

# IS INCUBATION A WINNING STRATEGY?

## PART TWO: FACTORS IN SUCCESS

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Part One of this article provided a review of scholarly studies on business incubation, as well as the observations of incubator managers and tenants from facilities throughout the United States and Canada. It is only recently that there have been unbiased and statistically valid analyses of business incubator performance. These studies have uniformly found that business incubation, as a practice, has had no significant impact on the rates of business formation or the success of incubated businesses relative to their peers.

Based on these findings it might be easy to dismiss incubation as an entrepreneurial development strategy, but some deeper digging is required. There are individual examples of highly effective incubators that have produced multiple successful companies. So why do they succeed while others fail? Ultimately, it comes down to the fact that while organizations that establish the incubator may have had good intentions, they often lacked the capacity for the project or made critical mistakes that have been difficult to overcome. From our own research and experience, and particularly from the insight of many incubator managers who shared their observations, we have attempted to identify some of the most critical factors in the success or failure of business incubators.

### ***Successful incubators are preceded by good market research***

Economic developers would not advise any person to launch a business without first gaining a very clear understanding of the market opportunity and prospective consumers. Yet when it comes to business incubation, many incubator projects are preceded by no market research, or an analysis that falls short of what is needed. Too often the decision to proceed with an incubator is made based on little more than a hunch, for political purposes, or to jump on the bandwagon of the latest trend.

In our consulting practice we are often contacted to conduct a feasibility study only to learn that the organization has already decided (formally or informally) that it wants an incubator. A good market analysis or feasibility study should always

precede a decision. This is important, as in addition to determining if there is a market, selecting appropriate targets, and defining the needs of the market, the analysis may point to alternative entrepreneurial strategies or economic development needs. Some of the critical information to be gleaned from the market analysis will include the following.

#### ■ **The size and industry distribution of start-up activity in the market**

How many organizations *really* know what businesses are being started in their territory? Most do not, including many that think they do. Part of the problem is that most have little more than anecdotal evidence. The Census Bureau or other government agencies are the chief source of industry data for most organizations and consultants, but local data is almost always suppressed to maintain confidentiality. This leads to conclusions for a local market being drawn from data for a metropolitan or larger region hardly reflective of local circumstances. This may still be aggregated at so high a level of industry classification as to provide little detail about the businesses being started.

Private sources can provide more detailed data at a substantial cost. Put it in perspective. Is several thousand dollars spent on data too much to determine the merit of committing to a project that will cost several million? If the answer is “yes” the organization may question if it will be able to come up with the funding necessary to hire good management, provide quality facilities and services, and otherwise sustain an incubator.

The data should provide information on business starts by year, detailed industry sector, and employment, as well as survival rates. It should also provide information on the general economy including existing small businesses that may be part of the incubator market. Data from private sources is often geocoded or addressed to allow an analysis of activity at the neighborhood level, and can help in facility site selection.

The importance of this analysis should not be discounted. Some consultants do not give quantitative analysis as much credence as qualitative techniques like surveys or interviews. Both are important, though, and play different roles. In the worst cases, market research amounts to little more than the analyst sitting in a room with a dozen or so people and ask, "Do you think this will work?" Crunching numbers gives you hard evidence to define the market opportunity and make decisions about whether it is worth pursuing, as well as how an incubator should be designed. The interviews should be used to fill in gaps or understand nuances of the local market, and not to replace quantitative research.

- **The realistic market area that will be served by the incubator**

How far are people willing to commute to be tenants at an incubator facility? Aside from a few exceptions, the answer is "not far". Most incubator managers will define their market area as about 20 minutes or 20 miles. Political boundaries also come into play. Incubators in border regions seldom pick up tenants from the neighboring state. As one manager put it, "If I am starting a business, why am I going to want to add the extra challenge of learning the taxes and regulations of two states?"

