

## UNIT V

### BUSINESS INCUBATION

#### INTRODUCTION:

Business Incubation is the name given to the process wherein an individual or an organization supports the establishment and growth of a start-up. Those supporting the start-up or new companies are called business incubators. These business incubators see the growth potential and weigh the opportunity before supporting or funnelling funds into any start-up.

According to Sherman and Chappel, a business incubator is an “economic development tool primarily designed to help create and new businesses in a community.”

The number of incubators has grown considerably in recent years. This rise is due to several factors, such as corporate downsizing, increased entrepreneurship, new technologies, economic globalization, and the transfer of technology.

#### Importance of Business Incubation:

- Business incubators help start-ups manage finances.
- Ensure proper utilization of the money.
- Managing a business locally plays a significant role in making the foundation strong and scale it.
- Various types of support such as planning, training, development, research support, etc.

#### Stages of Business Incubation:

The whole process of business incubation is broadly divided into three categories:

- **Physical Facility Support** - This refers to the incubation service provided within the physical facility.
- **Networking Facilities** - After the physical facility, business incubators help the start-up with networking facilities so as to grow the business.
- **Support Services** - Once the business is up and running, the incubators offer various support services to the businesses in order to run the business smoothly.

#### INCUBATORS:

##### Meaning:

A business incubator is an organisation established to accelerate the growth and success of an entrepreneur through various kinds of support. An incubator provides resources and services including physical space, capital coaching, common services and networking connections. Incubators

mentor as well as provide business assistance and monitor services. The new ventures are facilitated by making them aware of risks and minimising the potential cost of failures.

### Definitions of Business Incubation:

The National Business Incubation Association (NBIA) defines business incubators as a catalyst tool for either regional or national economic development.

Sherman and Chappell have defined business incubators as, “an economic development tool primarily designed to help create and new businesses in a community”.

Business incubators help emerging businesses by providing various support services, such as assistance in developing business and marketing plans, building management teams, obtaining capital, and access to a range of more specialized professional services. They also provide flexible space, shared equipment and administrative services.”

Incubators are usually a partnership or collaboration between one more pro-business organization. These organizations can be:

- Economic development organizations.
- Government entities
- Local colleges and universities
- For-profit ventures
- Trade associations

### Services Offered by Business Incubators:

- Help a start-up to start basic operations and financial management.
- They offer marketing and PR assistance to new companies to set up a brand name.
- Business incubators have a strong network of influential people, and therefore, they can connect the business with the same to grow.
- Incubators also provide assistance and resources for conducting market research.
- They also help the start-ups in sorting their accounting books.
- Incubators bring credibility to the company. This helps the company to get loans and credit facilities from financial institutions.
- Often the start-ups do not know how to create an effective presentation to impress angel investors, venture capital, and other investors. Business incubators, with plenty of experience behind them, also help these companies with the presentations.
- Business incubators also act as mentors and advisors and assist start-ups in all sorts of business-related issues.

### ROLE OF BUSINESS INCUBATORS:

**(i) Physical facility support:** Business incubators provide a) Physical facility e.g. Rental space, electricity, high speed internet access, market research facilities, conference hall facilities.

**(ii) Support service:** Business incubation as business support service like

(a) They provide Marketing assistance.

(b) Providing access to bank loans, loan funds and guarantee.

- (c) Incubators help with presentation skills.
- (d) They link to higher education resources.
- (e) They link to strategic partners.
- (f) They provide Access to angel investors or venture capital.
- (g) They organise comprehensive business training programmes.
- (h) They act as Advisory boards and mentors.
- (i) They help in Management team identification.
- (j) They help with business etiquette.
- (k) They provide technology commercialisation assistance.
- (l) They help with regulatory compliance.
- (m) They provide Intellectual property management.
- (n) Incubators help in accounting facilities/financial management
- (o) Incubators help in Market Research

**(iii) Networking facilities:** Business incubators provide networking facilities to the members. It encompasses a set of relationships with various agents or organisations. Building networks shortens and accelerates the firms' learning process.

### **Types of Business Incubators:**

Majorly there are four types of incubators prevailing in the market today. These are:

#### **1. Corporate Incubators**

Objective – To enhance the entrepreneurial spirit and help the start-up to keep up with others in the industry.

Targets – usually target internal and external projects related to the activity of the company.

Challenges – conflicts between the management regarding the objectives and management-related decisions.

#### **2. Private Investors' Incubators**

Objective – assist the potential business model and then reap benefits by selling the shares.

