

Spreading the Word

Client and Graduate Successes Prove That Business Incubation Works

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Does business incubation really work? Incubation professionals know the many ways their programs help entrepreneurs and their communities, but oftentimes it's difficult to communicate success to industry outsiders. Sharing incubation success stories – whether your own or another program's – can help community leaders and others understand the vital role incubation programs play in a region's business development efforts.

Increased visibility for the industry benefits individual programs, too, drawing new clients, untapped funding sources, an expanded volunteer base, and more to incubators and the businesses they assist. To complement your own business incubation successes, NBIA has compiled a number of compelling stories from programs across the United States. The businesses profiled here represent only a sampling of the many successful companies that have emerged from NBIA member programs over the last 20 years.

Their stories are interesting because they illustrate the many faces of success. Some of the stories are those of typical business achievement, featuring companies that have recorded employment and revenue figures that would make any CEO proud. Others tell how incubator companies are making a name for themselves – and their incubators – by creating and marketing products we use every day. (For example, did you know that an incubator graduate designed the new logo for Old Milwaukee beer, or that a company that has developed nutritional oils contained in many baby formulas has incubator ties?)

Although each of the start-up companies profiled here has a different story to tell, the stories share a common theme: All of

the businesses demonstrate success that likely would not have come about without the incubator experience.

MARTEK BIOSCIENCES

Company headquarters: Columbia, Md.

Incubator: Technology Advancement Program at the University of Maryland at College Park

Entered incubator: 1985

Graduated: 1986

Employees: 607

Revenue: \$184.5 million (FY 2004)

NASDAQ: MATK

Martek Biosciences might not be a household name, but chances are if you have children, you've probably benefited from its products. Martek, a graduate of the Technology Advancement Program (TAP) at the University of Maryland at College Park, develops and sells products derived from microalgae, including nutritional oils contained in infant formula that aid in the development of newborns' eyes and central nervous systems.

Ed Sybert, director of the University of Maryland's Biotechnology Industry Program and former TAP director, first met Henry Linsert Jr., Martek's chairman and CEO, and other Martek staff when the company applied for admission to the incubator. Sybert says the company came to the program with a number of notable characteristics, including a talented broad-based team with demonstrated skills (the company is a spin-off from Martin Marietta), a unique niche market, and the technology to drive forward within that niche.

Through the incubator, Martek accessed specialized facilities and equipment that served as a pilot development lab for its early products. Those facilities became a

scale-up lab for much of Martek's early work, where company researchers could determine whether a number of individual cells they had grown in the lab were scalable to a larger market. Indeed, they were.

Martek now has license agreements with 13 infant formula manufacturers, representing more than two-thirds of the world's wholesale infant formula market. Formula containing Martek oils is now available in more than 60 countries worldwide. The company's other products include nutritional supplements and fluorescent markers for drug discovery and research applications. Martek's FY 2004 revenue was nearly \$185 million, and the firm employs more than 600 workers.

In 2004, Martek initiated the first phase of an expansion of its nutritional oil production facilities. Once all phases of the project are complete, company officials project its production capacity will more than triple.

What was the key to Martek's successful incubator experience? Sybert believes it's the company's willingness to seek help from the incubator and the university. "This company has always been desirous of the university's help," Sybert says. "They were always pulling toward us – asking for help. We weren't pushing toward them."

ORASURE TECHNOLOGIES INC.

(Formerly Solar Care Technologies Corp.)

Company headquarters: Bethlehem, Pa.

Incubator: Ben Franklin Business Incubator Center

Entered incubator: 1988

Graduated: 1992

Employees: 201

Revenue: \$54 million (FY 2004)

NASDAQ: OSUR

When **Mike Gausling**, **Bill Hinchey** and **Sam Niedbala**, three former Procter & Gamble employees, teamed up to create Solar Care Technologies Corp. (STC) in 1988, the entrepreneurs moved from Cincinnati to Bethlehem, Pa. Niedbala had received his doctorate from Bethlehem's Lehigh University, home of the Ben Franklin Business Incubator Center, so he was familiar with the incubator facility. The trio initially viewed the incubator as a low-cost place to start their business, but they soon discovered the incubation experience involved much more.

"We received seed capital, a place to develop our product, and phenomenal advisory services and networking opportunities," Gausling says. "This experience gave us the credibility we needed to reach out to other investors."

A 1993 NBIA Graduate of the Year award winner, STC initially developed a sunscreen towelette that it licensed worldwide to Schering-Plough, makers of Coppertone, shortly after it received a \$95,000 investment from Ben Franklin Technology Partners of Northeastern Pennsylvania. And STC was on its way: Between 1989 and 2004, the company's revenues soared from \$77,000 to \$54 million. The company now employs more than 200 workers in Pennsylvania's Lehigh Valley.