It is rare for an incubator to attract tenants from beyond the immediate area. When this does happen it is almost always for some exceptional reason. As an example, one incubator manager told of a business owner who was a faculty member of a college, commuting 100 miles once or twice a week to an incubator affiliated with another branch of the college, because the lab fees were substantially less. This is not uncommon, and unlikely to lead to a graduate business locating in the vicinity of the incubator. In general, specialized incubators such as those providing shared commercial kitchens seem to attract more of the small number of distance commuters.

- **The services required by potential clients and the willingness to pay for them**

Here is where qualitative information can make a difference. While there are some entrepreneurial education and service needs that are very consistent across industries and locations, interviews with local economic developers, small business owners, and potential entrepreneurs can refine this information. Importantly, it can also help to determine the willingness to pay for these services.

- **The existing provider network and competition within the market area**

The analysis should take into account complimentary and competing facilities and service providers in the region. It is important to understand the geographic and sectorial markets they serve, the type of space and services they provide, and historical utilization of their programs and resources. Given this competition, is there enough demand to support a new incubator, or an advantage to the proposed incubator that will allow it to secure the number and quality of tenants it needs? Are there niches that can be served, or even opportunities to collaborate with other incubators?

The asking rent for traditional office or industrial space in the area must also be considered. Inexpensive rent should not be the primary advantage of an incubator space. Especially outside of suburban locations, it may not be difficult for a business to find cheap space. Meanwhile, offering a low rent at a newly constructed or decently remodeled incubator will almost always require a subsidy.

A feasibility study takes market research a step further. In addition to examining the market, a feasibility study will assess other dimensions of the incubator, including political will, likely financial performance, and technical capabilities of the organization and its service providers.

Hopefully anyone reading this article will already understand the value of market research and would not proceed without it. But too often, economic development organizations are all too willing to skip this step, move forward with a weak analysis, or even ignore the data because they want to pursue a high profile industry or proceed on little more than perceptions of the market.

***Successful incubators are designed to respond to the unique conditions within their market***

What worked somewhere else may not work in your community. It is a great idea to look at case studies and to learn from the successes or failures of others. It is not a good idea to simply try to copy what somebody else did in another place and time. The factors that go into the success of any venture are highly dependent upon unique circumstances of place, market, prevailing economic conditions, management and service providers, financial support, and a myriad of other factors.

It can seem comforting or easy to try to replicate a successful program in its entirety. Economic developers need to sell the idea of incubation to stakeholders and clients. A "franchise" may look to have better odds than a new model built from the ground up. In reality, though, the opposite is usually true.

The questions to ask, in the right order, are:

1. Is there a market for business incubation, and if so, what is that market?

2. What is the best entrepreneurial development strategy to serve that market?
3. What is the probability of success, what must be in place for success, and what are the outcomes that should be expected?
4. What are the case studies we can learn from, or incubators we may use to benchmark progress?

This approach usually leads to an aggregation of ideas from many sources. It may also help to identify outside resources or opportunities for collaboration.

***Successful incubators have a clear mission statement and well-defined measures for success***

Simply put, what is the purpose of the incubator? This is a clear statement of who the program serves and the outcomes that are expected, and how they will be achieved. Having a well defined mission statement can serve many purposes.

- The mission statement provides an overall success measure. It should declare the purpose(s) of the incubator, whether that may be to improve the long term survival rate of startups, create jobs, promote minority business development, etc.
- The mission statement identifies who the incubator is designed to serve. This might include specific industries or targeted entrepreneurial groups. Tenants and clients are selected based on these targets.
- The mission statement defines the incubator's value proposition. Ultimately, this is the value that the incubator brings to its clients, although in most cases it will also identify how the incubator is differentiated from providers of similar services. This value proposition is at the core of the incubator's marketing message.
- The mission statement reflects consensus. It aligns the organization's board, staff, funders, and other stakeholders. It helps the organization to maintain its focus and avoid being pulled in other directions, as well as helping to align it with potential supporters.