Targets – technology-intensive start-ups.

Challenges – quality and durability of the project.

### 3. Academic Incubators

Objective – offering new sources of finance to start-ups, supporting the entrepreneurial spirit and civic responsibility.

Targets – external projects and the projects internal to the institution before creating a company.

### 4. Local Economic Development Incubators

Objective – economic development, supporting SMEs and specific groups for the overall upliftment of the society.

Targets – small, handicraft, locally sourced business companies.

Challenges – conflicts, governance risk, management quality, red-tapism, long hours of negotiation.

5. **Seed Accelerator** - focusing on early start-ups,
6. **Public/Social Incubator** - focusing on the public good,
7. **Kitchen Incubator** - focusing on the food industry,
8. **Medical Incubator** - focusing on medical devices & biomaterials
9. **Virtual Business Incubators** - online business incubators.

## Advantages of Incubators:

### 1) Shared Basic Operating Costs

Tenants in a business incubator share a wide range of overhead costs, including utilities, office equipment, computer services, conference rooms, laboratories and receptionist services. Basic rent costs are usually below normal for the region in which the fledgling business is operating, which allows entrepreneurs to realize additional savings. It is worth noting, however, that incubators do not allow tenants to remain in the program forever; most lease agreements at incubator facilities run for three years, with some programs offering one or two one-year renewal options.

### 2) Consulting and Administrative Assistance

Incubator managers and staff members can often provide insightful advice and/or information on a broad spectrum of business issues, from marketing to business expansion financing. Small business owners should remember that the people responsible for overseeing the incubator program are usually quite knowledgeable about various aspects of the business world. They are a resource that should be fully utilized.

### 3) Access to Capital

Many business incubators help entrepreneurs acquire capital by means of revolving loan and micro-loan funds, according to NBIA. They link businesses to investors by referral. They assist entrepreneurs in preparing presentations to venture capitalists and assist companies in applying for loans. Start-ups are helped in raising capital merely by having been accepted by an incubator programme. These programs act as a qualifying filter. Those who are accepted gain legitimacy in the business community.

### 4) Universality of Incubator Concept

One of the key advantages of incubators is that the concept works in all communities of all shapes, sizes, demographic segments and industries. In many cases, the incubator naturally takes on some of the characteristics of the community in which it is located. For example, rural-based incubators may launch companies based on the agriculture present in the area.

### 5) Comradeship of Fellow Entrepreneurs

Many small business owners that have launched successful ventures from incubators cite the presence of fellow entrepreneurs as a key element in their success. They note that by gathering entrepreneurs together under one roof, incubators create a dynamic environment wherein business owner can (a) provide encouragement to one another in their endeavors;

(b) share information on business-related subjects; and

(c) establish networks of communication that can serve them well for years to come.

### Functions of An Incubator:

a) Act as a “safe house” for start-ups as they provide the requisite knowledge that entrepreneurs need when starting out.

b) Spurring entrepreneurial talent resulting in greater number of successful start-up ventures.

c) Central to innovation as entrepreneurs have ready to use infrastructure for their ideas.

d) Enhance probability of success of start-ups, ensuring societal and economic benefits.

e) Act as a center for innovation for industries local to the area where the incubator is.

f) Create employment at lower cost per job in the region.

g) Act as a nodal point for aggregation of stake holders of the entrepreneurial eco-system – innovators, government, financial institutions, entrepreneurs investors and mentors.

h) Act as a local/regional expert in policy framework development.

i) Promote regional growth and development

### Factors Affecting Choice of Incubator:

Many incubators have been pivotal in nourishing small businesses to the point where they can make it on their own. But observers note that the programs are not fool proof. Some small businesses fail despite their membership in such programs; incubators themselves sometimes fold up, crippled by a number of factors. Entrepreneurs, then, need to recognize that some incubators are better suited to meet their needs than others. Considerations to weigh when choosing an incubator include:

⇒ **Is it a true incubator:** Some office building owners falsely advertise themselves as incubators to lure tenants? Entrepreneurs need to study the details of each offer to determine whether such claims are legitimate.

⇒ **Length of Operation:** Incubators take some time to establish their reputation unless they are sponsored by a high-profile corporation or a well-funded government agency.

⇒ **Incubator Leadership:** Many analysts contend that entrepreneurs can learn a great deal about the fundamental quality of an incubator programme simply by studying the program’s leadership. Is the incubator managed by people with backgrounds in business, or by general college or agency administrators? Can the managers provide long-term business plans that show how they intend to guide the incubator to financial independence?

