



2009-13

# Strategic Plan



Kim Zentz

SIRTI

2009-13

# 2009 -2013 Strategic Plan



Submitted: August 28, 2008

State of Washington,  
**Office of Financial Management**

State of Washington, Senate  
**Higher Education Committee**  
**Labor, Commerce and Research & Development Committee**  
**Economic Development, Trade & Management Committee**

State of Washington, House of Representatives  
**Higher Education Committee**  
**Community, Economic Development & Trade Committee**  
**Technology, Energy & Communications Committee**



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Governor Chris Gregoire  
Office of the Governor  
PO Box 40002  
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Dear Governor Gregoire:

Sirti, known in state law as the Spokane Intercollegiate Research & Technology Institute, is pleased to submit this revised long term strategic plan. The following plan is developed consistently with the guidelines of the Office of Financial Management and outlines Sirti's continuing efforts to accelerate the growth and development of technology companies in the Inland Northwest.

Sirti has enjoyed some notable successes. Over time, it has made improvements to its core service of assisting start-up technology businesses. Now, building upon that success and the strength of the most recent round of strategic initiatives, Sirti is pleased to submit this Strategic Plan covering the period 2009 – 2013.

Sirti is now strategically positioned to do even better. Sirti will execute and model, in more pronounced ways, the characteristics of an entrepreneurial and client -focused service organization. Indeed, the value of Sirti's coaching and support is directly linked to the level of sustainable success achieved by its clients. In times of economic uncertainty and during shifts in economic climate, there are characteristically more start-up companies and those companies that hit the cycle right, have a greater chance of more profound success. Simply stated, necessity is the mother of invention! To this end, Sirti proposes to strengthen its capacity to effectively serve start-up and high growth businesses of the Inland Northwest, helping technology entrepreneurs bridge the often encountered gaps in planning, financing, and execution. In turn, the odds of client success will improve, business survival rates will rise, growth will accelerate, and more jobs will result.

Respectfully,

Kim D. Zentz  
Executive Director



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## 2. Executive Summary

Sirti's mission was reaffirmed in 2005 with an emphasis on working with *companies*.

***Our mission is to accelerate the development and growth of technology companies in the Inland Northwest, especially in Eastern Washington.***

Sirti's role is one of a *catalyst* for the transformation of the regional economy. As such, the success of Sirti depends on its own ability to execute against its mission as well as to contribute to the success of other participants in the technology sector of Eastern Washington. Our strategy is to ensure that by being an excellent technology-led economic development partner and by developing thoroughly satisfied Sirti clients, the case for investment in Sirti by the State will be made by others on Sirti's behalf and will be difficult to debate. Our constant aim will be to return substantially more value to the citizens of the State of Washington than they have invested in Sirti.

Sirti's Goals for the plan period are:

- Leverage the State's investment in Sirti by achieving outstanding results
- Leverage the State's investment in Sirti by attracting additional dollars to the region
- Increase the number of successful technology companies in the Inland Northwest

## 3. Mission

Sirti is advantageously positioned at the intersection of business, higher education, and government, and its primary focus is trained on activities leading to the accelerated, sustainable growth of technology companies. Sirti's field of core competency is technology led economic development in service to the technology business community of Eastern Washington.

Sirti's mission is:

*"Sirti is a Washington State-funded economic development agency. **Our mission is to accelerate the development and growth of technology companies in the Inland Northwest, especially in Eastern Washington.** Our target clients are innovative technology companies with defensible intellectual property, large market potential, and principals who show a strong desire to grow their business."*

Sirti has never conducted nor funded pure academic research of its own nor for the companies it serves. Instead, Sirti's successes have stemmed from making connections or matches between industry, government and academic objectives. Sirti, in partnership with the Sirti Foundation and multiple public and private organizations, applies its efforts and resources to those areas of the economy of the Inland Northwest that are or are becoming economic drivers.

