

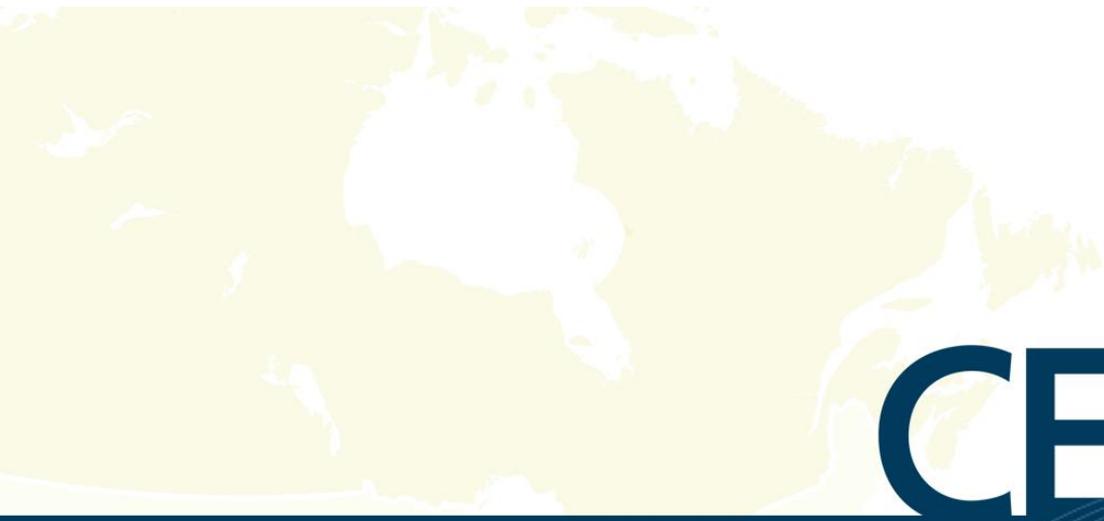
# **Business Incubator Consultation Day**

## **Finding Report**

**Presented by:**

**Noah Redler NR Project Development**

**March 2013**



**CEDEC**

## Table of Contents

|                                       |    |
|---------------------------------------|----|
| 1. Building an Incubator.....         | 3  |
| 2. Basics of Incubator Models .....   | 4  |
| 3. Consultation Day Key Findings..... | 5  |
| 4. Conclusion .....                   | 11 |

## Overview

On February 11, 2013, CEDEC hosted a Virtual Incubator Consultation Day in association with various stakeholders that were brought together to openly discuss ideas, identify potential issues and identify potential partners. This Findings Report will provide a summary of the discussion that took place and recommendations moving forward.

### 1. Building an Incubator

As we all know, a business incubator can be a valuable resource for entrepreneurs and more experienced business people alike, but it is important to remember that the incubator concept on its own is not a guaranteed success; the concept requires constant vigilance and attention in order to maintain and continuously build interest while at the same time attracting new business minded people to become members.

An incubator, whether physical or virtual has the same requirements: it must be a place for people to come together and interact, it must offer useful resources that make the entrepreneurial process less intimidating, provides opportunities to learn, a place to meet other entrepreneurs, offers access or information about funding and facilitates connections with mentors.

Before an incubator gets to the point of empowering entrepreneurs, it needs to be built, so to get started we need to ask ourselves: what will be the incubator business model?

The interesting aspect of a business incubator is that it is a business in itself, and as such, some of them fail by not being able to attract enough 'clients', not being able to fulfill their promises and being unable to generate enough revenue to maintain operations. This requires the concept to be well thought out for the initial stages, but also makes future planning just as pivotal (how will the incubator deal with slowdowns or market changes?).

The biggest mistake an incubator can make is to try and solve every problem, rather than focusing on the direct issues that their stakeholders face and addressing them directly, while referring other services to identified external partners. An important thing to remember when planning is to identify first the resources that can and will be committed

to the incubators operations, their cost and then identify what services can be offered and managed effectively.