⇒ **Location:** Does the incubator’s setting adequately address your fledgling company’s needs in terms of target market, transportation, competition, and future growth plans?

⇒ **Financing:** Is the incubator’s financial base a reliable one, or is it on shaky ground?

### INCUBATOR NETWORKS IN INDIA

In May 2017, India had the third-highest number of start-up incubators and accelerators in the world after China and the USA, according to National Association of Software and Services Companies (NASSCOM) and Zinnov Consulting.

With 140 incubators and accelerators, India inched past Israel, whose count stood at 130. However, the gap with the top two is still huge. China and USA have over 2,400 and 1,500 incubators and accelerators, respectively.

Bangalore, Mumbai and Delhi-NCR continue to be the hubs, with more than 40 per cent of all incubators and accelerators concentrated in these areas. There has also been a steep rise in the number of incubators based in Tier-II cities.

An incubator typically mentors a start-up for six months to three years, providing resources such as dedicated office space, networking with investors and technical training, among other things. In comparison, an accelerator typically hand-holds for three to 12 months, providing sessions on venture capital, road shows, CEO coaching and developer tools.

Only recently, The Nudge Foundation, which is backed by Infosys co-founder Nandan Nilekani, Tata Trusts and other industry heavy weights, launched N-Core, an incubator for non-profit start-ups working towards poverty alleviation. This was set up in July 2015 in Bengaluru. Chipmaker Intel India, IIT Bombay's Society for Innovation and Entrepreneurship and the Central Government's Department of Science and Technology came together to start a hardware incubator programme in August 2004.

Most incubators in India are run by academic institutions (nearly 51 per cent) while the rest are either corporate (nine per cent), independent (32 per cent) or government-supported (eight per cent), the report shows.

Almost every other prestigious B-school today houses an incubation centre so that great ideas can be nurtured from their very source. There are number of incubation centres supported by **the ISBA** which is the apex Indian professional body supporting business incubators. Private incubators are a handful, but growing gradually.

#### 1) **Innovation and Entrepreneurship (SINE), IIT Mumbai**

It was setup in 2004. It is one of the earliest incubators in academia with a potential to create start-ups focusing on economic growth, strategic value and social relevance. Think-LABS Techno solutions, an educational robotics venture, Myzus Technologies and Elnfinitus are amongst some of the famous businesses that SINE has incubated. These start-ups have been successful in raising venture capital investment after incubation of up to rupees three crore from the market. SINE can incubate an average of 15 companies at a time and has an infrastructure spread over 10,000 sq. ft. They still have not opened up to external business incubation because ideas from within IIT just do not stop flowing!

#### 2) **Technology Business Incubator, IIT Delhi**

TBI has been in active operation since 2000. It has been conceived and programmed by the Foundation for Innovative and Technology Transfer (FITT). This incubator accepts incubation applications from either IIT-D students, alumni or one of the members of the Academic staff only. The selection criteria are quite stringent. If external start-ups want to be a part of it, they can explore having tie-ups with the college professors, which can then enable your entry into TBI.

#### 3) **Techno Park Technology Business Incubator (T-TBI), Kerala**

It was established in 2006 with the support of the Government of Kerala. It has been renamed as Kerala Start-up Mission. It is India's first and successful non-academic business incubator. It is a joint association of Techno Park Thiruvananthapuram and the Department of Science and Technology (DST), Government of India. T-TBI offers fully furnished working spaces spread over 15,000 sq. ft, expert opinions and guidance from the industry, marketing and legal management consultancy and financial assistance.

**T-TBI till 2016 has successfully incubated more than two hundred companies.** In early 2011, T-TBI was chosen as the world's best software incubating company and the first Indian organization to have achieved this status.

#### 4) **Start-up Village**

It is a not-for-profit business incubator in Kochi. It was started in April 2012. Start-up Village is a public-private enterprise run by Government of Kerala. The government earmarked Rs.100 crore for Start-up Village and wants to incubate over a thousand start-ups in 10 years.



Interestingly, student entrepreneurs are offered various perks to be a part of this incubator including getting attendance at college, grace marks and even tax exemption for business generated by start-ups incubated within Start-up Village premises.

