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Networking

An UKSPA Member Case Study

2010

The Science Parks that make up the United Kingdom Science Park Association (UKSPA) range in size from under an acre with ten to fifteen tenants to over a hundred acres and a hundred or so tenants. Their locations include space-restricted inner city sites, industrial regeneration zones, University campuses and suburban parkland. The oldest Members were established in 1970 while the newest are less than one year old.

UKSPA Science Park Directors and Professional Staff have a wealth of valuable hard-earned practical experience in all aspects of Science Park management, which they readily share with fellow UKSPA Members through an active self-help network and at the Association's regular conferences. UKSPA Members have also earned an excellent reputation as professional consultants to new and established Science Park projects throughout the world, in both developing and developed countries.

Key aspects of UKSPA's experience are now being condensed in a series of **UKSPA Guides and Studies** in order to reach a wider audience.

The Association is indebted to John Leake and Dr Paul Treloar of Daresbury Science and Innovation Campus for the production of this paper. Daresbury SIC was the winner of the Award for the Outstanding Science Park in the UKSPA 25th Anniversary Awards 2009.

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UKSPA Good Practice Note: Networking

Driving Business Success through the Power of the network

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1. Introduction

The Science Park manager and business support team can play a very significant role in developing a strongly networked environment and culture within and outside the park, that will more effectively and rapidly facilitate collaboration. This collaborative environment is a fundamental necessity to ensure that SMEs both survive and thrive, and therefore has to be of strategic importance to the science park management and stakeholders.

However, developing this unknown quantity called 'the network' and keeping it alive and of benefit is very often challenging and time-consuming. Many organisations have laboured with networks which are often small, closed and of minimal discernible benefit to those involved, let alone any organisations outside it.

This overview is aimed at giving the science park managers and their teams some practical guidance about how to establish the network and the culture around it, and develop significant business benefits and impacts not only to the SMEs on the science park but also to the organisations the science park partners with.

2. Why develop a network?

Why is a network important? There has been a very large amount of research and analysis on the importance and impact of networks over the years. Hanna and Walsh's paper identified the following:

'The traditional independence of small firms is being replaced by a network environment... Having a strategic approach to networking will become increasingly important... and needs to be recognised as a core business competency in its own right.'

Small firm networks: a successful approach to innovation? – V.Hanna & K.Walsh (2002)

Essentially, networking was a critical strategic element of the activity of, and the expertise required by, any SME. It had to be recognised as a core business competence alongside the likes of innovation, commercial acumen, quality management and financial expertise.

The renowned marketing guru Michael Porter identified that the use of networking in the development of effective clusters was pivotal in sparking innovation and new business development. In particular it saw a blurring of technologies and capabilities cross-sectorally from what is often constrained within classical sector silos. In addition it particularly enables small organisations with limited resources and often gaps in its capabilities to scale-up its resources as and when required without sacrificing its flexibility and ability to react quickly to opportunities and threats.

‘Cluster development is often particularly vibrant at the intersection of clusters, where insights, skills, and technologies from various fields merge, sparking innovation and new businesses. A cluster allows each member to benefit as if it had greater scale or as if it had joined with others formally – without requiring it to sacrifice its flexibility.’

Clusters and the new economic of competition – M.Porter (1998)

John Allen, author of the paper on 3rd Generation Science Parks, collating the thoughts and opinions of many experts and leaders in the science park field concluded the following on networking:

‘Connectivity and networking at all levels is essential to the 3rd generation science park and its tenants. It requires a management team who have considerable understanding of what its tenants are about, and directs appropriate skills, advice and networking opportunities to the tenant.’

Third Generation Science Parks – J. Allen (2007)

Therefore it can be clearly concluded that networking in a science park context is:

- a. A strategic, not tactical, activity.
- b. An essential component of its programmes and not a ‘nice to have’.
- c. At the core of the philosophy and culture of the science park.

Therefore it has to be at the heart of not only the long-term vision and mission of the science park but also its core values. This networking-focused approach to the science park activity also needs to be encapsulated in all of the activities of the science park and not merely an add-on programme.

