#### Business Bus

Volume 1 Issue 3 February - May 2013

# Space for Ideas

## ESA's Technology Transfer Programme Revealed

## **Good Business**

Social innovation and why it's a must

## Now and Then

The journey of the first business incubator

## **An Unlikely Setting**

Palestine's place in the incubation world

PLUS: A look at the Australian experience, the rise of coworking, latest network and industry news, resource reviews, columns from industry leaders and incubatee showcase







# → TECHNOLOGY TRANSFER PROGRAMME

#### THE ESA TECHNOLOGY TRANSFER PROGRAMME (TTP)

Our mission is to inspire and facilitate the use of space technology, systems and know-how for non-space applications.

We aim to strengthen European industry by identifying new business opportunities for providers of space technology and systems. TTP plays an important role in enhancing the capabilities and competitiveness of Europe, while broadening its business horizons and creating jobs for its citizens.

280 successful transfers, 180 start-up companies supported, 60 new companies every year.

#### **TECHNOLOGY BROKER NETWORK**

Our network of brokers assesses market needs in areas where there is a potential for exploitation of space technologies, and initiates a technology transfer process between technology provider and receiver.

Managed by the International Space Innovation Centre (ISIC) in the UK, this pan-European network supports the spin-off and spin-in of technology from ESA, as well as supporting the transfer of ESA's own intellectual property rights (IPR).

AT - BE - DE - ES - FI - FR - GB - GR - IT - LU - NL - PT - SE

#### ESA BUSINESS INCUBATION CENTRES (ESA BICs)

We work to inspire entrepreneurs to turn space-connected business ideas into commercial companies.

Our seven Business Incubation Centres across five European countries support selected entrepreneurs with comprehensive commercial and technical assistance to help them start up businesses that apply space technology in non-space industrial, scientific and commercial fields.

BE - DE- GB - IT - NL

#### **OPEN SKY TECHNOLOGY FUND**

Supporting new businesses applying space innovations through a dedicated €100 million venture capital fund, the Open Sky Technologies Fund is an early-stage venture capital fund aimed at nurturing the most promising business opportunities arising from space technologies and satellite applications for terrestrial industries.

The OSTF was initiated by ESA, and is managed by Triangle Venture Capital Group.





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# Expanding Beyond Traditional Business Incubation

NBIA expects more than 500 business incubation professionals from over 30 countries to join us in Boston, Massachusetts, April 7-10, for our 27th International Conference on Business Incubation. We hope you will be among them.

We recognize that many industry professionals come to the NBIA conference to connect with other incubation professionals, so we design the event with that in mind. With dozens of educational sessions, opportunities to be inspired by client success stories, presentations from well-known industry leaders, and tours of some of the Boston region's most successful incubation programmes, there's truly something for everyone who wants to learn more about our industry.

In recent years, more and more communities around the world have been turning to business incubation as a way to support entrepreneurs in their efforts to grow successful new ventures. At the same time, the industry has witnessed the growth and development of a number of other kinds of programmes that work with entrepreneurs, including seed and venture accelerators and coworking spaces.

While these new breeds of entrepreneur support organizations are certainly generating a lot of media attention, I see these new developments as opportunities for our industry. When NBIA conducted its latest state of the industry survey in 2012, we found that nearly three-quarters of the respondents offered either pre-incubation or postincubation services (or both), so today's incubation programmes are already reaching out to a wide range of entrepreneurs to be the hub of their region's innovation ecosystem.

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As part of their efforts to better meet the needs of the entrepreneurs in their regions, many incubation programmes are incorporating some aspects of acceleratorlike activities, coworking spaces, youth entrepreneurship programmes, and a host of other services to help meet the needs of entrepreneurs and growing companies. In other words, business incubators - like the entrepreneurial firms they assist - are innovators.

The most successful incubation programmes don't just offer the same programming and services year after year because that's what they've always done. They take stock of their programmes regularly, ensuring that the assistance they're providing is the type of help their clients need. When a programme is no longer beneficial, they drop it. And when the entrepreneurs in their region have a need that's not being met, they develop new services to make sure their clients have all the access they need to the training, resources, and mentoring they need to grow into successful businesses.

NBIA regularly explores how best-in-class incubation programmes achieve their results. And through publications and training events like the NBIA conference, we share what can be borrowed and adapted from the most innovative programmes - whether they are traditional incubation programmes, venture accelerators, or other types of entrepreneur support organizations.

To find out more about the largest, most international and longest-running conference on business incubation, please visit our website at www.nbiaconference.org.

I and the team at NBIA look forward to seeing you in Boston this spring!

Tracy Kitts Acting CEO, National Business Incubation Association

# The most effective way to run a Business Incubator starts here

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Sangeetha Shinde Managing Editor

"May you live in interesting times", goes the Chinese curse. And so it is in the incubation industry today. New types of entrepreneurship support are emerging all the time with different models, different names and different raison d'être.

Funding models evolve. Sector focus shifts. Names change. But all approaches have one thing in common; helping new and small businesses to start and grow. And it is this broad definition of incubation that we at *The Business Incubator* magazine use when considering what to include in each issue.

As the landscape gets more complex, so do the choices incubator managers have to make about their services. Where should the focus be? The rate of growth? Equity stakes? Sustainable businesses? Number of jobs? It is indeed an 'interesting time' and we hope our magazine provides some context and perspective onto these important issues.

In this issue of *The Business Incubator* magazine, we have features on incubating technologies from space, the rise of coworking as an option for micro-entrepreneurs, social innovation - the new 'sexy' sector, and the crowdfunding model for financing start-ups. Our Experience section comes from Palestine, where ICT is seen as a powerful tool for entrepreneurs to meet the challenges particular to their environment. We have focused The Spotlight on Australia where reduced public funding of incubators, over many years, has created a private-sector attitude among practitioners leading to a very different model of support. Our Interview is with Thomas Mancuso, whose family founded what is generally believed to be, the first business incubator ever. And we welcome on board two new columnists: Marie Longserre, past-president of NBIA, and Les Neumann, CEO of *i*CANny, New York.

Finally, we must thank our key partner, ESA TTPO, and sponsor, NBIA, for their support in developing this issue of the magazine.

As always, we hope you enjoy the read, and please let us know what you think by commenting on these articles on our website or emailing editor@theincubatormagazine.com.







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Work patterns are changing and so are the places we work; this feature explores the pros and cons of coworking, a new way of sharing office space and resources



#### **Good Business**

Social innovation is one of the new buzz words in the industry and we explore how 'doing good' is also good business



#### **Financing Success**

Crowdfunding gets explained in this feature that looks at the power and potential of this new form of funding ideas and start-ups

#### the**Report**



#### **Space for Ideas**

A look at ESA's Technology Transfer Programme as it supports entrepreneurs to bring space technology down to Earth

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#### **An Unlikely Setting**

The West Bank and Gaza are unlikely places for ICT innovation, but as we hear from a successful incubator, much is happening on the ground in Palestine

#### the**Spotlight**



#### **Different Down-Under**

Australian incubation has had a private sector focus for many years and seems to be thriving without public money; here's why





#### AUSTRALIA

Nine Australian start-ups were selected to participate in a 13-week accelerator program designed to mirror the US TechStars programme. Of the nine Australian start-ups, seven are based in Adelaide, another in Melbourne, and the remaining one in Sydney. An additional tenth start-up that operates out of Canada, US, and UK will also be participating. The start-ups will undergo the Innovyz Start program, which will see representatives from each company spending the 13 weeks working with their mentors in South Australia. The mentors include Microsoft Chief Experience Evangelist -Chris Bernard, Silicon Valley entrepreneur - Martin Babinec, and DealsDirect co-founder -Paul Greenberg. Each founder will also receive AU\$6,000, or up to a total of AU\$18,000 where there is more than one founder, and a programme director will work with each to help commercialise their product or service. Founders will be taught how to grow their company, identify relevant markets to target, modify and rework their company plan, and present to investors. Over 120 applicants applied, but the programme, which is being run in partnership with ANZ Bank, only has room for ten.

"We were looking for breakthrough ideas that could be enabled by Web 2.0, software, and mobile. We have been very pleased with the breadth and depth of business ideas we've seen in the applications for the 2013 ANZ Innovyz Start programme. The vision, passion, and ambition of our entrants is testament to Australia's burgeoning start-up and small business ecosystem," ANZ Innovyz, Managing Director, Dr Jana Matthews said in a statement. The winning start-ups are The Unicoach, Kicktone. Yesoft. Mobility Unlimited. FitUsIn. Datamunch, Edgebox, Memtell. TowardsTheStars, and Agent Anything.



#### PALESTINE

Building a start-up in Palestine is admittedly tough. Nedal Zahran and his colleagues at Leaders Organization are now continuing to bring Palestine the seed stage investment it sorely needs by setting up Fast Forward, the West Bank's first accelerator and seed capital fund. Palestine already has several incubators, including Leaders Organization, which typically mentors larger B2B ventures, PICTI (the Palestine Information and Communication Technology Incubator) which has run programmes with Mercy Corps to unite start-up teams, and Gaza's Business Technology Incubator, which recently ramped back up after a lull. Fast Forward will be the area's first fully-fledged accelerator, however, offering a six month bootcamp and \$20,000 in seed investment in exchange for a 7-10 percent stake in accepted start-ups. Start-ups will focus on product development for the first three months and go to market during the second half, as the standard three month time-frame was deemed a bit short in this challenging market. Its potential for success will likely rest upon its ability to help start-ups reach outside Palestine. To optimize its mentorship, Fast Forward has sourced mentors from within Palestine and is also looking to connect with an international network of mentors soon. Other communities the accelerator will likely connect to include grass-roots techie community Peeks and Hi-Tech Hub, Palestine's newest tech talk series. which leverages the diaspora to bring local entrepreneurs Silicon Valley expertise. The accelerator is hoping to see women apply as well. Zahran states, "I would like to have a lot of applications from women. If we get even one start-up running led by a female entrepreneur, we will be happy with that."

#### THAILAND

Bangkok's first co-working space, Hubba, is popular among Thai entrepreneurs and freelancers. Located in the Ekkamai area, Hubba is 300 square metres in area and can fit up to 70 people simultaneously. The coworking space now has 60 active members and co-founders, Amarit Charoenphan and Charle Charoenphan expect to hit 150 members by March. Hubba does not plan to stop at Bangkok, but will soon be expanding to Chiang Mai as well. The founders felt that expanding to Chiang Mai via their partnership with Pun Space was due to their belief in the potential of the city, given the large amount of talented graduates in programming and a large expat freelance community setting up tech and web companies. They hoped to expand to four spaces this year. Besides running the co-working space, Amarit and Charle also act as event organizers, helping organizations such as Thumbsup and e27 to run events

locally in Thailand - like Start-up Weekend, Start-up Outing and recently, Jellyweek 2013.