## 4. Vision

### **Two Years:**

Sirti reports impressive results against metrics developed in economically uncertain conditions and in collaboration with its stakeholders. Sirti has multiple entrepreneurial success stories to illustrate its success in coaching technology entrepreneurs in the methods of bootstrap financing. Building upon nearly 16 years of performance, the results position Sirti well to attract additional State and Federal funding consistent with the economic goals of the Inland Northwest. Sirti's relationship with the region's research institutions is rich with collaborations which have led and which have the potential to lead to highly successful spin-out companies.

### **Five Years:**

Sirti is the 'go-to' organization for the acceleration of business objectives for both start-up and high growth potential technology companies. Sirti accomplishes results through a combination of quality hands-on services, close working relationships with the region's research institutions, and a developed network of private service providers. The mature network of partnerships maintained by Sirti as well as the experienced, high energy staff make Sirti the provider of choice for both incubation and accelerator commercialization services.

## 5. Core Purpose

One of the most gratifying elements of pursuing the fundamental purpose of Sirti is the affirmation of what motivates Board members, service providers and seasoned technology entrepreneurs to volunteer their time to Sirti and Sirti clients.

Members of the Eastern Washington business community speak passionately about making meaningful contributions to the economic prosperity of their community. The community recognizes and is proud of the fact that Sirti represents a deliberate strategy to aid the conversion from a resource-based economy to a knowledge-based economy centered around the unique place-based attributes of the Inland Northwest. Keeping the best and the brightest closer to home as well as providing a vibrant, diverse economy which supports jobs for everyone who wishes to enjoy the substantial lifestyle benefits of the Inland Northwest are mentioned as fundamental to the purpose. An organization whose contributions deliver obvious value and returns to the State is clearly included in this shared perspective.

### **Sirti's Enduring Core Purpose: A catalyst for success of technology entrepreneurs of the Inland Northwest**

Sirti does not take nor deserve credit for the individual companies' successes or the commercialization of university-developed research. Success as a catalyst means that Sirti must be an exceptionally good team-player.

#### **Sirti's Core Values:**

- Customer commitment
- Accountability
- Integrity

## 6. Statutory Authority References

Sirti was established in 1998 by SSB 6655 codified at RCW 28B.38.010 et.seq.

## 7. Goals, Strategies & Objectives

Resources available to Sirti are primarily focused upon developing the assets of the economic region of the Inland Northwest which Sirti is designed to serve. The following sectors represent the intellectual property backbone and are the leading and emerging sectors in the Inland Northwest:

- ◆ Bioproducts/ Health Sciences
- ◆ Energy & the Environment
- ◆ Value-added Agriculture
- ◆ Defense/Aerospace

Sirti goals include the following:

- a. Leverage the State's investment in Sirti by achieving outstanding results
- b. Leverage the State's investment in Sirti by attracting additional dollars to the region
- c. Increase the number of successful technology companies in the Inland Northwest

### ***Goal: Leverage the State's investment in Sirti by achieving outstanding results***

As described in section 9, Sirti has placed increased emphasis and effort during the past three years on measuring the results of Sirti's services. A simple way to describe our approach is reflected by the following three questions which we apply to our measurement efforts:

- ◆ How much did we do?
- ◆ How well did we do it?
- ◆ Is anyone better off?

### **Objectives:**

- Continuously improve measurement and metrics processes to reflect the value-added and return on the State's investment in innovation strategies such as Sirti.
- Ensure that Sirti's system of metrics is both comprehensive and is consistent with the measures recommended by the National Business Incubation Association (NBIA).

- Develop Sirti staff resources for proficiency in technology company business development best practices.

**Strategy:**

Sirti's service model depends upon maintaining a staff of experienced technology company entrepreneurs. The advanced business and strategy counseling provided by Sirti must be based upon hands on experience to be credible with the entrepreneurs who are "betting the farm" on the pursuit of their innovation.

Focus of Sirti services must be constantly aimed at and measured by what is best for the client. Every member of the Sirti staff must relate to serving clients as the purpose of their job.

