



Small Business Builder: Incubators

Incubators Offer Nurturing Environment for Small Businesses

Fifth in a Series

By Mary Campbell

June 13

It's an old story □ entrepreneur has hot business concept. Gets cold shoulder from investors, cool reception by lenders. Even Grandma is lukewarm. Idea simmers on back burner, finally evaporates. The End.

Or just the beginning, at least in this revised version □ idea simmers on back burner, heats up when entrepreneur finds warm welcome at business incubator.

After two or three years of "incubation," the enterprise will likely be self-sufficient and the story will end on a happy note, since incubator alumni perform better and stay in business longer than do entrepreneurs at other startups.

From Swanky to Virtual

Incubators are nonprofit or commercial concerns that help baby businesses learn to fly. They come in all sizes and shapes. Some serve particular industries or populations. Others are general purpose. Some have swanky facilities, others are no-frills. Although most incubators are physical facilities where new and growing companies can settle for a while, there are "virtual incubators" with no facilities at all.

Incubators are not small business development centers, which support entrepreneurs but do not adopt small businesses in the way incubators do.

Nor are incubators places where investors throw money at Internet startups hoping to reap a fortune in return, as was common during the dot-com glory days. Though some investment groups call themselves incubators, they offer no guidance, expertise, services or other forms of nurturing.

Among some 3,000 business incubators worldwide, about one-third are in the United States. Of those, only about 10 percent operate for profit, receiving equity in exchange for their services. Most incubators are organized by nonprofit organizations and agencies, often in partnership with other groups, individuals or businesses.

Tribal governments, chambers of commerce, church groups, arts organizations, community development councils, federal agencies, colleges and universities all have joined the business-incubator movement.

Everyone Loves a Startup

Why are business incubators so popular? Everyone wants to help the little guy succeed. Probably more important, incubators make economic sense. They help diversify economies, bring new technologies to the marketplace, create jobs and build wealth.

"Targeted" or "empowerment" incubators, which support minority- or women-owned startups, benefit the owners and strengthen the economy by shoring up its less powerful constituents. In Houston, the Women's Business Center targets "contemporary, fast-track women business owners and career professionals" and bills itself as the nation's first incubator to teach entrepreneurship and intrapreneurship to women.

Industry-specific incubators have been established for all kinds of enterprises, particularly those engaged in technology and manufacturing. The Communications Technology Cluster, in Oakland, Calif., is an incubator for high-growth companies in telecommunications and information technology. It recently moved into Oakland's historic Rotunda Building as part of a downtown revitalization. The developers hope other high-tech firms will locate there, benefiting nearby neighborhoods and the city as a whole.

More common than either targeted or industry-specific facilities are "mixed-use" incubators. They accommodate a variety of enterprises but don't accept everyone who walks in the door. Like prospective lenders and venture capitalists, incubators consider a business concept (Is it viable?), ownership and management (Do they have what it takes? Are they trustworthy?) and such factors as job creation and community benefits.

The Advantages Are Many

Thinking about entering an incubator? If you find a good fit, the advantages are many, ranging from facilities and services to networking and peer support.

Common features include:

Economical office space in a nurturing environment.

Shared space (library, conference room), office equipment (fax, copier, computers) and support (answering service, receptionist).

Access to capital or referrals to financing sources.

Mentoring, guidance, support, training, technical advice.

Help with business plans, patents, incorporating.

Marketing and sales support.

Financial statement preparation.

Make sure the incubator offers everything you need, within a fee structure you can work with. For example, you might pay a flat rate for space and equipment, plus per-service fees for professional support.

Evaluate the incubator's track record, personnel and exit criteria. Most important, interview graduates. What was the experience like? Did they feel comfortable and supported? Did they leave the incubator when they felt ready? Are they thriving on their own?

Such research takes time, but it's time well spent if it keeps your hot idea from burning up or boiling over.

To learn about business incubators in your area, visit the National Business Incubation Association's Web site at <http://www.nbia.org/>, or contact the NBIA at 20 E. Circle Drive, Suite 190, Athens, Ohio, 45701-3571. The telephone number is (740) 593 4331. The fax number is (740) 593-1996.

An editor since the age of 6, when she returned a love letter with corrections marked in red, Mary Campbell founded Zero Gravity in 1984 to provide writing, editing and marketing services. Small Business Builder is published on Wednesdays.

Copyright © 2007 ABC News Internet Ventures