#### 5) **Indian Angel Network (IAN)**

IAN was founded in 2006, it is a unique concept which brings together highly successful entrepreneurs and CEOs from India and around the world who are interested in investing in start-ups and early stage ventures which have the potential of becoming successful. It is an equity-based business incubator centre that gives priority to ventures in the areas of healthcare, gaming and animation cloud computing, retail, mobile VAS, media and entertainment, alternative energy, education and clean technology. It has been established with the support of the National Science & Technology Entrepreneurship Development Board and the Department of Science & Technology of the Government of India.

In addition to the regular functions of a business incubator, the IAN incubator helps start-ups to get seed funding and pre-angel funding through its tie-up with Small Industries Development Bank of India. The IAN also has strategic alliances with DST supported incubators, corporate, R&D labs and many industry associations.

The IAN incubator is particularly famous for the activities it organizes, from its Open Saturdays to angel investors' meet to workshops for training entrepreneurs.

#### 6) **Techno Park TBI**

Techno Park Technology Business Incubator (T-TBI), is India's first Non-Academic Business Incubator, hosted and housed inside the Asia Largest IT Park Techno-Park. It was established in 1990 in Thiruvananthapuram. It is the largest Information and Technology park in India in terms of developed area. Technopark Technology Business Incubator (T-TBI), a joint association of Technopark, Trivandrum and the Department of Science and Technology (DST), Government of India, helps technology business start-ups.

TBI provides start-ups with fully furnished office spaces, mentoring support in developing business and technology plans, networking of business resources, seed capital assistance, marketing assistance, professional assistance, conference facilities and video conference facilities.

#### 7) **Centre for Innovation, Incubation and Entrepreneurship (CIIE), IIM Ahmadabad**

A business incubator housed at India's prime business school simply cannot be left out of the list. Having started incubation initiatives since 2007, CIIE has an interesting perspective on why it doesn't provide physical space for business incubation. **They want entrepreneurs to build their ideas from wherever they are stationed, so that the local economy benefits from its growth.**

From the time it started, CIIE has incubated more than 50 companies, only a handful of which were owned by IIM students. CIIE has been incubating businesses in the areas of internet and mobile technology, clean technology, social sector start-ups and healthcare.

#### 8) **NSRCEL**

It is an incubation centre run and managed by IIM, Bangalore. Located in this scenic educational institute is **N.S. Raghavan Centre of Entrepreneurial Learning (NSRCEL)**. Since its inception in 2002, it has brought together entrepreneurs, academicians and industry experts to create an impact on the start-up eco system.

With support from government agencies, corporate and institutional partners NSRCEL provides a platform to successful and budding entrepreneurs running profit or non-profit ventures. They offer various types of incubation offers all the basic facilities to start-ups including office space, desktops, Hi Speed Internet facility, Un-interrupted Power supply etc. The incubator provides mentoring from their eminent faculties and also offers seed money support to some of the incubate companies. The funding is primarily through government grants and its disbursement is in accordance with the guidelines that have been laid down by the primary funding agency. Screening is done by the screening committee before start-ups can get into NSRCEL.

#### 9) **Atal Incubation Centre**

Atal Innovation Mission (AIM) is Government of India's flagship initiative to promote a culture of innovation and entrepreneurship in the country. AIM's objective is to develop new programmes and policies for fostering innovation in different sectors of the economy, provide platform and collaboration opportunities for different stakeholders, create awareness and create an umbrella structure to oversee innovation ecosystem of the country.

AIM intends to support the establishment of new incubation centres called Atal Incubation Centres (AICs) that would nurture innovative start-ups in their pursuit to become scalable and sustainable business enterprises.

AIM will support these AICs in creating world class incubation facilities across the country with the state-of-the-art physical infrastructure, in terms of capital equipment and operating facilities available to their incubate start-ups, coupled with the availability of sectoral experts for mentoring. Apart from this, business planning support, access to seed capital, industry partnerships, training and other relevant components required for supporting innovative start-ups will be provided.

Moreover, most of the AICs established would be sector specific in areas such as manufacturing, transport, energy, health, education, agriculture, water, sanitation, Cyber Security etc. to promote unprecedented technological innovation in these sectors.

Academic institutions such as higher educational institutes, R&D institutes etc. as well as non-academic institutions such as corporate sector enterprises, alternative investment funds registered with SEBI, business accelerators, group of individuals, and individuals etc. are eligible to apply.

AIM will provide a grant-in-aid of up to Rs. 10 crores for a maximum period of 5 years to cover the capital and operational expenditures to establish the A/c.

