

## UNIT-5

### Fundamentals of Business Incubation

S.NO	TOPICS
1	Principles and good practices of business incubation
2	Process of business incubation and the business incubator
3	business incubator -how they operate and influence
4	Type/benefits of incubators- Corporate/educational / institutional incubators
5	Broader business incubation environment
6	Pre-Incubation and Post - Incubation process- Idea lab
7	Business plan structure
8	Value proposition

#### **Learning Outcomes: At the end of the Unit, the learners will be able to**

- ❖ Understand the importance of business incubation
- ❖ Apply brilliant ideas in the process of business incubation
- ❖ Analyze the process of business incubation/incubators.
- ❖ Contrast & Compare between business incubation and business incubators.
- ❖ Design their own business incubation/incubators as viable-business unit.

## **Introduction:**

**Business incubators** are essentially organizations that increase the survival rates of innovative startups and support the entrepreneurial process. Incubators earlier used to focus mainly on the IT segment but now they work with companies from diverse industries and orientations. This post discusses the concept of business incubators and business incubation, the role of business incubators, types of incubation services, and the phases involved in business incubation development.

**Business Incubation** is the name given to the process wherein an organization supports the growth of startups. There are numerous startups working on revolutionary ideas. But these ventures often need assistance. Business incubators provide this much-needed support. The goal of incubation in a nutshell is to increase the success rate of emerging startups and entities.

Business incubators are formed to help startups. They provide services such as management training, co-working space, and much more. Business incubators are perceived to be the mainstay of economic development programs. They create value by combining the entrepreneurial drive of startups with the resources generally available to new ventures.

The people working for a business incubator perform intensive research before supporting or funding startups. The primary objectives of business incubators are creating employment opportunities in the local economy and commercializing technologies.

## **Definition:**

“Business incubation is a public and/or private, entrepreneurial, economic and social development process designed to nurture businesses from idea generation to start-up companies and, through a comprehensive business support program, help them establish and accelerate their growth and success.”

“The business incubator is a physical space or facility that accommodates a business incubation process.”

This definition is the simplest, most generic and inclusive one, the result of a long process of discussion between some 30 business incubation associations and should be considered as the reference even though some national business incubation associations, such as the National Business Incubation Association (NBIA) of the United States of America (US), may have their own business incubation definition, such as:

“Business incubators nurture the development of entrepreneurial companies, helping them survive and grow during the start-up period, when they are most vulnerable. Their programs provide client companies with business support services and resources tailored to young firms. The most common goals of incubation programs are creating jobs in a community, enhancing a community’s entrepreneurial climate, retaining businesses in a community, building or accelerating growth in a local industry and diversifying local economies.”

**National Business Incubation Association (NBIA)** defined Business Incubators as a catalyst tool to Regional and National Development.

The whole idea behind business incubators is to offer a range of business development services, full-access to small spaces on flexible terms, and to meet the needs of new firms. The package of services offered by a business incubator is designed to enhance the success and growth rate of new enterprises; hence, maximizing their impact on economic development.

## **EXAMPLES OF BUSINESS INCUBATORS:**

Business incubators have been around since the 1950s. Since then, they have evolved into many forms. While there are several types of incubators, they all share the common goal of promoting growth. Here are a few kinds you may find while searching for incubator programs:

- **Academic institutions:** Many business incubators are run by universities or have academic affiliations. Some programs work with university students, while others accept cohorts of young companies.
- **Non-profit development corporations:** Both non-profit and government agencies use incubators to stimulate economic development. These programs may specifically accept companies geared toward public welfare.
- **For-profit property development ventures:** Larger corporations develop many incubators for various purposes. These programs may be an investment opportunity or a way to fund subsidiaries, develop technology or find partnerships.
- **Venture capital firms:** Some venture capital firms establish incubators as an investment opportunity. These incubators may invest in startups in exchange for equity or offer funding further along in the program.

## **The Role of a Business Incubator/Good practices of Business Incubators:**

Incubators provide resources and services to entrepreneurs, including working space and offices, technical expertise, management mentoring, assistance in compiling an effective business plan, shared administrative services, technical support, business networking, and advice on intellectual property, sources of financing, markets, and strict admission/exit rules.