**Goal: *Leverage the State's investment in Sirti by attracting additional dollars to the region***

With approximately \$25 million in federal grants earned so far, Sirti has developed an excellent reputation as a good steward of federal funds. Competition for decreasing federal dollars is fierce and depends on broad based collaborations to be successful.

**Objectives:**

- Develop at least one successful federal funding request during the five year window of this plan.
- Maintain and support strategic relationships so that Sirti is ready to actively participate in collaborative federal and private funding requests consistent with regional technology-led economic development strategies.

**Strategy:**

Sirti's well-developed partnerships are the heart of this strategy. Building upon strong relationships with the region's public and private higher education institutions, Sirti is positioned to be either a lead partner or an important supporting player in regional funding requests.

A closely aligned partner of Sirti will continue to be The Washington Technology Center (WTC). With its statewide mission, Sirti performs a critical role in extending WTC's reach to Eastern Washington especially for programs like the Research and Technology Development (RTD) grant program administered by WTC and the provision of coaching services to companies navigating through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) process to access federal grants.

Organizations such as Pacific Northwest National Laboratory, the Life Sciences Discovery Fund Authority, the Technology Alliance, the Washington Biotechnology & Biomedical Association, the WSU Research Foundation, the University of Idaho Research Foundation, the WSU Applied

Science Lab, the Institute for Systems Medicine, and the Washington Technology Industries Association are key elements of the partner network in which Sirti must continue to be effective. Locally, and in population centers outside of Spokane, it is very important that Sirti's initiatives are aligned with the objectives of economic development organizations such as Greater Spokane Incorporated, which is a merger of both the Chamber and the Economic Development Council for the area.

### ***Goal: Increase the number of successful technology companies in the Inland Northwest***

#### **Objectives:**

- Continue to develop self instruction and guided tools for technology entrepreneurs to use in the process of moving their idea to commercial reality.
- Make Sirti business development and commercialization tools more accessible to entrepreneurs outside of the greater Spokane region.
- Develop and deliver tools and mentoring for companies pursuing start-up in uncertain economic conditions and conditions of very scarce investment dollars.
- Provide mixed-use technology development incubation facilities which optimize the chances of successful graduation and sustainable success of technology companies.

#### **Strategy:**

##### ***Bootstrapping Technology Companies – with bundled services:***

In its 2009-11 budget request, Sirti proposes to contribute to the stabilization of the State's budget by providing a high impact, high return, low cost opportunity for the State to invest in an initiative dedicated to expanding the economy in Eastern Washington. When economic conditions are uncertain, sources of private and public venture funding dry up and technology entrepreneurs face even more significant hurdles in launching their businesses or new products than usual. Building on its established track record, Sirti will further increase the quantity and success rate of technology start-ups in Eastern Washington in the face of growing economic uncertainties by providing a bundled set of relevant accelerator services delivered via a combination of face-to-face meetings and proven distance learning techniques. Entrepreneurs and cash-strapped technology companies seeking to launch new products will receive a comprehensive set of Sirti services which focus on accelerating time-to-first-customer-revenue without reliance on any external public grants or private equity investment. Key elements of this comprehensive service will include:

- Seminars, workshops and materials focused on helping the technology entrepreneur find the fastest and most efficient financing path to first customer revenue. This method is also known as bootstrap financing.

- Professional market research assistance which identifies the target markets, provides a list of initial customer contacts and enables creation of product specifications and marketing materials designed to achieve initial sales with no outside investment. Revenue from initial sales then sustains follow-on sales and growth of the business while increasing the value of the entrepreneur's initial capital outlay.
- Legal assistance provided via Sirti's IP BizNet program will ensure protection of the intellectual property (IP) and will facilitate establishing the most beneficial corporate structure for the new entity. Sirti's IP BizNet program is a partnership between Sirti, Gonzaga University Law School students and regional legal firms to provide vital early-stage legal services to technology company clients at low or no cost under the supervision of practicing attorneys.