In order to establish itself and gain continued support, the incubator will need to have a mission that is broad enough to appeal to key individuals and groups whose support it will need to thrive. At the same time, it must resist the temptation to include everything in an attempt to appeal to everyone. A narrow focus is more likely to produce visible results.

Lastly, the incubator must assess whether its potential mission (as well as programming) may be at odds with the needs of its targeted clients. Common examples may include goals like job creation and business formation. Often, the business will be best served by not creating jobs, or simply licensing technology rather than commercializing it through its own efforts. Conflicts such as these may be cause to reconsider the organization's mission.

***Successful incubators begin with a program, then look for a location***

Choosing the wrong location can lead to a failed incubator. The most common reason why incubators choose the wrong location is that they do not put the needs of the client first. They are instead motivated by reasons that should be seen as secondary. The following are some examples.

- There is an available building in need of a use. It is very common for economic development organizations to look at an empty building and think that it is a potential location for an incubator. Very often, that building has been chronically vacant, or may have challenging physical issues related to layout or condition, or be offered to the organization at a reduced price or no cost at all. In interviews with incubator managers, the most common complaint was that the program was built around a building first, rather than the client and market. Many of these buildings were too large, were poorly designed, had severe maintenance issues, were in poor locations, or had other faults that hampered the incubator from its inception.
- The organization wants an anchor in its industrial park. Putting a new building in your industrial park may seem like a win-win solution. The park gets an anchor to help draw other businesses, and the organization gets its incubator. But this is only true if the incubator's clientele are the kind of businesses that would locate in the industrial park in the first place. Since most incubators draw professional and technical services, and other office-based startups, this is most likely not the case. Especially where the incubator has a focus on technology or creative services, a location in a mixed use district may be a much more appealing environment for prospective tenants, who may also find their clientele located nearby.
- Since the incubator is affiliated with a college, it is located on campus. Businesses appreciate the advantages of having a college in the community and having access to resources and expertise found on campus, but they do not want to work in an office on campus. They do not want to deal with campus parking. They do not want to be in an institutional building. They do not want to contend with a large bureaucracy. They want to be among their peers in the business community.

Incubators are businesses. They need to think like a business and put the needs of their customers first, selecting their location based on the desires of their targeted businesses.

Taking the topic a step further, some prospective incubators may need to consider whether they should have a physical location. Perhaps affordable space is easily obtained, entrepreneurs are already congregating on their own, or new businesses do not care to have a conventional office. Virtual incubation, providing all of the services of an incubator without providing a physical space, may be the answer.

### ***Successful incubators align partners and secure long-term commitments necessary for the incubator to generate results***

Nearly all business incubators will need a large initial capital outlay and annual subsidies to remain viable. These are simple facts that must be accepted by the organization before it commits to the project. Having accepted this, it is then necessary to line up the funding and secure commitments for ongoing financial support.

Funding may include cash (from grants or contributions) or donations of in-kind services or assets. A word of caution is warranted with in-kind contributions. These can have value or can become liabilities, such as when a poor location comes at little or no cost, or when in-kind services like technical assistance and programs are of an inferior quality or not well matched to the needs of clients.

Organizations should also give a great deal of thought to long-term funding commitments. If it is unable to secure these it may be forced to spend an inordinate amount of time on fundraising for its annual operations, with adverse impacts on the quantity and quality of programming. In the worst scenario, it may be unable to sustain even the minimal level of funding needed to continue the program. Organizations that are dependent upon governmental funding sources are especially at risk due to constantly changing administrations and political priorities.

An element of creativity can be helpful. One strategy that we have advocated involves establishing the incubator as a freestanding nonprofit organization. With access to grants, tax increment financing, and other financial tools, the local government is used to construct, and continue to own the building. That government enters into a long term lease of the building to the nonprofit at a nominal rate, allowing the nonprofit to apply nearly all of the client rental income into programming, maintenance, and other operational costs. Because of the lease agreement, the nonprofit gets an annual cash infusion without needing to make an annual request, sheltering it from changes in the local political landscape. Meanwhile, the local government is protected by having ownership of the building, which can be sold or used for other purposes if the incubator ceases operation.