#### ISRAEL

The Azure Accelerator, which opened last year, now has a second round of companies beginning the programme. The accelerator has proven such a success that Microsoft is duplicating the format in new accelerators the company opened in India and China, says Zack Weisfeld, Microsoft Israel's director of business development. Already, some of the companies from the first round of the four-month programme that began in March 2012 have made notable progress on funding. "In the eight months since we started the programme, we have accomplished the equivalent of seven vears of work that most other accelerators in the world are able to accomplish," said Weisfeld. "So far, \$6.5m has been invested in eight of the 11 start-ups from the first group, about \$800,000 on average per start-up." One of the graduates, Stevie.TV, which allows users to mash up their Facebook and Twitter feeds into a kind of television programme, recently closed on a \$1.5m funding round, for example. One of the reasons behind the start-ups winning funding, said Weisfeld, is the exposure they get to key figures in the Israeli IT industry and business world, as part of the accelerator's mentoring programme. In the second accelerator round, some 100 mentors will spend at least an hour a week with start-ups, including execs such as Liam Galin, CEO of Flash Networks; Moshe Lichtman, head of Israel Angel Investments and former head of Microsoft R&D in Israel; Zohar Levkovitz, CEO of Amobee: Ziv Elul, CEO of Interactive; and many more. Unlike many accelerators, Microsoft does not require companies in the programme to give up any equity, and they don't have to promise to partner with Microsoft after the programme is over. Naturally, most will want to, but it's up to the start-up. The start-ups can also use Microsoft's connections to get a good financing deal from Israel's Plus Ventures investment fund. Start-ups will get a note with very favourable terms, and that note will allow them to close on valuation at a later stage and not at the beginning of the programme. Enrolled companies will also get some help from the education sector. "The start-ups will be working with teams from the Technion under the guidance of Professor Merrick Furst of the Georgia Tech College of Computing, who has developed the first, and so far only, scientific methodology for startup success.



#### INDIA

The Birla Institute of Technology and (BITS-Pilani), Science Pilani Hyderabad campus, is betting big on entrepreneurship development initiatives. The institute is setting up a Technology Business Incubation (TBI) centre with assistance from the Department of Science and Technology (DST). The centre will focus on areas pharma, such biotech, as ICT (information and communication technologies) and healthcare. The incubation, which is being set up with a grant of Rs 5 crore (\$933k) from the DST and Rs 2.5 crore (\$466k) from the institution, will start operation in the next three months. "To begin with, we plan to incubate five companies in the first year of operation," VS Rao, director of BITS-Pilani, Hyderabad campus, told Business Standard. The institute has already seen many startincluding Mauka.com, Slave ups Technologies Private Ltd and Red Bus. BITS recently set up a Centre for Entrepreneurial Leadership (CEL) to encourage entrepreneurship development. CEL aims at promoting entrepreneurial leadership across all disciplines, facilitating entrepreneurial activity among students and invites entrepreneurs to use TBI services. The institute has introduced a new course 'New Venture Creation', in association with its alumni association BITSAA International (Birla Institute of Technology and Science Alumni Association), to bring hands-on experience and real time learning for the students.



#### **LITHUANIA**

Start-up Highway, Lithuania based accelerator is now accepting applications for their third batch. Since their launch in 2011, they have had reasonable success, where around three quarters of all start-ups in their 2011 batch received funding. The accelerator provides up to €14,000 in funding for a clear cut 10 percent in equity. The funding is broken up as follows: €2,000 for the idea and €3,000 for each founder (for up to four founders). In addition to the funding one gets, the now expected perks of an accelerator are mentorship, office space, services, etc. A thirteen-week programme kicks off on May 1st 2013 in Vilnius. They are also open to a very wide array of companies, as they are looking for start-ups in any area of IT or mobile technology.



#### CHINA

Industrial Chongging Hi-tech Development Zone (CHIDZ) IT Micro Business Incubation Park, China's first specialized industrial park for IT micro business opened in December 2012. The park is located in Shiqiaopu, an IT industrial cluster of D&R, production, sale, and service with more than 2000 IT companies. With an investment of 50 million yuan and a planned area of 15,000 square metres, it is under a twophase construction and will be able to accommodate over 200 small and micro enterprises upon completion. Now the phase-I project of the park, covering an area of 4360 square metres, has been concluded and will be

home to 50-odd micro businesses with a set of supporting facilities including the training room, canteen, and business start-up centre. A total of 29 micro businesses including Chongqing Qunhong Technology Co., Ltd, and five intermediary agencies have settled in the park.



#### CANADA

Vancouver's digital business accelerator cramped Gastown in а office overflowing with entrepreneurs and code writers, has been replaced with a large, bright new space intended to serve as a one-stop shop for companies chasing a share of the exploding market for social media, mobile apps and innovative computer software. In theory, one could walk in here with a laptop and an idea, and walk out a year or two later with a funded, revenuegenerating digi-tech company. More than 50 Launch Academy start-ups already inhabit the new space, along with five companies chosen for a fourmonth programme with Vancouver's digital largest tech accelerator programme, GrowLab. Microsoft's Windows Apps Lab has an office in here, as does a new venture capital Veteran firm. Garibaldi Capital. accelerator coach, Danny Robinson's new company, Perch, has an office, and there is room for at least two more "tenants". There are meeting rooms and board rooms where companies can pitch, either individually or in groups, to visiting venture capitalists, angels and other potential investors.

There are quiet spaces for entrepreneurs to consult with one another and exchange ideas and experiences, seek advice or coaching from the operators of more advanced enterprises, and for mentors and Internet giants such as Amazon to pass along tips on building a stronger business. Another advantage to the setup is that concentrating a large number of web entrepreneurs in one venue could contribute critical mass to the companies that eventually succeed.



#### PORTUGAL

Avila Coworking from Lisbon was placed fifth in an online poll, among 144 candidate workspaces, as being one of the more desirable places in the world to work. It is now the global Number Five as the "The World's Coolest Office", as promoted by the prestigious American magazine Inc. The poll measured 144 offices all over the world. The candidacies were subjected to an online poll during the past few months and the winners were announced. With recently its workspace, Avila Coworking has brought to the Portuguese capital, a distinction as a place that supports entrepreneurship and innovation.



#### KOREA

Seoul-based accelerator Kstart-up just announced its partnership with the Google for Entrepreneurs programme. In fact, according to Kstart-up cofounder and partner David Lee, this is Google's first such partnership. Through the partnership, he said, Google will provide an undisclosed amount of funding and other resources to help with Kstart-up's operations. The three-month programme will run twice a year, providing free office space in the Gangnam district, as well as business and technical mentorship. Lee said he's also raising a fund to make seed investments in the Kstart-up companies, but that's separate to the Google partnership. Kstart-up works with both early- and late-stage startups. The focus is on Korean start-ups that want to "go local or go global," but Lee said he's open to companies outside the country too, if they're looking to expand in Asia. He acknowledged that there are significant challenges facing entrepreneurs in Korea, including difficulty in raising funding from the big Silicon Valley-based VCs, as well as a national culture that doesn't always view start-ups as a viable alternative to working at a big company. At the same time, he said that things are changing, and that an increasing number of people are becoming "super-excited" about entrepreneurship. Kstart-up was founded as a partnership between AppCenter, a Korean non-profit "hub of more than 220 app centres SeoulSpace, nationwide," and а coworking space.

# 

#### **UNITED KINGDOM**

Unilever will invest £100,000 in a UK start-up to be chosen as part of Collider12, a mentoring scheme in which William Hill and BBC Worldwide are also participating.

The scheme will feature 10 companies selected from a panel including executives from William Hill, BBC Worldwide and CBS Outdoor, taking part in a 13-week mentoring scheme and receiving £100,000 investment each. Unilever Ventures will be awarding one of the companies, which comes up with what it believes is the best 'B2Brand' service or product, an additional £100,000 investment, in what it is calling "the Unilever Challenge". The FMCG giant will be looking for the start-up which has the "potential to be a game-changer" for key Unilever brands in the way that these brands communicate and interact with their customers via digital channels. John Coombs, managing director of Unilever Ventures, said: "There is a revolution in how people are relating to brands and what brands are for their customers, but the biggest revolution is in the types of services that customers can engage with using mobile and social techniques. "The UK has always been at the forefront of media and marketing communications and we are seeing a lot of innovative start-ups at the moment." Unilever is following in the footsteps of Kraft, PepsiCo and Telefónica, which have been working with start-ups, via their own incubator and accelerator schemes in recent years.

#### SINGAPORE

Singapore-based JFDI Asia announced it has opened applications for the next instalment of its accelerator programme: the JFDI Bootcamp 2013. JFDI (Joyful Frog Digital Incubator) with its first 100-day accelerator saw more than 60 percent of the 15 startups raise at least SG\$ 650,000 (US\$ 530,000), and it has spurred the company to run two separate programmes in 2013. Each programme will provide participating companies with SG\$ 25,000 (US\$ 20,500), with over SG\$ 100,000 (US\$ 82,000) in technical facilities, an impressive lineup of mentors, office accommodation and introductions to more than 100 early-stage investors. JFDI was the first in Southeast Asia to be accepted to the Techstars' Global Accelerator Network and the announcement proudly calls it "the longest-running, most successful seed accelerator programme in Southeast Asia," but there will be at least one significant change in 2013. SingTel-Innov8 - the venture capital arm of the Asian telecommunications giant SingTel - is no longer the lead (and indeed named) sponsor since JFDI is now working with a range of operators across the region.

The sum takeaway is that this is the accelerator programme that aspiring entrepreneurs in Southeast Asia must apply for. Earlier JFDI announced a partnership with fellow Singaporebased early-stage investor, Golden Gate Ventures, and 2013 looks set to be an even bigger and better year for the Joyful Frog Digital Incubator and its client companies.

Launching in Asia, M.A.P (Media Accelerator Programme) is an initiative designed to present new media products and services to the most senior decision-makers in Southeast Asian markets and media. It allows young, innovative companies the valuable opportunity to showcase their innovations, lets them network with the best of the industry, and compete for the valuable accolade of being named "Hot Company of the Year". M.A.P Asia 2013 will be launching in association with the Festival of Media Asia (FOMA), the Asian iteration of the acclaimed Festival of Media for creativity and innovation. FOMA is bringing the successful M.A.P to Asia, offering a unique showcase for Asian innovators looking to reach decisionmakers. "Gaining exposure, and more importantly, the right kind of exposure can make the critical difference between success and failure for new companies. Too many good ideas disappear for lack of notice," said Charlie Crowe, Founder of the Festival and CEO of C Squared. "M.A.P entrants will be at the right place and the right time to pitch their products and services in front of the most senior people at the biggest brands and agencies in the Asian market. "Asia is a hotbed of ideas. The changing media landscape is giving birth to so many good ideas," said Ken Mandel, Managing Director Asia, Salesforce Marketing Cloud and M.A.P Asia 2013 Judge, "We're looking to spot the best and most innovative of them, from Singapore to India, from Japan to New Zealand."

M.A.P entrants enjoy the following benefits: Unprecedented access to the global delegation in Singapore , an unrivalled opportunity to compete with other new innovative businesses from across the world and a "networking service" with introduction to CMOs, Media Agencies and Publishers among the Festival of Media delegation. Up to five entrants will be shortlisted, and will be promoted across C Squared's other platforms. The winner will receive an honorary position on the screening panel for the following year's scheme.



#### MALAYSIA

Malaysia has introduced the concept of social innovation in order to promote families in balance towards sustainable development during the opening ceremony of the World Family Summit+8 (WFO+8). The four-day WFO+8 was held in Foz Do Iguacu, Brazil. Women, Family and Community Development Ministry secretarygeneral Datuk Dr Noorul Ainur Mohd Nur stressed that social innovation was of vital importance and said Malaysia advocated that social innovation could be adopted, adapted and contextualised in each country's environment.

