



## You're the Boss

The Art of Running a Small Business

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### An Incubator That Turns Laid Off Workers Into Entrepreneurs

By [ADRIANA GARDELLA](#)

Terri Maxwell uses the term “reluctant entrepreneurs” to describe Terri Maxwell the budding business owners she coaches through [Succeed on Purpose](#), the business incubator she founded in Las Colinas, Tex. The incubator is intended for former employees, most of them forced from corporate jobs by layoffs, looking to recast themselves as entrepreneurs. The transition requires them to embrace a new mindset, said Ms. Maxwell, who has long enjoyed being her own boss.

Her introduction to the start-up world was rocky. She joined her first new venture, a systems integration company, as vice president of sales and marketing in 1995, invested \$50,000 of her own money, and promptly lost it all. “I was broke and in debt, but bitten by the start-up bug,” she said.

Things improved in her next post as vice president of sales and marketing for an educational software start-up, Whole Village Technology. She said the company raised \$500,000 in private equity funds, was sold, and broke even. Next, she joined the marketing subsidiary of a regional Internet service provider, Flashnet Communications, where she said she helped increase revenue to \$35 million. Later, Prodigy [acquired](#) the company, an event that Ms. Maxwell said helped increase her net worth at the time to just over \$500,000. “Given that I had no money in 1996,” she said, “I felt like I was rich.” When Prodigy made her a job offer, she declined.

Instead, she founded a one-woman marketing firm, Latimark, in 2002 and completed an M.B.A. program soon after. “By 2003, I realized I really wanted to build something,” she said. Her goal: a marketing consultancy with revenue of \$50 million. She seemed on her way with Latimark, a 40-employee firm that had 2008 revenue of \$6 million and worked with clients, including Nokia, handling their branding and go-to-market strategies. The firm developed a return-on-investment tool that sought to help clients measure the effectiveness of their marketing efforts holistically. Instead of assessing the success of an individual program, it helped them measure increases in revenue, profits, or market share and divide them by the expense of a program, product, or channel.

In March 2008, Latimark was about to expand by acquiring an Atlanta marketing firm. But a market analysis showed it was a bad time to make the acquisition and that the months ahead

could be precarious for Latimark. Ms. Maxwell and her board of advisers determined that the firm was likely to burn through all of its money trying to survive the recession. They decided to sell Latimark's R.O.I. tool and intellectual property. The company was negotiating a term sheet with one buyer and a licensing agreement with another when both deals became casualties of the recession. Ms. Maxwell decided to shut her firm, hanging onto its assets and securing jobs for most of her employees with the firm's customers.

In September, 2009, Ms. Maxwell introduced Succeed on Purpose with the goal of helping former employees discover their purpose, which she defined as a combination of strengths and passions. Initially, the company offered services that included incubation, training, workshops, and coaching. By the end of 2009, Ms. Maxwell determined that the workshops and incubator had the most traction, and they became the company's focus. The workshops continue to serve as recruiting tools for the incubator.

The goal for each Succeed on Purpose start-up is a business that will have annual revenue of at least \$1 million in its first three to five years. Succeed on Purpose provides incubating businesses with a cash investment of up to \$20,000, office space at its 7,000-square-foot incubation center, training, coaching, and mentoring. In exchange, the incubator takes an equity stake of 20 percent to 49 percent that gives it a corresponding percentage of the start-up's net profits beginning in the second year of the five-year program.

Until recently, the incubator had been operating almost in stealth mode. In fact, the Succeed on Purpose Web site still makes no mention of it. Instead, the site highlights the company's purpose workshop. Ms. Maxwell said she was reluctant to go public with the incubator before it was perfected. "We're ready now," she said.

Last year, Succeed on Purpose introduced seven companies. All but two are meeting their revenue goals. Of those two, Ms. Maxwell is helping one sell its assets. She said the other had left the program. In situations where the interests of the entrepreneur and the incubator diverge, buyout clauses allow either party to exit the business at regular intervals throughout the program. This month, a new crop of seven owners entered the incubator.

Ms. Maxwell said Succeed on Purpose generated 2010 revenue of about \$75,000, mostly through incubation distribution payments. In 2009 and 2010 she loaned the company a total of \$400,000 of her own money to build out the incubation center on nearly a full floor of [The Tower on Lake Carolyn](#), a 20-story office building. The incubator has space for 20 entrepreneurs and a four-year lease. Ms. Maxwell expects to break even in the second quarter of 2011. To make that possible, she said half the start-ups must hit their revenue projections. Succeed on Purpose will then begin repaying Ms. Maxwell's \$400,000 loan, a process she expects will take three to four years.

Our next post on Succeed on Purpose will explore the challenges that its reluctant

entrepreneurs face as they work to shed their employee mindsets. These challenges include paralyzing perfectionism, fear of making a mistake, and a tendency to prioritize operations over sales.

*You can follow Adriana Gardella on [Twitter](#).*

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