### ***Successful incubators receive a majority of their funding from rents and fees paid by their client companies***

Do not expect a business incubator to be a profitable venture. This is a goal attained by only about 20 percent of incubators, and those tend to be profitable both by picking only the best prospects and taking an equity stake in the business.

At the same time, rent, fees for services, class or program registrations, and other fees should be sufficient to fund a significant part of the business incubator's operational costs. There is a good deal of truth to the statement that if a business

is unwilling to pay for services, there is either a problem with the services offered (poor quality or poorly matched to business needs) or the business is at risk (insufficient funding or unwilling to seek required expertise).

### ***Successful incubators have, and stick to sound policies for tenant selection, continuation, and graduation or exit***

It is a simple concept. If an incubator can find and recruit the tenants best fitted to its goals, it is more likely to produce successful graduates. The problem is that many incubators do not determine what basic requirements must be met for an applicant to be selected, or if they do, they may feel pressured to lower those standards in an effort to lease vacant space. Before long the incubator can stagnate, with its valuable space filled by businesses without solid prospects for growth, unable to benefit from the assistance available, and simply taking advantage of space at a subsidized price.

The following are some of the considerations that may be used to determine eligibility for admission into incubator programs, based on the needs and desires of the particular program.

- **Industry sector.** Incubators are often formed around a particular set of industries, both in an effort to promote growth or innovation within that sector, and as a means of providing focus to incubator programming. Incubators will typically limit their admissions to companies in those industries, or others where a close relationship can be demonstrated.
- **Affiliations with institutions.** Where incubators are affiliated with universities or research facilities, tenants may be required to have some form of relationship with the institution.
- **Age of the business.** Most incubators will only accept newly formed businesses or those described as "emerging", or transitioning from an early formative stage to one where the business is beginning to develop products, markets, or other traits of a viable business. A smaller number of incubators will also consider businesses that are making significant changes, such as a transition in ownership, products, or market focus.
- **Business organization.** While it is unusual for an incubator to accept nonprofit tenants, this may be a factor to consider on a case by case basis, rather than enforcing a blanket exclusion. Nonprofit organizations may have the potential to help achieve incubator goals such as job creation or support infrastructure for targeted industries.
- **Number of employees.** Space limitations are only one reason that many incubators will not accept applicants with more than two to five initial employees. Having a larger number of employees may signal that the company has already reached a level of maturity where it does not need assistance from the incubator.

- **Financial capacity.** Financial capacity is often assessed as the ability to meet incubator rent and program costs, and to fund the business's development needs. This capacity may be demonstrated through capital reserves or existing revenue.
- **Potential for growth.** Two measures of growth potential are evaluated most frequently. The first is the market demand for the product or service provided by the company. The second is that the product or service that can be commercialized in a reasonable period of time, with two years being a common time frame.
- **Market.** Businesses that market a product or service outside of the area, generally meaning in another state or internationally, will often be considered more favorably than those serving a local market. These businesses are more likely to bring new wealth into the local economy.
- **Potential economic impact.** Businesses that can demonstrate the potential to greatly benefit the community will often be viewed more favorably. These benefits might include job creation prospects, economic diversification, high profile products or services, linkages to a desired industry, or similar traits.
- **Technical and management capabilities.** At a minimum, the business incubator will want to be assured of the technical capabilities and industry knowledge of the owners and key employees. It may also assess the basic business management capabilities of the management team, though developing these skills is usually a part of the incubation process.
- **Potential to benefit from incubator services.** Each potential tenant has unique needs. Some may be well enough qualified that they will not gain much through the incubator's package of services. Other companies may have needs that are well beyond the ability of the incubator to provide meaningful assistance. The incubator should evaluate the company's needs to determine if it will be able to have a significant impact.
- **Compatibility with other businesses in the incubator.** Physical and intellectual conflicts may be considered in evaluating applicant. Physical conflicts may occur when the processes of one business may interfere with or contaminate another. As an example, a food processor using shared equipment to make a product with nuts may pose challenges to other businesses that need to have a nut-free manufacturing environment due to allergy concerns. Intellectual conflicts occur when companies may be working in very similar sectors or pursuing an identical market. In general, it is best to avoid these situations by clearly understanding the products, processes, and market of existing tenants and applicants.