### *State-of-the-Art Incubation Facilities:*

The locally and federally funded Sirti Technology Center (STC) is a substantial asset for Sirti, the community and the State. Managed together with the original state-owned Sirti building, Sirti will continue to be keenly focused upon developing both its facilities and the services offered to clients of these facilities to be best in class. Uniquely positioned in two buildings on Spokane's Riverpoint Campus, Sirti enjoys an ideal location for technology companies to pursue their development and for innovation and ideas to flourish.

The Innovation Partnership Zone designation and funding provided for the development of an advanced computing center in Spokane's University District in 2007 will help Sirti keep its information technology infrastructure at pace with the needs of the most demanding technology entrepreneurs.

## 8. Performance Measures & Targets

In developing an effective set of performance measures which act as a system to indicate the impact of Sirti on the technology entrepreneurial climate in the Inland Northwest, we examine the following three questions:

- ◆ How much did we do?
- ◆ How well did we do it?
- ◆ Is anyone better off?

Sirti's primary function is to accelerate the growth and development of technology companies as a means towards executing the State goal of improving the economic vitality of businesses and individuals, with a focus on Eastern Washington. Historically Sirti has reported two main activities to the state: Commercializing Technology (Client Services) and Incubator Services.

Since Sirti's last strategic plan, Sirti has significantly improved the collection, review and actual results performance of performance metrics. In 2007 Sirti completed a comprehensive survey of all 165+ past and present clients which established baseline data on jobs, revenue and payroll.

The following table outlines Sirti's proposed metrics for this strategic period. These are consistent with prior metrics but incorporate suggestions offered by OFM and include several new program metrics. Our metrics are grouped by Internal (process and output based- "how much did we do and how well did we do it") and External (outcome based – "is anyone better off"). Metrics denoted with an asterisk are currently reported to OFM via the Performance Measurement Tracking system. The complete set of metrics is reported in Sirti's annual report, also known as the "Perspective". Metrics are generally measured on a ten year rolling basis to ensure that the data presented is reflective of relevant progress.

<b>Internal Process &amp; Output Based Metrics</b>	<b>Goal</b>	<b>12/07 Result</b>
Clients served*	>40 Total for the year	56
Client satisfaction	Exceed 4 out of 5 in client satisfaction ratings	NA; exceeded 4.3 in 2006 survey of 20 clients
Occupancy rate of incubator*	>75% occupied	97%
Number of clients utilizing leased incubator space	>15	18 (New metric)
Average tenure of tenants*	<3 years	1.76
Amount of non-state dollars won or attracted*	Growth each biennium	\$24.4M
\$ of Technology Growth Fund loans	>\$750,000/year	\$500,000 (New metric)

External: Outcome Based Metrics	Goal	12/07 Result
Client Survivability rate	>65%	68.4%
Client Add-on investment*	Grows by > \$10M per year	\$207.1 M
Client jobs created (Direct full time jobs)	Grow >5% per year	928
Client payroll created	Grow >5% per year	\$33.4M
Client sales revenue	Grow >5% per year	\$88.5M
Intellectual property secured	>50 client invention disclosures & patent applications	77

