GTEC does not perform well |
| Ce3 | Competitive rental rates                               | Important, but GTEC does not perform well |
| Ce4 | Accessibility to federal or university research labs   | Low importance and low performance        |

|     |                                                                                           |                                           |
|-----|-------------------------------------------------------------------------------------------|-------------------------------------------|
| Ce5 | Quality conference facilities, office space, etc.                                         | Important, but GTEC does not perform well |
| Ce6 | Privacy to conduct business                                                               | High importance and performance           |
| Ce7 | State-of-the-art technology tools, high-speed Internet access, projection equipment, etc. | Important, but GTEC does not perform well |

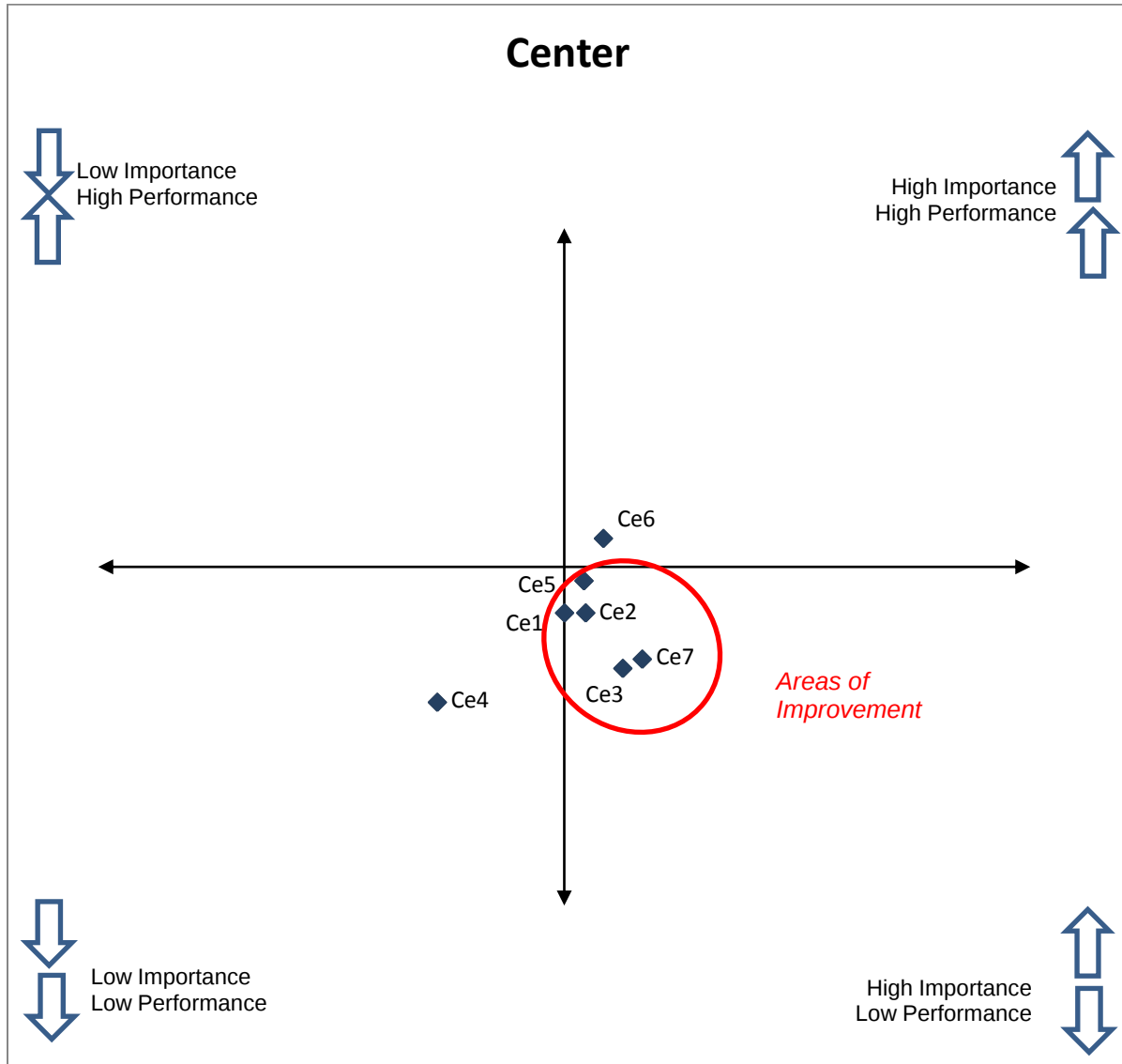
Figure 15 below shows how incubator customers responded to the agree/disagree statements presented to them in the interview.

**Figure 15: Response to Center Questions in Percentage Value**



The physical location and condition of the incubator will be discussed in detail in the summary and recommendations sections of this report.

**Figure 16: Center Results in Graphic Format**



## Credibility (Cr)

*Credibility* refers to the ability of the local community to have instant positive recognition of the incubator and feel that any association with the facility provides a positive influence for the incubator clients and anyone connected with it. The adage, “perception is reality” holds very true for this particular segment.

Overall, the respondents did not see the value of an association between GTEC and their defined “community”. Even though an incubator of stellar reputation could add credibility and open doors of opportunity for them, respondents did not see the value in this. GTEC did not perform well on the important attributes of an experienced advisory board and a professional Web site. The appropriateness of the current member companies for this incubator appears to be suspect. This issue will be addressed later in the summary and recommendations section of this report.