## 2. Basics of Incubator Models

There are numerous different concepts and features that can be implemented to make an incubator stand out and be more appealing, but there are really only 3 standard models that each concept is built around; these models can be combined or include various features of each other, but at the base, the vast majority of incubators are built from one of the three following models:

- **The Funding model:** A more hands on approach that provides entrepreneurs with resources, learning and networking opportunities, but also includes some kind of program that helps accelerate the development of a business model and offers funding opportunities to successful 'graduates' usually in return for equity (NOTE: This is not to be confused with referring businesses to external public or private funding sources, but rather a funding pool that is managed by the incubator team internally). This concept often includes mentors/coaches that work more directly with entrepreneurs to develop their business concept, as well as clear objectives a business must meet in order to be eligible for funding.
- **The Niche model:** This concept relates more to a mono industry (or related industries) incubator that works within a general domain (agriculture, aeronautics, manufacturing, tech, etc) where members can connect directly with other businesses related to them in order to be surrounded by a network of professionals that understands their specific realities and can help navigate issues encountered during their growth. There tends to be a focus on collaboration and promotion of shared common practices.
- **The Community model:** This concept tends to be the most common model that is established via public institutions focusing more on regional economic development than supporting a specific industry or only high performing entrepreneurs. Coming from the growing realization that regions cannot be sustainable as monoindustry communities where the vast majority of employment comes from a small selection of large companies. This model is more of a support network where aspiring or established entrepreneurs can connect with other

business owners in their geographic region who are seeking a centre for business information, access to important resources, networking/crossselling opportunities and information about where they can obtain funding (but the incubator is not usually a funder itself).

It is worth keeping in mind that these models can be stand alone, or incorporated with other models based on the needs of the stakeholders, but the planning process needs to include an assessment of resources (financial, human, external) available in the short term and the long term.

*It is better to start small and add resources.*

### 3. Consultation Day Key Findings

The Consultation Day provided a chance for stakeholders and potential partners of a CEDEC Small Business Support Network (SBSN) Business Incubator to share their thoughts on how they would envision a business incubator project; the goal of the discussion was to determine the potential interest in collaborating or to voice their thoughts about elements or features they would like to see implemented in the project. The following is a report of the key elements that were discussed during the Consultation Day:

#### - **Location Physical or Virtual**

Prior to the Consultation Day, the planning conversations focused initially on the idea of having a virtual business incubator; in the case of CEDEC SBSN which represents a widespread and diverse territory, this is an important feature to improve cooperation throughout the Anglophone community of Quebec, the virtual aspect is needed in order to create connections over such a large geographic area.

However, from the discussion with organizations that were already operating incubators, other partners in the room and the presentation given by Anthony Rinella, it became evident that a virtual incubator is not an effective stand alone solution.

Although a virtual incubator could be used to bring business owners together by directing them to the networking events calendar or information sessions being conducted by CEDEC SBSN and its partners, a theme that repeated itself was the value for a place where entrepreneurs could congregate and be among people that were living the same

reality as them, as a welcome reprieve from working from home or at an office alone. One of the basic needs that an incubator addresses is that it helps entrepreneurs feel ‘less alone’, it provides a support mechanism that takes them out of their element and allows them to share ideas, be encouraged by others that have or are living the same reality as them or even as a place to vent problems and get answers from the business community.

That said, the concept of a physical incubator is a heavy investment of financial and human resources that can be difficult to manage, and is not necessarily a realistic proposition for smaller cities. However, a point was made that a physical location does not necessarily need to be a dedicated facility. Partnerships can be struck with local restaurants/coffee shops/libraries/community centres/schools where regular ‘meeting hours’ can be hosted. These could simply be set times of the day where it is commonly understood that members of the local business community will congregate to talk, get some work done or just hang out and have a coffee. CEDEC SBSN can add value to these ‘meeting hours’ by ensuring that at least one CEDEC SBSN representative (or mentors) will be present at the meeting place during all the scheduled times (so no one shows up and is alone).

Although the instinct makes us believe that an incubator needs to look or feel a certain way, what is really important is that it represents the reality of the people it is aiming to serve. The most basic need a community incubator fills is creating a place for likeminded people to come together, provides information that offers value and promotes economic growth. As will be discussed in the next section, by combining a virtual incubator with a physical presence, there are interesting features that can be incorporated from both options.