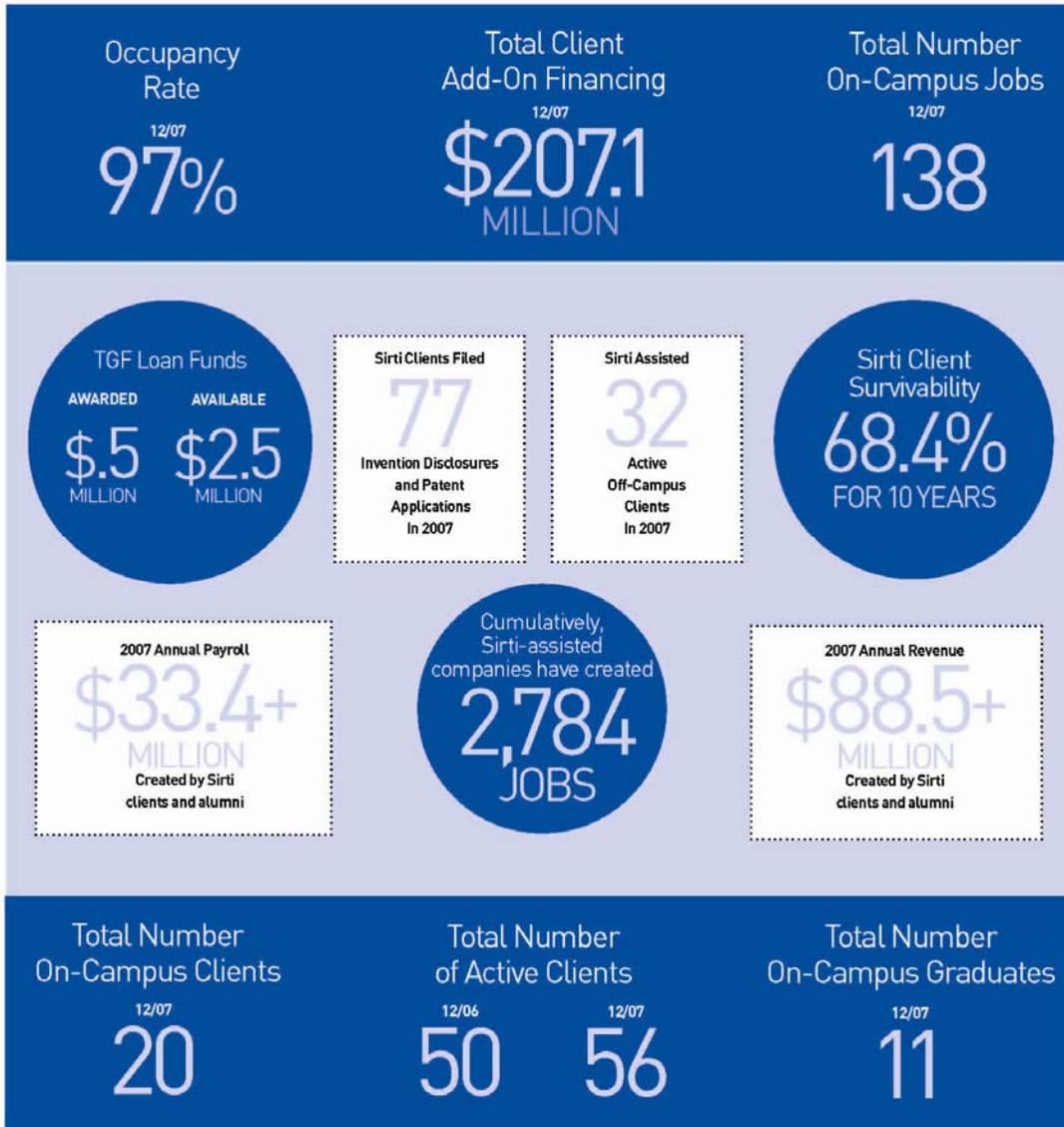
If the incremental funding proposed in the 2009-11 biennium is approved- “Bootstrapping Technology Companies”, Sirti expects to impact performance measures **incrementally** as follows:

Measure	FY 2010	FY 2011
The amount, in FTE, of current jobs associated with clients Sirti has served over the last 10 years	100	270
The sales revenue for the most recent calendar year from Sirti clients served in the last 10 years; millions of \$	\$8.1	\$21.5
The number of clients served each year by Sirti	24	40

# 9. Performance Analysis

The following graphic depicts the annual performance snapshot for Sirti as of December 2007:

## 2007 Performance Metrics



As described earlier, the significant task of establishing a baseline was completed in 2007. Certainly there is plenty of head room for measured progress in the system of metrics that Sirti presently measures.