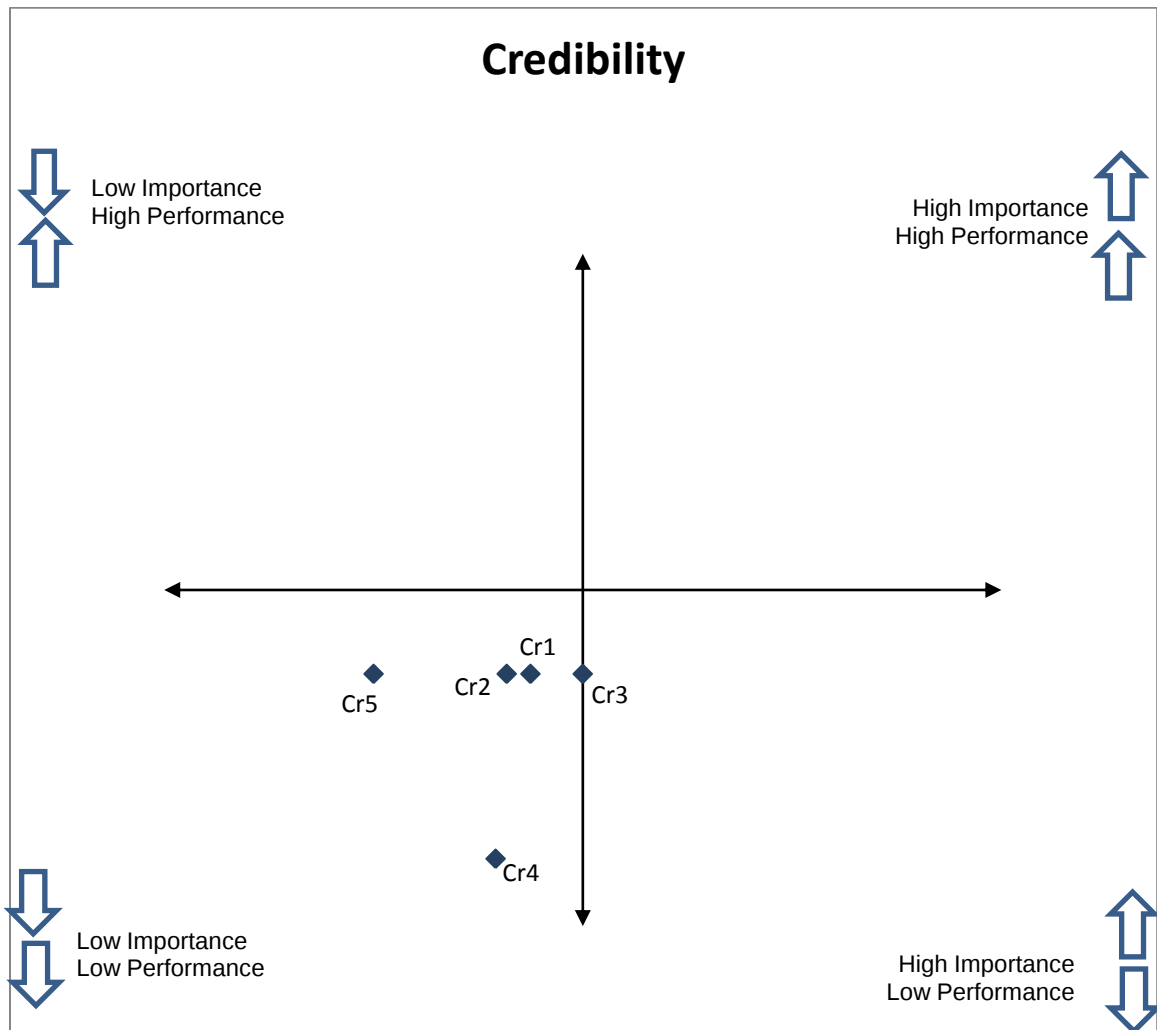
The lack of an advisory board can also contribute to the perceived lack of credibility because an advisory board is traditionally made up of local leaders and experienced entrepreneurs who are very knowledgeable in growing start-up businesses. They typically have the business networking connections at hand to aid the start-ups in developing their own business connections and credibility.

The overall low rating of this category is an indicator of an area in need of a significant improvement. This will be addressed later in the report.

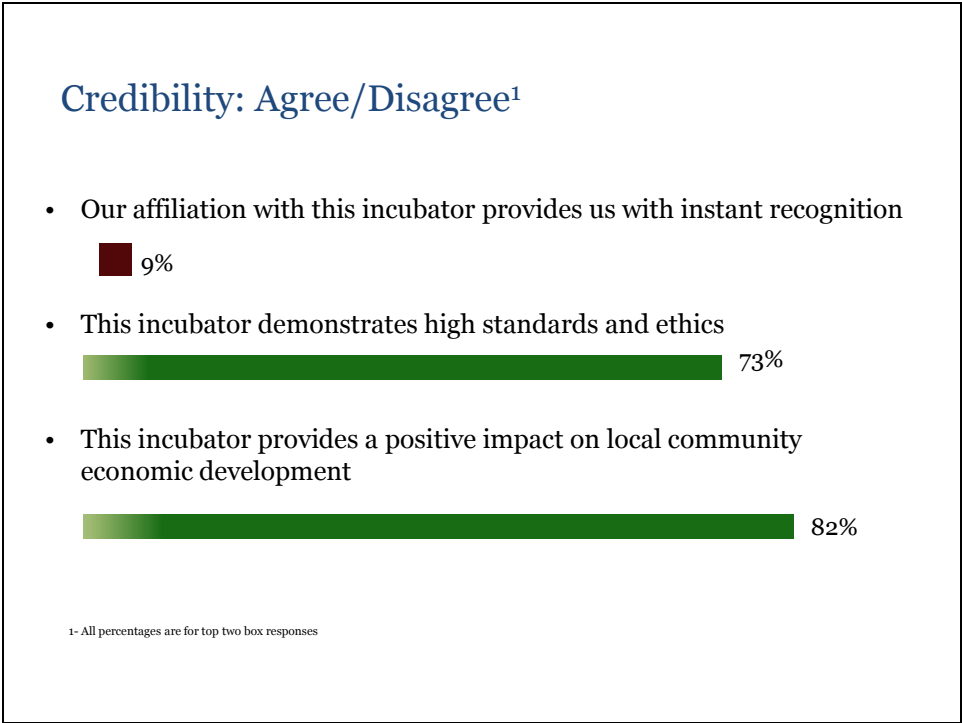
**Figure 17 Credibility Question Results**

|     | <b><u>Question</u></b>                    | <b><u>Result</u></b>                          |
|-----|-------------------------------------------|-----------------------------------------------|
| Cr1 | Membership opens up doors for opportunity | <b>Low importance and low performance</b>     |
| Cr2 | Incubator increases our credibility       | <b>Low importance and low performance</b>     |
| Cr3 | An ecosystem for technology               | <b>Neutral importance and low performance</b> |
| Cr4 | Experienced advisory board                | <b>Low importance and low performance</b>     |
| Cr5 | Professional Web site                     | <b>Low importance and low performance</b>     |