"Social innovation approach is the development and implementation of new ideas that work, such as products, services and models to meet social needs of all kinds, from working conditions and education to community and family development. It also refers to innovations which have a purpose like social economic empowerment of marginalised groups, micro credit or distance learning, innovation in public policy and governance," she said in a statement to the press. Among the key social innovation initiatives implemented by Malaysia are the formulation of the National Family Policy, 1Azam Programme, Sharing of Information to Enhance Family Networking, 1Malaysia Family First Programme under the National Blue Ocean Strategy and growth model which Malavsia's incorporates both the Economic and Happiness Indexes. The WFO+8 was attended by more than 50 countries and represented by 200 delegates, including ministers, government officials, and members of nongovernmental organisations, private sector and civil society.

The summit was organised by the World Family Organisation, with collaboration from the United Nations Department of Economic and Social Affairs. The summit encapsulated the importance of and need for social innovation programmes globally.



#### RUSSIA

In December 2012, Minister-Counselor for Economic Affairs Stuart Dwyer made welcoming remarks to the participants of the Second RussianAmerican Business Incubation Forum and highlighted the importance of sharing experiences and best practices between U.S. and Russia concerning small and medium enterprise (SME) finance and technical assistance. The Forum was organized by the Moscow Institute of International State Relations (MGIMO) and the Innovation Development and Business Incubation Fund and was co-sponsored by the U.S. National Association for Business Incubation (NBIA) and the Northeast Indiana Innovation Center, one of the world's leading technology parks.

Building on the success of last vear's event, the Second Forum brought together experts from Russia, Europe and the United States, representatives of universities, venture funds and business incubators, as well as government officials to discuss a wide range of topics including the fundamentals of business incubation and best business incubation practices developed in Russia and around the world with an aim to advance business and incubator-related incubation entrepreneurship support programmes.

Currently, there are more than 1,100 active business incubators and technology parks in Russia providing a broad range of services that meet virtually all the needs of start-up companies.

Nearly all Russian business incubators provide basic services (mail and secretarial services, office equipment, telephone and Internet service, IT service, etc.) to their residents and incubator employees provide consultations to residents. In the United States, it is estimated that over 27,000 companies were started with the assistance of incubators (in 2010), which ultimately created more than 100,000 full-time jobs.

As a result, the total revenues from incubator-affiliated companies have risen to over \$17 billion. This emphasizes the existing window of opportunities and calls for more cooperation between the two countries to create enabling environment for innovative entrepreneurship through business incubation.



#### **SOUTH AFRICA**

The Jobs Fund, announced hv President Jacob Zuma in 2011, has to date, approved funding for 54 including innovative initiatives, business incubation models to develop small businesses, the National Treasury said. Addressing a media briefing in Johannesburg, the chairperson of the Jobs Fund Investment Committee, Frans Baleni, announced the launch of the Job Fund's third call for funding The R9-billion proposals. fund. managed by the Development Bank of Southern Africa. aims to find innovative solutions to South Africa's employment problem by encouraging new, job-creating ways of doing business in the country. Contracted initiatives have been awarded Jobs Funds grants of more than R1-million, which have leveraged an additional R1.8-million in matching funding from the fund's project partners. The Treasury said these initiatives would create over 65,000 new permanent jobs in South Africa by 2015. "In addition, these initiatives will also place 42,000 unemployed people in existing vacancies." Since opening in 2011, the Jobs Fund has received over 3,500 applications. However, only half of these were eligible.

The fund "has made significant progress in establishing efficient systems to process the large numbers of applications it receives and to overcome some of the challenges experienced in setting up what is a new funding instrument in South Africa," the Treasury said. A web-based application, management and tracking system is now operational, allowing applicants to monitor the progress of their applications. The third call for proposals is a request for applications from initiatives in enterprise development and infrastructure. The enterprise development window looks for initiatives that develop innovative commercial approaches to long-term job creation in ways that combine profitability with high social impact. It is looking for new business models, products markets. The and infrastructure window of the Jobs Fund will co-finance light infrastructure investment projects which are necessary to unlock job creation potential in particular areas. Initiatives could include providing critical missing infrastructure that creates trading opportunities, enhances access to markets, or improves the business environment for enterprises and employment-linked investments.



#### TUNISIA

In the harsh economic environment facing Tunisia since the revolution in January 2011, interest in developing the entrepreneurial ecosystem may be on the rise. Entrepreneurs in Tunisia have been hit hard in the country's economic downturn, and start-ups encounter difficulties in accessing credit. But another important component in nurturing the environment for small enterprises is mentoring. French organization Réseau Entreprendre is looking to incubate entrepreneurial talent in Tunisia through mentors that belong to local networks of experienced entrepreneurs. Launched in Tunis and the coastal city of Monastir in December 2010, Réseau Entreprendre had a tough time getting on its feet as the revolution arrived only a month later, said Imen Ben Khalaf, a project manager at Réseau Entreprendre Tunis. Since the revolution, though, the French organization has incorporated more aspiring Tunisian entrepreneurs embarking on their own business plans.

Réseau Entreprendre thoroughly vets candidates who are vying for personalized mentoring from experienced, successful businessmen that belong to the organization's local network. Those whose business plans stand the scrutiny of a jury of local businessmen and who prove their mettle as aspiring entrepreneurs, explained Ben Khalaf, become laureates. "The right [candidate] will take on the idea and not give up," Ben Khalaf said. Although the business model is important in the jury's decisions. qualities related to determination are given especially high weight, she added. Not only do laureates receive mentoring and gain useful contacts in their local business environments, but they also obtain zero-interest loans that aim to increase their capital equity in the business and facilitate access to additional bank loans. There are currently 13 laureates - seven in Tunis and six in Monastir -2012. and since August the organization has set as a goal to incorporate ten laureates per year into its local networks in both Tunis and Monastir.

The three-day Business and Technology Convention was an opportunity for Réseau Entreprendre, which is participating in the event, to source Tunisian talent that may form the next cadre of laureates. Réseau Entreprendre was founded in France in 1986 and has 11 offices in six countries of which Morocco is the only other North African country. The overriding goal of the organization is the "transfer of experience," said Ben Khalaf.

#### SPAIN

Spanish Internet-focused incubator Mola is celebrating its first anniversary, and took the opportunity to release some interesting numbers about its activities, while giving additional details about its plans.

November Spanish Last saw entrepreneur, Enrique Dubois and investor Paco Gimena officially launching a start-up accelerator in Palma de Mallorca. At the time, they brought on a joint portfolio of 14 startups and a total investment of 2.8 million euros (\$3.63m). Since then, Mola has started to raise external capital, and invested in additional start-ups in June, followed by a new batch the previous September. To date, around 4.3 million euros (\$5.6m) have been invested in the accelerator, which now boasts a portfolio of 48 start-ups,

supported by 50 employees. The 34 start-ups Mola added to its portfolio over the year shared a \$2 million investment. It's worth noting that they only represent 1.8 percent from the applications it received from all around the world. According to the accelerator, its drastic selection was based on several criteria, summarized in its motto: "We invest in I+P (Ideas and People.)" Altogether, these 34 start-ups estimate that they have generated 189 new jobs, and expect to create 300 in 2013, 600 in 2014 and 1,000 in 2015 quite an interesting fact considering the crisis Spain is going through.

Although the applications Mola received were international, most of the start-ups it selected are based in Spain, and 40 percent of its 34 new alumni chose to join its shared offices in Palma de Mallorca. Despite this focus on Spain, Mola also has a global mindset, and has delegations in Palo Alto and in the UK. In addition, it has been eyeing Latin America since its launch, and has enlisted Uruguayan tech entrepreneur Maximiliano De Muro as its head of investments at Mola.com Brazil and Latam. On one hand, Mola is hoping that it will help Spanish businesses conquer new, fastgrowing markets. On the other hand, it believes it has the expertise to help Latin American start-ups expand to Europe via Spain and/or to the US. Still, De Muro insists that Mola will also be looking at helping these companies grow in their home markets if it's more relevant for them.



#### EGYPT

New coworking space icecairo launched this month as the third installation of icehubs, an international coworking space brand with other locations in Bauhaus, Germany and Addis Ababa, Ethiopia. ICE stands for Innovation, Cooperation and Entrepreneurship. Unlike other working spaces that have recently launched in Cairo (like The District), icecairo is promoting a particular focus

environmental projects on and activities with the goal of building a "green community" in Cairo. The space itself is a vibrant ecosystem built by the community, offering eco-friendly products, including gardening lamps, recycled furniture, a water purification system, and plant irrigation, creating a link between the people and the space. Among the gadgets at icecairo is a hydrogenous fuel cell that produces energy from water and a Bokashi composting system to recycle and reuse organic waste for other purposes. "We don't just want to be a regular working space, we want to be unique by transforming ideas into viable projects, by studying the market, and recognizing the potential profit resources," says icecairo manager, Adam Molineux-Berry. icecairo is also organizing public events related to the eco-centric concept, hosting a debate this month about rules for eco-friendly development.

Egyptian-British manager Molineux-Berry explains that countries like Senegal provide a sustainable life for their citizens despite the fact that there are far poorer areas in Senegal than in Egypt. In Senegal there are over 14,000 eco-friendly villages that encourage citizens to recycle, reuse, and live sustainably, icecairo is trying to create a similar culture in Egypt, by crafting a space where visitors can brainstorm and work side by side to promote sustainable development and a "green community" in Cairo. icecairo's entry into this space comes on the heels of other social entrepreneurs trying to build awareness around recycling and sustainability in Egypt. Two other startups, Recyclobekia and Schaduf, are also working to spread a culture of sustainable living throughout Cairo; hopefully this is just the start of a new environmental trend in the region.



#### Staten Island's first ever business incubator is now in the planning. The Economic Development Corporation

has asked for proposals to develop and run the infrastructure that would seek boost entrepreneurship to and economic activity in the area and create new, innovative independent businesses. The proposals are invited from companies aiming to develop businesses focusing on technology, new media, arts and cultural or food preparation. The incubator also plans to offer coworking space for freelancers and small businesses. "Today we are continuing to build on our efforts to spur economic development across Staten Island," said EDC President Seth Pinsky. "Along with important development projects moving forward on the North Shore waterfront, this new incubator will encourage innovation and entrepreneurship, and once again demonstrate that the future of Staten Island is bright."

Among the North Shore projects is the world's largest Ferris wheel which will be built in St. George. The successful bidder would be expected to find the space for the incubator, with preference given to locations reachable by public transport from the Staten Island ferry. If needed, the EDC will provide the winner funds to cover startup costs and operating expenses, typically from \$100,000 to \$250,000, according to the EDC's request for proposals. The EDC will select the operator of the incubator based on the experience of the staff, knowledge of Staten Island, the plan for users and perceived positive economic spill over surrounding community. in the according to the RFP.

The incubator programme was launched by the city in 2009. It currently has twelve, either open or expected to open fairly soon, in the other four boroughs, and more than 500 businesses are currently located in them, the EDC said.



#### UGANDA

Tullow Oil, in partnership with Traidlinks, has invested over \$ 0.5 million to help the Micro Small and

Enterprises Medium (SME's) in Uganda's oil region tap business opportunities emerging from the oil and gas industry. The investment pumped into Hoima Enterprise Centre will act as a hub for business development through providing information on emerging opportunities on oil and gas in the region. The Centre is expected to offer affordable services in the areas of business incubation, training facilities and agricultural support services to enable businesses work together and compete favourably for opportunities in the region. Tullow Oil General Manager Eoin Mekie urged community to take the up opportunities in food and beverages, accommodation, construction, communication, medical and transport among others as a contribution to sustainable economic growth for the country. "As Uganda's oil and gas industry moves from exploration phase to development and eventually production, there will be growing opportunities for local supply of goods and services that the Hoima people can take advantage of," explained Mekie. The Centre is in line with Tullow's local Content and Supply Chain management strategy which is aimed at enabling local businesses to exploit opportunities in Uganda's oil and gas sector.