The applicant would have to provide at least 10,000 sq. ft. of ready-to-use, built-up space, for the exclusive use of the AIC.

#### **10) Angel-Prime**

Angel-Prime was launched recently in 2011 in Bengaluru by well-known names in the Indian technology industry like Bala Parathasarathy, Shripati Acharya and Sanjay Swamy. The areas that Angel-Prime aims to incubate in are mobile payments, e-commerce and smartphone / tablet apps. It has

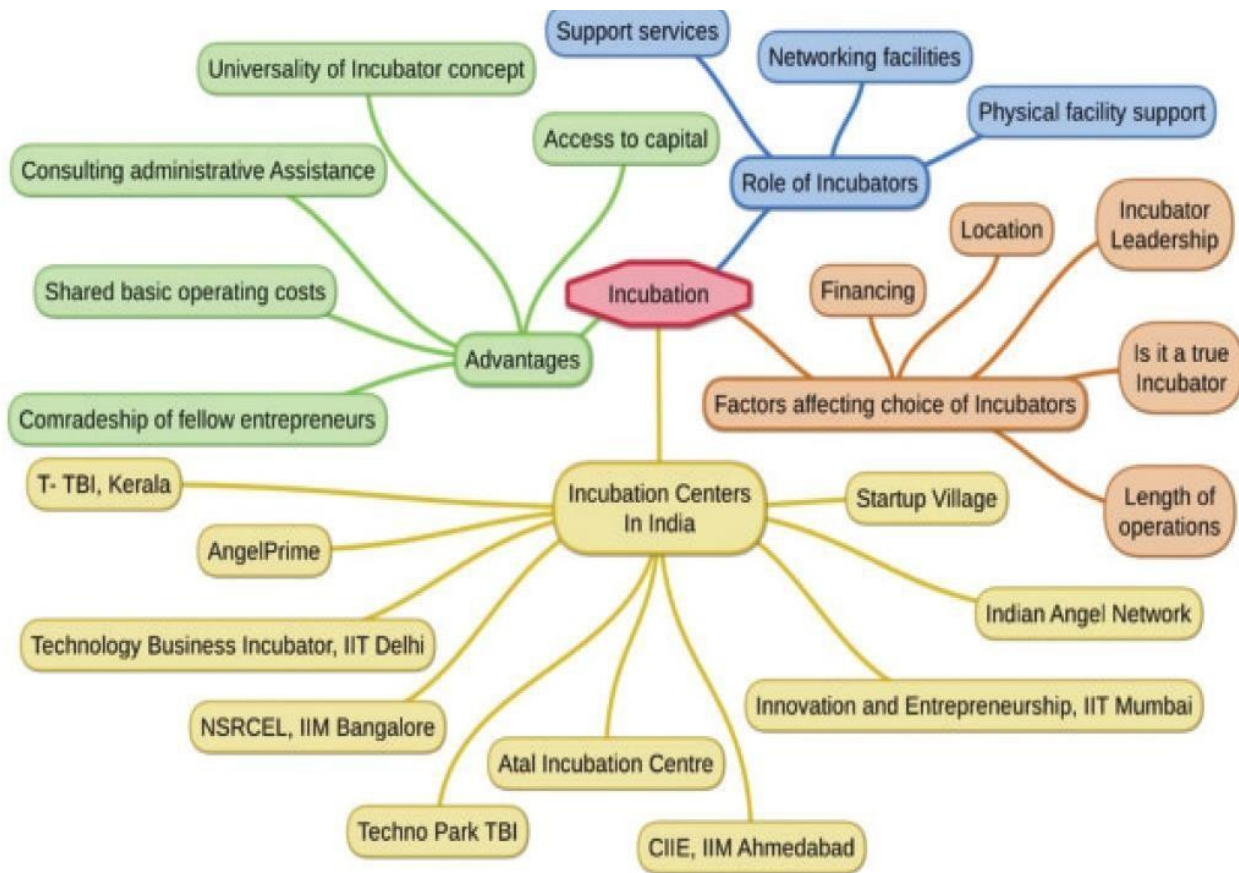
already begun incubating a mobile payments company and a smartphone and tablet start-up.

Unlike CIIE, Angel-Prime believes in incubating ventures at their office space so that they can be closely monitored. Angel-Prime has an edge in its services because the founders bring their previous corporate networks and experiences into incubating new ventures.

Business incubators play a large role in reducing the gap between new products / services, in stages of ideation to their commercial rollout. It also provides an equal platform to all entrepreneurs so that they can create products and services that will benefit all sections of society.