**Figure 18: *Credibility* Results in Graphic Format**



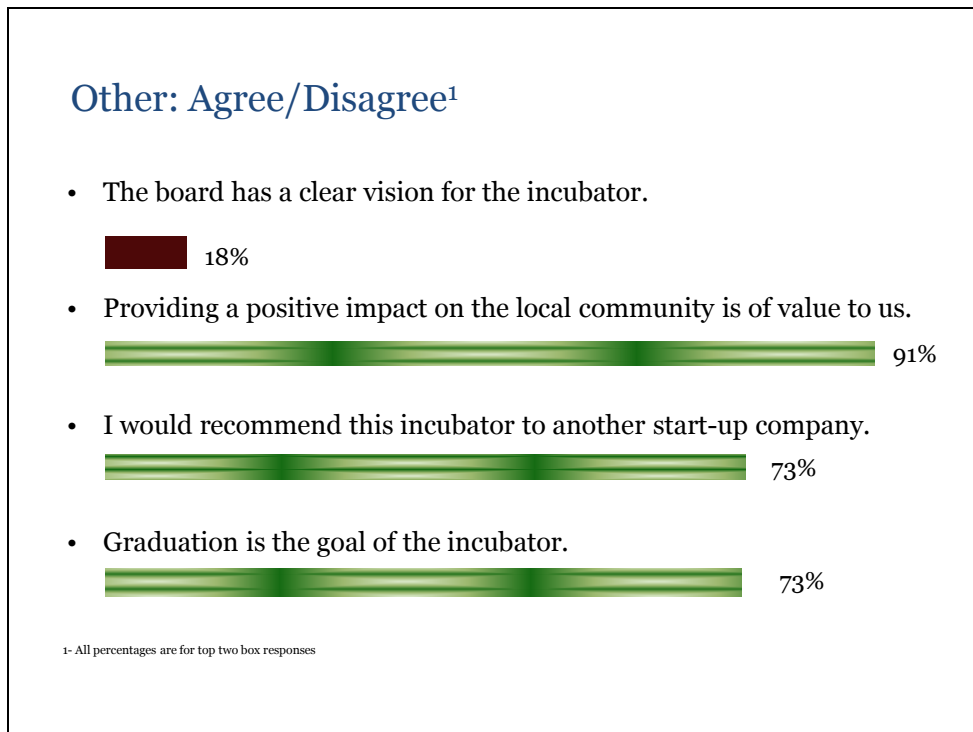
**Figure 19: *Credibility* Responses in Percentage Value**



## Other

*Other* is a category in the Agree / Disagree questionnaire that addresses the following questions:

**Figure 20: *Other* Responses in Percentage Value**



## Summary

The second phase of this assessment involved interviewing stakeholders to determine their perception of the GTEC incubator. This list of stakeholders was provided by the CRA as recommended interested parties. They included companies who chose not to incubate at GTEC, city employees, UF employees, local government representatives and local entrepreneurs. The following Summary section includes findings from all interviews conducted during the GTEC assessment.

### Consulting: “What services?”

According to incubator members, graduates, and tenants there is some confusion as to what, if any, services are provided. Companies joined the incubator because of the space at a reasonable rent, not for programs or formalized consulting. There was no expectation of consulting services when the companies joined the incubator. The expectation of services was centered on the facility than business enhancement.

There is no distinction in services received between member companies, affiliates, or tenant companies. This has lead to some of the confusion inside and outside the incubator as to which companies are incubator companies, which are graduates, and which are other tenants. There is also confusion on what constitutes an affiliate member.

Interviewees thought that the former Director was a good resource, but his services were provided more as a retainer—he was there if anyone needed to talk and he was more than willing to help a company talk through an issue, but he did not formally meet with companies on a regular basis. If he was seen in the hall he would always ask “How’s it going?” There is, however, not a periodic review process or assessment made of the companies. There are no milestone charts or plans to move companies to the next level. Two companies mentioned that the former Director was good at asking the right questions and then having them figure out the answers on their own.

There are tenants who provide consulting services, such as the SBCD and Dan Rua, but they do not formally meet with or coach the companies. Companies know these people are there and will talk with these tenants if they have pertinent questions. If these service tenants are onsite to provide business assistance, then there needs to be a set schedule of availability posted and adhered to.

While the director stated his experience as an entrepreneur, consultant and attorney for technology companies, the experience as an entrepreneur did not come across strongly for the member companies. It’s difficult to hand out advice to startups without the intrinsic knowledge that comes from “walking the walk” and identifying all of the potential pitfalls along the way. The director’s knowledge of the law was a good resource for IP-related issues, but his strength was not in growing the businesses. The staff acts more like facilities managers than incubator business catalysts. One CEO commented “I have more entrepreneurial experience than the Director. I would love to have someone I can learn from.”

There are also no resources—print or electronic—which are available for starting/growing a business, resources on a web page or electronic library that could be accessed by the members: business and legal templates, budget guides, fundraising plans, elevator pitch guides, startup marketing guides, etc.

The Board has experience and knowledge which could be provided to these incubator startups, yet there does not appear to be any interaction between the Board and the member companies apart from their initial presentation and acceptance meeting. The Board members could provide not only direct knowledge based on their expertise, but valuable introductions to other key service providers and entrepreneurs. Some Board members were not certain which companies were being incubated at GTEC—one Board member stated that GTEC's most promising member company was a company that is not currently, nor had ever been, a member of GTEC.

There are no staff advisors, entrepreneurs-in-residence, or advisory board established for the guidance and facilitation needed by startups. Most members stated that they were unaware of any services that were available and couldn't name any that they thought they might benefit from.