#### **UNITED ARAB EMIRATES**

Du has announced the renewal of its partnership with Shelter, to continue to support UAE's entrepreneurs. Shelter is unique, non-profit business а incubation project, and one of the UAE's most active community education platforms, offering aspiring entrepreneurs a place to turn their ideas into success. The partnership renewal was announced in the presence of Hala Badri, Executive VP, Brand & Communications, Du & Ahmed Bin Shabib, one of the Emirati Co-Founders of Shelter. Since its inception, Du has been a keen supporter of up-and-coming businesses

in the UAE. The telecom provides products that are specifically tailored to provide small-medium enterprises (SMEs), with value-added benefits that offer a competitive edge. Additionally, Du will launch the region's first reality TV show dedicated to SMEs, 'The Entrepreneur'. Shelter provides small businesses and start-ups free office infrastructure with high-speed internet powered by Du. Entrepreneurs can attend high quality educational events while collaborating, sharing and learning with like-minded individuals about business, social responsibility, culture and society. "By supporting the entrepreneurs of the UAE through our partnership with Shelter, we are empowering individuals to become successful contributors to our country's economy. We have been very pleased with the number of entrepreneurs that have benefited from this innovative centre, and look forward to assisting even more Emiratis and UAE residents to achieve their full business potential as we continue in our collaboration with Shelter," said Hala Badri, Executive Vice President, Brand and Communications, Du. "Our partnership with Du has allowed us to facilitate the progression of entrepreneurial culture in the UAE. The renewal of our affiliation will give us the opportunity to continue to support and assist businessmen and women as they explore the possibilities of being a profitable entrepreneur. There have been numerous success stories to come from Shelter so far, and there is a lot more promise yet to be seen amongst the enterprising UAE community," said Ahmed Bin Shabib, one of the Emirati Co-Founders of Shelter. In the past year, Shelter has had more than 6000 visits for workspace usage and event attendance and boasts more than 70 community events since August 2011.

#### We are always looking for interesting news stories about incubation, acceleration, coworking and entrepreneurship to feature in this section.

Please write to us at: editor@theincubatormagazine.com

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# Work Wise

David Howell examines the rise of independent workers who are leaving behind their home office and public spaces to join the ever popular coworking environment

More and more people are parting ways with their traditional working environment in favour of coworking. Individuals who have workplace flexibility and those who are independent professionals are working together, rather than by themselves. This involves working as an individual, but not alone, rather in a shared environment. It is not just about the location and surroundings but also about the social interaction and the support network it can provide.

Coworking space focuses on community building as well as sustainability, sharing office space, whilst retaining individual activity.

Coworking is not to be confused with hot-desking, the popular nineties term which witnessed workers not having their own desk, but allocated work space, power sockets, local area network connections to connect laptops and mobiles. Today's professionals are more than equipped with their own communication gadgets and whilst proficient ICT systems are still very much valued, they are by no means first on coworking venues essentials list.

Coworking seeks to change the existing rules of work, enabling business owners and employees to work in a more unconventional way. No longer are we bound by the 9-5 conventions and whilst the advent of technology has stretched the working day, it does also mean that times have changed and working can be more streamlined and harmonious. Lifestyle and work are much more compatible now and as a result coworking is a great way to achieve this. This will free up time limits and laws of convention to improve the world of work.

> Coworking seeks to change the existing rules of work, enabling business owners and employees to work in a more unconventional way

#### **Redefining how we work**

According to deskmag.com coworking spaces have doubled within the last year with over 2000 spaces now worldwide. Why? Because business owners no longer have aspirations of moving into their perfect office, however nor are they content with their home space or coffee shop. Instead they are leaving all these models behind in search of alternative work strategies. They are looking for something which offers the flexibility of premises without the contractual restrictions.



#### There's no place like home?

Many people choose to work from home to integrate their vocation and their home life and doing so can offer a lot of perks. No meetings, no commute, no boss, not to mention working as and when you please. Likewise employers also feel the benefit enabling them to cut down on overheads when employing people who work from home. However for the home worker it can have its downsides.

This can be the chasing tail effect, stress and guilt; stress that you are not working and guilt that you are not giving family/home life your full undivided attention. Essentially it is easier to create a work life balance when "leaving it at the office" doesn't refer to the spare bedroom. Working from home may mean that you can never truly switch off as there is always the temptation to check emails last thing at night or draft a response over breakfast. Tackling the overflowing inbox in bed is the same reason people climb a mountain - because it is there. Interruptions while you are working from home can include almost anything. Personal phone calls, interruptions from children, pressing errands, deliveries and even tending to the house itself.

All of these potential factors can easily prevent you from completing important work. Thus time management skills and a diligent worth ethic become very important for those who work from home. Apart from interruptions which turn productive days into fruitless hours and the never-ending cycle of being "available" there are other social aspects that could be considered prevalent cons of working from home. The question to ask when working from home is what are you being disconnected from? Ask this question and most will respond, "social interaction". Humans are social animals that have an instinctive desire for communication with others. When that contact is missing it can result in negative ways; decreased memory and poor decision making.

#### **Caffeine overload**

A lack of social interaction and loneliness can lead to slower business growth. Therefore the necessity for communication encourages some to work in public spaces for relief.

For example coffee shops are a popular destination offering free Wi-Fi and good coffee, but they are not designed for work. Coffee shops are usually loud; people talking, music, coffee being ground and orders being shouted. Yes, you can work in a coffee shop, but not for free, you will be expected to order something. Conducting meetings could result in being stressful as you can run the risk of the shop being crowded and therefore finding no place to sit. It soon becomes obvious that working for yourself can become a doubleedged sword.

#### The coworking solution?

- Building relationships instead of isolation, a coworking group instantly connects you to other professionals. Simply just being around others can stop you feeling isolated. It is having that community of support which gives you a social boost. It can be very powerful. Creative energy is contagious. Being around other people working on projects makes you more excited about your own tasks.
- *Privacy without the isolation* it is a work day after all. You will want privacy and the ability to do focused work requiring your full attention which you can get without running the risk of home distractions.
- *Beyond the coffee shop* providing access to not only hot drinks, but conference rooms, printers and reliable internet connections makes the working day flow more smoothly.

- *Dressed for success* coworking compels you to have a more structured routine to be more productive. The process of dressing in business attire as opposed to what you would wear at home can make you feel more dynamic, positive and creative.
- *Lower overheads* allowing your employees to work from a coworking space will result in lower overhead costs. Whilst not a significant saving, it can help retain skilled workers while offering minor savings.
- Access to IT support and specialists most organisations which offer coworking have their own infrastructure in place which workers will be more than likely to tap into. Even simple things like a laptop clinic are often offered which can help keep costs down.

#### Work will never be the same again

The coworking space needs many factors in ensuring that things run smoothly, productively and efficiently. Good transport links, appropriate facilities and event organisation. The North East BIC UK feels that adopting the coworking approach adds real value to its centre. The BIC is like any other business in that respect; it must move with the needs of the market place and engage with clients on their terms and requirements. The BIC holds many networking events on site and adding coworking groups to this can only increase and improve collaboration opportunities.

#### Support

Homeworking is not just about the lone business owner. Many people working from home are employers themselves, however this does not mean that all employees are working in the same home. This is a growing area and funds like the Home Working Fund are helping these business to grow. The Home Working Fund is aimed at enabling companies to create new jobs for home workers in the North East of England. The innovative  $\pounds 1.1$  million Fund will help organisations overcome the initial cost barrier of implanting a home working operation.

#### **Coming together**

Coworking spaces have many similar attributes as incubators, but with more infinite possibilities. Instead of a place where they "make you" what you want to be, it becomes a place for you to make yourself. Possible additional costs may occur, but when compared to renting a dedicated office or the numerous coffees bought just to keep your seat it appears to be worth it. Don't wish to commute far? The distance of travel required is really up to the individual, coworking spaces are becoming more and more popular and it is highly likely to find one close by.

Working alone can be incredibly lonely but in these changing and exciting times it need not be and coworking may well be how all of us end up working in the not-too-distant future. Simply just being around others can stop you feeling isolated. It is having that community of support which gives you a social boost

Emma Harle, Elrah Consulting: "When I first attended a coworking day I wasn't sure what to expect. I thought that I would benefit from the networking opportunities but it is actually so much more of a support network. It provides access to new contacts all of whom are happy to share information and support each other."

Susan Lang, Consultancy & Training:

"I regularly attend coworking events and I find them to be most beneficial. After an introduction to my colleagues for the day I am then able to utilize the wi fi network and concentrate on my work. I feel like coworking days encourage me to structure my own work more efficiently and I can tackle my to do list. They give me the opportunity to work with other people who are in a similar situation to myself whilst getting me away from the home office for the day."



David Howell is the Director of Operations at the North East BIC UK. David specialises in property management, incubator strategies, marketing, business planning and new idea development. David works with organisations throughout Europe championing the EBN BIC model. Born and bred in the North East of England, David has a passion for the local area and is committed to developing an innovative and enterprising culture throughout the region.





This is what we call a "doublebottom line" business. One that is clearly focussed on making a profit, but it also has a social bottom line...

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# Good Business

Allyson Hewitt introduces us to the concept of corporate social innovation, outlining trends that both not-for-profit organisations and traditional businesses seek to achieve a double- bottom line of profit and social impact

A young animator had figured out a new way to streamline the animation process. He approached the Information technology, Communications and Entertainment (ICE) practice at MaRS<sup>1</sup>, a "convergence innovation" centre located in downtown Toronto, to help him commercialize his idea. He was given access to market intelligence, skilled and experienced mentors, networks and opportunities to raise capital - and thus **BitStrips**<sup>2</sup> was born. But, because he came to MaRS and not a standard business incubator, he was asked to think about his business through a "social innovation" lens. Does this process allow people to create their own avatars? Yes, that's the whole point. Could students do this? Absolutely! Do you think you could create a product that schools would be interested in purchasing and that could help students? Why not? We just hadn't thought about it before.

The outcome: a new market opportunity is opened and their largest client is the Toronto District School Board (and more recently other school boards in Ontario) who are using **BitStrips for Schools**<sup>3</sup>, a newly designed product wherein students can create their own avatars to tell stories using comic strips. Students are now using the comics to learn another language; French doesn't seem so intimidating when it involves cartoon characters talking to each other. The animation process is used to reduce bullying, as it is a safe way for children to tell stories, even painful ones. And the result is a whole new level of engagement to increase literacy rates. Hardly an intended consequence of the comic strip development process, but one that bodes well for the future of the company and of the students who are using the product.

This is what we call a "double-bottom line" business. One that is clearly focused on making a profit, but it also has a social bottom line, in this case, increased literacy and decreased bullying rates.