- **Pre-requisite programs.** A small number of incubators require applicants to first complete a class or training program before applying for admission.

As a part of the application process it is a standard requirement for the prospective tenant to submit a well developed business plan along with financial documentation that may include company financial statements, projections, and personal financial information. Applicants should be reviewed by a team that may include incubator staff, board members, and individuals with industry expertise.

Good incubators enter into more than simply a lease with the business. An agreement between company and incubator should identify specific requirements (such as training or technical assistance) based on an appraisal of the company's needs, and establish timelines for meeting critical milestones in the company's growth. Examples might include milestones related to applying and securing intellectual property rights, developing prototypes, launching campaigns, reaching sales goals, etc. As a condition of continuing in the incubator, the company should agree to, and comply with requirements such as:

- Allowing confidential review of company financial statements by incubator staff
- Attendance at a minimum number of incubator functions
- Completing specific training and technical assistance programs identified in the agreement
- Participating in periodic progress reviews (usually quarterly)
- Compliance with applicable local, state, and federal regulations
- Operating the business in a full time capacity

It is vitally important that incubators have a plan to push businesses out of the incubator once they can no longer benefit from it or are making no progress. Companies that can be successfully launched are said to graduate, while others that do not perform are "exits". The criteria for leaving may be general, or specific to the client. Some common approaches include:

- **Reaching employment thresholds or outgrowing space.** This will vary depending on the size of the incubator, but most do not have the space to accommodate clients that occupy multiple offices or large production spaces. If a client does begin to take over a large part of the facility it may also interfere with the ability of the program to serve new clients and develop a consistent client stream.
- **Sales and profitability, or financial capacity.** A secure financial footing, whether through reaching sales targets, a sustained period of profitability, or securing a significant capital infusion, can be a trigger for the business to move to conventional space.

- **No longer needing incubator assistance.** A goal of incubation is to develop the ability of the company and management team to where it does not require assistance with its routine operations. Once this capability exists it may still need to consult with experts on some matters, but will no longer benefit from the more basic training and technical assistance provided by incubator service providers.
- **No longer participating in incubator activities.** If a business is no longer participating in programs, or is not conferring with staff concerning its operations, it is simply occupying the space. Most programs will require a non-participating business to leave the facility.
- **No longer operating as a full time business.** Scaling back operations to where it is no longer a full-time venture is a possible indicator of a failed business, or one in which the owner no longer has an interest in pursuing.
- **Having been in the incubator for a certain number of years.** Incubators will typically establish a graduated rent, increasing over a period of three to five years up to a market rate or higher. This is meant to be an incentive for businesses to grow into traditional space. After a period of several years, a business that is not able to be profitable paying a market rent may not have a good chance of succeeding.
- **Achieving or failing to achieve progress milestones.** Milestones should be established for the business during the admissions process. If the business has met those milestones it may be ready to graduate. Alternatively, if has not met them and does not appear to have the ability to do so, it may be time for the business to exit.

A good incubator will work with its tenants to prepare a plan for leaving the incubator. This is a significant transition that, in addition to needing to find suitable space, is likely to trigger demands for purchased equipment and services that had been provided by the incubator. It may also create a need for additional marketing, and the establishment of policies and procedures for the new site. In some cases, the move may be complicated by technical requirements and compliance with local or state regulations.