### **Community: "White noise"**

There is little interaction between the companies—members, graduates, or tenants. Other than accidental proximity meetings, such as chance meetings in the halls or on the way to the restroom, there is not a consolidated effort for people working in the building to get to know one another. Most of the member companies don't know who the other members/companies are in the incubator, and there are rarely any gatherings for companies to mix and mingle and let natural relationships form. One member said they know some of the other "lab people" but only because they share the same frustrations when the power goes out. A graduate company stated he didn't think he had anything in common with the other companies and that people talking and walking down the hall were just "white noise" to him.

Some member companies have no interest in getting to know, or learning from, the other members. They prefer working within a vacuum, and they are at GTEC because the rent was the right price. One company commented that it was fine if GTEC offered programs, but he wouldn't attend anything even if they had something going on because he was busy. Having an incubator community is more than a group of independent companies sharing the same office building; it is part of growing a business rather than just conducting research. Marketing costs are dollars few startup companies can afford to spare. Word-of-mouth marketing is cheap. Networking within the incubator is a way for other companies to each other market their business and vice versa. Members should know enough about each other to help spread the word about their fellow GTEC companies.

There is little physically to foster community. There are no collaborative work areas or shared equipment which might foster interaction and a sense that GTEC is a community of companies collaboratively building off the shared knowledge of others. Being admitted into the incubator should come with the expectation that members are to contribute to the growth of all the companies in the incubator. The collaborative community environment is what sets an incubator apart from an office

building. In the past there was some programming where companies could come and learn “one fact” about another company, but that hasn’t happened in a very long time.

Hallways are dark and doors to individual labs/offices are typically shut. There is a break area and patio area, but these were not utilized during the week of the Georgia Tech team’s assessment. There is a television in the break area which could spawn impromptu conversation, but it was not turned on.

The companies in GTEC belong to a diverse set of industries. Some might then deduce that companies would have nothing in common to share in a collaborative environment. This, however, is not the case as there are shared issues that all startups grapple with, such as finance, ethics in business, hiring/firing employees, IT support, and strategic partnering. Having a group of non-competing companies fosters free-flowing discussions and recommendations from others who have previously dealt with these issues aids in establishing a high energy, integrated innovation culture.

The current board has little interaction with the member companies. The board of directors contains a wealth of knowledge and business experience that could be utilized to assist new companies in establishing themselves in the surrounding community. In addition, there does not appear to be effective board rotation. Some Board members had been on the Board since GTEC’s inception. One Board member said that they tried to rotate off previously, but no effort was made to find a replacement. When Board members are replaced, there is no formalized notification as more than one former Board member thought they were still serving.

The final question relative to the *Community* influence is whether this type of incubator is the most appropriate for the surrounding community? Does this incubator serve the businesses that will most likely succeed in the surrounding community? The surrounding community includes the greater Gainesville area as well as the community just outside the doors of GTEC.

The Gainesville business community knows that GTEC exists and knows a few companies past and/or present, but for the most part they have a hard time saying exactly what it is, who it serves, and what comes out of it. It is believed that the general population of Gainesville does not know that GTEC exists much less what it does. Those that are somewhat familiar with GTEC know it as a city building that can be booked for various community events. As far as the immediate community, GTEC is seen as just a “city building”, with no connection to them. Its parking lot is a shortcut. One person described the local sentiment as “that place that ruined the wetlands”. A few people described GTEC as “an island” that has no influence beyond the parking lot.

## **Connections:**

Connections to people and resources are an important part of a successful incubator. Founders and CEO’s can’t do it all on their own; they must connect with others who can fill in the gaps. Gainesville has a thriving and growing entrepreneurial community. There are several incubators, public and private. There are entrepreneurial programs in the high schools, colleges, universities, and through organizations such as GAIN and the Chamber. GTEC hosts GAIN events, and networking events such as

Startup Hour provide GTEC companies open events to meet other entrepreneurs and community influencers.

While there are event opportunities, member companies at times need a personal introduction. Several companies commented that the former Director was a good person to go to for a recommendation. He provided names to contact. Others said Dan Rua was a good resource. Still, other companies commented that they did not get the connections to investors that they had expected to receive. Current companies and graduates had hoped more venture capitalists and angel investors would have been introduced. One Board member said to the best of their knowledge, Board members were not introduced to companies, asked to be put on programming, asked to assist companies directly, or asked for referrals/introductions.

Unless a company asked the former Director for a specific service provider or contact, companies were on their own to network and make connections. There is no formalized mechanism to evaluate GTEC companies and then custom-connect them to appropriate resources.

### **Center: “Who is the building’s competition? Anyone with affordable office space.”**

This response accurately captures the sentiment that the Georgia Tech research team heard from countless interviewees. To be clear, not all of GTEC’s physical qualities were considered a detriment to its success as an incubator. Tenants have access to convenient parking, a secure building, 24-hour access and the flexibility to use their space as they see fit. However, the vast majority of stakeholders agreed that the building *feels* dead, which certainly played a role in several entrepreneurs deciding not to locate their company at GTEC.

There is a dearth of common space in GTEC and even less common space that is meant to serve as an asset to current and potential members. What is available needs to be maximized and is currently under-utilized. The front office, where a company’s visitors receive their first impression, is regularly closed, locked and the only window to see into the room is covered by a poster. The conference space at the front of GTEC is not used by some tenants due to a lack of facility staff to assist with room set-up. According to former management, this was an intentional policy. There is also no access to multi-media equipment such as projectors, screens, video and teleconferencing. The conference room is frequently utilized by external community organizations. The only way in which the surrounding community members have any interaction with GTEC is through its use as a meeting space for nonprofits. The Georgia Tech team did not learn of any resulting good will or better relationships being formed between GTEC and the surrounding community by allowing the space to be used for nonprofit or community group meetings. Conversely, this dual use created negative consequences for GTEC’s operations as a business incubator. Member companies need unfettered access to the conference room if they are going to use it, and competing with external groups created an additional inconvenience.

One client built their own conference room in their office suite due to these inconveniences. The lack of utilization is unfortunate as the conference space is located in front, and constant use would help combat the lack of energy in the facility expressed by many interviewees.