#### The new way

In the old way of thinking, the bifurcated world of business and social good would never meet. One side of the continuum would be occupied by charities doing good and surviving on government grants and philanthropic donations, and the other side would see companies who only care about making money. But the world does not work that way any more. Charities and not-for-profit organisations (or NGOs) are working hard to increase their own sustainability and lessen their reliance on declining grants and donations. Many grants come with "strings attached" and are given for designated purposes. These funds are essential, but they can also be problematic in that they direct what the funds may be used for and they may not give the organisation the flexibility they need to meet the changing needs of clients. The outcome: many SOCIETY organizations are finding ways to generate income that will ensure funds are flowed to support their social mission. Some high profile examples include Habitat for Humanity who run ReStore, retail outlets where they sell surplus donated building materials that can be purchased by consumers who renovating their homes; the YMCA who offer fitness  $\cap$ programmes for a fee for health conscious enthusiasts and free or low-cost programming for those in need; and Me to We, a for-profit arm of the charity, Free the Children, that sells organic, fair trade clothing with 50 percent of the proceeds being fed back to the charity.

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On the for-profit side we have businesses moving from thinking only of the single bottom line (profit) to those who capitalise on what they understand to be their "social license to operate". Some businesses meet that obligation through donations to charities, which is great as charities need these funds to realize their mission and they depend on donations from corporations to do their work: think donations to local children's hospitals or the United Way.

#### The win-win combination

Other companies, particularly those that are more progressive, are also thinking about their opportunities to create social impact as a part of their business. By moving along the continuum to corporate social responsibility (CSR), which may include aligning business needs with social needs. One example is Johnson & Johnson who support Safe Kids Worldwide. This corporation understands their consumers and their desire to keep their kids safe so instead of funding every request that comes their way from charities, they strategically align their support to this specific cause. And the support goes far beyond writing a cheque. They provide executive level support to assist with marketing and branding; they sponsor learning events; and they have picked a flagship event - Safe Kids Week - that includes leveraging their shelf space in retail stores and flyers to display safety messages.

Many other corporations are thinking about corporate social innovation (CSI) or, as Michael Porter and Mark Kramer call it in their 2011 Harvard Business Review cover

Other companies, particularly those that are more progressive, are also thinking about their opportunities to create social impact as a part of their business

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story on reinventing capitalism - creating shared value (CSV). They see the issue as follows: "Capitalism is an unparalleled vehicle for meeting human needs, improving efficiency, creating jobs, and building wealth. But a narrow conception of capitalism has prevented business from harnessing its full potential to meet society's broader

challenges. The opportunities have been there all along, but have been overlooked. Businesses acting LIVING as businesses, not as charitable donors, are the most powerful force for addressing the pressing

issues we face. The moment for a new conception of capitalism is now; society's needs are large and growing, while customers, employees, and а new generation of young people are asking business to step up"4. Ζ

Porter and Kramer site the work of Cisco, a global innovation company, and their Networking Academy as an example. The Networking Academy was established to meet a business need - the lack of LLI È administrators trained on Cisco's products. ш established Cisco then over 10,000 LAND academies in over 165 countries that trained over four million students. The outcomes: 70 percent of those trainees now have a better job, increased responsibility and/or increased income as a result of taking this training. The quintessential win-win outcome. Cisco gets their business need met and the trainees benefit through better social and economic outcomes.

#### The alternate approach

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Thinking this way is also critical if you are concerned about engaging young talent. Talk to anyone in their twenties and you will find they are very articulate about their desire to work for a company with a clearly outlined approach to corporate social responsibility. It is simply an issue of employee recruitment and retention. For example, many established businesses accept that to retain talent the business needs to be engaging in human resource policies that promote social participation through volunteering and some even give their employees time off to volunteer. This may sound like a "nice to do" but in fact, what we see is that employee loyalty increases5. And with such a mobile work force, retaining top talent is something we should all be concerned about.

Our corporate structures have not kept up with this demand either so we are seeing a demand for new corporate structures that reflect this desire to achieve double or triple (environmental) bottom lines. For example, the UK now has Community Interest Companies (CICs). These are described as follows: "Community Interest Companies (CICS) are limited companies, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage.

#### the**Feature**

This is achieved by a "community interest test" and "asset lock", which ensure that the CIC is established for community purposes and the assets and profits are dedicated to these purposes. Registration of a company as a CIC has to be approved by the Regulator who also has a continuing monitoring and enforcement role"<sup>6</sup>.

The US has Low-profit, Limited Liability Corporations (L3Cs). "An L3C is a for-profit, social enterprise venture that has a stated goal of performing a socially beneficial purpose, not maximizing income. It is a hybrid structure that combines the legal and tax flexibility of a traditional LLC, the social benefits of a non-profit organization, and the branding and market positioning advantages of a social enterprise. The L3C is designed to make it easier for socially-oriented businesses to attract investments from foundations and additional money from private investors"<sup>7</sup>.

There is also a trend to B Corporation certification, which "is to sustainable business what Fair Trade certification is to coffee or USDA Organic certification is to milk". There are currently 650 B Corporations in 19 countries representing 60 industries. In addition, the US has recently enacted Benefit Corporation legislation in 12 States with 14 others working on it. "Benefit corporations are exactly the same as traditional corporations except for three little things that make them game-changers: higher standards of purpose, accountability, and transparency"<sup>8</sup>.

These new corporate structures recognize that, in addition to the demands on not-for-profits to think about revenue generation on one side and for-profits to think about creating social impact on the other side, there are actually companies that exist with an embedded desire to make money and make a difference as part of their articles of incorporation. Companies who are oriented to doing good and as a result doing good business.

At MaRS we urge companies to consider how their product or service can be used to meet a social (or environmental) need while generating income. It is our belief that this is not only the right thing to do, requiring us all to think about our future in a ways that considers the economy, society and the environment, it is also good business. One that leads to new market opportunities and increased sustainability. We do hope you will join us as we believe ignoring this trend may leave you far behind in a very competitive and global market. But a narrow conception of capitalism has prevented business from harnessing its full potential to meet society's broader challenges. The opportunities have been there all along but have been overlooked

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Allyson Hewitt leads the social innovation programmes at MaRS including the Ontario node of the national initiative, Social Innovation Generation (SiG@MaRS). She is also establishing the MaRS Solutions Labs, a change lab designed to tackle complex challenges. She last worked at SickKids where she led Safe Kids Canada. She was also the Executive Director of Community Information Toronto where she initiated 211, providing streamlined access to human service information. For this work she received the Head of the Public Service Award and several other prestigious awards for meritorious public service. Allyson's academic background is in Criminology, Law, Public Affairs, Voluntary Sector Management and Organizational development including Leading Change.



#### **Community Connections**

I recently found photographs of the 1997 construction ground-breaking ceremony for the Santa Fe Business Incubator. The site, where a large building stands today, was a dusty field of weeds then. What interested me about those photos are the happy faces of the people: bankers and engineers, Board members and volunteers, the Mayor and the Chamber of Commerce Director smiling as they turn shovelfuls of dirt to mark the occasion. Dozens of people had worked for three years to plan and realize the dream of having a Business Incubator in the community. The photos and their smiles tell the story of cooperation and hope for the future, hope to foster a community of entrepreneurs who would create a stronger economy and new career opportunities for these people's children and grandchildren.

Since uncovering those photographs I have been thinking about the concept of "community" in all its forms: community defined as; "group of people"; "neighbourhood or village"; "kinship, and cooperation".

Like our communities, Business Incubators vary greatly in shape and orientation. Some are located in massive complexes and some in small structures; many are built shiny and new, while others are carved out of old grocery stores or vacant office buildings; some forsake a central facility using technology to deliver services. Regardless of what they look like, Incubators are formed to engage, unite and support a community of entrepreneurs within a broader public setting, creating convergence of place and people that looks both inward and outward.

Dr. Robert Meeder, an expert on Business Incubation, said the basic job of Incubation is to help entrepreneurs overcome risk and isolation. Creating an environment of connection and community inside the Business Incubator is key to preventing isolation. An Incubator client can get help from a staff person. He knows the entrepreneur across the hall faces the same challenges even if his business is different. This community "within" fosters unexpected synergies, something a colleague of mine calls "Incubator Magic". I have seen this "magic" at work in many forms: Incubator visits by government officials or a bank president leading to casual conversations with entrepreneurs that opens valuable networks; clients sharing resources; business founders collaborating to start a new enterprise.

We Incubator professionals cultivate those connections within the Incubator and by links to the broader community outside. We partner with other economic development organizations; produce seminars and workshops; engage volunteers to help our entrepreneurs; help clients find employees; introduce them to sources of capital. We build strong Incubation programmes and advocate for them to stakeholders. We gather statistics on graduates and report economic impact. We engage many people from the community, concentrating on those we have ongoing interactions with.

Over time a well-run Business Incubator becomes an institution. The ceremonial shovels have long been stored and the excitement of the past seems distant. As I look at the photos of happy, hopeful faces from our earliest days, I want to throw open the doors and invite more people in, tell them the stories of the graduate businesses they see located around town, ask them to participate in our volunteer programmes or inspire them to start a business of their own.

At the end of the day the "communities" that matter most are not those formed solely by our efforts to improve our Incubators. They are created by the dreams and aspirations of everyone who lives in the communities we serve.

#### Marie Lonserre

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A recognized leader in Business Incubation and entrepreneurial development, **Marie Longserre** has been the President and CEO of the Santa Fe Business Incubator (SFBI) in Santa Fe, New Mexico USA since its inception in 1997. Marie was elected to the Board of the National Business Incubation Association for two terms and was Board Chair in 2012.

# Financing Success

*Judy Robinett* looks at the opportunities and challenges from equity-based Crowdfund investing for start-ups and incubators

The concept of equity-based Crowdfund investing (CFI) is not a completely new one - investors in the U.S. began pooling their capital to invest in new businesses since the Industrial Revolution. Similarly, start-ups around the world frequently turn to the tried-and-true friends and family network for initial seed funding. Over the past few years, however, the global financial crisis and diminished access to bank loans has limited access to capital for start-ups and small businesses for early stage and advanced rounds of funding. Moreover, legislation enacted in response to past financial crises has had the unintended effect of placing both small-volume investors and start-ups without significant resources out of the capital markets. Several countries have already taken steps to open up capital markets through CFI. Crowdfunding becomes legal this year in the U.S. thanks to the JOBS Act passed by Congress and signed into law by President Obama last spring. This will allow businesses to raise investment capital from both small and large investors in exchange for equity. In an unprecedented era of social connectedness via the Internet and the rising availability of innovative, disruptive technologies, Crowdfunding will open the doors to investment opportunities for entrepreneurs, investors and incubators. A new era of transparency and collaboration is set to replace older, outdated investment models.

#### **Unintended Consequences**

In the early twentieth century, the decentralized regulation of financial markets in the U.S. enabled unscrupulous stockbrokers to issue stock in fictitious or worthless companies and sell them to investors in other states. In response to widespread securities fraud and the stock market crash of 1929, Congress passed the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws were designed to increase public trust in the capital markets by requiring uniform disclosure of information about public securities and establishing rules for honest transactions. These regulations dictated the way capital markets would function in the U.S. for the following 50 years, until it became apparent they were inhibiting the flow of capital to smaller enterprises. In response, the SEC adopted "Regulation D" in 1982, which established certain exemptions from the registration requirements under the 1933 law for small businesses.

The failures of WorldCom and Enron in the early 2000s again brought about new financial regulations. Legislation passed in response to these scandals ushered in a wide range of corporate governance, accounting and financial reporting requirements. "The new rules effectively ensured that if your business was worth less than \$100 million, going public through an IPO was not an option due to excessive costs,"



says Sherwood Neiss, co-founder and principal of Crowdfund Capital Advisors, the group that lobbied for the legalization of CFI in the U.S. The IPO market was closed off from all but the largest corporations and dramatically reduced small- and medium-sized businesses' access to capital.