The most important point to keep in mind is that no one metric can be taken in isolation to declare success or failure of Sirti as one of the State's strategies for technology or innovation based economic development. For instance, a focus exclusively on the number of jobs created could lead to economically inefficient business models and likely strategies for technology companies that render them globally uncompetitive from the very beginning.

Performance gaps will be closed by performing high quality, high value-add services and then tracking the company's progress as it pursues its business model independently. The system relies on establishing and maintaining excellent relationships with client companies.

### **Lessons from Sirti's First Decade**

Sirti has learned in demonstrative ways that the next missing piece of the entrepreneurial support equation lies in access to the earliest stage of seed funding. This is funding that comes after the stage known as friends and family or immediately following university based technology transfer. It might be a few thousand dollars to build the first commercial sample of the product or it might be funding for the development of collateral pieces to support initial sales. Funding at this stage of the development cycle is too low on the risk/reward curve for either angel or institutional-based seed funds.

Sirti has had its most notable success at drawing in high-potential clients during the period when Sirti had funding mechanisms available. This was demonstrated during Sirti's initial phase in which grants were available from the Defense Advanced Research Projects Administration (DARPA) and is notable presently while Sirti has the Technology Growth Fund – a revolving loan fund supported by a grant from the US Economic Development Administration.

Finally, Sirti has learned the importance of having a tangible and achievable set of graduation policies and guidelines. The ability to turn companies over in terms of both incubation space and in terms of client services on a walk-in basis is an important contributor to the entrepreneurial climate and assets of the region.

## **10. Challenges, Opportunities, Capacity & Financial Health**

Sirti has made considerable progress in improving its productivity which is reflected in the improved performance on several of its key metrics. The number of clients served has doubled, square feet of incubator space available has tripled with the opening of the Sirti Technology Center and client support activities into the Tri-Cities and Palouse regions have visibly increased.

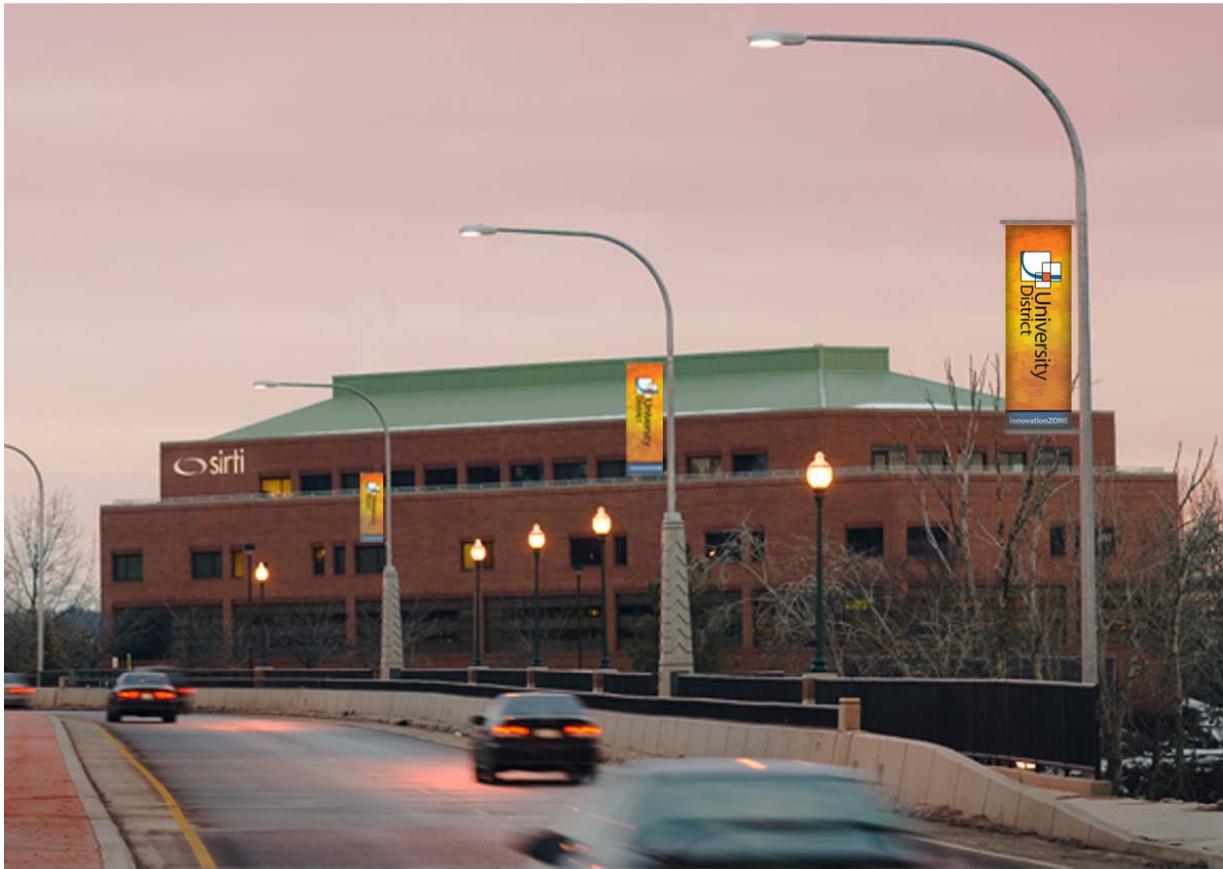
Additionally, two new programs have been launched in the form of the Technology Growth Loan Fund and IP/Biznet legal services. However, we are reaching our limits for additional service delivery which our staff of 17 FTE can deliver.