How did the company achieve this growth? **Bob Thomson**, director of enterprise development at Ben Franklin Technology Partners of Northeastern Pennsylvania and former incubator manager, attributes much of the company's success to its experienced management team and its ability to adapt and respond quickly to changing market needs. Each entrepreneur brought a unique skill set from the get-go: Gausling is a corporate finance specialist; Hinchey is an experienced marketing and sales executive; and Niedbala is a noted research scientist.

This balanced experience proved useful as the entrepreneurs reassessed their primary market. Although the company experienced initial success with its sunscreen towelette, the entrepreneurs quickly realized the product would not lead to huge corporate profits. So, STC sold off the product and refined its offerings. The company acquired Enzymatics, another Ben Franklin client, and its patented saliva

alcohol tests, and with an additional \$140,000 investment from Ben Franklin, the firm expanded into diagnostic tests for the insurance risk industry.

In 2000, STC merged with Epitepe Inc., a Beaverton, Ore., firm and became OraSure Technologies Inc. Now the company is a leader in the oral fluid diagnostics market, developing tests that use saliva to simplify and speed testing for HIV and other infectious diseases and drug and alcohol abuse. And Gausling, Hinchey and Niedbala are enjoying early retirement.

"That ability to make key decisions and adjust on the fly has been key to the company's success," Thomson says.

BW TECHNOLOGIES LTD.

Company headquarters: Calgary, Alberta, Canada

Incubator: Calgary Advanced Technology Centre (Now Calgary Technologies Inc.)

Entered incubator: 1986

Graduated: 1987

Employees: 400+

Revenue: C\$79 million (FY 2004)

London Stock Exchange: FRS

BW Technologies, a 1991 NBIA Graduate of the Year award winner, hit the big time in June 2004, when the gas-detection equipment manufacturer was acquired by the United Kingdom-based First Technology PLC for C\$260 million (US\$197 million). Not a bad sum for a firm that started in a 300-square-foot office at the Calgary Advanced Technology Centre (now Calgary Technologies Inc.) in Calgary, Alberta, Canada.

In the mid 1980s, BW Technologies founder **Cody Slater** (who continues to serve as the company's president) was a graduate student in astrophysics at the University of Alberta. When he invented the Rig Rat – the world's first wireless, solar-powered gas detector – he left academia for the business world and never looked back. The Rig Rat became BW Technologies' first product.

As an inventor with little business experience, Slater turned to the incubator for help with commercializing his new technology. Slater relied heavily on the technical expertise and troubleshooting experience of the Alberta Research Council and the (Canadian) National Research Council,

both of which had offices at the incubator, as he developed his first product prototype. "Cody was and still is a quick study," says **Jim Hughes**, president of Jim Hughes Advisory Services and former manager of the Calgary Advanced Technology Centre. "He was smart enough to recognize that he could not do all things himself, so he hired or partnered with people whose skills complemented his own."

Slater's willingness to accept help and his keen business sense have been a winning combination for BW Technologies, Hughes says. During the business's earliest days, Slater sold calibration gases to safety monitoring instrumentation repair shops. This experience allowed him to discover problems in existing product lines and generated cash flow to support the development of his new and vastly improved line of safety monitoring instrumentation.

Today, BW Technologies' product line includes more than 30 offerings that help industrial and commercial customers detect and measure the concentration of hazardous gases. Its industrial gas detectors protect personnel and facilities from workplace hazards posed by toxic and combustible gases, and its commercial gas sensors are used in ventilation and air conditioning applications, in car parks and office buildings, and to detect leaks in refrigeration and food processing equipment.

BW Technologies' corporate offices are located in a 36,000-square-foot facility in Calgary, but the firm has sales and customer service offices around the world, including offices in the United States, the United Kingdom, Australia and the United Arab Emirates. Customers include British Petroleum; Shell; the Paris Fire Brigade; the U.S. Coast Guard; and the cities of New York, Chicago, Los Angeles, Montreal, Toronto and Sydney, Australia.

OBJECT 9

(Formerly Aztech Graphics)

Company headquarters: Baton Rouge, La.

Incubator: Louisiana Business & Technology Center

Entered incubator: April 1992

Graduated: June 1992

Employees: 16

Revenue: Approximately \$2 million (2004)

If you've seen Old Milwaukee beer's new logo, you've seen the work of Object 9, a Baton Rouge, La., advertising and design firm and a graduate of the Louisiana Business & Technology Center. In 2002, Pabst Brewing Co., which manages more than 45 beer brands including Old Milwaukee, tapped Object 9 to help market another of the brewing company's brands, Pabst Blue Ribbon, to a new generation of beer drinkers.

