

Incubator Development for a Stronger Local Economy

Strategies for Supporting Startups

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Discussion Topics for this Presentation

- 1. Why Incubators are Successful Economic Development Strategies**
- 2. Business Incubation Typology & Concepts**
- 3. Best Practices in Incubation**
- 4. Summing up**
- 5. Questions**

Innovative Partners Incubation

Business management consulting firm specializing in development strategy, incubation, finance, and ecosystems.

Incubation Competencies:

- **Feasibility Assessments**
- **Training incubator managers**
- **Mentoring entrepreneurs**
- **Conducting incubation workshops**
- **Assessing entrepreneur ecosystems**
- **Developing financing solutions for incubators and entrepreneurs**

Great Homes for Startups

There are an estimated 1,200 incubators/ESO's in the US, and 7,000 globally. There are many business models including:

- **Incubators**
- **Accelerators**
- **Co-working Spaces**
- **MakerSpaces**
- **Kitchen Incubators**
- **Other ESO models**

Incubator Types

Incubator / ESO Typology					
Type ESO	Client Type	Selection	Tenure	Avg. Cost	Benefits
Traditional Incubator	Startup companies and individual entrepreneurs	Entry criteria, admission process	1-3 yrs.	Rents, service fees - based on local rates	Access to: finance, training, mentorship, market information; support may be virtual
Accelerator	Typically tech, but also social impact and others seeking rapid product validation	Competitive Entry to a cohort	3-6 mos.	6-10% equity; some also charge fees	Training in basic business startup & management skills; networking; access to finance upon completion
Coworking Space	Startup entrepreneurs, telecommuters, and independent workers	None	Varies. 1-2 yrs. (typical)	\$150/month	Access to high-speed internet; desks; conference space and offices for daily or monthly use
Makerspace	Similar to co-working space with tools and equipment	Generally no set criteria	Varies. Often have memberships	\$45-\$75 per month	Access to high-speed internet and computers, 3D printers, CNC machines, laser cutters, etc.
Kitchen Incubator	Small batch cooks, catering, other food value chain activities	May be competitive entry	One incubator reported 4-6 yrs. to complete their program	\$20-25/hour for the commercial kitchen	Access to training, commercial kitchen, small business operations, commercial referrals, and networks

Business Incubation as a Strategy

A proven strategy that a community can adopt to encourage innovation and entrepreneurship. The incubator serves as:

- **Gathering Place for startup businesses and their entrepreneur founders to become inspired**
- **Residence for young businesses, surrounded by the tools and resources they need**
- **Example of entrepreneurship in action**
- **An attraction for visitors, offering relationships with the community of incubators, science parks, and innovation hubs**

Incubation Program's Economic Goals

Incubators are often designed to meet specific economic goals such as:

- **Industry cluster development**
- **Creating youth employment opportunities**
- **Encouraging growth of women-owned businesses**
- **Protecting the environment**
- **Attracting foreign entrepreneurs and investors**
- **More and better linkages between business community and academia**

Design for Sustainability

Incubators must be designed for sustainability, including planning, implementation, and management based on:

- **Fiscal and managerial accountability**
- **Accomplishing KPI's (key performance indicators)**
- **Budgeting sufficient funds to meet the true costs of the program**

Incubator Service Delivery Models

1. **Single purpose incubator: providing the specific tools, resources, and expertise startups in one industry require**
2. **A multi-purpose incubator: for a diverse group of startups (technology based and basic business based)**
3. **A centrally located hub incubator managing several small, activity-specific incubators in remote locations, or as a virtual support center**
4. **A community center incubator that acts as a meeting place, conference and activity center, makerspace, co-working spaces, and other activities that are useful to the general public, incubator clients, stakeholders and supporters**

How Incubators Contribute to the Community

Incubators are members of the community and participants in the ecosystem:

- 1. Incubators create local employment**
- 2. Contribute to the local economy – buying goods and services, providing mentor opportunities, borrowing money, training and networking**
- 3. Are long-term residents, and an integral part of the community**
- 4. The “go-to place” for local entrepreneurship programming and services**

Preparing the Community for Entrepreneurship

Develop awareness by involving successful startups and entrepreneurs. This is done by:

- 1. Providing opportunities for collaborating with local small businesses**
- 2. Engaging with the community by linking to other members of the ecosystem.**
- 3. Understanding value of innovation and entrepreneurship, becoming a focal point of community-led economic development**

Best Practices in Incubator Development

Formation of the incubator:

- **Start with the end in mind – have a vision and consensus on how to achieve it**
- **Conduct a feasibility study – determine entrepreneur needs and resources to meet them**
- **Identify and recruit a champion – all projects need leaders, including incubators**
- **Design for sustainability – what happens when the grant expires?**

Best Practices – Management

Management of the incubation program

- Select an experienced manager, or budget funds to train the manager you do hire
- Participate in the trade association – source of contacts, training opportunities, inspiration, and access to the thought leaders in the industry
- Treat incubation as a business – sound management can never be replaced by good intentions

Best Practices – Admissions

Selecting clients for Admission to the program:

- Have a process, carefully define your entry criteria
- Use both a written application and an interview by the Committee
- Recruit an Admissions Committee – ensuring a diverse membership

(Potential Admission Committee recruits: local business, Chamber Members, Educational Institutions, Local Banks, other entrepreneurs)

Best Practices – Operations

Be the example of efficient business operations

- **Formulate and execute a Business Plan**
- **Hold regular meetings with clients to monitor their progress**
- **Work the ecosystem to build the brand of the incubation program**
- **Provide training on a regular basis**
- **Take advantage of local experts as training resources**

Best Practices – Must-Have Services

Incubation clients need the following:

- Access to financing – debt, equity, grants, etc.
- Access to information – training, education, market data, an appreciation of each
- Access to markets – ability to understand and reach their markets
- Access to mentorship – Mentorship programs, Boards of Advisers, interactions with others who can help them be successful

The Entrepreneurship Ecosystem

The successful evolution of an economy and the effectiveness of a business incubator are dependent upon a strong, engaged, and committed community with its public and private organizations and individuals.

The incubator does not replace the existing sources of support in the ecosystem – it engages with them, and helps to evolve and attract others into the ecosystem.

Using Consultants in Developing Your Incubation Program

Consultants can help the community create and implement an incubation program and the appropriate ecosystems through the following activities:

- **Identifying services gaps and proposing solutions**
- **Strengthening linkages between the public, private and academic sectors**
- **Providing technical and advisory services related to the generation, protection, and exploitation of creative and innovative results**
- **Facilitating the development of a vision, goals, and processes for the incubator**
- **Improving and strengthening market positions through training and advising**

Questions to Think About Before Beginning

1. Is this project feasible and sustainable?
2. Are there entrepreneurs to serve? What are their needs?
3. Can the sponsoring organization support this development, and if so, for how long?
4. Who will lead the project (i.e., who's the Champion)?
5. What should be the next steps?

Summing Up

Incubators provide the personal attention that many entrepreneurs require to become confident knowledgeable business owners

The concept is proven in the US and overseas – it is estimated there are 7,000 incubators/ESO's globally and about 1,200 in the United States

There are many types and taking time to consider what business model fits the community is an important best practice

Incubators interact with virtually all members of the local ecosystem – they are excellent hubs for service delivery programs.

Training, access to financing, mentors and market information are “must-have’s” for all types of incubation programs

Having a champion, a plan and executing on it are important first steps

Good intentions should not replace sound management

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