An incubator concentrates its effort on helping innovative and fast-growth startups that are likely to have a significant impact on the local economy. Some of the functions of the incubators are:

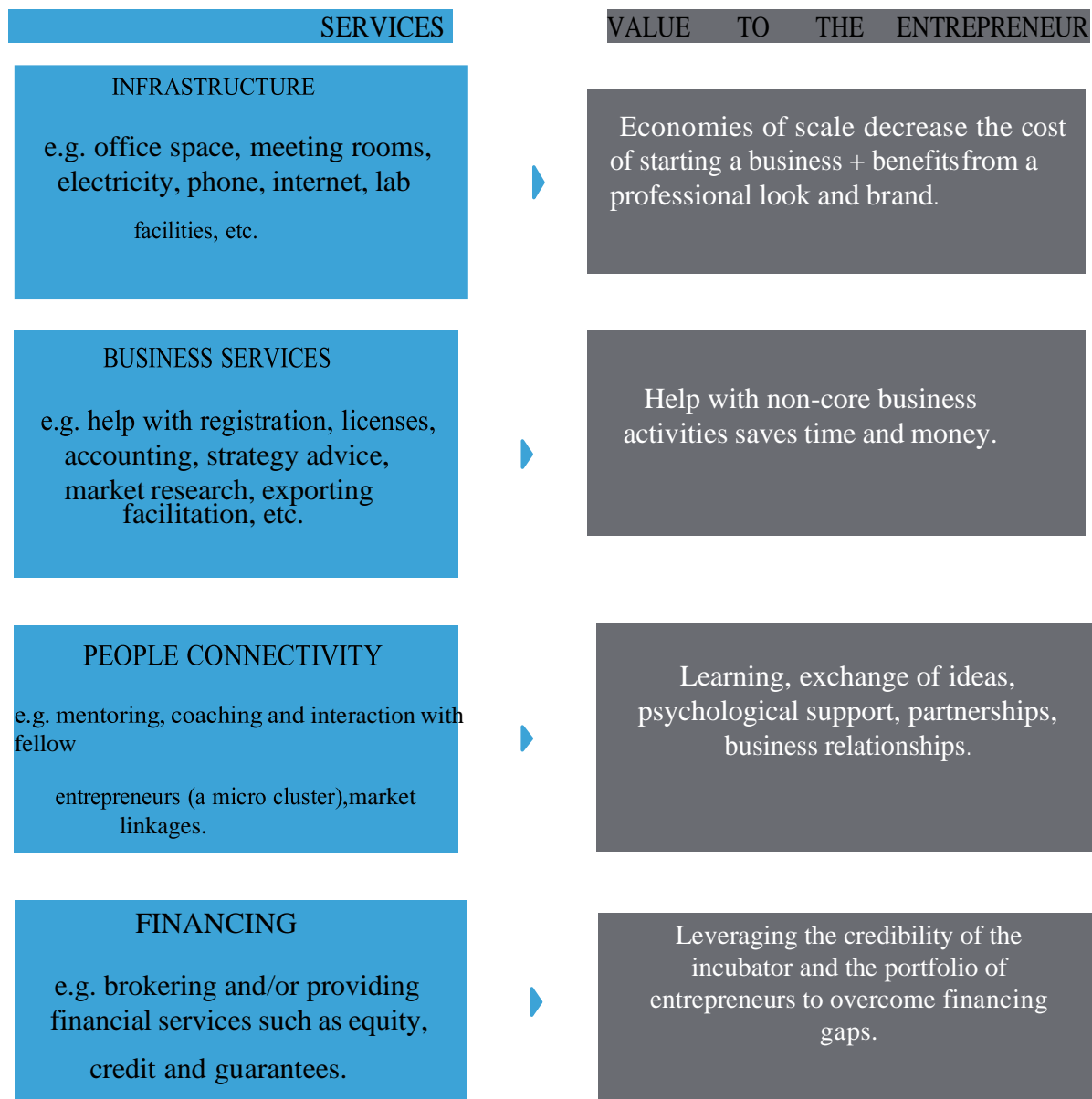
- ✓ They guide startups/ventures on how to compete with established industry players.
- ✓ Business incubators help with the basics of business.
- ✓ They provide networking activities.
- ✓ They help startups save on operating costs.
- ✓ Incubators provide marketing assistance.
- ✓ Incubators help with market research.
- ✓ They provide high-speed internet access.
- ✓ They create long-lasting jobs for new graduates, experienced mid-career personnel, and veteran executives.
- ✓ Incubators help with accounting/financial management.
- ✓ They provide access to bank loans, loan funds, and guarantee programs.
- ✓ Incubators bring credibility to the company. This helps the company receive loans and credit facilities from financial institutions.
- ✓ Incubators help with presentation skills.
- ✓ They have a strong network of influential people who can connect startups/ventures with established businesses and individuals.