3. What should a Networking philosophy and culture look like?

Having a networking philosophy and culture for your science park sounds like a great idea. However, putting some tangible substance as to what this is and how it affects what you do is much more difficult. From our experience at Daresbury Science and Innovation Campus over the past five years, the following issues would be of wider relevance to other Science Parks:

a. Engage strategically

A network will only work successfully if those engaged in it derive benefits that are strategically important to their organisation or to the individual personally. Therefore without understanding the strategic requirements of those involved and ensuring that you have a proposition from which they can benefit, then your network will ultimately fail to succeed and survive in the long-term.

b. Highest quality of expertise, most accurate targeting

The world of the high-tech SME is fraught with enormous risks, whether this is around technology development, skills acquisition, funding or routes to market. Generic solutions will not suffice in overcoming these risks, therefore it is necessary for the science park management team to ensure that they identify and bring into the network the highest level of expertise to tackle areas of need or opportunity for their companies. Providing quality and speed of knowledge access is paramount and anything less than this approach and belief will lead to increase business risks and ultimately increased business failure.

c. Collective expertise will accelerate business growth

It is important to have the fundamental belief that the expertise that sits within the network will enable SMEs to short-circuit the process to acquire the required knowledge and capability, whether that be in technology development, customer acquisition, routes to market or investment solutions.

d. Embed the culture in your organisation

The establishment of a networking philosophy is not a procedural activity, but is inherently behavioural. Therefore it has to be subsumed into the thoughts, words and actions of the whole of the science park management team and not just the Chief Executive. Simple phrases that encapsulate this can be helpful in reinforcing the message and behaviour, for example at Daresbury we use ideas such as 'give value- get value ' and 'Open door – open hand' to highlight our belief that networking has to be a two-way exchange of value, and that the Campus is open to all organisations and individuals who are willing to accept this approach to networking.

e. Embed the culture into your tenant companies



In order to ensure that as your science park expands the networking culture is not diluted by this growth, then it is important that the companies in your science park have bought into it and behave in a fashion that is compatible with it, otherwise you will find that as your companies move into new buildings and become more geographically distant, the science park can quickly fragment into factions that network effectively within their group but very poorly outside it. A number of companies at Daresbury SIC have set up what is unofficially known as Daresbury plc. Here they will purposely open up their key clients to receive pitches on new technologies from other companies on

Campus. This has resulted in new business contracts being established and the reputation of the original company being significantly enhanced with their client.

4. The Seven Steps to developing the Network

a. Strategic engagement with the management team

In order to understand what your network needs to look like and the types of organisations and capabilities that need to reside in it, you need to understand the needs and capabilities of the companies on your park. Consequently you have to know your companies intimately. This will require an engagement with the management teams of your companies (even if the management team are not located on site) in order that you can understand strategically where the business is going, what are their opportunities, what are their barriers to success and how can you best support them in these areas. In particular it is important to note that the most significant value you can add to your companies is the support to enable them to more rapidly and effectively take their products and technology to market.

It is also important to recognise that the knowledge you acquire about the strategic requirements of your companies is of significant value to those organisations that you may wish to partner with, be they Universities, public sector business support organisations, blue chip companies or other SMEs. It is your currency for engagement with them.

b. Development of the 'market place'



The 'market place' is the place where your network can do business together. This will take all sorts of forms (eg. University-public sector business support organisation, blue chip-University) but should have as its core purpose to support high-tech SMEs.

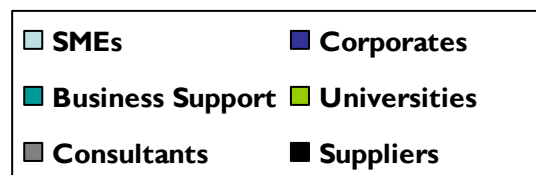
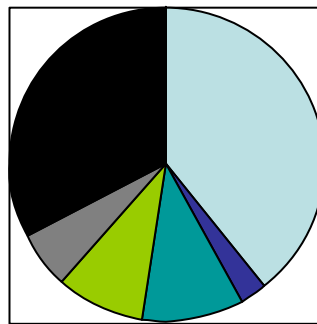
The key ingredients of the 'market place' are the organisations and individuals that reside within your network and come together to identify and exploit mutual business opportunities. Therefore it is essential that your network has the right balance to the

ingredients, otherwise it will not enable maximum value to be generated through the networking

interactions. For example, a network that comprises of too many SMEs will often lack the necessary expertise to protect and exploit IP, to leverage funding and investment opportunities and secure routes to market. Conversely a network with too many public sector business support organisations and Universities will have few ‘SME customers’ to support, or progress collaborative opportunities with.

Therefore it is important that you understand how your total and your active network is broken down by relevant categories to ensure this balance and that when it goes out of balance that you pro-actively look to address this (ie. actively seek more members from a weak category and restrict those entering the network from a strong category). The Daresbury SIC network comprises of 40% high-tech businesses, 35% suppliers and consultants and 25% Universities/business support organisations.