While the building's exterior is clean and secure, there is a clear lack of maintenance and upkeep performed inside of GTEC. Trash baskets overflow, hallway lights remain off, chairs have broken wheels and ceiling tiles are discolored. One of the assets mentioned during interviews was that GTEC was a "professional" space for member companies to meet with investors and clients. The lack of physical upkeep within the building threatens this image.

As more incubator space becomes available in Gainesville, GTEC will have to improve the day-to-day appearance. When asked why they chose to locate their company at GTEC, one member stated "they were the only game in town that had a hooded lab space". This will not be enough in the future.

### **Credibility: "GTEC Doesn't Go Past the Parking Lot"**

Gainesville has a robust and growing community of technology and innovative entrepreneurs. Although it's growing, those involved remain well informed of the other actors within this community, their major successes, challenges and actions. In other words, it's a tight knit group of entrepreneurs, advisors, service providers, and community leaders. It is a testament to this closeness that most everyone the Georgia Tech team interviewed was familiar with GTEC and had a *general* understanding of its role within the community.

Several successful companies have emerged from GTEC over the past decade, giving the facility a certain degree of credibility among entrepreneurs. Even those who chose not to incubate their company at GTEC believed that the facility served a worth-while purpose within the entrepreneurial ecosystem of Gainesville. However, with the opening of the HUB, new commercial development in downtown, and a growing community of student-entrepreneurs, many interviewees expressed uncertainty as to how GTEC maintains an important role within this system.

The most common refrain heard among both current members and those entrepreneurs who chose not to incubate there was that GTEC is suited for a small microcosm of entrepreneurs in Gainesville. These entrepreneurs are older, looking for a quiet and professional space to do their work, had a technology focus, and followed a traditional model of entrepreneurial success. Therefore, the younger the entrepreneur the Georgia Tech team spoke to, the less likely they were to locate their company at GTEC. GTEC's credibility is weakest amongst students and recent graduates who are trying to develop a robust community of technology entrepreneurs in Gainesville.

It was also commonly believed that outside of the technology-based entrepreneur circle within Gainesville, no one has any idea who GTEC was or what they do. This is equally true of both the immediate surrounding East Side neighborhood and rest of the city's business community. There are many champions of entrepreneurship in Gainesville, but GTEC is not considered among them. GTEC is a

supportive partner to other entrepreneurial-support organizations, such as GAIN, but does not appear to be reaping any enhanced reputational benefit from that role.

## Recommendations

One of the prominent hurdles continually surfaced throughout this project is the confusion as to what GTEC really is. Is it a business incubator for startups or is it a multi-use facility disguised as an incubator with tenants? This fundamental question must be answered before any effective plans can be implemented for GTEC to continue on a path towards success. Once this decision is made, all stakeholders must make a concerted commitment to this goal and earnestly implement the changes that will be needed to drive it forward. Any unenthusiastic or insincere efforts will only cause more erosion of the current community perception and ability to thrive as a legitimate business incubator.

Below are major recommendations that need to be addressed in order to allow GTEC to grow and thrive into its full potential as a valuable asset in the economic development continuum of Gainesville.

### 1. Define your Niche in the Gainesville Continuum

A common refrain heard by the Georgia Tech team was that Gainesville had more incubators per person than any other city in the US. Whether this is true or not, it is most certainly true is that GTEC faces growing and significant local competition, and as the landscape has shifted, so must GTEC redefine their role in Gainesville's overarching entrepreneurial arena. Other business incubators such as CIED, Sid Martin and the forthcoming HUB have carved out specializations in their program of service offerings, and GTEC needs to do the same. Given the huge amount of available entrepreneur space being developed, GTEC will quickly be overwhelmed by the HUB if it does not differentiate itself on the continuum of available incubator space and service offerings. The HUB is going to be an incubator for technology companies emerging from the University of Florida. Casting GTEC in the same light, or relying on overflow demand, is not a recipe for success.

Based on extensive interviews the Georgia Tech team expects there to be an increasingly diverse set of companies that could benefit from locating in GTEC, and we suggest it's time to allow for non-technology companies to apply for admission. Of greatest importance would be that future member companies are building innovative companies or products, have the potential to create local jobs with mid-high wage potential, and are willing to actively contribute to a culture of energy and creativity that will attract more applicants in the future. The first step in doing so would be to update the GTEC operating plan to reflect the current incubator landscape and GTEC's evolving role.

One of the benefits that GTEC has going for it is the availability of flexible space. By reconfiguring some common space areas, significant office space could be garnered for "hot" office space, attracting the one and two person startups that are looking for a "bee hive" environment to work and be associated with. This reduced cost space would be an excellent way to start attracting individuals with innovative start-ups that need a professional space from which to conduct business, while also retaining established office space for growing companies.

## 2. Reconfigure Your Incubation Program

Reevaluate and restructure GTEC's incubation procedures and policies to provide a process that moves start-up companies purposefully through incubation with the end goal of graduation. This needs to be looked at as a manufacturing process, taking raw materials and assembling a finished product. Startup companies that are appropriate for an incubation process will go through a program of development and growth that will enable them to graduate and move on as well defined, solid business investment.

### Company Selection Process

According to all of the information gathered, GTEC has a loosely identified screening process; however it is not applied consistently to all candidates. Selection of tenants versus member companies needs to be delineated at the Board of Directors level, with expectations set and measured. There is great confusion as to the status and levels of service for the tenants, member companies, graduates and affiliates. These distinctions need to be separate and discrete categories of participants associated with GTEC. Membership dues/rents and level of services available to the different categories need to be created and adhered to. Establishing a credible, reliable incubator depends on several important factors. Ensure that companies accepted into the incubator are the types desired to represent GTEC. They are the ones that will build your reputation.

Select companies that can be coached and have a willingness to participate in group incubator activities. Good group dynamics enhance a culture of entrepreneurship, which is what you want to strive for and maintain. Member companies must participate and interact in order to benefit from the incubator experience. They will need to hone their interpersonal skills in order to effectively market their products/services to their commercial clients.

Since GTEC is an arm of an economic development program for the Gainesville area, keep in mind that not all technology companies are necessarily a "good fit" for the parameters outlined in this report.

