Quality Incubator Performance Monitoring, Evaluation and Impact Assessment

How to develop and implement simple and effective MEIA Frameworks

- Management performance frameworks and measures (KPIs)
- infoDev MEIA – insights and lessons
- MEIA Tools

Laith Kassis, General Manager
5th MENAinc Workshop Bahrain 21-24 October, 2007
Incubator Performance Frameworks and Measures

Monitoring Evaluation and Impact Assessment (MEIA)

Why Bother Tracking

Preparation Work

What to Measure as Key Performance Indicators - KPI

How to Collect

Analysis & Reporting

Tools

Incubator Strategy and Planning

Identify Stakeholders
- Government
- Board of Directors and Other Governance Schemes
- Incubator Manager
- Clients
- Donors and Sponsors

Incubator Support Services Delivery
Why Bother Tracking

Indicators can assist track progress, demonstrate results, and take corrective action to improve service delivery and then evaluating progress again.
Before You Begin

• MEIA is an Ongoing Process
• The Process Buy-in
  – Incubator manager and sponsors must buy into the process of tracking impact and commit to participating
• Readiness Assessment and Culture
  – is the Incubator receptive to data collection, measurement and analysis and accountability for performance and decisions as part of an overall performance improvement system
What To Measure as Key Performance Indicators (KPI)

• In essence two components:
  1. Process - to monitor the administration and running of the incubator
  2. Outcomes – to monitor performance against the incubator’s strategic objectives in alignment to Vision and Mission of the Incubator

• SMART KPI:
  – **S**pecific, **M**easurable, **A**mbitious, **R**elevant (max. between 6 - 8 indicator) and **T**ime-bound

• 4 Categories
  1. Customer focus – customer satisfaction and client outcomes
     • Noting stakeholders are customers as well
  2. Financial performance
  3. Human resource management (staff)
  4. Incubator Processes / Function
## KPI example

<table>
<thead>
<tr>
<th>Category</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>• Budget compared to actual</td>
</tr>
<tr>
<td></td>
<td>• Profitability</td>
</tr>
<tr>
<td></td>
<td>• Cash flow</td>
</tr>
<tr>
<td></td>
<td>• Debtors and creditors</td>
</tr>
<tr>
<td><strong>Customer Focus</strong></td>
<td>• Customer satisfaction surveys – base line and then improvement</td>
</tr>
<tr>
<td></td>
<td>• Ratio of new entrants to enquiries (degree of selectivity)</td>
</tr>
<tr>
<td></td>
<td>• Client outcomes: jobs, revenue, investment, commercialisation of R&amp;D</td>
</tr>
<tr>
<td><strong>HR</strong></td>
<td>Staff satisfaction surveys</td>
</tr>
<tr>
<td></td>
<td>Performance against individual KPIs</td>
</tr>
<tr>
<td><strong>Incubator Function</strong></td>
<td>Reviewed against strategic plans</td>
</tr>
</tbody>
</table>

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Some examples of measurement criteria and benchmarks

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Setting up and Operating</strong></td>
<td></td>
</tr>
<tr>
<td>Financial self sufficiency</td>
<td>Not reliant upon ongoing cash funding, but dependent on access to buildings on a peppercorn rental &lt; 25% of revenue from public subsidies</td>
</tr>
<tr>
<td>Number of Incubator Clients</td>
<td>20 to 30 per incubator</td>
</tr>
<tr>
<td></td>
<td>16 to 30 per 1,000 m²</td>
</tr>
<tr>
<td><strong>Incubator Functions</strong></td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td>85%</td>
</tr>
<tr>
<td>Average length of tenancy</td>
<td>36 months average, across all businesses, excluding anchor tenants</td>
</tr>
</tbody>
</table>

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Some examples of measurement criteria

<table>
<thead>
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<th>Criteria</th>
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</thead>
<tbody>
<tr>
<td>Anchor tenants</td>
<td>Less than 30% of available space rented to anchor tenants</td>
</tr>
<tr>
<td>Tenant entry</td>
<td>According to agreed criteria</td>
</tr>
</tbody>
</table>

**Incubator Impacts**

| Graduation             | According to graduation policy                                           |
|                        | 33% of tenants graduating per annum                                      |
|                        | Graduation criteria made explicit in client guidelines                   |
|                        | Rent escalation policy applied after 3 years                              |
| Business Survival      | 85% of tenants survive                                                   |

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Some examples of measurement criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment FT/PT</td>
<td>Average of 3 jobs per firm for tenants</td>
</tr>
<tr>
<td></td>
<td>Average of 6 jobs per firm for graduates</td>
</tr>
<tr>
<td>Turnover</td>
<td>Average greater than $200,000 for tenants</td>
</tr>
<tr>
<td></td>
<td>Average greater than $350,000 for graduates</td>
</tr>
<tr>
<td>Turnover Growth</td>
<td>Average growth in tenant turnover 25% pa</td>
</tr>
<tr>
<td>Cost per job as Annual Salaries</td>
<td>&lt;$11,250 per job related to Australian Incubator data;</td>
</tr>
<tr>
<td></td>
<td>&lt;$6,780 to $13,560 based on CSES European benchmark data.</td>
</tr>
<tr>
<td>Improved incubation Program</td>
<td>Development of 1 new program/initiative per annum</td>
</tr>
</tbody>
</table>
Some examples of measurement criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Funding</td>
<td>$ amount of debt capital raised in most recent full year by client and graduate firms (bank loans, loans from family and friends, revolving loan funds, etc)</td>
</tr>
<tr>
<td></td>
<td>$ amount of equity capital raised (angel investors, venture capitalists, seed funds, or other equity capital sources)</td>
</tr>
<tr>
<td></td>
<td>$ amount of grant funds raised (state grants, etc.)</td>
</tr>
</tbody>
</table>
What To Collect – Keeping KPI Simple