#### - **The Virtual**

As mentioned above, due to the large geographic area that CEDEC SBSN operates throughout, a virtual incubator is a valuable tool to facilitate connections between entrepreneurs operating in different regions, it can be a tool for communications among all members, a place to access informational resources online as well as a place to host webinars or online information sessions.

A Virtual Incubator or a diverse business community needs to be able to offer a more generic service, while knowing the reality that every business is different in some way.

The key in the beginning is to focus on the basics, the things that every business owner would benefit from knowing. For example, these include:

- How to incorporate
- Basics of bookkeeping
- Reporting GST/PST
- Marketing 101
- Intro to social media
- Other...

These can be presented using video tutorials or webinars conducted by CEDEC SBSN staff, entrepreneurs in your network, professors from partners like Champlain College and other professionals. There are also ways to include interactive features that can be implemented within the virtual incubator such as business surveys, questionnaires (ex: Are you an entrepreneur, an intrapreneur or neither?) or a public question and answer board where members can post questions (ex: Are there any business support organizations in Matane?) that will be answered by other members or a CEDEC SBSN representative to generate a collaborative FAQ section.

A virtual incubator is also an ideal tool to host informational documents, post news updates, new legislation/regulations of interest or keep a catalogue of studies and reports. A virtual incubator can also be a place where members can connect from a distance, potentially crosssell their services within the community or even develop new relationships.

In this situation, the virtual incubator will be the overlying tool that connects the various communities involved in the project and is used to provide features and services that can be associated with a limited physical presence.

Virtual incubators are not stand alone platform, it needs to be managed. This may require a resource person to manage, or outreach agent, that works to constantly promote connections within the community, similar to practices used by various chambers of commerce. Building an online incubator is really only the beginning step, after that it needs to be promoted, improved upon and updated regularly to keep people coming back and taking advantage of the services.

Building it can be an enormous project, but managing it is a longterm proposition. The planning process should include the identification of human resources that will be responsible for the operations including community management, external communications, technical support and content production/distribution.

Although during the Consultation Day, there wasn't a great deal of focus or enthusiasm for the concept of a virtual incubator, I believe that is because people have a difficult time visualizing a virtual service (which they have had a mixed track record of successes and failures). There is a clear benefit to having a virtual incubator, especially to support a large geographic area, but it needs to be well planned, well managed and combined with some sort of physical interaction space.

### **Mentors, Mentors, Mentors**

By far the most recurring theme that came up during the consultation day was the need for the incubator to provide access to mentors. Participants expressed the need to connect entrepreneurs with a good business concept and ambitious attitude with experienced mentors that can help guide them through the process of building a business and growing it in a longterm sustainable way.

We can all agree that mentors represent a valuable resource for new and established entrepreneurs, a voice of experience that can provide a support system to guide them through the process of expanding or building a business; this is particularly valuable if the mentor and entrepreneur work in related industries. However, finding and maintaining a qualified group of mentors is always a difficult task, especially since the mentors are extremely busy professionals who would be volunteering. During the development of an offered mentor program, this will be an important issue to address and may require the development of a short and longterm strategy to recruit mentors.

Mentors can be connected both in person and in the virtual space, which is an interesting benefit of the virtual incubator concept is that mentors (or partner organizations) is feasible through the inclusion of low cost video conferencing (Skype) services, which also creates a more personal face to face feeling which is helpful in building trust in the mentor/mentee relationship.

### **Shared Resources**

Another concept that came up often during the Consultation Day was the value of offering shared resources such as admin staff, bookkeepers, photocopiers, faxes or other services.

While there is no doubt that this would be appreciated by entrepreneurs and members of the business community alike, it obviously requires a fulltime location with management staff to offer this service. This may be more practical in larger cities where there is access to a CEDEC SBSN or partner office that would be willing to host the shared resources, it would realistically be impractical to offer to all regions.

Other options can be to negotiate special rates with local businesses that would provide incubator members with discounts for services they would need.

### **Client Validation**

During the Consultation Day, the concept of creating a process to validate entrepreneurs before joining the incubator to ensure that they will, essentially, not waste the time and resources being allocated to them. With limited resources available at all times, there is undoubtedly a need to find a way to determine who will have access to services such as mentors, shared resources, connections with potential investors/financial consultants and other professionals.