#### **Kickstarting Entrepreneurship**

The Organisation for Economic Co-operation and Development (OECD) estimates that small- to medium-sized enterprises (SMEs) supply between 60 and 70 percent of all jobs in developed countries. Relatively high interest rates, disparities in access to private equity markets and regulatory burdens are the primary hurdles facing entrepreneurs, according to the organisation. In developing countries without well-developed private equity markets, securing early-stage investment is even more difficult.

By 2012, the concept of Crowdfunding was already commonplace due to websites like Kickstarter, which allows users to donate funds to a project in exchange for a "thank you" or a gift - but not equity in a new venture. The JOBS Act of 2012 lifted certain restrictions on soliciting unaccredited investors to purchase stock in the U.S. The country is certainly not the first to legalize equity-based CFI - some form of Crowdfunding has been operating in Australia and the UK for years with profound success. Italy joined their ranks last year, allowing start-ups to pursue Crowdfunded investment capital with the assistance of an angel investor.

New financing options could not have come at a better time for start-ups. In 2012, small business loans were difficult to secure in the face of the banking crises in several European countries and renewed fears of recession in the U.S.; venture capitalists seemed more apprehensive about riskier, early-stage ventures. Funding a start-up is "as difficult as ever," according to Kelly Hoey, founder of Women Innovate Mobile, an accelerator dedicated to fostering mobile technology projects headed by women. More startups compete for the same number of slots, and possibly less funding, even if they work with an incubator or accelerator. Even then, the success rate of even the most prestigious venture capital firms has come under scrutiny, as reportedly only half of start-ups backed by venture capital have generated a return in recent years.

"The world we know as 'Crowdfunding' will continue to grow," says Adam Draper, founder of Crowdfunding platform BoostFinder and San Mateo, California-based incubator Boost. "I believe that most venture and angel-backed deals will be done online in the next five years. The biggest issues with investing in start-ups are getting to know the companies and filing all the necessary legal documents after the decision has been made to invest. CFI platforms address these issues in an attempt to create a fast, easy process to invest in start-up companies."

#### Impact on Incubators

Crowdfund investing will create a new set of investors that Jason Best, co-principal with Neiss at Crowdfund Capital Advisors has called "micro-angel investors." Although some skeptics caution that Crowdfunding will compete for access with angel investors and venture capital firms, it is not intended



as a direct alternative, but rather as an early-stage funding option for start-ups that may eventually pursue larger rounds of financing or want to attract the attention of an incubator or accelerator. In the U.S., companies will be able to raise up to \$1 million annually through Crowdfunding. A business owner can use Crowdfunding to raise funds in small increments, and every investment can have a big impact on that business's success in the early stages. The potential for Crowdfunding to attract a significant number of new investors to the private capital markets raises new questions for incubators and private equity firms alike.

Hoey is undecided about Crowdfunding's role during the incubation period, raising a key question many in the field are also asking: how will Crowdfunding affect start-ups that pursue angel or venture capital investment in the future? Crowdfunded start-ups "may come with a lot of baggage," she explains, citing the potential of having dozens or even hundreds of smaller investors to manage in a second or third round. As a mentor to the entrepreneurs in her programme, she is dedicated to educating start-ups about the myriad funding options available to them. She says among the potential advantages of Crowdfunding include "proof of market validation - people want this because they were prepared to Crowdfund it." While detailed rulings from the SEC have yet to come out at the time of writing, it is important for incubators and accelerators to think about the effect of expanding capital markets and prepare to work with Crowdfunded start-ups in the future.

Jeff Burton, president of SkyDeck, an incubator at the University of California, Berkeley, seems to agree. Crowdfunding is "still finding its appropriate fit in the world of investing... its terms, methods and sums vary widely and require a knowledgeable advisor to gauge the appropriateness [of it] for any specific start-up." Still, Crowdfund investing could have an immediate impact for "certain, specifically attuned 'crowd segments'" in the business-toconsumer product marketplace.

Mitch Gordon, a SkyDeck graduate and founder of GoOverseas.com. studied Crowdfunding during his MBA programme at UC Berkeley. "For a lot of companies, the most viable [funding] option is the one that

gets them the money they need. Crowdfunding has the potential to do this, so I'm sure many more entrepreneurs will start looking in this direction," he says. "Accepting money from investors is a serious decision - it changes the way you run your business. Bringing on the large number of investors through a CFI service can be a challenge. If you focus [investors] the right way, this can be an amazing tool: they can be your first customers and brand evangelists."

Incubators will have to educate their start-ups on the specific legal requirements and regulations in their respective countries, and determine whether or not seed

> Crowdfunding will become a part of entrepreneurs' repertoire of financing options - just like angels and venture capital

financing through Crowdfunding makes sense for their startups. Most Crowdfunding platforms will perform some level of due diligence on their investors - hopefully allaying some fears of a supposed legal quagmire for institutional investors. According to a November 2012 interview with Paul Niederer, CEO of the Australian Small Scale Offerings Board (ASSOB), the world's largest equity crowdfunding platform, where Crowdfund investing has been legal since 2005, there have been no reported instances of fraud, another concern regarding Crowdfunding.

#### From Microfinance to Crowdfunding

"Access to capital is not just an American problem, it's a global problem," says Best. He has been an active supporter of CFI, travelling all over the world to work with investors and policy makers in implementing Crowdfunding structures. Best and Neiss worked in a number of countries including Italy, Colombia, Mexico, Canada, Turkey and Sweden to provide policy consulting and investor training for building effective angel networks and Crowdfund investing platforms.

CFI "is perfect for a country like Colombia that doesn't have a strong history of venture capital or angel investors," says Jennifer Jordan of Mass Ventures, an early-stage venture fund in the high tech space in Massachusetts. There is a significant funding gap between early seed investment and more formal investment structures for many start-ups in the developing world, according to Jordan. She predicts that Crowdfunding will become a part of entrepreneurs' repertoire of financing options - just like angels and venture capital - but it may be more suitable for some organisations than others, like the Massachusetts Institute of Technology's Accelerating Information Technology Information (MITAITI) global incubator. MITAITI's alumni are successfully launching mobile technology and other ventures in their home countries, such as Hehe, a mobile services company in Rwanda. CFI could be a critical financing avenue for startups in developing countries that participate in MITAITI. "Lots of people can receive some amount of seed funding," but private equity funding in these countries tends to focus on growth-stage enterprises instead of early-stage start-ups.

Microfinance advocates encountered similar criticisms as those facing Crowdfunding before microloans became popular in the developing world. Today, not only do microloans have a lower default rate than many other loan structures (less than five percent), the size of the market has grown substantially, to everyone's benefit. Apprehension about a new form of technology, even a potentially disruptive one, should not deter the investment community from taking Crowdfunding seriously.

#### Conclusion

With the introduction of Crowdfund investing, the average small investor can sit in his or her living room anywhere in the world, study a multitude of business plans from global entrepreneurs and fund them

with merely a few clicks.

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Crowdfunding platforms will screen

both the investor and entrepreneur to avoid fraud - and the investor can feel assured that the funds are directly supporting the individual making the pitch. Instead of viewing Crowdfund investing as a direct competitor, angel investors and venture capitalists should accept it as a viable funding channel. Incubators are an incredibly important driver of innovation - Crowdfunding merely provides their programme participants with another financing option to overcome what is viewed as the primary hurdle facing earlystage start-ups: finding money to power their growth and success.



Judy Robinett is a business thought leader actively involved in venture capital and private equity. With more than 30 years of experience as an entrepreneur and corporate leader, Judy has served as CEO of public and private companies and in management roles at Fortune 500 companies. She is currently a partner at Crowdfund Capital Advisors, on the advisory board of Illuminate VC and Pereg Ventures, and is a mentor at Pipeline Foundation, where she counsels high net-worth women on angel investing. She has given more than 300 speeches worldwide and is author of the upcoming book, Strategic Relationship Mastery: How to Build High-Value Connections for Business Success.



# Space for Ideas

*Cosimo Quarta* reports on the Technology Transfer Programme of the European Space Agency

What started as an intention to facilitate technology transfer within the European Space Agency has now become a solid framework, a well-oiled machine generating companies, which is currently implemented in five ESA member states across Europe, and eyeing non-member-countries in its next step.

Think about solutions, the kind of solutions that save children's lives, increase your security and safety, maintain sustainable environment, and provide you with a level of lifestyle that brings Europe to a leading and competitive position as a technology pioneer.

Those solutions are here, and they are reflecting the innovation power of the European Space Agency, with its Technology Transfer Programme Office (TTPO) leading a network of seven incubation centres across Europe.

What makes ESA's Business Incubation Centres (BICs) into a solid framework is their combination of efficiency and neutral stand.

"Six weeks. This is the time our application handling process takes - from the stage of presenting the idea proposed by an entrepreneur about a space technology spin-off solution, to a contract offer by our ESA BICs, located in one of our centres," explains Frank M. Salzgeber, Head of ESA's Technology Transfer Programme Office.

Additionally, ESA's unique neutral stand, claiming no share in the new company's success, is a key for a successful process, while focusing solely on local needs and public procurements.



"ESA's Technology Transfer Programme is the nice uncle with €50K in his pocket, and with the right contact book," says Salzgeber, "We are supporting ideas, and through our Business Incubation Centres, we are turning them into businesses. The mission of ESA is to enable the European Space Industry, we have used this model and are now enabling the creation of start-up companies."

Local backing is essential for the success of the centres, and so the centres are established by ESA and, at the same time, gain an equal national participation and contribution.

"Hosting a business incubator is complex. We have to balance the local and the international support, but as an ESA entity, we are looking at it as we are looking at a satellite for space - a strong framework with adaptable qualities. ESA is excellent in managing highly complex projects. We have merged this knowledge with the commercial and business oriented approach."

> More countries, also outside of Europe are now looking into adapting our successful BIC-model

And what is in it for the start-ups, the so-called 'incubatees'? Their gain is a winning package - initial investment, ESA branding, a combined technical and business support throughout the company start-up process, and of course the world wide network, which is covering all industrial sectors.

Bruno Naulais, the European Space Incubators Network Manager, from ESA TTPO explains, "We are bringing the incubatees into our centres. They gain from our know-how and technical expertise, which are added to their business idea, and over the two years at one of our BICs they are being shaped into becoming fully operating companies, with all the support needed."

"It's also good to remember, that the incubatees are not the only ones who benefit. The maths is simple - more companies, more jobs, helping us all here in Europe in today's global economy - and it's all based on the spin-off from our investments into new technologies for space exploration."

Every year, ESA BICs help to create viable businesses and new jobs by providing support to 60 companies throughout Europe, and to date, more than 180 start-up companies have received support from ESA's Business Incubation Initiative.

The framework of the Agency's Business Incubation Centres, operating for eight years and now present in The Netherlands, Germany, UK, Italy, and Belgium, has caught the eye of other countries and partners. Spain, France and Sweden are now all in the process of preparing applications to open their own respective ESA Business Incubation Centres - and Naulais emphasises, "We are happy to expand, as this is a great advantage for both the applying country and for us all in Europe. We are looking for expanding our network further."

And he adds, "More countries, also outside of Europe are now looking into adapting our successful BIC-model. We receive requests on the method, model, and implementation process in Russia, Japan, and Thailand; these are different countries with different needs. We just have to see what is the strength of each country and use it for the model. It will further strengthen our European network to have partners also in other parts of the world."