## CONCEPT MAP



## PRINCIPLES AND ELEMENTS OF BUSINESS INCUBATION:

### Principles:

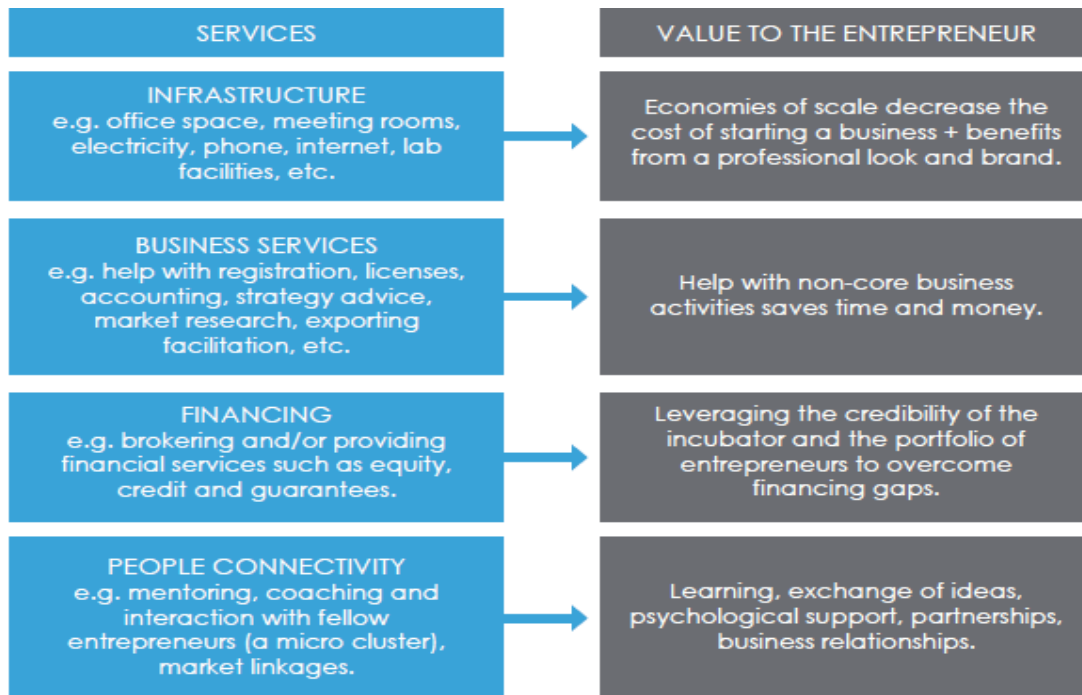
Managing an incubator is a demanding job. In order to be successful at establishing an effective and sustainable incubator, there are several key principles and elements of incubation management that should be applied.

Incubators, besides guiding the process of incubation, are also business-like organizations themselves and, as such, they must be run with an entrepreneurial mindset and follow proper business practices. The following principles and elements provide guidelines that will help an incubator manager be successful in balancing the incubator's double-role as a business enabler and as a business in itself.

1. Realize the incubator itself is a dynamic model of a sustainable and efficient business operation, and must be managed as a business-like organization.
2. Focus the energy and resources of the incubator on assisting companies throughout their growth process, thereby maximizing the companies' chances of success and their positive impact on the community's economy.
3. Develop a sophisticated range of services and programs directed at companies according to their needs and stage of development.
4. Develop a network that the incubator can rely on.

### Elements:

There are several elements of incubation that are critical to achieving a successful incubator. Business incubation has four basic components.



### Infrastructure

Most incubators offer “easy in, easy out” conditions; monthly rental terms that allow flexibility for clients when joining or exiting. Some incubators, particularly sector specific incubators, offer technical facilities, such as laboratories and equipment that can be very helpful, especially to a technology-based start-up company.

### Business services

Incubators provide access to administration and communication services often at “pay as you use rates”, including services such as Internet, telecommunications, photocopy, fax, binding, reception, mail, document receipt and dispatch, and secretarial assistance. These support services help clients to concentrate on their core business rather than on the support infrastructure. Furthermore, the startup companies do not need to make initial investments in expensive office equipment or front office personnel that can be provided by the incubator.

Incubators distribute a full tool kit of relevant business information to their clients. This information could include market data and market updates, forthcoming trade events, regulatory issues and administrative procedures, details of access to finance, both public (subsidies and government funds) and private (investors such as Business Angels), and access to other business support partners in the area. They assist in “opening the doors” to corporate markets using their own networks.