- ✓ They provide access to higher education resources.
- ✓ Incubators can tap into their networks of experienced entrepreneurs and retired executives.
- ✓ They link companies with strategic partners.
- ✓ They provide access to angel investors and venture capital.
- ✓ Business incubators organize comprehensive business training programs.
- ✓ They act as advisory boards and mentors.
- ✓ They help in management team identification.
- ✓ They offer marketing and PR assistance to new companies for brand establishment.
- ✓ They help with business etiquette.
- ✓ They provide technology commercialization assistance.
- ✓ They help with regulatory compliance.
- ✓ They provide intellectual property management.
- ✓ They create jobs for mid-career personnel and veteran executives which benefits communities and drives economic growth.

	<b>BUSINESS DEVELOPMENT SERVICE PROVIDERS</b>	<b>BUSINESS INCUBATORS</b>	<b>TECHNOLOGY PARKS</b>
<b>TARGET ENTERPRISES</b>	Any SME	Early-stage enterprises with high growth potential	Emerging and established technology businesses
<b>KEY FEATURES</b>	<ul style="list-style-type: none"> <li>• Ad hoc, demand-driven assistance.</li> <li>• Focused on a particular issue for which the entrepreneur asks for assistance.</li> <li>• Usually broad business support, including training and advisory services.</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on co-location and the “cluster” effect between enterprises.</li> <li>• Ongoing supply and demand-driven assistance until an agreed upon performance milestone has been reached.</li> <li>• Integrated mix of intensive strategic and operational support focused on the enterprise in its entirety.</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on co-location and the “cluster” effect between enterprises.</li> <li>• Demand-driven assistance.</li> <li>• Emphasis on provision of state-of-the-art real estate, office space, and research facilities and networking opportunities.</li> </ul>
<b>REVENUE SOURCES</b>	Government / donor subsidies, fee-for-service	Government/ donor subsidies, fee-for-service, rent, royalties, equity	Government/ donor subsidies, fee-for-service, rent, royalties, equity
<b>BUSINESS MODEL</b>	Non-profit or profit-making		

#### **Intermediary Vehicles for Innovative Enterprise Development**

## Business incubation has four basic components as shown in Figure :



- Infrastructure, such as office space;
- Business services, such as administration and information services;
- Financing, such as providing the incubator's client businesses with information and support that will allow them to access appropriate sources of finance; and
- "People Connectivity", which includes mentoring and coaching services, and access to networks.

### **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. This item is explored in depth in Module 3 of the training program, "Planning an Incubator."

## 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 start-up companies do not need to make initial investments in expensive office equipment or front office personnel that can be provided by the incubator.

## 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.

## 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 startups, 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.

There are other types of incubators as well, including Seed Accelerator (focusing on early startups), Public/Social Incubator (focusing on the public good), Kitchen Incubator (focusing on the food industry), Medical Incubator (focusing on medical devices & biomaterials) and Virtual Business Incubators (online business incubators).

# BUSINESS INCUBATION

**BUSINESS INCUBATION** refers to those who support the start up / new companies. These people do high level research before supporting or funding the start-ups.

## TYPES

Corporate

Private Investor

Local Eco Development

Academic

## Organizational Structure

Usually Partnership or collaboration between one or more pro business organizations which can be :

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

## Services Offered

- Basic Operation and Fin. Management
- Marketing and PR assistance
- Connect other businesses for growth
- Assistance/Resources for conducting market research
- Sorting accounting books
- Brings credibility to the company
- Helps the companies with presentation

## STAGES

Physical Facility Support

Networking Facilities

Support Services

## BUSINESS INCUBATORS

## BUSINESS ACCELERATORS

Generally assist in long term (in addition to short term) growth.	Only assists for short term growth (generally for few months)
Companies can grow at their own pace	Companies are under pressure to grow quickly
Most of incubators are non-profit organization	Are For-profit organizations

## Incubators:

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:**

Start-ups usually have a rich idea but lack the resources to execute it. Thus, they require business incubators to perform significant roles or fill gaps. Following are the most common services offered by the 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.