It is not unusual for a business leaving the incubator to have a continuing relationship with the program. This is particularly true where the incubator may have specialized assets that the company needs to access in order to grown, but may not yet be able to provide on its own.

### ***Successful incubators have strong management and well-qualified service providers***

Finding qualified service providers may be one of the most difficult challenges for any entrepreneurial development program. Concerns might include whether the region has the level of qualified expertise needed by clients, whether the

potential service providers understand and are a good fit for clients, and how much the services being provided may cost.

Examples of the kinds of service providers typically sought by entrepreneurs include accountants, attorneys, designers, human resources professionals, marketing specialists, and technology experts. The incubator will often want to establish relationships with financial providers as well, including conventional lenders along with angel investors, venture capitalists, and others. Additionally, it may identify mentors to provide general advice, such as prior successful entrepreneurs or subject experts like academic researchers.

All too many incubators take the easy approach of simply using Small Business Development Centers (SBDCs), SCORE, and similar organizations as their service providers. This tends to produce poor results. These kinds of organizations are often inconsistent in quality and may do a poor job of supplying the tailored and one-on-one expertise needed by startups and companies in an incubator. In many cases they are staffed by academics or others without prior startup business experience, and may be too inclined to direct clients into standardized programs and classes that may be easy for the organization to deliver, but fail to provide individualized assistance. Though these organizations may seem to be good partners, careful consideration is needed and the program should not try to fit existing providers into an incubator if they are not valued by that incubator's target market.

Businesses in the community may seek to become service providers, perhaps at discounted rates, in the hope of securing future clients as startups grow. As with organizations, the quality of these potential service providers varies, and each should be carefully vetted to ensure that they will be able to recognize client needs, deliver effective assistance, and serve as strong advocates for the program. Above all, they should be monitored to ensure that they continue to place the needs of the client and incubator above their interests in marketing their own business.

### ***Successful incubators embrace an element of risk-taking, as do the entrepreneurs they serve***

Entrepreneurs often have the ability to see opportunities or approaches that others will miss. They are inherently risk takers. Economic developers, and especially their boards, seldom share that trait. They are more prone to having a "play it safe" mentality that can even spill over into the service providers used by the organization. When this happens it impacts the program in two ways. The first is that it may inhibit the ability of the organization to identify promising startup opportunities. The second is that a conservative approach may actually work to discourage clients and provide them advice that can hamper their ability to make significant breakthroughs. There is nothing wrong with a good dose of reality, but not at the cost of an open mind.

### ***Successful incubators seek objective feedback from clients, sponsors, service providers, and the community***

Good measurement goes beyond simply counting the number of people attending a training session, recording an occupancy rate, or other simple statistics. Incubators need to understand how they are perceived by their various stakeholders. They need to understand how their programs, and the incubator itself are valued.

This constant feedback, obtained through evaluations, surveys, and candid discussions, will give the organization the insight it needs to modify programs and respond to market demands. Organizations that do this often face unflattering results at times, but rather than failures, these should be seen as priceless opportunities to learn and to improve service offerings. Incubators that do not seek candid feedback run the risk of alienating potential clients, offering irrelevant or ineffective programs and services, losing supporters, and ultimately failing as an economic development strategy.

### ***Successful incubators know that it can take years to see results***

Economic developers are often pressured by boards, politicians, and the public to produce rapid results. Incubation is not a strategy designed to score quick successes. It is not uncommon for the development process to take a year or longer, followed by another year in which the program implements programs and leases space. The first successful graduates may not appear until several years after the decision is made to create an incubator. People need to understand this up front, and this is why long term commitments are essential.

### ***Successful incubators adapt to changes in their economy, technology, and the needs of their market.***

Any program established today may become irrelevant in a very short period of time. Industries shift. Breakthrough technologies change how we work and live. Economies go through cycles of growth and contraction. The needs of the area's entrepreneurial community change. Staff can change. New resources may be available. And with these or other changes, the incubator program must be able to adapt, reposition itself, and remain relevant to the marketplace.

