

# Podcast Interview



Baiju Shah, President & CEO, BioEnterprise  
Interviewed by: Phillip Battle, SSTi

*2011 Excellence in TBED Award Winner:  
Increasing Access to Capital*

Mr. Battle: Welcome to the first episode of the fifth year of the SSTI Podcast. I'm Phillip Battle. Each episode we take the opportunity to speak with an SSTI Excellence in TBED Award Winner. We talk to them to learn more about the work they do, the lessons they've learned away. This is our 21<sup>st</sup> episode; we only do a few each year. You can look at the archives at [sstiawards.org](http://sstiawards.org). Today we're very pleased to talk to Baiju Shah, President, CEO and one of the founders of BioEnterprise, which helps develop bioscience technology companies and technologies in northeast Ohio. Last year they won the SSTI Award for Increasing Access to Capital, which I believe makes them the first organization to win that award that doesn't invest directly in companies.

Thanks for talking with us Baiju, is that true? Do you not invest directly in companies?

Mr. Shah: Thanks Phillip. That is true; we do not make any investments or funding of any kind directly into companies.

Mr. Battle: Okay. Well just give us a little bit of background on the organization.

Mr. Shah: Sure, BioEnterprise is a not-for-profit accelerator located in Cleveland. It was started by Cleveland Clinic, University Hospitals, Case Western Reserve University and Cigna Health System to accelerate as you said bio medical companies in the Cleveland area. Our focus is on medical device, bio tech and health care IT companies that are at all stages of development from inception to revenue stage companies with a goal of assisting them in supporting their goals by accessing capital and positioning them to access capital by connecting them to other resources such as clinical partners, management, technical resources and the like.

Mr. Battle: I know that the venture capital industry is improving in Cleveland for the past few years, but have you found venture capital companies in other parts of the county eager to work with you?

Mr. Shah: Since we've started, we now have 67 firms from outside of Cleveland that have actually made an investment in a Cleveland area biomedical company. That's obviously grown over the years, but that I think has demonstrated that venture investors truly will find their way to an attractive investment opportunity wherever it's located in this country.

Mr. Battle: How do you go about attracting their attention? Do you have to speak to people in Silicon Valley who typically deal with people just in their backyard?

Mr. Shah: You're right. There's always a preference, all things being equal for proximity, but what trumps proximity is the attractiveness of the deal. The way that we attract attention of costal investors is actually go out and listen. That is the essence of the BioEnterprise model. It's based on a successful model that we saw in New Haven Connecticut that was being facilitated there by Yale University. They would go out and they would listen to investors and they would just try to understand every six months what each individual investment firm was interested in seeing. We do the same thing with venture firms whether it's on the east coast, or the west coast, we try to stay current with them. We try to understand what they're seeing in their crystal ball, and based on their perceptions what types of companies they'd like to invest in.

Once we understand what they're interested in investing in, we're then able to filter through all of the deal flow that's emerging in the Cleveland region, and then identify opportunities that truly match what they've said to us that they're looking to see. That makes us effectively intelligent match makers and then a very efficient filtering source so that the firm that's sitting in Boston or Palo Alto doesn't have to look at the 180 companies and the 450 invention disclosures that we and our partners see each year. They are able to see the two or three things that truly fit their criteria.

Mr. Battle: You mentioned Silicon Valley and Boston. Are you attracting capital from across the country?

Mr. Shah: Yes. It's probably more weighted to the east coast than it is to any other segment of the country, but we are attracting investment capital to companies from all sides of this country including the west coast as well as Texas.

Mr. Battle: Have you found them willing over time once they've dealt with you to start offices locally or to get more involved in the Cleveland economy?

Mr. Shah: You know, we've been lucky that we've had complimenting us there's obviously not only a number of other great organizations here in Cleveland, but there's a very supportive state policy environment in Ohio. One of those policy programs is something called the Ohio Capital Fund

which offers up substantial LP checks to venture firms that establish an office in Ohio and staff it with an investment professional. So through that program, and because there is substantial deal flow, we've been successful in recruiting a number of venture firms to open offices and staff them with professionals, not just here in Cleveland, but throughout Ohio.

Mr. Battle: How long have you been in operation?

Mr. Shah: We've been in operation for just under 10 years now.

Mr. Battle: In that time you've seen a leap to Cleveland of venture capital industries increased in activity quite a bit?

Mr. Shah: Absolutely. We've gone from only having a handful of venture investors, to having about 20 venture investment firms that are located in Ohio today that invest in health care deals. On top of that a number of angel funds and seed funds.

Mr. Battle: You have active relationships with those?