## **Pros of a Business Incubator:**

There are many benefits of a business incubator for a growing startup. Here's what you can gain by applying:

- **Save on rent:** An incubator usually offers a coworking space at a low cost. These programs allow you to save on operating expenses while you grow your business.
- **Learn and grow:** The best business incubators give you access to a network of mentors, coaches and educational programming geared toward business innovation. Mentors may include entrepreneurs, accountants, HR professionals, angel investors, lawyers, researchers and more.
- **Find funding:** An incubator often gives you close contact with venture capitalists who may want to fund your ideas. Acceptance into a reputable program can impress investors and serve as proof of your skills and drive.
- **Network with other startups:** While incubators aren't usually cohort-based, you'll share your office space with a group of fellow innovators. There are many benefits of coworking spaces for startups. They allow you to take advantage of shared resources such as utilities, saving on costs. You'll also be in a prime location to meld minds and partner with other companies.
- **Improve focus:** Incubators offer a structured environment that can help you immerse yourself in your work. Whether you have daily workshops or scheduled work time, you can establish good work habits to get your business off the ground.

## **Cons of a Business Incubator:**

While business incubators offer a host of benefits, there are a few downsides to consider. Remember these as you apply for programs:



- **Time commitment:** While accelerators and pre-accelerators offer structured, time-bound programs, incubators have a slower pace. They're the right fit for companies that need more time to grow.
- **Limited access:** Incubators have varying degrees of selectivity. The programs with higher reputations see more applicants and are harder to get into. The application process can be rigorous at the most discerning institutions.
- **Rigid schedule:** For some companies, incubators can detract from the demands of running a business. Programs often require strict attendance at training, workshops and social activities. While distracting for some, this education can be invaluable to those who need and want it.

### **Key Principles of Business Incubation:**

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.** An incubator cannot prepare its clients for success and have a lasting impact if it does not succeed. Incubators must operate as businesses with a strong focus on succeeding as one.
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.** Incubators should devote their services to those companies most in need of their support and most-likely to succeed as a result of that support.
3. **Develop a sophisticated range of services and programs directed at companies according to their needs and stage of development.** Incubators are only as good as the services they can provide their clients. Developing targeted and effective services which can be utilized by incubatees at various stages of development is critical.
4. **Develop a network that the incubator can rely on.** An incubator is not a standalone business that has all the required competencies and capacities 'in-house'. It needs to involve the community and gain the support of their area's stakeholders. Collaboration and integration are a critical success factor. For example, incubators need to refer to external sources of support in different expertise areas such as for mentors for instance.

### **Good Practices of Business Incubation:**

1. Commit to the three key principles of business incubation.
  - a. Realize the incubator should be dynamic, sustainable, and an efficient business operation that must be managed as such.
  - b. 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.
  - c. Develop a sophisticated range of services and programs directed at companies, according to their needs and stage of development.
2. Obtain consensus on the incubator's mission and develop a strategic plan to achieve its mission.
3. Plan for financial sustainability by developing and implementing a realistic business plan. Incubators must plan for financial success by outlining goals, revenue streams, expenditures, and investments on a realistic basis and constantly monitoring these through established key performance indicators.

4. Recruit and provide appropriate salaries to an incubator management team and board of directors.
5. Prioritize management time to place the greatest emphasis on client assistance.
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.** By developing a network of stakeholders that are willing to support the incubator's program in some form, due to a variety of shared interests, the incubator will fulfill many of the service and networking needs of its incubatees.
9. Maintain a management information system for ongoing evaluation. Incubators should constantly monitor their performance. To do so, managers should gather information from their incubatees (financial, sales, employment, etc). The incubatees and the incubator can be benchmarked, trends can be determined, comparisons can be made, and lessons can be learned from collecting this data.