One example of where the ESA BIC model is being successfully adapted outside of space technology is at the Sci-Tech Daresbury science and innovation campus in Cheshire, UK. The Science and Technology Facilities Council (STFC), which manages the ESA BIC Harwell in the UK, has



Frank M. Salzgeber is Head of the Technology Transfer Programme Office of the European Space Agency (ESA).Prior to this post he was the Head of Commercial Development in the European Astronaut Department of the Directorate of Human Spaceflight Microgravity and Exploration at the European Space Agency (ESA)

Prior to joining ESA, Frank held the position of Chief Operating Officer (COO and CFO) at an IT start-up with the headquarters in Munich, Germany between 2000 and 2003.

Frank also spent seven years at Apple Computer (1993–2000) initially as an account manager and then as a sales manager covering Central Europe.

Frank is genuinely passionate about the importance of human space flight and the European Space Programme, saying "a society that stops exploring, stops progressing".

He holds a degree in Graduated Industrial Engineering.

Frank is a member of the advisory board of the Triangle Venture Capital Group and the board of directors of the European Business and Innovation Centre Network (EBN).

teamed up with CERN (the European Organization for Nuclear Research) to create a STFC CERN Business Incubator. The first of its kind, the centre aims to transfer technologies developed for high energy physics research and bridge the gap between fundamental research and the creation of new products and services.

Paul Vernon, STFC's Head of Campus Development who leads business incubation initiatives said, "STFC has very strong and long standing relationships with both ESA and CERN. The collaboration with CERN was directly made possible by our strong track record of business incubation through the ESA BIC Harwell, where we now have 17 hightech companies that are successfully translating space technologies into award winning, profitable businesses." Supporting fresh ideas, ESA TTPO is also supporting the European Satellite Navigation Competition (ESNC) - Galileo Masters - which is a launch pad for innovative business ideas and solutions involving satellite navigation. The winning start-up of the ESA Innovation Prize is awarded €10,000. "We have the technology and know-how within ESA, and investing in such a competition, where European entrepreneurs are developing this existing knowledge, is not only investment in them, but also in future space and business development," said Frank Salzgeber.

This competition is a great source of innovative business ideas in virtually every field of industry, and through it, the TTPO finds and supports new ideas for the commercial use of space technology, and seizing the opportunity as a deal flow generator.

Among the innovative ideas for satellite navigation applications originating from the competition's previous years is a system that reports flooding in real-time, a corporate application for tracking carbon footprints, and commercial location-based services.

Based on this success the ESA BIC Bavaria was contacted by the Fraunhofer Institute ISS based in Nürnberg, which is well known primarily for the development of the audio coding technique, MP3. Since the year 2012 this ESA BIC is also hosting the incubation activities related to navigation for the Institute.

Looking at the future, with countries lining up to open Business Incubation Centres, and partners using the ESA model, it is the importance of investment in future talent, and building around it a solid framework, which guarantees sustainability in every location.

We have the technology and know-how within ESA...

Moreover, the start-up companies may take advantage of other TTPO activities: the commercialization of ESA IPRs, the ESA Broker Network and the Open Sky Technology Fund, a €100m Venture Capital Fund managed by Triangle Ventures.

"At the end of the day the vision is clear. We are looking for products, not projects, and the customer is the start-up. If they are successful, ESA TTPO is successful," says Salzgeber.



Cosimo A. Quarta is a member of the Technology Transfer Office at the University of Salento, Lecce, Italy. In 2006 he contributed to the establishment of the ITech incubator of BIC Lazio at the Tiburtino Technological Pole in Rome. He implemented a start-up support programme in the aerospace industry in co-operation with the European Space Research Institute (Frascati, Italy) and made agreements with leading Italian research organizations CNR, ENEA , University of Rome "La Sapienza". Formerly Cosimo was involved in local economic development, EU project design and entrepreneurship support. He is currently carrying out a PhD in economic geography on urban networking in Europe.



# COM exander Ryabintsev/Shutterstock.

## Natural Disasters and Cleantech Opportunities

A recent headline in a well-respected business publication suggested that investment in cleantech continues to drop. As an evangelist for cleantech, I found this headline and article disturbing. Everyone has heard of the misguided investments by the US government into several US based solar enterprises, but is this the reason cleantech investing is down? Have we become that short sighted?

As a resident of New York, I survived Superstorm Sandy! The outpouring of support has been heartwarming and clearly demonstrates the good-hearted nature of Americans. However, the damage caused by the storm also exposed the vulnerability and fragility of our aged physical infrastructure.

As the storm raged, my family was safe and secure, waiting in anticipation of the inevitable. The storm really whipped up in the evening hours. The first utility to go was the electric power followed shortly by the cable and access to the internet which was quickly trailed by our cell service. So, here we were, living at the epicentre of the media and financial capital of the world and we were deaf, blind and disconnected from the outside world. How could this possibly happen from wind and rain?

As the storm blew itself out I went outside to assess the damage. Lots of trees were down. On my property alone we had six trees just miss the house, but one forty-footer did fall across our street onto a neighbour's car. There were also telephone poles (just like those erected by Morse, except then they were called telegraph poles) toppled over with wires and cables dripping and drooping. Exploding transformers were lighting up the night sky like fireworks in July.

Because we were disconnected from the world, I stood, listening to the silence broken only by the occasional pop of a transformer I could only guess as to the extent of the damage. I knew if my neighbourhood sustained this kind of damage, I could only imagine how low-lying areas were affected. In the days following, power slowly came back, cable and internet were restored and cell service spottily resumed. But there were many others all throughout the North East who weren't as fortunate. The extent of the damage soon became evident. I also realised that as devastating as the storm was, it also presented an opportunity to rebuild smartly and efficiently.

This is the moment to showcase the cleantech innovations that can restore the confidence in this industry and to demonstrate that cleantech is not just solar and wind. New energy-efficient boilers, HVAC systems, lighting, cloud based data backup, fiber optic cables, building products, batteries, energy storage devices, emergency lighting and signals and so much more.

Let's not get derailed by a few bad investments (does anybody remember the dotcoms? But we still use the internet and apps). This is a sea change moment for New Yorkers, just as it was last year in Japan and Haiti and other parts of the world devastated by natural disasters. It seems that our hundred-year storms are occurring every year. Climate change is influencing weather patterns and along with the devastation comes opportunity.

Investors take note.

Les Neumann

**Les Neumann** is CEO of iCAN. iCAN is transitioning its eight years of incubation experience, knowledge, global contacts and geographic market from local to global; from subsidy dependent to for-profit and from bricks-and-mortar to a virtual, digital strategy. iCAN is changing the paradigm of traditional incubation & acceleration from the traditional geographically restricted, not-for-profit, real estate model to a global, virtual, for-profit one.

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# Now and Then

Alessandro Collura in conversation with Tom Mancuso, discovers the fascinating story of the world's first business incubator


### The Batavia Industrial Center enjoys the reputation of being the world's first business incubator. Can you give us a brief history...

The building that is now known as the world's first incubator started as a manufacturing company called Johnston-Harvester, and then Massey-Harris. My great-grandfather and grandfather worked on the construction site and it was the factory that enabled my grandfather to go on to to trade school and become a plumber. This eventually led to the family business of Mancuso Plumbing and soon after that they diversified into car dealership and real estate (including a movie theatre).

The late 1950s were economically difficult and when the Massey-Harris plant closed shop in 1958, local unemployment rose to twenty percent overnight. My grandfather and his brothers realised that the closure of the biggest employers in town could adversely affect their businesses as well, so they decided to buy the factory for USD 185,000 and find an alternate tenant. Things, however, did not work out quite like that, as there was no single business willing to take the risk. Eventually they started taking in smaller tenants to fill the space - the first one ever

was a sign-maker who made the sign that still hangs on the building today. By 1976 they had a thousand people on site, but success brought with it increased maintenance costs and electricity bills. At this point Atkinson's Enterprises offered to potentially put in more time and money into the upkeep and running of the place, but the project forced the company into Chapter 11 bankruptcy. Soon after, the bank invited the Mancusos to resume the running of the business till a new owner could be found - they were convinced this was the best chance to recoup losses and support the Batavia business community.

Two years down the line it was obvious significant infrastructural improvements were needed to deal with the ever-increasing running costs and in order to do this, Joseph Mancuso had to look to see what sort of returns he would get if he made improvements that would serve different industries... software, agro/farm sector, laboratories etc. Then in 1984 Joseph, with the help of the Genesee County Industrial Development Agency, state agencies, the community, and banks, put together a financial package that enabled him to re-purchase the building and make lasting improvements to its infrastructure.



### What are the origins of the term business incubator?

When my grandfather and his sons took my father out of the hardware store to start running the Batavia Industrial Center they told my father: "Eh Joe, we have to fill the building, create jobs and make money by doing it". That's still the job 53 years later. Since bills were high from the word go and given that a lot of space was occupied by warehouses or other activities that didn't create a lot of jobs, we soon came to realize that we had to find job-creating businesses replacing those less labour intensive ones. One of the first businesses at that time was the Mount Hope Hatchery, a chicken hatchery from Rochester, New York that used 80,000 square feet of space to hatch baby chicks. My father was showing a reporter around the facility once day and while explaining the business in a rather light-hearted fashion remarked, "While they are busy incubating eggs, we are busy incubating businesses". And the name stuck - and today it is synonymous for business development enterprises worldwide. By the late 1980s, almost all business development organizations were identifying themselves as business incubators.

### What were the crucial turning points and the role (if any) played by the public sector in this venture?

The public sector had little impact on the original business. In 1984 however, they provided a low-interest loan that covered forty percent of the project costs. Parties with vested interests in the bail-out suggested we borrow money from the Federal Government to create a local revolving fund generated by the loan repayment. That fund only lends up to about US\$ 20,000, but in our experience small businesses need mentoring more than money. There was a five-year lull in public sector involvement and then we attempted to tear down the original structure and build a more modern complex to better address the needs of emerging businesses. The State helped with some grants, but we borrowed the rest.

#### How did the incubator - which began as a realestate operation - deal with the high costs structure that typically affect this kind of business?

We worked very hard to fill the building as fast as we could and we used that money to maintain the building, make its operational management more efficient and self-sufficient and finance development programmes for the small businesses. The Batavia Industrial Center, the incubator that most people know, has grown to 900 thousand square feet with 30 acres of land. In my experience the cost of the people, the management that provides the assistance to the tenants, is as high as the cost of the building upkeep. It's one of the reasons why we focus on larger buildings so that we can spread the cost of the programme over enough space, thus keeping rents low enough to help and attract the businesses.

#### What do you think may have been the main competitive advantages for the companies being located in the incubator facilities of Batavia?

For some businesses Batavia has a strategic location, being close to big cities and to Canada, for some it offers flexible, growable spaces. For others it is about the facilities: high ceilings, cranes, trucks, warehouse and storage. Our services are comprehensive - we provide tenants with bookkeeping, telephone answering, administrative services, copiers, faxing, document scanning, postage, conference rooms, short-term office rental, warehouse services (loading & unloading), courier services & supplies. We also provide market and business advice, from developing a business plan, preparing a web page, access to debt and equity financing, market analysis, intellectual property advice, recruiting and supplying a labour force.

Most of the tangible assets are owned by the Batavia Industrial Center and are specific to the way we manage the needs of the the businesses we serve, but our strategic assets are the intangibles; human capital being key. Our main strength is the network we have created over the years, across the region - universities, trade schools, banks, etc and we make connections between the business people, the business owner and the resources. We are with our tenants when they start, we are with them when they grow, and even when they leave the incubator, if they stay in the region, we help them find, rent or buy buildings...