### Create an Advisory Team

Establish an Advisory Team stocked with local entrepreneurs, GTEC incubator graduates, and local business support leaders who are interested in growing new business that will contribute to the local economy. Consider starting with an **entrepreneur-in-residence** program and work forward to an advisory board, which will give the startup companies a go-to entity for advice. The intent is for the advisory board to give direction and have regular interaction to and with member companies.

In addition to business advisors, establish relationships with local accountants, attorneys, testing facilities, machine shops, and any other type of support businesses that startup companies will eventually need to support their enterprises. Trusted service providers brought early into the growth process, could provide excellent counsel before the mistakes borne of inexperience happen.

The Georgia Tech team envisions an Advisory Team that actively achieve consensus on the acceptance/rejection of an applicant based on incubation factors, not leasing needs (leasing expectations should be the responsibility of the Board of Directors). The team approach removes the risk of a one sided choice of personal opinion that has plagued GTEC in the past and has resulted in startup companies that are not necessarily benefitting from an incubation program.

### **Communicate What Services You Provide**

As previously noted, most members were not aware of the variety and depth of services that are available from the incubator. These options and opportunities need to be communicated and offered periodically. Posting them on the incubator's Web site should be just one of the ways to communicate this. Through frequent interaction with the member companies, there should be no doubt that GTEC provides a plethora of services and access to the contacts that they need most. These services, as well as the over-arching program, needs to be a topic of conversation from every Board and Advisory Team member every time there is a potential member company in their midst.

### **Social Events**

Once again, interaction and networking amongst member companies is vital to the culture of energy and entrepreneurship for a thriving incubator. Regularly scheduled social activities, i.e., pizza Fridays, golf outings, breakfast once a months, etc. are great opportunities to provide networking opportunities for member companies. By seeking out service providers as sponsors for the events, it is an inexpensive way to build relationships and learn about the other member's latest achievements, successes and not so successful attempts.

### **Establish Measurements and a Graduation Policy and Stick to Them**

The dual issues of milestones and graduation remained prominent in the one-on-one interviews. No one member company or graduate interviewed claimed knowledge of formal measurements or a graduation policy that was enforced. This information needs to be communicated at the time of acceptance into the program, perhaps during a formal orientation session, and reinforced several times throughout each member's occupancy. Measurements and periodic performance evaluations will also help structure the startup firm for the commercial world.

## **3. Clearly Define the Chamber of Commerce's Role in GTEC**

There seems to be confusion as to the roles and responsibilities the Chamber of Commerce has as it relates to the daily operations and management of the incubator. If it is not clearly defined in the existing contractual agreement with the City, the responsibilities needs to be clearly identified, and executed. If such documentation does exist, it is not being enforced. The outside appearance of this existing confusion creates an undesirable negative cast of neglect of the entire incubation program. Outside entities questioned the long term viability of this incubator during interviews, basing their opinions on unfounded gossip that could possibly be traced back to this issue.

#### **4. Clarify Board of Director Responsibilities**

There is little agreement between GTEC board members on what constitutes a board responsibility both in theory and in practice. Frustration brought on by a lack of timely and useful information has led to repeated efforts get make changes, only to see them improperly implemented, or simply ignored. Both board members and GTEC staff would benefit from bringing clarity to board roles and responsibilities, as well as a change from some current practices. The Georgia Tech team recommends that the GTEC board of directors take responsibility for:

- Strategic direction of GTEC
- Fiscal oversight
- Facility management and upkeep
- Staffing
- Facility occupancy mix (members/tenants/service providers)
- Promotion and marketing of facility

The Georgia Tech team also recommends removing Board of Director responsibility regarding member acceptance, tracking and graduation, and hand these duties over to a newly established Advisory Team comprised of experienced entrepreneurs. The board of directors is made up of critical stakeholders and community partners whose role should be focused on the short and long-range operations of GTEC as a business incubator, but not on the ongoing progress of member companies.

#### **5. Establish A “High Energy” Culture**

Create an environment of high technology and excitement. Set up friendly competitions such as an accelerated time-to-market race. Establish a weekly happy hour with free popcorn and soda for members (current and alumni) to interact. Establish a monthly CEO roundtable to discuss the current environment and celebrate each member company’s milestones. Bring in a guest speaker for a short presentation. Have the member companies present their latest achievements. Keep the graduates engaged in the happenings of the incubator. Participate in joint activities with other entrepreneur events.

#### **6. Market Your Product**

Under the most recent management structure, promotion and marketing of GTEC was handled by GTEC’s two full-time staff members. This crucial task took a substantial amount of time, including attending GAIN and other networking events, meeting one-on-one with potential clients, writing press releases and other related tasks. Promotion and marketing are a core responsibility of GTEC’s staff, but it does take away from other job responsibilities, and would greatly benefit from Board support. There needs to be more interpersonal communication between all interested parties (startup clients as well as staff) of GTEC and the general public. Tools like Facebook, websites, blogs, Twitter and other social media need to be engaged to attract the entrepreneurs of the area. The Georgia Tech team recommends that promotion and marketing of GTEC become a part of each board member’s area of responsibility, assuming no conflict of interest exists.

A common understanding of GTEC's mission, selection and graduation criteria, benefits and services must be acquired by all board members and stakeholders. When asked about these items, interviewees gave a wide variety of responses, hindering their ability to effectively communicate the value of joining GTEC. Creation of updated marketing messages and material should be prioritized and distributed widely.

## **7. Address the Staffing Issues**

Revisit staff duties and responsibilities. The Communications manager was spending a significant portion of her time with the GAIN initiative in the same office, which confused her responsibilities and loyalties at GTEC. In addition, simple administrative services are not being provided to the member companies (see Physical Facilities). There needs to be some level of administrative support to the member companies to accomplish daily routine tasks of handling mail, appointment scheduling, conference room scheduling, arranging travel and marketing events, copying, etc.

In your search for a Director, consider hiring an individual that has previous incubation experience with a dynamic, innovative history. Make your search a national level search. The Gainesville area is a highly desirable area to relocate to, and the current economic environment will only add to the attraction of national level, qualified candidates. The director will need to have significant business skills related to personally starting up, running and growing successful companies. Where legal skills are an excellent enhancement, this service can be easily provided by a local firm instead. This person will have to be part business manager, marketing specialist, coach and motivator.