How do you define what the right balance to your network is? This will require you to regularly seek feedback from the different categories that comprise your network, to understand the value they are deriving from the network. However, the primary perspective on the network and the value that it is delivering has to come from your high-tech SMEs.



It is also important to note that the term suppliers and consultants comprises of key organisations and individuals that are of significant value to your companies. These not only include more conventional accountants, lawyers, recruitment agencies and consultants but also IP lawyers, patent agents, VC funds, angel networks and serial entrepreneurs who have recently managed a business exit and are looking for their next opportunity.

Make sure you have a focal point to regularly bring the network together to engage with each other. This not only adds critical value to your companies but also reinforces the benefits of the network, generates loyalty to it and provides an opportunity for new members to get engaged. Ensure your network does not become an exclusive club, do recognise that the professional and consultancy community bring valuable expertise to your companies and also have a wealth of contacts from the high-tech business sector that they can bring into your network.

Finally don't attempt to overcontrol your network, a chaotic element is a healthy thing!

c. Strategic partnerships with other intermediaries

Working strategically with other like-minded intermediary organisations (eg. Business Link, UK Trade and Investment, RDAs, Universities) is crucial to the success and reach of your network. In order for this to work successfully it is necessary to engage strategically with them, understanding

what are their objectives and critical deliverables, and developing ‘win-win’ scenarios where both organisations will benefit.

From experience at Daresbury, delivery of these ‘win-win’ scenarios will critically require what we call ‘go to’ people within these intermediary organisations. These ‘go to’ people are essentially the face of the intermediary organisation within your network – they are the people your companies will ‘go to’ when wanting to identify if that organisation has the expertise they require and where the source of it might be located. However, these ‘go to’ people will have other very important characteristics. They will have a similar focus and objective as yourself in supporting high-tech SMEs, and will see the barriers to success in a similar way. Therefore seek these people out within the intermediary organisations – sometimes they can be hard to find and they may not be in the obvious roles. However, it is important to find those individuals who have the right characteristics and passion to support the SMEs in your network and they see the world in a similar way to yourself. Embed these people into your science park organisation and activities, treat them and support them as part of your extended team. However it is also important to underpin the interaction with the ‘go to’ people at the top of their organisations, to get the high level support to innovate and pursue new initiatives and models for engaging and supporting SMEs.

It is also interesting to note that the science park management team can play a very important facilitation role in rebuilding damaged relationships between these intermediary organisations and high-tech SMEs due to a poor experience or lack of knowledge about the value of the intermediary organisation.

Daresbury SIC has set up these types of relationship with the likes of Business Link, North West Regional Development Agency, TrusTech (NHS Innovation Hub in the North West), UK Trade and Investment and the Universities of Lancaster, Liverpool, Manchester and Salford.

d. Be physical



Networking is not merely about the transfer of information between two parties, but requires the building of understanding and trust in order to not only identify but also exploit mutual business opportunities. Therefore not surprisingly it requires face to face interactions to be successful.

At Daresbury SIC, one of the key events that drives this face to face interaction is our monthly Business Breakfast Network. This event typically attracts about 120-150 attendees each month from across our network. It is a focused networking event allowing only a short interlude to introduce key people, events or programmes to the network that we believe the network should know (eg. intermediary organisations, investor community, blue chip companies, new tenant companies, funding or support programmes).

To maximise the impact of the event we review the delegates with our strategic partners the day before to identify connections that need to be made and to share intelligence on the activities and needs of SMEs in the network. This ensures that the maximum value can be generated for the network at the event through the pro-active connections made by up to a dozen people from the Daresbury SIC team and its partners.

e. Develop and drive the collaborative culture

Collaborative activity doesn’t happen by accident! It requires a degree of pro-activity on the part of one or other side of the collaboration or a third party to facilitate the process. Therefore the Science park management team plays a pivotal part in the process. It is essential to recognise that high-tech SMEs have great depth of expertise but little breadth, and therefore there is an inherent and critical need to collaborate. If they don’t the risk of failure is increased significantly.

However, one concern that science park management teams can have is the potential for competitive conflict when bringing SMEs in the network together that have very similar technologies. From experience the likelihood of this happening is extremely small due to the specificity of their technology. At worst, it is likely that there will be a small competitive conflict. However it will often unlock a massive collaborative opportunity either in taking one or other of the SMEs into a new market or building a stronger technology or expertise offering to a key customer. Overall the balance is that key relationships are not being identified or facilitated, and therefore significant business value is being lost to the companies.

