The Third Frontier In The Midwest: An Interview With John Glazer, Director, TechGROWTH Ohio (Part 6)

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By guest authors Irina Patterson and Candice Arnold

John: We think we have the rural model down. We think we've learned how to get this kind of work done in a distressed area, without a pre-existing infrastructure of innovation centers, private capital, population density, and major employers and research institutions. We're hoping that what we learned here will benefit other, similarly situated parts of the country.

Irina: You said there were 80 jobs created. Over what period of time were they created?

John: Since 2007, [when] we started. We didn't start tracking them until two and a half years ago. This has been quite an experiment.

It wasn't as if this program was wholly grown and conceived in the beginning and then simply executed. We're pretty much where we need to be right now, but it was in fits and starts, with redesign [along the way]. We didn't collect information from the get-go on everything, so I think that our metrics are likely better . . . but we didn't really attend to them until recently.

Irina: On average, how long does a company stay with you?

John: If we count the number of companies that we "graduated," there are probably just five that we've stopped working with, that we've said to them, "You're done. Way to go. You're there."

And even for those five, we go back to from time to time to see how they're doing. So, of all the companies that we've worked with, we're still working with almost all of them.

One, we're not that old. We're still pretty young. Two, the time we spend working with them is a long time to get them ready for investment. And we track for metrics. If we helped a company that did not exist before us, and but for our help, would not exist, well, that company, and their A, B, C, D, and E rounds, if they go that far, was made possible by our program.

So, those are the metrics that we want to understand and track. Almost all of the companies are, in some fashion or another, still in a relationship with us.

Irina: Do you have any revenues? Are you allowed to have revenues?

John: We are allowed to have revenues. We don't have any. Our goal is to grow these companies, fill the portfolio, create a second and third and fourth fund. But we want to manage each fund the way a venture firm would manage their fund and shift our attention from getting portfolio companies up and going and into the market to developing them toward the exit their investors are looking for.

In the event of an exit, we expect that to replenish our fund. We expect revenues, as it were, or return on investment to first go back to our private partners. The fund is right now a nonprofit. Our goal is to pay back the private investments first, then divide anything beyond that to be reinvested into this kind of work.

Return on investment would be a successful exit that rewards the equity players in that exit. That return would be dollars that could be reinvested in this work. But, we don't charge a management fee for managing the fund. That is one of our contributions. We do have professional fund managers managing the fund, and they do charge a fee, but that's an expense to us rather than revenue.

Irina: What limitations do you have to doubling your success rate?

John: The limitations are great. They're the same things that we've bumped into from the start and that we're trying to overcome. One of them is resources. A $3 million pre-seed fund is quite small.

At the end of the day, to make a meaningful difference, there're only going to be eight to ten companies that will benefit from it. So, financial resources to renew and perpetuate the fund are a limiting factor.

Another is managerial talent for the companies. Recruiting, organizing, and placing a management team is a big challenge, especially since we are in a depressed rural area.

I hear the folks in urban centers say this is also one of their problems, but still, the pool of talent in an urban area is just bigger than it is in our area. And that is a difficulty.

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This segment is part 6 in the series : The Third Frontier In The Midwest: An Interview With John Glazer, Director, TechGROWTH Ohio

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