**Table – Three Generations of Incubator**

GENERATION	DESCRIPTION OF SERVICES
<b>1ST GENERATION</b>	<ul style="list-style-type: none"> <li>• Office rental and shared office services</li> <li>• Reactive business support</li> </ul>
<b>2ND GENERATION</b>	<ul style="list-style-type: none"> <li>• 1st Generation Services plus</li> <li>• Proactive business support</li> <li>• Business coaching and mentoring</li> </ul>
<b>3RD GENERATION</b>	<ul style="list-style-type: none"> <li>• 1st and 2nd Generation Services plus</li> <li>• In-house debt/ equity finance for clients</li> <li>• Channels to external financiers</li> <li>• Partnering with other businesses in order to achieve critical mass for procurement contracts, products, and services</li> </ul>

### **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.

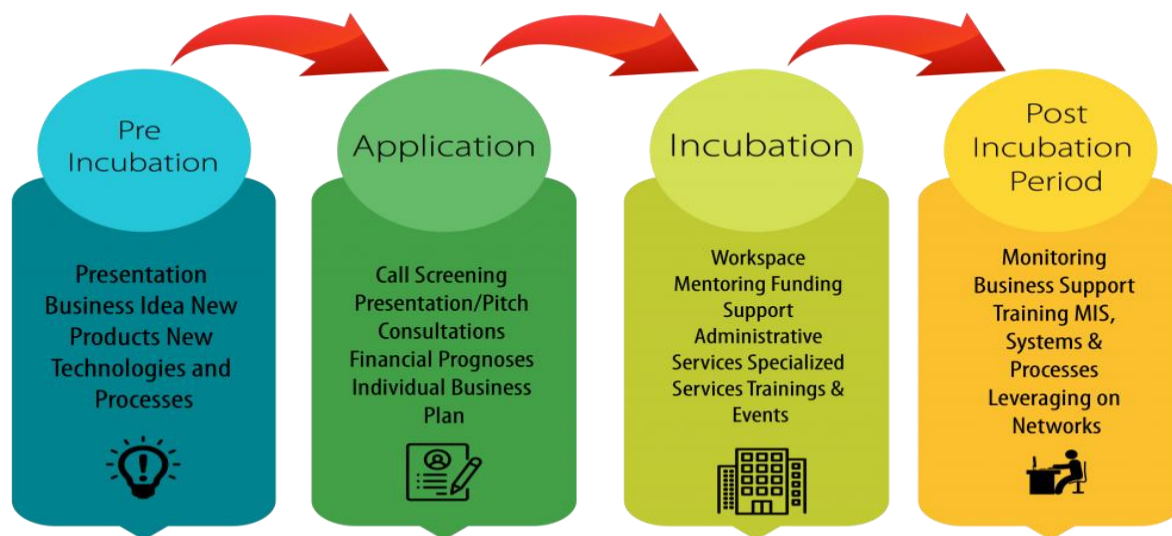
After this phase is completed, incubators begin to operate beyond their immediate surroundings, seeking to influence the outcomes and growth of a wider economic area. Incubators could be concerned, for example, with the availability for grow-on space for graduating incubatees and other related items.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

## PROCESS OF BUSINESS INCUBATION:



**Pre- Incubation:**

This is the first stage where incubators foster a culture of entrepreneurship and the pre incubation program is a way to channel the interest in entrepreneurship into a process for developing a new business. The following activities are carried out during this stage:

- Interactive sessions with potential entrepreneurs.
- Entrepreneurial Assessment and feedback session
- Counselling and pre-incubation business advice
- Business start-up guidance

**Application:**

The following activities are carried out during this stage:

- Submission of Business Idea by filling application form
- Business Idea Presentation / Pitch before selection Committee
- Question and Answers Session
- Business Idea selection

**Incubation:**

This stage of incubation is for entrepreneurs having gone through different stages. During this stage, incubators offers office space, high speed internet, meeting rooms and other business development support services. Following activities are part of this stage:

- Training and Mentoring
- Networking with Industry experts
- Efficient utilization of provided resources
- New Product/Process Development
- Incubated Companies Performance Evaluation

**Post Incubation Period:**

During this stage, enterprises will have multiple customers, generating revenues and well aware of their competitors. The activities include:

- Business and Growth Assessment
- Clients Assessment
- Financial Evaluation
- Graduation Program

**Broader business incubation environment:**

Strengths of broader business incubation environment include the following:

**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. In addition, 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 that are 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 can provide entrepreneurs with "access to the kind of early-stage capital that emerging companies desperately need," wrote *Entrepreneur*'s David R. Evanson. "According to a recent survey of [National Business Incubation Association] members, 83 percent of incubator owners and directors provide access to seed capital. Seventy-six percent provide assistance with obtaining federal grants, 74 percent assist with preparing financial proposals, 60 percent can help obtain royalty financing, and 57 percent can lend a hand in obtaining purchase-order financing."