Sometimes there is a nervousness to make an introduction between companies when there may not be an obvious connection between them. However, it is essential that this does not become a barrier to network development, as so often there are hidden high value connections that are not immediately evident that without the introduction would be lost.

Therefore the key message is to keep making introductions as much as you can!

f. Complement the physical with the virtual



As outlined earlier, physical networking is an essential component of establishing and re-energising the network. However, as so often this is built around key regular events, there are opportunities to further strengthen the network in the intervening periods.

This can be done through the use of the virtual space, and the extensive technologies that exist today that makes communication rapid, responsive and interactive. In particular it allows the science park management team to reach more people across the network and on a more frequent basis.

Daresbury Science and Innovation Campus established Newshub (www.newshub.daresburysic.co.uk) in October 2008. Newshub allows the network to share information with each other through blogs or tweets. It enables the network to view online who are attending events at Daresbury and communicate them via a web

portal either before or after an event.

In 2010, Newshub's capabilities will have extended to allow network members to post their profiles, including what they have to offer and what they are looking for. This allows network members to rapidly search for and match offerings/needs with other network members. Again this serves to reinforce the network as a source of relevant expertise and capabilities for an SMEs needs.

g. Develop strategic relationship with blue chips/government organisations

Global blue chip companies and government organisations like the NHS are critical to the network. This is because from an SME perspective they are either key customers, strategic collaborators or the ultimate exit strategy through acquisition of the business.

Today many global blue chip companies like Procter and Gamble, Cisco, Unilever and GE have a strategic commitment to open innovation, the sourcing of a significant percentage of their future innovations from outside their own organisation.

'We will acquire 50% of our technologies and products from outside P&G.'

A.G. Lafley, CEO Procter and Gamble

However, despite the desire of many of them to reach SMEs as part of this open innovation strategy, it is a struggle to identify where the relevant SMEs to their business may be located. At

Daresbury SIC we were working with a blue chip company looking for RFID technology, through our network we identified an SME with an appropriate technology solution that was located only 3 miles away from the blue chip company.

Engaging with blue chip companies and bringing them into your network is not straightforward and requires some strategic consideration. From our experience at Daresbury SIC, we would recommend the following steps in the process:

- Target those blue chips where the capabilities of the SMEs in your science park have the greatest relevance and build the relationship strategically
- Be persistent in building the relationship as it can easily take greater than a year, but also look for those blue chip companies where there is the quickest win. For example, those companies that have an immediate need that can be fulfilled, or a blue chip that is strategically focused and resourced to building collaborations with SMEs
- Take time to network through the organisation – often you are looking for senior managers within the new technologies or open innovation divisions to be interacting with. However, so often initial contact may come through the business development or technical teams
- Tailor your marketing messages about the science park and the SMEs located there to be relevant to the blue chip company
- Develop a framework to effectively filter the SMEs at your science park and across your network against criteria agreed with the blue chip. This will not only be against technology criteria, but also the likes of business maturity, management team capabilities and experience, resource capacity, etc.

As stated in section 5a, providing support to your companies to take their products/technologies more effectively to market delivers huge value then providing a rapid entry to key people in a target blue chip customer is probably the most important thing you can do and therefore should not be put into the 'too difficult' bracket.

5. Business Impacts

The development of an active network is only of value to the science park if significant and sustainable business impacts can be derived for the SME companies on the park. This should ultimately be visible through the minimising of business failure and accelerating of business growth for companies on the science park, but will also result in other benefits (eg. jobs created, new products developed, patents filed, collaborations established, etc.).

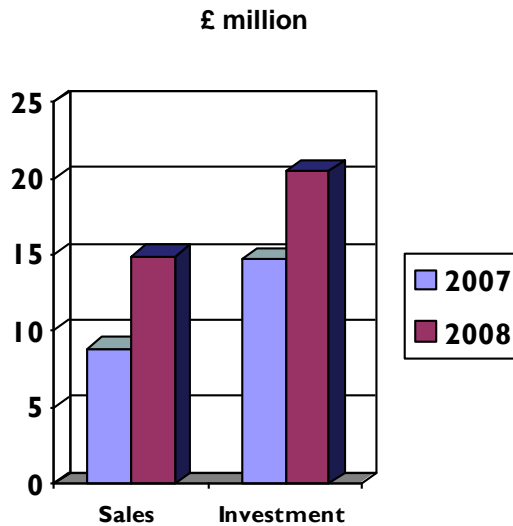
It is important for the science park to collate and analyse these business impacts for three key reasons:

1. Self-evaluation of the science park's performance to identify areas of success and weakness in its activities
2. Development of statistics and metrics to demonstrate its success and value to its stakeholders
3. Supporting the science park's business development process by the provision of data and metrics demonstrating its impact on the business performance of its tenants.