A good idea that were raised was to create a staged evaluation process; for example, when a person wants to apply they can take an “Am I an Entrepreneur” online quiz which they must get a positive result to proceed to the next stage. Following that they need to provide a written document explaining their business concept, but not a full business plan, more of a template document that explains the business concept, determines if the owners have a good understanding of their market and some basic financial projections with validations. Then finally in person pitches and interviews.

Another thing to keep in mind is that it does not need to be all or nothing. There are numerous practical and informational resources that can be provided through the virtual incubator and be available to anyone who wants to become a member; connections can still be made between aspiring entrepreneurs and SMEs through a virtual portal and networking events or seminars can be made available to all.

It would be worth considering packaging a validated entrepreneur program that offers a more in depth and personalized service that exists within the incubator community that members can apply to gain access. This would create a clear differentiation between the incubator and a premium program that is offered to those that have earned the opportunity.

### **Where's the Money?**

Without a question the most common questions an entrepreneur will have is about where they can find money to help them grow their business. This is a question that entrepreneurs need to ask and will go to places that provide answers and support.

Unless the incubator has a focus on generating financing opportunities, this is a potential service that can be managed in collaboration with a partner organization that specializes in funding services or has a budget from a public fund that they are responsible for allocating. The general point being, either owns the financing question entirely, or pass it off to a partner.

There are also excellent web search tools like the API offered by Fundica.com that can be incorporated into a website or within the virtual incubator and offer immediate responses to funding seekers without the need to allocate human resources.

### **Working with Partners**

Trying to do it all is rarely the best solution; in Quebec we are fortunate enough to have a large number and variety of organizations that support business growth and local economic development as seen by the number of participants that attended the Consultation Day.

There is no formula to define partnerships or ensure everyone works together cohesively; relationships take time to develop and require just as management to keep them strong, a working relationship will need to be defined, and more likely than not, be adapted through trial and error.

A few points to keep in mind when developing partnerships to collaborate on an incubator project would be:

- Be sure that roles and responsibilities of each stakeholder is clearly defined, and that a point person is assigned to represent the each organization.

- Have a single point of contact for every organization to avoid miscommunications.
- Have regular meetings to plan and discuss operations.
- Every partner must clearly identify services that must be managed through their organization.
- Organize events together.
- Address any issues that may arise immediately, don't let them get out of hand.
- Share the credit.

### **It's not always just about business**

As a final note, one point that was brought up by the guest speaker, Anthony Rinella, was that beyond the mentorship, the support and the general atmosphere of the incubator, one of the things he appreciated the most was the opportunity to occasionally just hang out in the evening drinking a few beers with fellow entrepreneurs working at the incubator, and just vent about problems and discuss solutions.

Building a business is stressful, it requires endless and constant work and can often make an entrepreneur feel removed and alone. The value of being able to have informal talks with people that are living the same reality as you can be rejuvenating, or at the very least reassuring knowing the problems you're facing, are actually pretty common.

## **4. Conclusion**

There was a lot of interesting points that were brought up during the Consultation Day, but the most encouraging result was that for the most part, the participants in the room, people that represented the frontline of the business support organizations for their regions, for the most part agreed on what was pertinent to this project.

Although I admit that prior to the Consultation Day, my assumption was that people would present optimistic or even unrealistic suggestions that would create a sense that if we don't offer everything, what's the point of doing anything; but to the contrary what became apparent was this:

Professionals in the field know what the most effective and relevant services are, and they want to focus on doing them well.

At the very base there are only a few key elements that an incubator can provide to an entrepreneur:

- Access to mentors
- Information about funding
- Creation of a community
- Knowledge of best practices that apply to every business (incorporation, bookkeeping, government reporting, basics of marketing)
- Networking

There are different ways to package these services or manage them, but it is most important to offer them in a simple, accessible and comprehensible way. Remember that it is possible to start on a smaller scale, while adding new features periodically and adapting operations as needed based on trial and error in addition to member feedback.

Entrepreneurs aren't (or shouldn't be) looking for a complete solution to all their problems, they are looking for support and convenient access to the answers to questions they might have, in addition to helping them identify the questions they didn't know they needed to ask.

When building an incubator don't think about what services you can offer, identify the services that you can offer well and be sure they offer real value to your members.