



CREATING LOCAL INNOVATION THROUGH A QUADRUPLE HELIX

## Case Study: Super Incubation

**Partner** Sussex Innovation Centre

**City** Brighton & Hove

**Region** East Sussex

**Country** England

**Further Information**

Established 1996. Over 80 companies mainly biotech, engineering, software and new media.

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## Background

The client Company was formed of two individuals. A CEO and his operational delivery person. He was great at sales but lacked organisation and scalable facilities. The Company employed external consultants to produce their product.

## Challenge

The Director of the Company was experiencing the problem of feeling lonely, isolated and swamped with work. There was no one to delegate work to or to share responsibilities with. Also, there was the desire to bring his brother on board but no sustainable justification for that in terms of profit and revenue. Little was actually known about cost/profit ratios and people were working in silos not networked. As well, idea protection had not been looked at nor had any HR or legal issues. There was clear market demand and potential for rapid growth should the operation be more scalable.

# Stakeholders involved

Sussex Innovation Centre

## Process

We implemented a 6 step process.

1. **Analyse** – We felt we understood where the Company was at and where the challenges lay, so the analysis stage aimed to clarify what we may have missed and to get a truer more detailed picture of the sector, the Company and the real priorities that existed.
2. **Plan** – Armed with a clear starting base, we then worked with the Company to clarify goals, objectives and timelines. We considered priorities and rationale for these. This stage was one of the most vital as it avoided “climbing a mountain only to find it was the wrong one”. Also, it considered resource needs and how these were to change through various stages of the journey.
3. **Implement** – A speciality at SINC was our ability and desire to provide lots of practical support to growing companies. Once a solid plan was in place, we provided hands on support as outlined in the plan and agreed prior to this stage. Support included anything from lead generation to contract reviews and more.
4. **Review** – This can often be overlooked but was a key stage. We did not wait until an itemised timeline had elapsed but preferred to have regular reviews on progress. While a solid foundation plan was important, market movements and business circumstances changed as we went along and a strong business is ready to react, as does a boxer in a ring, and adapt to new conditions, which is what we wanted. That said; we kept the end goal in sight at all times to assist in not straying far off course and ending up somewhere entirely undesirable. NB It was vital for the success of the full process that both parties committed to regular reviews to stay on course. *The Apollo missions to the moon reportedly made several thousand course corrections throughout the journey there.*
5. **Measure** – This was like the review stage, however this took place at the last milestone of a timeline. At the completion of a ‘project’, SINC, along with the supported Company, measured the Company’s performance against initial stage benchmarked positions. This required that the analysis had looked at where the Company was at initially so that we could measure where it was at finally across the various objectives.
6. **Reward** – At this stage, we looked back at the Company’s achievements and celebrated. Where appropriate, financial or other rewards as set out in the planning stage were awarded. If appropriate and timely, this was the time when the Company could have entered into the six stage process once more by returning to a new stage of analysis.

# Financial framework

## Outside of the Agreement

'Facilities' (rent, admin etc) provided by SINC were not captured here and remained separate at the rates and payment terms ruled at the time of the document (ie we didn't risk the rental income). All costs (internal/external) relating to the project – professional fees, promotion, recruitment etc were for the client Company to cover having previously been approved by themselves.

## Hours and rates

SINC provided between four and eight days per month in support to the Company, as appropriate. Each day comprised 7.5 hours or part thereof and was chargeable at £15 per hour, applicable to any SINC employee. A monthly invoice was dispatched for payment in accordance with the usual trading terms for hours delivered. (NB The SINC market rate for consultancy ranges between £87.50 and £125 per hour.)

## Success fee

At the start of the project the Company had an annual turnover of £180,000. A success fee was payable on the following basis: up to £300,000 no success fee, from 301,000 to 399,000 a proportional award from a minimum of £5,000 to a maximum of £20,000 (e.g. sales of £350,000 would trigger a success fee of £5,000 plus  $((399-350)/100) * 15,000$ ), which equalled £12,350. If the sales target of £400,000 was achieved then this triggered an additional £10,000 bonus which brought the overall success fee to £30,000. Sales were evaluated over a 12 month period, unless the £400,000 target was achieved quicker. No additional success fee was payable for sales over £400,000 under the agreement. In addition a further 2% equity stake in the company would form part of the success fee and be triggered on the achievement of double the annual turnover within the 12 month period of the project.

## Company sale or closure

In the event the company was sold in the contracted period of 12 months before the aim of doubling turnover was achieved, the additional equity stake of 2% would be immediately payable. In the event the company closed within the 12 months period then the equity stake would again be payable and a suitable share of residual assets expected.

Part sale of the company or reorganisation of assets resulting in a transfer of value from the Company elsewhere would similarly have triggered a consideration equivalent to an increased equity holding of 2% which for valuation purposes in this respect only would have equated to a minimum of the number of hours provided in support at full market rates.

# Outcome

The company doubled its revenue in just under 12 months, which was the target set by the team. Other objectives were realised such as the securing of a Government grant and the protection of the brand name but the main goal was to double the revenue thereby securing a stable base which the Director could use to build a team within. His brother, a strong financial consultant in London, was able to join and contribute and since this time, the company have swelled from 2 employees to 9 and many more project workers on a P/T basis.

## Critical Success Factors

- Regular Project Management meetings (6 weekly)
- Buy in of client Company (their trust and total transparency were essential)
- Multi-divisional skill set in supporting team from our centre (marketing, operations, and financial backgrounds meant hands on work for best results)
- Separate regular strategy sessions with our centre Director looking at future potential to avoid getting buried in the day to day
- While the objective was sales based, the project was really all about scaling the operation. So, a 'whole Company' approach was needed.

## Difficulties encountered

- Time constraints. An investor opportunity was potentially going to side track the company completely and much time was taken addressing that issue.
- As well, there were some staff difficulties that needed to be overcome in the client Company and these were addressed as part of the day to day business.
- Interest of the Managing Director in certain areas was a challenge because, while skilled at sales, his interest waned in some other areas which meant there was a risk of abdication (that we mitigated by highlighting the potential problem) and also by providing support via reporting in a simple, understandable way.

## Impact

**Our team had to take a risk and give up substantial amounts of time to assist in the practical delivery of the plan developed. This time was billed at a very low rate so the risk was taken by our centre and then paid off.**

**As this was the first so called 'super incubation' project, we were learning as we went. An important key factor for success was a regular schedule of roundtable meetings driven by our Project Manager. Also, the practical time that our team gave which freed up the Director's time, making growth possible.**

**The success of this project has provided press and partnership opportunities and has become a successful model we are using on an ongoing basis.**



Co-Financed by  
European Regional  
Development Fund