## **4. LEGITIMACY IN THE COMMUNITY**

Many entrepreneurs have stated that when their start-up businesses are accepted into business incubator programs, the rewards include an aura of legitimacy and credibility among both vendors and customers. "The fact that a business has been accepted into an incubator offers due diligence value to potential investors," Adkins told *Entrepreneur*. "They have already passed an important litmus test by simply being there."

## **5. 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. As Richard Steffens observed in *Planning*, "a particular strength of an incubator is its ability to aid companies that fulfill specific needs: technology transfer, revitalizing neighborhoods, creating minority jobs, among others." 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. But whether based in a small town in the Midwest or a large urban area on the West Coast, proponents of incubator programs contend that the small business people in the community would know more about how to start and operate such businesses than major corporations that focus on mass production.

## **6. COMRADESHIP OF FELLOW ENTREPRENEURS**

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 wherein business owners can 1) provide encouragement to one another in their endeavors; 2) share information on business-related subjects; and 3) establish networks of communication that can serve them well for years to come. "Incubators provide psychological support for entrepreneurs, who are far more likely to persist as a result," stated Steffens. "This support is, perhaps, the incubator's unique place in economic development."

## **FACTORS TO WEIGH IN CHOOSING AN 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, and incubators themselves sometimes fold, crippled by any number of factors. "According to many incubator managers, the most common causes of failure are lack of sustained funding, lack of tenants, and inexperienced management," wrote Steffens. "A poorly run incubator or an underfinanced one will go under, as will any other small business."

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 the following:

- Is it a True Incubator?—Some office building owners falsely advertise themselves as incubators in order to lure tenants. Entrepreneurs need to study the details of each offer to determine whether such claims are legitimate.
- Length of Operation—"Incubators take time," said Steffens. "To get funding, incubator promoters and managers tend to promise all things to all people. Then, if early results are not promising, the supporters often panic. One manager told me that creation of an incubator typically takes two years from concept to opening, then two more years from opening to full occupancy."
- Incubator Leadership—Many analysts contend that entrepreneurs can learn a great deal about the fundamental quality of an incubator program 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?

Entrepreneurs interested in exploring the incubator concept can request information from several sources, including the Small Business Administration, area economic development agencies, area educational institutions, or the National Business Incubation Association.

### **RECENT INCUBATOR INNOVATIONS:**

**INTERNET INCUBATORS** "Internet incubators—a for-profit variant of the old-time government- or academic-supported not-for-profit entities—are sprouting up like dandelions in summer," wrote Thea Singer in *Inc.* As with traditional incubators, Internet versions provide dot-com startups with office space, business information and advice, financial assistance (either directly or by connecting them to potential sources of seed money), and management, accounting, and other infrastructure services. According to Internet incubators, these kinds of assistance can provide entrepreneurs with essential tools to accelerate their all-important "speed to market" in the fast-paced Internet economy. "No longer can a great idea or concept for a company take years to develop," confirmed Jerry Brandt in *Los Angeles Business Journal*. "Trial and error and time to perfect a great idea will leave the entrepreneur in the dust watching another company or individual succeed.... In today's Internet economy [speed to market] is more than a [driving force], it is the difference between success and failure." The price of membership in an Internet incubator can be steep, however. In return for providing their various services and funding, incubators receive a percentage (anywhere from 5 to more than 50 percent) of the dot-com's equity.

**INTERNALIZED BUSINESS INCUBATORS** Another recent wrinkle in incubator creation has emerged in the corporate world in recent years. Weary of mass defections of valuable employees who decide to launch entrepreneurial ventures of their own, some companies have established business incubators within their own corporate structures. In these programs, employees can use the company's resources (including their already established name and reputation) to build and promote their own new business ideas. "The company will provide the management guidance, infrastructure, and financial support to 'incubate' these ventures," explained David Cuthill in *Los Angeles Business Journal*. "The outcome is a clear win-win. Existing companies stem the hemorrhaging of top talent to Internet start-ups, while profiting from the high multiples investors are willing to pay for a share in Internet ventures.... And entrepreneurial employees get the challenge—and the profits—of creating their own 'companies' with little of the risk they would face on their own."



