

INCUBATORS

HATCHING NEW VENTURES

Copyright 2008

by

Lawrence J. Udell

The American Heritage dictionary defines "incubator" as; "An apparatus for maintaining a premature infant in an environment of controlled temperature, humidity, and oxygen." This, quite simply means, to create conditions to establish favorable development, whether it be eggs, babies, bacterial culture, or new businesses. It becomes the "Womb of Creativity" for whatever it is intended for.

A warm nurturing environment that raises little chicks into big birds or infant new ventures into big successful companies. Heat generates warmth, and the chicken, properly fed, becomes healthy in a shorter period of time than normal, plus with a higher guarantee of survival. So is it also true of business incubators. It is the perfect conducive facility for tomorrow's corporations. Individuals and teams that are creating an entrepreneurial start-up, can now house it in the same warm and comforting environment as the poultry farmer.

Innovation and small business incubators started to become popular in the U.S. in the early 1980's when a new degree of focus was placed on the importance of creating new enterprises that would provide increased employment and create a new surge of economic benefits. With the advent of e-commerce and the explosion of the internet, more incubators are now operating, many of which are funded in-part by the federal and state governments.

New Venture Incubators are all over the world today. If you are in the process of starting a new company, there could be one right around the corner that would be able to provide you with all of the ingredients that you require. This ranges from an office and use of secretarial services, to legal and accounting services, conference rooms, office equipment, furniture and everything you will need, but at a fraction of the cost if you set up your own offices in a building. Equally as important is the accumulated experience and talent of the advisors available through the facility. They often serve as the initial boards of the start-up companies. One, all inclusive price for the basics, and for the additional services, you only pay for what you need.

Personally, my first experience with an incubator was around 1980 when Control Data created a Business & Technology Center. It opened in 1979 in St. Paul, Minnesota and quickly grew to 16 in a short period of time. To go even further, CD established a number of venture capital funds to help the young and inexperienced companies raise their needed money. Many of the incubators were originally benefiting the real estate opportunities more than the start-ups.

Even prior to the early 1980's universities throughout North America were creating on-site incubators to help nurture faculty with technology opportunities. It was obvious that the facilities could not only create new companies, but revitalize an area, plus tax revenues, and serve as a breeding ground for economic diversity.

The University of Pennsylvania committed a 16 acre tract of land in 1966 to create the University City Science Center, with 1.1 million square feet and 75 tenants. It was jointly started and owned by a consortium of 28 colleges, universities and teaching hospitals in the area. North Carolina's Technology Triangle has been very successful over a long period of time.

So, how does an incubator work? It is quite simple. The process follows what you would expect: 1. A new or business-to-be applies to enter. The application normally includes a business plan and financing proposals. 2. A review panel will screen the applicant, looking for growth potential, a logical business plan and experienced management team or advisors, plus the potential for success. 3. If the business is accepted into the incubator it gets exceptionally reasonable rates and flexible leases as short as six months. 4. The incubator then provides all of the varied services described previously. 5. When the business begins to reach their growth and objectives, with proper cash-flow, they leave the nest and go off to their own facilities. This allows room for another new start-up to enter.

Hi-Tech incubators are also being funded by both private investors and the very large venture capital industry. Successful, and now wealthy entrepreneurs are leaving their growing companies to establish incubators and their own pot of money for investment growth. The latest statistics show that there are over 800 now operating throughout the world. Many Fortune 500 corporations have been creating in-house incubators to maintain not only creative employees, but the resulting technology. They usually retain a 25 to 30 percent equity, the balance going to the founding team and outside investors.

It has, in a great many cases, become a true "Win-Win" situation. You may be surprised by some of the well known names involved in incubators, such as; NASA, Panasonic, Motorola, Price/Waterhouse/Coopers, Bank of America, Ernst & Young, plus the states of Alaska and Virginia have been operating successful incubators for decades. I have personally been consulting with Siemens Technology-To-Business Center in Berkeley, CA for six years, where new technologies from throughout Siemens world-wide companies and from outside sources, such as universities are brought into TTB. The technology creators are nurtured for a period of time, until it is decided to fold the new venture into one of the Siemens companies or rolled out on their own.

On a lecture tour for the Government of Barbados, I was very pleasantly surprised to visit a new 40,000 square foot building under construction in the capital, Bridgetown that will be the home of a government funded incubator. It is a major commitment on an island in the Caribbean to create incentives for their quarter-million citizens to start new enterprises.

I am presently part of a selected small team creating an innovation/business accelerator in Reno, Nevada where a resource base exists to assist new start-ups. The team, with diversified experience, is carefully planning the organizational structure that will include a for-profit entity, a non-profit affiliate and investment arm to provide the much needed funding to the new venture, along with mentoring the founding team.

Incubators not only create companies but result in dramatic increases in employment, taxes and benefits to an entire geographic region. So, to you the reader I suggest you do your homework, decide if going into business with your idea is really what you want to do, then go search for incubators in your area. Check with the Small Business Development Center and they will help direct you, or even your Chamber of Commerce, since smaller cities are now developing their local hatcheries for the businesses of tomorrow.

History has proven that a single invention can become an entire industry that will employ millions of people. It's been done before, it's happening right now, and your "brain-child" could be the industry of tomorrow. We live in a world of unlimited opportunities, so go explore....