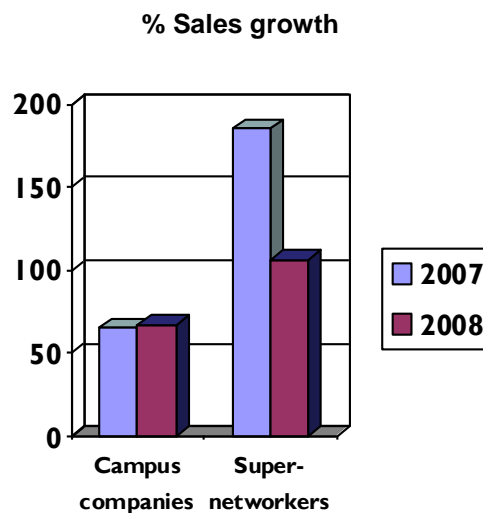
At Daresbury SIC, we evaluate these business impacts through our annual tenant survey. This has shown substantial hard and soft business impacts, for example:

- Minimal business failure
 - 6 company failures in nearly 5 years of operation (of these 6 companies, two have phoenixed and one was acquired by another tenant)
- Accelerated business growth
 - In 2008, average sales growth was 67% and investment growth was 55%
- Increased collaboration
 - Nearly 75% of companies collaborate with each other and 70% of companies are engaged with at least one University or research institute

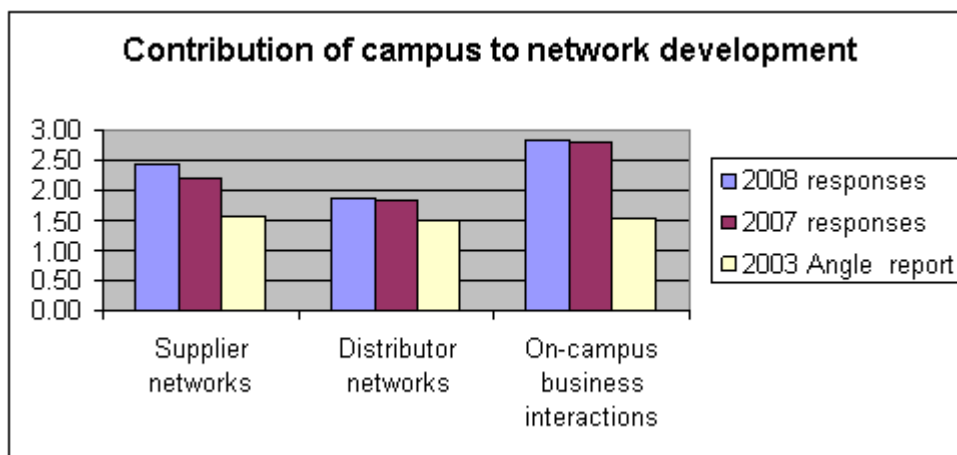
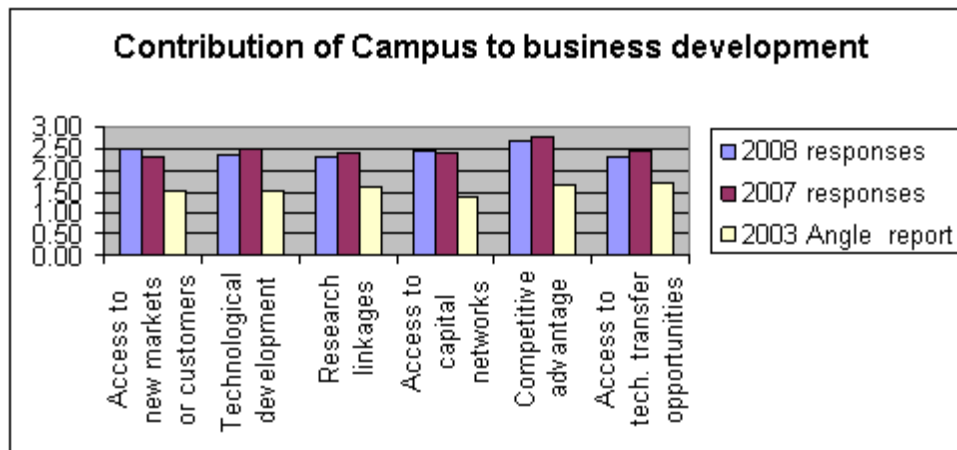
- Increased new product and service development
 - Over 130 new products and services taken to market
- New jobs created
 - Nearly 100 new jobs created since moving to Daresbury with 64 in the past 12 months



From our survey we also noted that our super-networkers (ie. those with collaborations with another company at Daresbury, a University and the Research institute on the campus) had significantly higher sales growth rate than the average.