## **Idea Lab:**

**Idea lab is a startup studio based in Pasadena, California, U.S.A.** Founded in 1996 by Bill Gross, Idealab is the longest running technology incubator. It created over 150 companies with more than 45 IPOs and acquisitions.

In India, 'Idea-Lab', is an innovative program initiated by the Institute of Technology, Nirma University to nurture the creative and entrepreneurial potential in engineering students. It provides a small seed-funding up to Rs 1 Lac for early-stage exploration of an idea, helping a move from the ideation to the prototype stage. Thus, the Idea-Lab serves as a 'Technology Incubator' that aims to support potential ideas with good technological merit. Mentoring is provided to develop a potential product commercially and connect to angel investors.

**AICTE-IDEA** (Idea Development, Evaluation & Application) Labs are being established across the country for encouraging students for application of science, technology engineering and mathematics (STEM) fundamentals towards enhanced hands-on experience, learning by doing and even product visualization. As a common facility embedded in the institution, the IDEA Lab will make engineering graduates more imaginative and creative, besides getting basic training in the 21st century skills like- critical thinking, problem solving, design thinking, collaboration, communication, lifelong learning etc. IDEA Lab can empower the students and faculty to "engage, explore, experience, express and excel", addressing the need of new age learning. IDEA Lab would serve as an infrastructure for faculty to take up and promote multidisciplinary education and research. Accordingly, faculty would be encouraged to get trained in these Labs and strive for creating problems/ projects/ internships in their own subjects/ disciplines and mentor the students.

IDEA Lab will provide all facilities under one roof, for conversion of an idea into a prototype. The idea need not be always be new (which will always be encouraged) but the emphasis would be on graduating engineers working with their hands using equipment, tools and consumables (listed in the Scheme Document). With these facilities available 24x7 in the campus, more students and faculty will be encouraged to take up creative work and in the process, get training on creative thinking, problem solving, collaboration etc. which conventional labs are not focussing on. The focus will be on training students so that they become imaginative and creative and stay so at the workplaces they join. The ultimate objective is to transform engineering education with such a Lab in all colleges and for this they must proactively expose all students to the IDEA Lab, organize training sessions for interested students as well as support projects and by providing online learning materials.

Besides agreeing to follow a Code of Conduct laid down by AICTE (given in Scheme Document), all IDEA Labs will be subject to monitoring and for this data on 15-20 parameters will have to be provided and uploaded on a weekly/ fortnightly/ monthly basis, as decided by AICTE. Points based on parameters will be added up to reflect the overall performance. The performance of all IDEA Labs will be reflected on a website maintained by AICTE. Also the composite score will appear on the Leaderboard on the website which will show the weekly standing and overall performance of each IDEA Lab. This would enhance the visibility of the institution among stakeholders and earn recognition from various quarters.

## **Business plan Structure:**

Starting with a business plan outline helps ensure that you're covering all of the necessary information to complete your plan. A traditional business plan typically includes—an executive summary, an overview of your products and services, thorough market and industry research, a marketing and sales strategy, operational details, financial projections, and an appendix.



## **7 essential parts of a business plan:**

No matter the type of business plan you create, these are the seven basic sections you should include. Be sure to download your free business plan template so that you can start drafting your own plan as you work through this outline.

### **1. Executive summary**

While it may appear first, it's best to write your executive summary last. It's a brief section that highlights the high-level points you've made elsewhere in your business plan.

Summarize the problem you are solving for customers, your solution, the target market, the founding team, and financial forecast highlights. Keep things as brief as possible and entice your audience to learn more about your company.

Keep in mind, this is the first impression your plan and business will make. After looking over your executive summary, your target reader is either going to throw your business plan away or keep reading. So make sure you spend the time to get it just right.

### **2. Product and services**

This is really the opportunity section of your business plan, with the products and services being how you plan to take advantage of the opportunity. You'll need to describe the problem that you solve for your customers and the solution that you are selling.

Lastly, if there are any major competitive products or services already in the market, it may be valuable to mention them here. Detail how you differ, what your strengths and weaknesses are in comparison, and how you'll differentiate from what is already available. If you have any intellectual property or patents that help strengthen your position list them here as well.