### **Strengths:**

- A talented staff of seasoned entrepreneurs, supplemented by talented interns
- 40,000+ sq. ft. of incubator space including hard to find laboratory space
- Strong connections with partner organizations throughout our region
- A supportive 501c3 Foundation which has enabled Sirti to attract federal funding
- A strong local fund, financed by rents and services, which enables operating security and a ready source of modest grant matching funds.
- Location on Spokane's Riverpoint campus, adjacent to university activity and part of a designated Innovation Partnership Zone.

### **Challenges:**

- Responding to the increased demand for services, particularly in Eastern Washington areas where extensive travel is required to meet with clients. A modest increase in resources could enhance our ability to better serve all Eastern Washington technology start-ups.
- Establishing a Seed Fund for technology start-ups with the support of our Foundation and regional investors. There is a strong need for small amounts of early stage, proof of concept funding for technology start-ups.
- Making the highest effective use of our Sirti land and buildings. Only 20% of the Sirti Building is devoted to economic development activities, with the balance used for WSU and EWU offices and classrooms. As the campus evolves, we would like to see the building migrate toward being dedicated 100% for regional technology based economic development and innovation.
- Expand services to existing technology companies which have high growth opportunities. In some cases, helping an existing company grow revenue and jobs, has a higher return than helping raw start-ups. Meeting this need requires having the right skill sets, increasing our ability to provide timely consulting and working with private sector resources to avoid inappropriate duplication.
- Expanding our regional technology leadership to assist regional efforts to develop particular industries and clusters. Helping secure federal funding for new initiatives is part of this challenge.



### Sirti on Riverpoint Boulevard

Sirti on Riverpoint Boulevard delivers modern office space, spacious presentation and meeting amenities, and cleanrooms and labs, all networked to a state-of-the-art computer infrastructure. Demand for space is high, with occupancy at or near capacity. Due to their success, many client companies graduate from Sirti and move on to larger facilities to accommodate their growth.