## **IS BUSINESS INCUBATION THE RIGHT STRATEGY FOR YOUR ORGANIZATION?**

Incubation can be an effective entrepreneurial development strategy, pushing intensive resources to companies targeted for growth. Unfortunately, many of the organizations that attempt to develop incubators misread the market, lack long term committed support, or do not have the technical or financial capabilities necessary to be effective. For these and others, the greater question may still be whether incubation is the right approach to achieve the organization's goals. A number of collaborative models have appeared in recent years

that may be better suited to their needs and capabilities, including coworking, hackerspaces, and makerspaces. Introduced by innovators in the private sector, these environments may serve as platforms for more wide-reaching and manageable approach to entrepreneurial development.

Coworking and related spaces are fluid environments where entrepreneurs, established solo and micro businesses, freelancers, contractors, and even employees of larger firms come together to work in a common space. Growth and learning are realized informally through the interaction and collaboration of members, and that membership is regularly evolving as new people join and existing ones fall out. In addition to space, many of these spaces are developed around occupational clusters, and share access to assets like oversized or 3D printers, recording studios, software packages, machinery, or other unique resources that may be difficult for an individual or a small business to afford.

It is not hard to image how an economic development organization might add a layer to the model, supplementing the peer-based education, mentoring, and networking of a coworking platform with the more intensive and individualized services normally delivered in an incubator. Advantages might include cost – the vast majority of coworking spaces are self-funded, the ability to reach a far greater number of businesses than might an incubator, and a lower draw on the technical resources of the organization.

Ultimately, the best approach can only be determined by understanding the organization's goals, its financial and technical capabilities, and the market. It is important, though, to understand that there are now good alternatives to traditional business incubation.

## **BRINGING IT ALL TOGETHER**

Our goal in this two-part series was to examine the practice of business incubation, providing some objective assessment of its effectiveness, and suggesting a few practices that can help exiting or potential incubators to be successful. Business incubation is touted as a highly effective entrepreneurial development strategy, and there are examples of incubators that show consistent results. In reality, however, the majority of incubators do not live up to the hopes of their organizers. Some do not have a market producing the candidate businesses that can benefit from incubation. More often, the organization itself does not have the considerable financial, technical, and managerial capacity required to execute an effective business incubation program.

Too often, the decision to pursue a business incubator is made before there is really a good understanding of the local entrepreneurial and small business community. As in any business venture, the planning should begin with good market research to understand potential targets and their needs. These can be matched to the goals and capacity of the economic development organization to choose the best

model, whether that may be an incubator, coworking space, or any other option. The resulting program then needs to earn stakeholder support and adopt well defined policies designed to produce results for its specific targets.

This article was entitled "Is business incubation a winning strategy?", and in the final analysis, there is no clear answer. Economic developers and community decision-makers should

not be persuaded by stories of high-performing programs spinning off a steady stream of graduates. There are a relative handful of these. But neither should they be dissuaded by the more typical example of facilities that have devolved into little more than low rent office or industrial buildings. It really comes down to individual circumstances, a well-informed assessment of the alternatives, and effective execution.

### ***About the Author***



Michael Stumpf has had a lengthy career in economic development, during which he inherited and closed a failed incubator and assisted in starting a new one. As the economic development director for the City of Boulder, Colorado in the early 2000's, he saw first-hand how a vibrant entrepreneurial ecosystem could generate new ideas and new business ventures. Interacting with these businesses, he came to understand the needs of startup businesses through a personal, rather than simply academic perspective. He was ultimately inspired to launch Place Dynamics in 2005. Consulting with individuals, organizations, and governments, he has prepared several entrepreneurial development strategies as well as feasibility studies and planning for incubators. In recent years he has been a strong advocate for coworking and similar collaborative approaches as an incubation platform, seeing them as an approach more closely matched to the constrained resources of most organizations, while also reaching a greater number of businesses in the community.

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