### **3. Market analysis**

You need to know your target market—the types of customers you are looking for—and how it's changing, and your market analysis summary will help you get clear on it.

Use this business plan component to discuss your customers' needs, where your customers are, how to reach them and how to deliver your product to them.

### **4. Marketing and sales**

Use this business plan section to outline your marketing plan, your sales plan, and the other logistics involved in actually running your business.

You'll want to cover your sales channels, broad marketing activities, your pricing strategy, as well as your intended market position. This will likely evolve over time, but it's best to include anything that clearly details how you will sell and promote your products and services.

### **5. Organization and management**

The company and management section is an overview of who you are.

It should describe the organization of your business, and the key members of the management team. It should also provide any historical background about your business. When your company was founded, who is/are the owner(s), what state your company is registered in and where you do business, and when/if your company was incorporated for example.

Be sure to include summaries of your managers' backgrounds and experience—these should act like brief resumes—and describe their functions with the company. You should also include any professional gaps you intend to fill, as well as projected milestones for your business.

### **6. Financial projections and metrics**

At the very least this section should include your projected sales forecast, profit and loss, cash flow projections, and balance sheet, along with a brief description of the assumptions you're making with your projections.

Finally, if you are raising money or taking out loans, you should highlight the money you need to launch the business. This part should also include a use of funds report—basically an overview of how the funding will be used in business operations.

And while it's not required, it may be wise to briefly mention your exit strategy. This doesn't need to be overly detailed, just a general idea of how you may eventually want to exit your business.

## 7. Appendix

The end of your business plan should include any additional information to back up specific elements of your plan. More detailed financial statements, resumes for your management team, patent documentation, credit histories, marketing examples, etc. Basically, include anything that can promote your credibility as a business owner.

### **Value Proposition:**

A value proposition refers to the value a company promises to deliver to customers should they choose to buy their product. A value proposition is part of a company's overall marketing strategy. The value proposition provides a declaration of intent or a statement that introduces a company's brand to consumers by telling them what the company stands for, how it operates, and why it deserves their business.

A value proposition defines the benefits your company's products and services offer to the customer. This short statement, based on your Business Concept Statement, should express the essence of your business in a way that compels the customer to buy.

A value proposition can be presented as a business or marketing statement that a company uses to summarize why a consumer should buy a product or use a service. This statement, if worded compellingly, convinces a potential consumer that one particular product or service the company offers will add more value or better solve a problem for them than other similar offerings will.

- A company's value proposition tells a customer the number one reason why a product or service is best suited for that particular customer.
- A value proposition should be communicated to customers directly, either via the company's website or other marketing or advertising materials.
- Value propositions can follow different formats, as long as they are "on brand," unique, and specific to the company in question.
- A successful value proposition should be persuasive and help turn a prospect into a paying customer.

### **The Purpose of a Value Proposition:**

A value proposition is meant to convince stakeholders, investors, or customers that a company or its products/services are worthwhile. If the value proposition is weak or unconvincing it may be difficult to attract investment and consumer demand.

It's important to expend the necessary time and effort to craft a compelling value proposition since it will form the basis for all your sales, marketing, and product development efforts. The value proposition is also part of your Business Plan.

A value proposition is a valuable tool to guide your marketing efforts. Here are some **benefits** that you will receive by having a clear, compelling value proposition:

- Create a strong differentiation between you and your competitors.

- Increase not only the quantity but also the quality of prospective leads.
- Gain market share in your targeted segments.
- Improve your operation efficiency.
- Increase your revenue.
- Ensure that everyone in your company communicates the same message.
- Follow these guidelines to create a value proposition that will compel customers to buy your product or service:
- Use your Business Concept Statement as a starting point for expressing your value proposition.
- Address the needs of your target market. What problems do your target customers need to solve? What's not working for them? Where do they want to go?
- Emphasize benefits, not features. Don't explain what the technology does; explain what the buyer will get out of using the technology. Some examples of benefits are greater revenue opportunity, a competitive advantage, reduced costs and expenses, greater convenience, greater Return on Investment (ROI), and better results.
- Use tangible examples. Be as precise and specific as possible. Include numbers, percentages, and time frames.
- Be clear and concise. Condense your message into two sentences.
- Differentiate yourself from the competition. What do you have that no one else has? And-most importantly-how is this an advantage to your customers?

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