Thanks in part to the marketing materials Object 9 created – including a Web site that allows visitors to register for access to special promotions (www.pabstblue.ribbons.com) – Pabst Blue Ribbon sales increased 10 percent in both 2002 and 2003. The company expected to record even greater growth in beer sales in 2004. Based on the success of this campaign, Pabst Brewing Company knew exactly who to turn to when it needed a revamped logo for its Old Milwaukee brand. Object 9 also has helped other national brands revamp their market appeal in recent years.

Object 9 co-founders **Branden Lisi** and **Jon Cato** didn't set out to become beer marketers. The pair, along with another business partner who has since moved on to other endeavors, started Aztech Graphics, an interactive media design firm, at LBTC in 1992. The business gradually morphed from a software firm into a marketing firm as more companies entered the interactive software market and the entrepreneurs' interests changed. Lisi and Cato renamed the company to reflect its broader focus and added two new partners, **Andy Gutowski** in 1999 and **Lonnie Carnaggio** in 2000.

LBTC's facilities and infrastructure – particularly its professional office space, telephone/fax service and Internet access – originally attracted Lisi and Cato to the incubator. But the entrepreneurs soon came to appreciate the guidance of LBTC Executive Director **Charles D'Agostino** and other incubator staff even more. "When we started the business, we were just a couple of guys focused on software," Lisi says. "Being a part of the incubator gave us a glimpse of how much larger the world is and helped us see where business opportunities might exist."

Lisi and Cato particularly appreciated the business contacts the LBTC staff provided.

It was these contacts that led them to the company's first customer and set the young entrepreneurs on their path to success.

"Object 9 is now extremely plugged into the community and has clients nationwide," D'Agostino says. "And now that they've made it, they are giving back to LBTC and the community." Object 9 is donating \$10,000 worth of marketing and creative services to LA & Co., a Baton Rouge biotechnology company that won a 2004 business plan competition sponsored by LBTC, Louisiana State University's Ourso College of Business and the *Baton Rouge Business Report*.

EGT INC.

Company headquarters: Atlanta

Incubator: Advanced Technology Development Center (ATDC)

Entered incubator: 2001

Graduated: 2004

Employees: 30+ (Estimated)

Revenue: \$8 million to \$10 million (Estimated 2004)

It's understandable that the staff of the Advanced Technology Development Center (ATDC) at Georgia Tech in Atlanta take great pride in the success of EGT, a 2003 graduate of the incubation program. After all, if it weren't for the incubator, the small (but growing) technology firm might not be around today.

In 2000, serial entrepreneurs **Bill Hogan** and **Greg Nicholson**, both alumni of the ATDC program, approached the incubator looking for new technologies to commercialize. At the same time, ATDC staff were working with **Nikil Jayant**, a professor at Georgia Tech's School of Electrical and Computer Engineering, who had developed a video compression technology but lacked business experience. So, the ATDC staff played matchmaker.

"We're always looking for ways to marry university technology with our businesses," says **Tony Antoniadis**, ATDC general manager. "With EGT, we had a couple of entrepreneurs who had been through ATDC before and, in a parallel world, a professor with promising technology. It was like striking gold."

Just a few months after the initial introduction, the three men launched EGT. And three months later, they entered the ATDC

incubator. Incubator offices within the Georgia Centers for Advanced Telecommunications Technology, a premier research center for broadband and wireless technologies, and access to ATDC's bank of electrical equipment proved especially beneficial to the company in its earliest stages, Antoniadis says. "They were just an elevator ride away from some of the greatest broadband and wireless experts," he says. "There was research going on all around them."

EGT has benefited from the less-technical aspect of the incubator experience, too. The opportunity to interact with other entrepreneurs played an important role in the company's incubator experience, and its association with ATDC, a well-respected incubator, helped EGT receive its first round of funding. Since then, EGT has gone on to receive nearly \$17 million in venture capital.

Although EGT just began selling commercially in September 2003, it has already sold more than 500 video encoders in seven countries. And Antoniadis expects a bright future for the incubator graduate. "They have a great model with a unique technology, a large and growing market, an experienced management team, and community-oriented and coachable founders," he says. "We just helped them put the pieces together initially."

STEREOTAXIS INC.