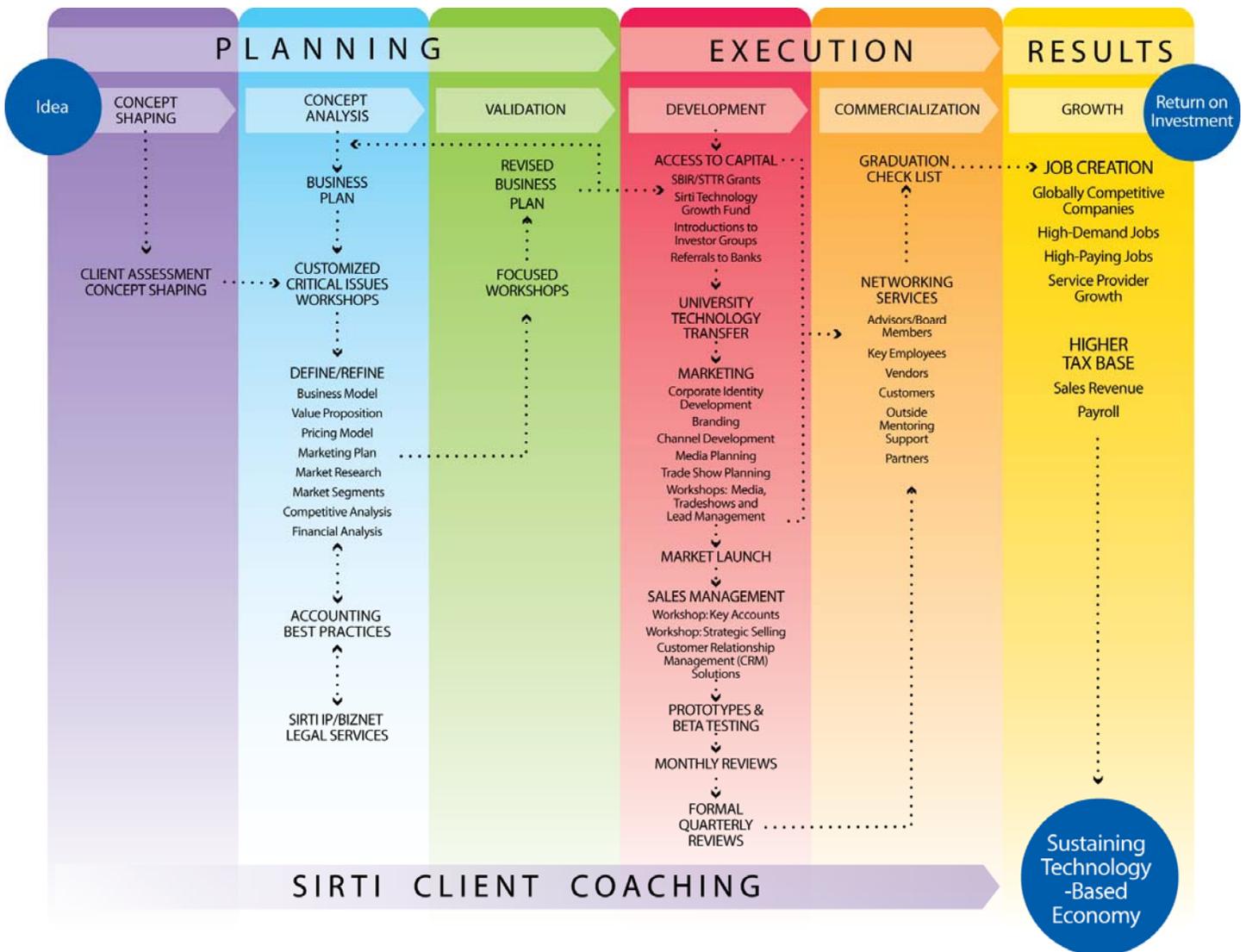


### **Sirti Technology Center**

The Sirti Technology Center is a \$6 million; 39,000 square foot mixed-use facility funded from an Economic Development Administration grant and local matching funds. A contemporary business atmosphere combines with an advanced IT infrastructure to deliver an ideal working environment in which high-demand companies can create high-demand jobs.



## SIRTI CLIENT SERVICES INNOVATION CONTINUUM PROCESS



Sirti's Innovation Continuum Process brings the organizational benefits of solid planning and proven process together with our client's brilliant entrepreneurial ideas. From there we work as a team to accelerate the innovation that yields results throughout the Inland Northwest.