Mr. Shah: Absolutely. Those are our closest partners, they're the ones that are interested in the emerging enterprises, the ones that are at seed stages of development, or earlier stages of development and have a strong desire to support other growth and get involved not just with their finances, but also in supporting them with counsel and management.

Mr. Battle: One thing that's come up several times in the different – increasing capital to organizations that we've spoken to is that it's difficult to attract staff and especially keep staff who are on top of the venture capital industry, and on top of bioscience, in this case, who are really knowledgeable about those areas and keep them involved in their program. How do you go about doing that?

Mr. Shah: This is probably one of the hardest things that any TBED organization has to contend with. Whether it's an access to capital, probably in any of the other dimensions – finding individuals that not only have the skills and experience, but also have the alignment of sense of mission. What we have found over the years is that you really have to find individuals who are aligned with the mission of the organization who are looking to have an episode in their career where they are focused really on giving back to the community. Building their networks and building certainly their

experience at the same time, but are interested in the mission aspect of our organization to be able to serve our clients well and to serve our community well. We expected our professionals will migrate back to the for profit sector, whether it's with a venture firm, an investment bank, or one of our client companies, that's a natural evolution. If they are with us for at least three years, we feel like we've gotten tremendous value from them in contribution back to our mission. A number of our professional staff members have joined venture capital firms in Ohio as well as investment banks.

Mr. Battle: With your client companies in addition to connecting them to sources of capital, you also provide some other assistance services, right?

Mr. Shah: Yes, back to our model: we start with what venture wants to invest in and we use that to filter the deals or the companies in our environment that we think might match a particular fund's area of interest. Often times those companies are not yet ready for what we call the dance. They need additional resources, their product may need to be advanced slightly further into development. That's where our professional team will work closely with them to connect them to resources. Whether those are additional clinical institutions, management team members, technical partners, business partners, whatever might be required to be more prepared to engage in the discussions and a productive discussion with venture and other funding sources that are able to advance their growth.

Mr. Battle: You've found that to be a necessary ingredient in this sort of program?

Mr. Shah: You can't do it without that. Most companies that you find I think through a TBED organization are not immediately prepared to have credible conversations with the venture and professional investment community. There is a significant amount of entrepreneurial assistance required. I would say that if I look at my business development team's time, well over two-thirds of their time is spent providing entrepreneurial assistance, counseling and connecting companies to resources that they might need to prepare them for the remaining third of their time of my team's time, which is introducing companies to funding sources.

Mr. Battle: Once you work with those client companies, what sort of metrics are you tracking to keep bearings on your work?

Mr. Shah: Our principal metric that we track is how much capital or funding they are able to raise to advance their development. The funding can be any type; it's primarily venture investment or private equity funding. They can also include angel funding, seed funding and in our particular industry government grant funding to support their development. That gives us the clearest sense of economic impact of our companies in the region because those dollars are brought in by one of our companies are largely spent on resources or staff that's within in the region. Over time we do measure through the portfolio of current and past clients, how those clients continue to progress and other measures such as products introduced into the marketplace, revenues generated from those products and of course direct employment.

Mr. Battle: So you stay in touch with them for quite a while after they've worked with you?

Mr. Shah: We do stay in touch with them. I would say that as professional investors become engaged in the company we're able to broaden the management teams, they're able to bring a more professional set of resources to the board or to these companies. The need for BioEnterprise services entrepreneurial assistance diminishes and we become more of a discrete resource that they can call on when they're looking for a specific resource for a future funding round.

Mr. Battle: If another region was going to attempt a similar initiative, what advice would you offer them?

Mr. Shah: Our strong recommendation, this is based on again us seeing a very successful model that we've replicated within our context here in Cleveland is you've got to start with where the market is. We see in our conversations with many regions around the country you've got organizations that are trying to promote the region based on its assets. The challenge there is the market will decide what assets are most relevant at which periods of time. I think my advice to all regions is whether you're in the biosciences or in any other sector of technology, just pay attention to the market first. Understand what the market's looking to invest in; the market in my particular case is the financial investment community. Then use that as your filter by which you develop the strategies you're employing and the specific clients or projects you're engaging with. That is the easiest way to then draw resources that are far greater than resources any one region could assemble into your geography to actually grow a technology cluster.

Mr. Battle: Well thank you so much for speaking with us Baiju. We really appreciate it.

Mr. Shah: Thank you Phillip.

Mr. Battle: Well if our listeners would like to learn more about BioEnterprise, they can visit [www.bioenterprise.com](http://www.bioenterprise.com). To find out more about the SSTI Excellence in TBED Awards, visit [www.sstiawards.org](http://www.sstiawards.org). Thank you.