## **8. Enforce the Current Policies and Procedures**

There appears to be very little enforcement of the Operating Plan as well as the documented policies and procedures provided by the former Director. Leases, selection criterion, job responsibilities, graduation, and city compliance standards are just a few of the areas that are well documented but are not currently being enforced. Measurements that have been established, in some cases, are not really relevant to the successful performance of the incubation program and should be reevaluated or eliminated based on their true applicability to the goals of the program. Establish individual accountability and adhere to the rules you set in place.

## **9. Conference Space**

There are three communal conference rooms on the first floor of GTEC: the main one which is behind the stairs just off the lobby, and two others, a small conference room and a board room, which are down the hall. These rooms are utilized by member companies, graduate companies, tenants, and community groups. The conference space can be improved to be a more valuable benefit to the companies. The conference rooms are not well maintained, lack equipment such as projectors or screens, and are difficult to reserve. One company stated that they thought it was more trouble than it was worth, so they created their own private conference room in their office space. As the conference room is a benefit for member companies, the Georgia Tech team recommends that preference be given to member companies, then tenants, and finally community groups. There needs to be a simple way to reserve a conference room so there is no confusion on

who has reserved it. There also needs to be someone on staff managing the conference space making sure that it is reserved, set-up properly with the appropriate equipment, technology, and furniture, and then cleaned up when the event is complete. This will be a change from the current practice of having the person/company that utilizes it set it up and clean it up on their own.

## **10. Graduation**

Rather than just providing space, the goal of an incubator is to help advance the company. This advancement does not just happen automatically because a company is a resident of GTEC. Informal business counseling can be done on a regular basis, but a more formalized strategy needs to be developed. It needs to be done in a systematic manor so the company reaches a desired point—graduation. The company, Director, and Advisory Team should know the end-goal for a company's graduation when it joins the incubator. It is the recommendation of the Georgia Tech team that the Director and the Advisory Team help each GTEC company create a written plan of goals leading to graduation upon entering GTEC. The plan should contain projected measureable milestones to advance the company; this will enable to company to be prepared for graduation within three years. The Director and Advisory Team should then regularly meet with each company to measure the progress of the plan and modify the plan if necessary. This plan will be a guide to formulate programs and services which will advance the company. As time approaches for graduation, the Director should serve as a sounding board as the company prepares for change (location, rent costs, new facilities, etc.). Business counseling prior to these changes will be critical as the company transitions out of the incubator.

## **10. Give Graduates the Next Steps**

Once the graduation requirements are met, it is essential for the incubator's credibility that the graduate companies have a formal "graduation" party and move from their incubator space. Investigate other leasing options for graduate companies to reinforce the fact that you are serious about incubation and assisting in growing successful businesses. There should not be lingering graduates in the incubator space. This will send the wrong message to the entrepreneur and business community about the ability of GTEC to successfully "incubate and graduate" a startup company.

Investigate real estate options for the graduates and assist them through the myriad of programs that Gainesville has for helping them relocate locally. By providing this easy transition into their own space, you will be helping the graduate company establish themselves as a valid, local business contributor to the local economic community. They will be more apt to stay locally if the transition to their new space is a less complicated one. Establish a formal process that can be followed and have the service providers already on board with a relocation plan. This next step should not be a surprise or a sudden change, but a normal well planned transition to the next phase of their growth.

## **11. Physical Facilities**

Generally, subsidized rent is the first thing that attracts a company to an incubator, followed by the flexible space and attractive lease options. An incubator with a pleasing physical appearance, however, enables its companies to work, collaborate, grow, and entertain guests/investors in a positive environment. The common spaces are an extension of the company's private office/lab space. While the company is not responsible for the upkeep of the overall facilities, its appearance is a reflection on the company. The current appearance of GTEC is unkempt, broken, sterile, dated, and not very welcoming. It is the recommendation of the Georgia Tech team that immediate action be taken to transform the physical facilities as outlined below:

- Maintain and enhance the landscaping and parking areas as to create a hospitable entrance into the building. Remove weeds and dead trees from planting areas and add flowers.
- Change out the current signage to a much more visible and vibrant eye-catching announcement that the tenants can be proud of and for everyone in the community to know what is there.
- Create a warm and inviting environment in the lobby. Paint the lobby walls a warm, rich color. Create an attractive seating area in the center of the lobby with unsoiled and undamaged furniture, lamps, plants, and tables with current publications. Install large, high-quality signs directing visitors and tenants to the management suite, conference rooms, and company offices.
- Brighten: The halls have very little natural light. Keep the lights on—hallways and restrooms were often dark even half-way through the day. To enhance the mood in the halls add artwork to the stark walls. It is proposed that the artwork could come via a competition open to a group(s) from the East side to create the art, helping to tie the facility to the local community. To create a sense of openness in the hallways, it is recommended to add internal windows between the hallways and the offices/labs or by replacing the current hall doors with glass doors. Increase the airiness of the conference rooms by keeping blinds open.
- Maintain the inside of building: Assign someone the responsibility of upkeep, cleanliness, and maintenance for the hallways, lobby, floors, conference rooms, furniture, floors, ceiling tiles, restrooms, and paint throughout the building. Replace and remove broken, damaged, and soiled furniture. Clean and remove clutter found in management suite and conference rooms. Ensure someone is held accountable and enforce this role.



- Upgrade, acquire, enhance, and maintain AV equipment, electrical wiring, and IT networking for building. Conference rooms need to be equipped with screens/TVs, projectors, and teleconference equipment for companies to operate in 2011 and beyond. Equipment needs to be audited and re-evaluated periodically to ensure it is kept current. The IT network also needs to be improved and kept current. Companies complained that while there was a wireless network, it did not reach all areas of the building or the strength was so low it was not effective. The wireless network needs to be improved for staff and companies to utilize. Rather than having a dedicated IT person on staff, some incubators rely on contract services to maintain, troubleshoot, and upgrade IT equipment on a regular basis.