Company headquarters: St. Louis

Incubator: Center for Emerging Technologies

Entered incubator: 1998

Graduated: December 2005 (Scheduled)

Employees: 140

Revenue: \$18.8 million (FY 2004)

NASDAQ: STXS

2004 wasn't exactly a banner year for Initial Public Offerings (IPOs), but don't tell that to the leaders of Stereotaxis, a medical device company in St. Louis. In August 2004, the client of the Center for Emerging Technologies (CET) went public.

Stereotaxis has developed a system that allows surgeons to more effectively guide cardiac catheters, guidewires and stents through blood vessels and the heart using computer-controlled, externally applied magnetic fields. This process has proven

attractive to cardiac catheterization labs throughout the United States and Europe because it requires less-invasive (and less-costly) surgery.

Stereotaxis has placed 30 systems worldwide, and company officials expect sales to increase as its reputation, name recognition and success stories grow. The company already has partnered with several major companies in the cardiac catheterization market, including Siemens Medical Solutions, Philips SA, and Biosense Webster Inc., a subsidiary of Johnson & Johnson.

These initial successes – while the company is still an incubator client – have served it well. Despite a tough economy, Stereotaxis' IPO raised \$44 million by selling 5.5 million shares of common stock at \$8 a share, and the company's stock reached \$12.67 per share in September 2004.

Bill Simon, CET vice president and chief

operating officer, says Stereotaxis' ability to go public in a struggling economy is a testament to the strength of the company's management team and its medical devices. "Stereotaxis had a very strong, very real IPO," he says. "If they had gone public a few years earlier [during the dot-com era], their initial stock prices would have been much higher. Even so, their stock prices are 25 percent higher now than when they had their IPO."

Although Stereotaxis' management team includes several experienced fund-raisers (the company has raised more than \$200 million during its lifetime), CET has played an important role in helping the company grow in other ways. "They're very good at raising money, so we didn't want to get in their way there," Simon says. "But we have helped take their expansion headaches away. We offer them a secure data network and a flexible phone system that can grow

with them."

When Stereotaxis first entered the incubator in 1998, the company occupied 3,000 square feet of space. Today, Stereotaxis has offices on each floor of CET's two buildings (five floors total), totaling 29,000 square feet of space. The company is scheduled to move out of the incubator and into a new biotechnology facility currently under development in St. Louis in December.

Share your incubation success stories with NBIA by sending information about your clients and graduates that are making an impact in their communities and their industries to news@nbia.org.

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Making the Most of Your Incubation Success Stories

Although collecting and sharing incubation success stories can sometimes be time-consuming, many incubator managers agree it's an important part of their jobs. Being able to provide incubator sponsors, government officials, business leaders and the public with real-life examples of how your program has made a difference in the lives and businesses of local entrepreneurs can play a key role in an incubator's continuing success.

Collecting and reporting aggregate economic impact data also plays a vital role in helping your incubation program secure ongoing support from your stakeholders. By regularly tracking client and graduate progress – including the companies' locations, key contacts, employment figures, financial data, etc. – you can gather the information you need to document your program's impact on the local economy. And if you're lucky, you may discover clients and graduates who are willing to share testimonials touting the important role your program played in their success.

“Establish a graduate database and call each one at least once a year to update the record and learn about their successes,” says **Jim Hughes**, president of Jim Hughes Advisory Services in Calgary, Alberta, Canada. “Then brag, brag, brag and brag some more about success stories at each and every opportunity to do so.”

Ben Franklin Technology Partners of Northeastern Pennsylvania (BFTP/NP) in Bethlehem, Pa., does just that. The organization

employs a full-time marketing director who pitches stories about incubator clients and graduates to regional media outlets as part of her job with BFTP/NP, which operates the Ben Franklin Business Incubator Center. Ben Franklin also develops impact briefings highlighting how its incubator has helped local companies. “These activities greatly increase the credibility of the program,” says **Bob Thomson**, BFTP/NP director of enterprise development. “The media placements always generate a lot of phone calls. And once local attorneys and accountants know the kinds of work we do [by reading the impact briefings], they make referrals.”

Charles D'Agostino, executive director of the Louisiana Business & Technology Center (LBTC) in Baton Rouge, La., has also had luck attracting prospective clients and service providers when his program's successes hit the news. “When that story hits the paper, I get calls from people saying, ‘Help me do that,’” D'Agostino says. “Then, bankers and lawyers call wanting to help our clients and that just keeps the momentum going.”

Sixteen years of success stories are paying off for LBTC: Louisiana State University, which sponsors the incubator, is in the early planning stages for a new LBTC facility, adjacent to the school's new 60,000-square-foot life sciences incubator. “They wouldn't be doing that if they didn't think our program was worthwhile,” D'Agostino says. “That's the biggest vote of confidence.”—*Linda Knopp*