### Financing

Incubators support businesses in accessing various sources of finance. Depending on the growth stage of the business, the incubator may link its client with government grant schemes, banks, or venture capitalists. Hence, the type of financing may vary from seed grants, to credit, to equity. Some incubators may make their own sources of financing available for their clients as well, for example some incubators manage their own seed fund to invest in their client businesses.

### People Connectivity

Incubators facilitate advisory relationships between the start-up company management team and an experienced individual from the incubator management team or an external expert from the relevant

sector or industry (the mentor). In this way, incubators help to build the individual entrepreneurial and business skills of each client. Personal skills, such as financial, marketing and management skills, as well as overall good business judgment, are critical to any business' success. Incubators, therefore, work to improve these skills in their clients. The experienced incubator manager or mentor provides advice and guidance during the start-up's development. The mentor may also provide the entrepreneur with linkages to his/her own networks.

Incubators also facilitate meetings, discussions, links, and alliances between their clients and experts, such as accountants, communications and marketing consultants, and lawyers. Furthermore, incubators facilitate interactions between their clients and industry leaders relevant to their clients' markets. These networks and contacts can help the client companies recruit new customers or enter new markets, identify potential partners and reach potential investors.

## THE PROCESS OF INCUBATION

### Entry/ Selection and Exit/ Graduation

The process of incubation consumes resources, time and energy. As such, incubators must carefully

select which start-ups are accepted as incubatees. Incubators should select start-ups that will benefit from as well as meet the objectives and criteria of the incubator.

As incubation is about guiding incubatees from the idea stage to the graduation stage, incubates should be selected with clear intent, understanding and belief that their business will grow and flourish as a result of incubation and ultimately graduate from the incubator. Incubatee profiles may vary significantly according to the selection criteria of the incubator, but successful graduation is always the common goal of not-for-profit incubators. Therefore, it is important to define an initial road map towards successful graduation and to select those start-ups willing and able, with the incubator's support, to reach this goal. The incubation process should be tailor-made for each client, taking into account the different sectors and markets in which these companies operate, since companies in different areas of business are likely to have different growth rates.

Post-incubation space should also be considered, in order to provide the opportunity for successful incubatees to remain affiliated with the incubator community that nurtured their growth. Providing post-incubation space also allows undergraduate incubatees to interact with experienced and successful firms, in the same or similar industries.

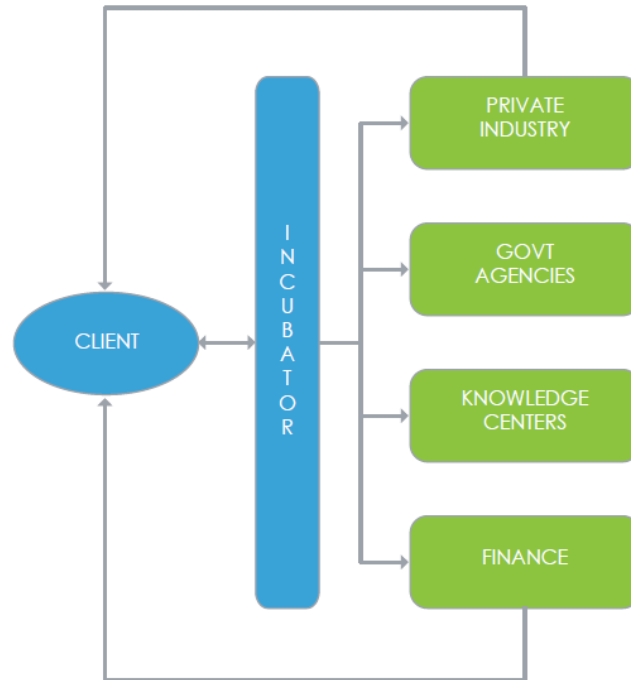


### Linkages

Business incubators rely upon the connections their incubatees can establish, as the connections can result in new revenue streams, partnerships, or ideas that may prove financially successful. Incubators should try to connect incubatees with individuals pertaining to the following groups:

- Other public and private business service providers, such as lawyers, accountants, and marketing experts
- Universities, technical centers and research institutions

- Government agencies
- Financiers, including angel investors, banks and venture capitalists
- Local service providers
- Private sector mentors, including entrepreneurs, multinational firms, and others