As well as developing the hard data and metrics about the performance of the science park, it is also useful to get a more subjective feedback from your companies on the impact of the science park's contribution to its network and business development processes. This will enable you to track your performance year on year but it is even more helpful if it can be evaluated against an external benchmark.



Besides the obvious benefits of minimising failure of companies on the science park and accelerating their growth, the development and utilisation of the network provides other important business impacts to the science park:

- Increased business retention
- More effective business development

In nearly 5 years, only 6 companies have vacated office accommodation at Daresbury SIC to move to other premises. Of these 6 companies, two were locating to premises owned by their new Chairman. Consequently much time and resource can be saved by the science park management team in having to refill vacated space.

Over 60% of the companies located at Daresbury SIC have been referred in through individuals in the network. This provides an effective mechanism of pre-filtering the companies, to ensure they are more likely to meet the entry criteria for the science park, and are probably best suited for the high-tech and collaborative environment you are looking to create. This process also provides a very powerful third party referral gained through first hand experience that usually makes the process of moving from first engagement to confirming contract arrangements quicker and easier.

7. Costs

An obvious question is how can a science park cover the costs associated with establishing and developing a powerful network in terms of systems, events and people resources? However perhaps a better question to ask is whether a science park management team cannot afford to take the establishment of a network seriously. This is because it will have a significant impact on attracting, retaining and growing businesses within the science park, thus driving its revenues,

increasing its business stability and giving greater confidence to its stakeholders about future profitability of the science park. For example through our network events at Daresbury SIC we are typically seeing upwards of 5-6 new relevant companies at each event.

However with a creative approach some of the additional costs can be mitigated by developing revenue streams linked to the network development. At Daresbury SIC, we have developed a number of these and are evaluating other potential opportunities, for example:

a. Events

We have established a sponsorship programme for our key monthly networking event. This sponsorship largely comes from our professional community in our network. This enables us to cover the event costs (eg food and drink) and administrative costs.

In addition we are looking at whether we should charge a network membership fee or admittance fee for the events.

b. Website

We have established a fee-paying recruitment website embedded into our main website where companies can post job opportunities for a small fee.

In addition there are opportunities to look at potential sponsorship of the website or specific areas of the website by people within your network.

c. Other opportunities

As the science park is a very physical place where services and capabilities can be promoted to your companies and visitors, there are often opportunities for further sponsorship or fee-paying promotion in a targeted and intelligent way. For example, information screens, "wall of fame", posters etc.

Many of these initiatives will require some thought on the financial and administrative systems and processes required to handle sensibly and securely. However in the age of internet technology this is significantly easier than it was in the past.

7. Conclusions

The development and utilisation of networks is increasingly a critical success factor for any high-tech SME. Therefore any science park must develop and implement a strategy to establish a networking culture on its park and develop a programme of activities that will support the development, expansion and exploitation of its network.

In particular it will need to ensure that the networking culture is embedded not only into its own organisation but also across its tenant SMEs, to ensure the network will not lose its impact as the park grows.

It should regularly monitor the make-up of its total and active network and where appropriate take steps to ensure it remains balanced.

The science park management team will also need to take specific steps to engage strategically with:

- The management teams of its tenants
- Other intermediary organisations
- Blue chip companies and government organisations

It is essential that the science park management team ensure that there is physical interaction between its network through a focal point of regular events. However it should also take steps to

evaluate the use of ICT and communications technologies to increase the reach and frequency of its interactions with, and between, its network.

It is critical that the science park management team implements a programme to measure and monitor the business impacts of its network to support the mission of the science park, support its business development activities and most importantly monitor the value it is delivering to its tenants.

The science park management team should also look at creative ways that it can derive additional revenue streams to help pay

The science park management team will also derive significant business benefits itself from implementing a network-focused strategy and programme:

- Reduced failure rates of its companies
- Accelerated growth of its companies
- Increased business retention
- More effective business development process