It was reported that periodic outages in the building have threatened the work of some of the companies in GTEC. Not having reliable electricity can be detrimental to companies whose experiments rely on their equipment running continuously or microorganisms being stored at a constant temperature. If a client company is unable to perform experiments for their research due to the lack of adequate electricity, they will go elsewhere. The electrical capacity of the building needs to be upgraded to reflect the true power consumption needs of current and future companies.

GTEC needs to also maintain or upgrade the HVAC system to accommodate the comfort of those in the building and to provide proper ventilation to maintain indoor air quality as chemicals are being used in some of the labs. Verify OSHA standards are being met relative to the nature of the various chemicals being utilized by the member companies. Air conditioning needs to be kept at a comfortable level at all times of the day.

- Create an inviting collaborative environment for companies. Designate a defined area with shared open desks and work tables to encourage co-working and collaboration among companies. It should be open, bright, and comfortable. This will help encourage a “community environment” among companies--especially companies with small staff and those not requiring lab space to conduct their business. Also, provide a sitting area with lounge chairs to encourage collaborative conversations and meetings.
- Consider investing in redesigning the interior space. Look to accommodate more small businesses by making the interior space more conducive to genuine startup companies (1-3 people) that can effectively utilize smaller, flexible workspace. Consider seed space, small 10 x 10 size offices with locking doors that you can rent out on a monthly basis. These “hot offices” would have internet connectivity and a small desk area for working. This would also give the clients a valid business address to conduct meetings, etc. You may need to pursue additional funding for this type of remodeling.

## 12. Reception Space



Currently, there is no functional reception area. When visitors and prospective members come to the GTEC, they are unsure of where to go when they first enter the lobby. The window to the management suite is covered and the door to the management suite is often shut and locked. There is nothing distinguishing this building as a unified incubator rather than individual offices housed separately in one building. To create a more unified feel for the building, the Georgia Tech team recommends redesigning the current management suite to open to the lobby. Remove the wall between the management suite and lobby to create a front desk or “welcome center” for visitors and tenants. If the wall cannot be removed because of weight-bearing load issues, remove the glass from the window, or at a minimum, remove the sign blocking window to the management suite and keep door from there to lobby open at all times. The desk should be continually staffed during regular business hours.

## 13. New Approach to East Side Interaction

The vast majority of individuals interviewed believed there was no meaningful interaction between GTEC and the East Side community. They did believe that the building, and the building’s economic development mission, represented an important symbolic gesture to East Side residents, but that was as far as it went. The Georgia Tech team agrees with this assessment. The only current interaction between GTEC and the East Side community is free use of office space and the conference room. This action has generated no goodwill towards GTEC from East Side residents, nor has it ingrained GTEC into the community’s social fabric. In addition, it has hurt GTEC’s culture as an incubator, as member companies and other tenants have veered away from using the conference room due to competition from outside groups.

The Georgia Tech team recommends GTEC take an entirely new approach to building and maintaining a relationship with the East Side community.

- Eliminate use of free office space to community groups, freeing up more space for GTEC member companies.
- Significantly limit the use of the conference room by community-based organizations, civic groups and nonprofit organizations not directly affiliated with GTEC.
  - If exceptions are made, ensure that meetings are regularly scheduled so that member companies and tenants know when the conference room is in use.
- Develop programming that both provides economic development opportunities to East Side residents and also compliments GTEC's mission as an entrepreneurial center. For example:
  - Create and host entrepreneurship classes for local residents.
  - Develop a volunteer/internship program linking UF Center for Entrepreneurship and Innovation students with East Side entrepreneurs.
  - Develop a volunteer/internship program linking Santa Fe College students interested in business and entrepreneurship with East Side entrepreneurs.
  - Lend use of parking lot on weekends to an East Side farmers and crafts market.
  - Invite selected entrepreneurs or small business owners from the East Side to educational events at GTEC.
  - Look for supplier links between East Side business owners and member companies or tenants at GTEC.

#### **14. Invest in the Future**

Look into sponsoring young entrepreneur-like programs with the local schools and partner with programs like Junior Achievement. Establishing GTEC in the local school systems will identify the GTEC incubator as the go-to place for entrepreneurial inclined individuals in future generations. Visit the schools at least annually to remind them of what the GTEC incubator does and how it could benefit them as future business leaders. Create and sponsor an annual competition for the younger students. Recruit members and alumni to volunteer for these types of activities.

Always keep your awareness of potential new members during encounters within the community. Regional conferences are also good events to discover new companies that are willing to relocate based on their business needs and potential for growth.

## Concluding Remarks

GTEC has a great entrepreneurial community to draw from and is very supported by those involved with this group. Its relationships with GAIN and UF are very healthy and encouraging. As presented earlier in the report, there is a substantial need for incubators like GTEC in Gainesville and, if managed properly, GTEC can become one of the main pillars of business incubation in the area, while also providing a positive economic impact to the East Side community.

As it stands, GTEC is a good leasing option for small companies that want affordable office space in a secluded area east of Gainesville. They are not really interested in a business incubation program to aid in growing their companies. They desire little to no interaction with their neighbor tenants.

Beyond these location-specific benefits, GTEC has many opportunities to improve its operation and become a thriving incubator. To accomplish this, GTEC should implement the following high-level actions:

- Determine if GTEC will continue as a mixed-use leasing company or morph into a vibrant incubator program while honoring the Operation Plan requirements of tenant companies. , This action will require minimum financial investment but, more importantly, dedicated and enthusiastic individuals who really want to make a change in the status quo. This will require modifying staff assignments, rethinking sections of the Operating Plan, establishing an Advisory Team, and overhauling the current service offerings.
- Improve the pool of applicants and members to include more coachable enterprises who are interested in an incubator program that has a beginning and an end. GTEC must reestablish its community image and pursue the right companies to apply.
- Build a sense of community among members so they are encouraged to share and coach one another.
- Provide consulting services to better support entrepreneurs. This could be done via content developed and offered in-house or by means of content developed externally and delivered via Webinars.
- Become more engaged with local and regional service providers to improve GTEC's ability to make valuable connections for its member companies.