### GOOD BUSINESS INCUBATION PRACTICES:

1. Commit to the three key principles of business incubation, as presented earlier.
  - Realize the incubator should be dynamic, sustainable, and an efficient business operation that must be managed as such.
  - Focus the energy and resources of the incubator on assisting companies through the development process, thereby maximizing the companies' chances of success and their positive impact on the community's economy.
  - Develop a sophisticated range of services and programs directed at companies, according to their needs and stage of development.
2. Obtain consensus on a mission that defines the incubator's role in the community and develop a strategic plan containing quantifiable objectives to achieve the mission.
3. Plan for financial sustainability by developing and implementing a realistic business plan.
4. Recruit and provide appropriate salaries (incentive based) to an incubator management team and board of directors to ensure that they are capable of delivering the mission of the incubator and have the ability to help companies grow.
5. Management is one of the most important key factors to a successful incubator.

6. Develop the incubator's facilities, resources, methods and tools to address the evolving needs of each client.
7. Seek to integrate the incubator program and activities into the fabric of the community and its broader economic development goals and strategies.
8. Develop stakeholder support, including a resource network that helps the incubation program's incubatees and supports the incubator's mission and operations.
9. Maintain a management information system and collect statistics and other data necessary for ongoing evaluation, thus improving the incubator's effectiveness and allowing it to evolve with the needs of the incubatees.

## PHASES OF INCUBATOR DEVELOPMENT

Business incubators, like the process of incubation itself, grow in a phased way. Incubator phases are phases of development, rather than milestones on the path to completing a process. The three phases, as described by the United Kingdom Business Incubation (UKBI), are the Foundation Phase, Development Phase and Mature Incubation Phase.

### Foundation Phase

This phase is comprised of those actions taken before an incubator is established. It includes planning, feasibility studies, raising funds, marketing, relationship building, assembling the right management team and board, and determining the legal structure. In this phase, the activities conducted and decisions made will define the incubation environment, the effect the incubator can have on its incubatees, and the effect the incubator can have on the local economy.

### Development Phase

This is a complex phase and encompasses many actions and stages. At the beginning of this phase, incubators will focus on marketing, relationship building and reaching a critical mass of incubatees to secure a positive cash flow.

After this phase is completed, incubators begin to operate beyond their immediate surroundings, seeking to influence the outcomes and growth of a wider economic area. Incubators could be concerned, for example, with the availability for grow-on space for graduating incubatees and other related items.

This is potentially the time when many of the tax-incentives and subsidies, which the incubator may have relied upon, will expire or decrease, requiring the incubator to ensure that its business model is sustainable and that other forms of funding and/or revenue streams are available.

## Mature Incubation Phase

Incubators in this phase seek to offer high quality and comprehensive incubation services, which are flexible and sustainable. At this stage incubators have demonstrated their impact on the wider economy through the successful graduation of incubatees.

Mature incubators will often specialize further than younger incubators, offering a wider range of support services and training opportunities for incubatees. They will also link their alumni network with current and future incubatees, which enable the incubator to become a reference point for business networks and a platform for developing business relationships.

### BUSINESS INCUBATION KEY TERMS

#### ❖ Anchor Tenant

An incubator tenant that is not an incubate. It is normally an established company that adds credibility to the incubator through its association with it, collaborating with incubatees and providing regular rental income.

#### ❖ Angel Investor

Typically, a high net worth successful individual, who generally makes private equity investments in early stage companies. These investors operate either alone or in informal or formal groups/ networks. They typically provide lower and more flexible investments than venture capitalists and may open their networks, mentoring and coaching opportunities to companies they invest in.

#### ❖ Business Incubation

A public and/or private, entrepreneurial, economic and social development process designed to nurture entrepreneurs with business ideas and start-up companies and, through a comprehensive business support program, help them establish and accelerate their growth and success.

#### ❖ Business Incubator

A physical space or facility that accommodates a business incubation process.

#### ❖ Business Model

The mechanism by which a business intends to generate revenue and profits (also called a business design).

#### ❖ Enabled Environment

The positive “space” an incubator creates for its clients by lowering costs, increasing opportunities, providing access to partners and offering services. This allows firms to focus on establishing and growing their businesses and reaching their full potential.



#### ❖ Incubate

The client part of the incubation process (resident or non-resident) and may participate in the process on or off site.

#### ❖ Virtual Business Incubation

On-line business incubation. Sometimes, the term is used to refer to what is called “outreach business incubation”.