**Special-Focus Incubators**
- No. of women employed by clients and graduates
- No. of minorities employed by clients and graduates
- No. of low-income residents employed by clients and graduates
- Value of local goods and services purchased in the community by incubator clients and graduates

**Technology or University-Affiliated Incubators**
- No. of technologies commercialized into new products or services by client and graduate firms
- No. of student, faculty, and staff-initiated businesses
- No. of students employed by incubator clients and graduates
- No. of students securing internships at client and graduate firms
- No. of university graduates permanently employed in client and graduates
- Royalty / licensing revenues gained from client and graduates
- Equity investment returns gained from client and graduates

Source: NBIA
Things to Remember

- To much focus on process inhibits innovation
- Too little focus on process risks poor management and financial problems
- Successful innovation is outcome focussed
  - Incubators should be innovative role models for their clients
- KPI to be “balanced” because it broadens the coverage of measurement rather than all being financial
- Poorly defined indicators are not good measures of success
- Tendency to set too many indicators, or those without accessible data sources - costly, impractical… and then underutilized
- Often a trade-off between selecting the best indicators and accepting those which can be measured using existing data
How To Collect

• Collecting data is a challenge
  – Especially for graduated companies
  – Depends on Incubator Readiness and Culture
  – Keeping it focused to ensure that the right data is collected

• Should be consistent and understood by all employees
  – Select the Champion in staff
  – Training

• Use of existing data sources to the extent possible.
  – Include financial, personnel, administrative systems, as well as contractual systems

• Automate data collection where possible
  – Meetings (formal and informal)
  – Online surveys
  – MIS System / Automated Systems
Analysis and Reporting

- The designed reports should provide strong pointers to the probable adjustments that need be taken into consideration by the different stakeholders that the report caters to. As an example:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Strategic Objectives</th>
<th>Measures</th>
<th>Staff Accountable for Measurement &amp; responsible for collecting data</th>
<th>2005 Baseline</th>
<th>2006 Target</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report 1: Amount Capital Raised for Board of Directors and Executive</td>
<td>Growth, ROI, sustainability, value, financial breakeven</td>
<td>1. Budget / Revenue / Liquidation on Equity on Clients</td>
<td>Ahmad Daqqa Hasan Omar</td>
<td>4%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Expenditure on Staff Salaries</td>
<td>Ahmad Daqqa Hasan Omar</td>
<td>12.50%</td>
<td>plus 10%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data Collection</th>
<th>Source</th>
<th>Units</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>PICTI funds received</td>
<td>Accountant: Ahmad Daqqa</td>
<td>Accounting System</td>
<td>$</td>
</tr>
</tbody>
</table>
infoDev MEIA – insights and lessons

• Assessing the external environment was something very difficult to do and is missing from most incubator evaluations.
  – entrepreneurial culture
  – regulations for small businesses and
  – other improvements in the business environment e.g. innovation incentives

• The infoDev grantee survey itself is a platform to identify incubator staff training areas as there is clearly hunger for knowledge in the MENA region.
MENA Region Finding

• In the MENA region, financing clients is a challenge.
• Preparing entrepreneurs to become investor ready is the preceding challenge.
• Equity fund or an investment instrument for the tenants or incubator graduates is the next big thing.
• The other evolving services include technology transfer, sourcing, leadership training, and finance.
• 26% of MENA region incubators are not so keen on soliciting feedback from their clients.
• Almost the entire MENA region does not have a reliable MIS to support the MEIA processes and functions to be able to report on jobs created, SME status and well being, and post-graduation.
Investigations into MEIA tools

• **NBIA Publications**

• **MIS Systems**
  1. *QLBS*: a flexible system that can be tailored to developing country circumstances or particular types of incubator.
  2. *IncuTrack*: Catering for Incubators running as facilities
  3. *African Incubator Network (AIN) Incubation Tools*
    - Incubator Manager Intranet
    - Alice Street Online Conferencing Centre
    - AIN Portal Extranet, Modular portal tools and community support
• Developed the world’s first Universal Measurement Engine.

• The backbone of the Q100 System are the criteria. The criteria are targeted sets of questions specially designed to extract specific critical factors in the assessment.

• the system allows the creation of customized criteria if so required
MEIA Findings and Recommendations

- No one size fits all
- Organizational readiness and culture
- A limited number of measures for KPIs
  - keep things simple with a limited number of KPIs – they are supposed to be key
- SMART Indicators and measures that are relevant to the local context,
  - small economies compared to large economies and in respect of differing cultures.
  - The core of benchmarking is finding and using a comparable organization to benchmark yourself against for continuous improvement.
- Investing in an MIS system
  - there are tools that can help and that can be adapted
Thank You!

• Q&A
• Contact details

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Some dialing areas are still using the old (+972) country code