#### What would be the salient figures of the Batavia incubator? Industries, manufacturing capabilities, service activities, revenues, employees, companies created, jobs created, contribution to the local economy etc?

In 2005 we had served over 2,700 businesses and we stopped counting. I would say our main focus is jobs. Today there are 80 businesses inside the incubator and about 400 people working from our facility - but we know there are at least four thousand people outside the building that are professionally connected to businesses we have helped to grow.

### What are the standard services provided by the managing team to the tenants? Which of these can be customized and offer a higher value-add ?

Well, almost everything we do can be customized. Our goal, perhaps our core competence, is to connect businesses to the outside market by providing whatever they need throughout their entire life cycle, from start-up to development stage to their retirement. We are fortunate to be near several excellent universities that allow us to expand the scope of services we offer - for example, the support they need in managing IP rights, patents, licensing and so on. Universities seldom charge for these activities, unlike other market services that have to be paid market prices, for example, IP attorneys or venture capitalists. Tenants can pay extra and buy as many other services as they want: forklifts, cranes, office labour, industrial labour, equipment. Furthermore, we also offer a combination of training, advice, mentoring, outtenant and virtual programmes for pre and post occupancy clients covering the entire business life-cycle - from start-up to retirement.

#### What are the payment schemes for different services provided and which of these are included in the rent, and which are charged separately and why?

The largest share of the rent is based on the space occupied by the tenant and include almost all of the services available within the incubator such as coaching, advising, networking events, secretarial and administrative services, and so on. Almost everything is included, except the tangible assets and the labour. If you use equipment like a forklift, crane, copier or scanner you will have to pay for usage. Similarly a client would have to pay for the services of the Incubator team members as and when they need it. We are in the business of teaching people how to run businesses in the real world. We initially start with low-rents, but that goes up gradually (often exceeding market prices) to enable a tenant to decide the value of being in or out of the incubator. Our building is very large and we always have space available, and while we don't need to make them leave the building, they must at some point leave the subsidized part of the programme.

#### What are the core and stratetgic competencies of the management team? Which ones are provided in-house and which ones are sourced externally, if at all?

As much as 80 percent of the people working for the Batavia industrial Center are resources on site, including those of the management team which is made up of six people. The people we hire are local and therefore care about the people they work with. We provide whatever help we can in-house and for those elements we cannot cater to, we try to find connections in to the local community. Our staff are all experienced and business people themselves. I have run businesses all my life. I've been in the board of a bank for many years, our leasing man comes from the industrial rental sector, our operations manager is an industry professional. But we also try to pick people who have



displayed a commitment to the community over their lifetime: volunteers from the non-profit sector, for example. We try to put all of this together to offer our tenants a comprehensive, caring, customised package. Fifty years later this model still seems to be working.

#### How would you compare the public and private business models in the management of the incubation value chain, taking into account the differences between developed and developing economies?

I'm more familiar with the private model of incubation even when we talk about development policies which are used to define the business incubator sector. As an original member of business incubator association in the U.S. I realised that most incubators are public or university based. I personally favour the market-driven model, but I understand that it has to be different based on the available talents in the community.

In developing countries, policies are aimed at increasing investments in technology and attracting large enterprises. All good, but 90 percent of businesses are small businesses and are the the spinal cord of these economies. The public sector may play an important role in the very early stage of a business' life-cycle, when the business idea needs to be finetuned and tested before competing in the marketplace and the young entrepreneur may not have access to funds or bank loans. For example, the city of Batavia has a programme that gives the business owner up to thirty thousand dollars, only half-repayable, provided that the entrepreneur commits to getting some education in business, develops a business plan and stays in business at least for three years. We have periodically loaned money to businesses, in addition to subsidizing them with rent. The rental subsidy is actually a funding mechanism, but some businesses that graduate from the programme are paying market or above-market rent. The city has a revolving loan fund and there are banks that grant loans. But sometimes nobody will loan the money that the businesses need and every now and then we get involved in that, thus providing some kind of micro-financing for short periods of time. Even though I favour the private model, there are several advantages in the area of public-private partnership, at least when the partnership is led by the private sector. I feel, in these instances, the projects will be market-driven and provide a timely response to the needs of the community.

#### Based on your Sicilian roots and incubator knowhow, can you suggest how we here, in Sicily, can free ourselves from dependency on public subsidies to support to our start-ups and spinoffs?

I would welcome the opportunity to help create more businesses and jobs in Sicily. I think the process is much the same as here. Based on a strong business experience and an in-depth understanding of what the community is like, what its unique needs are and what it can provide, we start firstly by clearly defining what our goals are, that is to create jobs and pay bills. Afterwards, we define what is successful and try to carry on doing it. Our model used an existing building, capitalising on an existing asset. I think in Sicily is much the same. You find a building or a collection of buildings that are big enough to spread the cost of the programme, then you'll probably need some help either from investors or benefactors who are passionately committed in the community or some public investment, provided that the management stays market-driven till you are self-sufficient. We have a phrase we use to define our approach:cooperative self-reliance.

You certainly have enough people and lots of businesses. Focussing on your unique products, talents and strategic assets of your community, whether it's a city like Palermo, Agrigento or Noto, or a collection of little places like those my family is from, would be a good starting point. I would like to remind you and everyone in the Sicilian community that the first business incubator in the world was created by a Sicilian.



B Thomas Mancuso, SIOR Mancuso Business Development Group

Even though I favour the private model, there are several advantages in the area of public-private partnership, at least when the partnership is led by the private sector.



Alessandro Collura has more than 15 years experience in the field of development policy. He has worked with Sviluppo Italia Sicilia since 2003 as a senior professional business analyst and market analyst and is a member of the team responsible for the development strategy of Sviluppo Italia Sicilia's business incubators network. His main skills and expertise include designing and evaluation of feasibility studies related to development programmes in the fields of innovation technology and renewable energy sources, management of foreign investor relations, designing of financial incentives aimed at developing large industrial investments in developing areas and an indepth analysis and reporting on Sicily's investment opportunities in different fields.



The institutional goal of Sviluppo Italia Sicilia's incubators (Catania and Messina and soon Termini Imerese) is to assist innovative business initiatives in the start-up phase, providing them the necessary tools to overcome the most delicate stage of a company's life-cycle "death valley". It also enables them to compete with the market once they leave the incubator, as well as supporting the development of SMEs in regional strategic sectors. The strategic task of the Sviluppo Italia Sicilia incubators network is to create a system of diffused competitiveness cells among its incubators, and in Sicily.





The Messina Incubator, operating since 2011, covers an area of approximately 7,300 sqm organized on different levels. There is 2,500 sqm of space available to companies, excluding services and common areas, each divided into different modules. Currently it houses a few companies working on preliminary studies and engineering of the Messina Strait Bridge. The Catania Incubator, operating since 1999, has about 5,000 sqm available to companies in varying sizes, between 110 and 226 sqm. The incubation facility is located within the perimeter of Etna Valley district, close to the site of ST Microelectronics, and CNR (National Research Centre). Currently the incubator houses 17 companies occupying 25 of the 30 modules.

#### Services

Those accessing the services offered by Sviluppo Italia Sicilia incubators have the opportunity to accelerate their business development as they can rely on the experience of the company. Our mission is to promote activities aimed at innovation and development of small and medium enterprises, in collaboration with public and private entities.

**Basic services:** On offer is a complete logistics package, including space and services: PBX, voicemail, parking spaces, surveillance and control inputs, air-conditioning, sprinkler systems, meeting rooms, evaluation and /or preparation of business plans, and other start-up assistance.

**Consulting services:** Support and assistance in all areas of business management - marketing, finance and production - and we also offer planning, coaching, mentoring and reporting.

## An Unlikely Setting

Hasan Omar walks us through one of the upand-coming incubation landscapes in the Middle East While there has been some debate about the efficiency and impact of SMEs and their role in supporting national economies, Palestinians in West Bank and Gaza firmly believe that SME support is the solution towards lower unemployment rates and the way towards a stronger economy. Palestine has a great resource, its youth (which represents around 50 percent of the people) and the overall population is well-educated and wellinformed.

#### A special case

Palestine is indeed a special case with many demographic, socio-economic and geopolitical challenges. The economy is dependent on regional influences and connected to a limited and small market with many restrictions on borders, which impede free movement of people and free trade of physical goods. Within this difficult context, Palestinians believe that economic and political development needs to be jointly aligned.

As a result of all these constraints, technology is seen as one of the main doors to access the rest of the globe. Software applications, business services and solutions, mobile technologies and applications, digital Arabic content, online marketing and e-Commerce are just some examples that make the ICT sector Palestine's main economic gateway to the rest of the world. Adapting and learning to use the Internet and the Cloud quickly, to transfer digital productions out of Palestine, has been, and still is key to success.

Entrepreneurship, innovation, technology transfer, business incubators and accelerators are attractive words amongst countries in the Middle East, especially in recent years. Palestine is no different on this respect. The Palestine ICT Incubator (PICTI), established in 2004, with headquarters in Ramallah and a branch in Gaza, was the first ICT-specialised business incubator in Palestine. Since then PICTI has made enormous progress in spreading a technology, entrepreneurship and innovation culture through the area.



We now have a methodology which is a better fit with our own business model

**PICTI clients and incubatees** receive a full package of high quality business services including business development, marketing, legal, financial, seed funding and others. More than 25 start-up companies were supported and hundreds of jobs were created in West Bank and Gaza.

Two of PICTI Clients were ranked among the top 20 start-ups among 750 start-up companies from 64 countries during the World Global Forum held in Helsinki by the Word Bank. Another one was among the top 3 out of 100 start-ups in the MedVenture initiative by ANIMA -Invest In MED in Marseille.

PICTI has built a strong network. Many programmes and activities were developed and conducted with varied partners such as Microsoft, Google, Cisco, Intel, ESCWA, *info*Dev, USAID, UNDP, OXFAM-GB, IYF, Palestine Authority, regional incubators and international networks and others. PICTI is also a founding member of the Middle East and North Africa Incubators Network (MENA Inc) which was established with the support of *info*Dev.

During the past two years, three venture capital funds were launched; one of them being dedicated to ICT. The universities started their local pre-incubation programmes and related activities. But there is still a long way to go in organising and integrating the components of this ecosystem.

#### Youthful aspirations

Over the last eight years, one of PICTI's main objectives was to attract and motivate Palestinian youth to incubate their business ideas. Hundreds of awareness workshops and training seminars (in cooperation with every university in Palestine) were conducted and attended by thousands of university students and graduates in West Bank and Gaza. Important connections were established with large corporations such as Intel, Google and Microsoft and excellent results were achieved through the GPAL Day, Technology Weeks, the annual business plan contests and the Imagine Cup Competitions. Considering the Palestinian reality, the success of these types of events must be measured, not only in the deal flow they have actually generated, but also in terms of the buzz they have created in a region where the youth needs to be actively challenged to take more risks, and foster an entrepreneurial attitude and mindset.

Through these awareness-raising activities PICTI played a critical role in bridging the gap between academia and the private sector, although recently we realised that a more systemic approach is necessary, and matters cannot be left to a case-by-case basis. That is why recently, with the financial support of the European Investment Bank and the technical support of the European BIC Network, a huge effort was undertaken to redefine PICTI's business model and to reposition it within the overall innovation ecosystem in Palestine, an ecosystem that comprises many stakeholders, some of which we were not taking fully into consideration in our initial stages of operations.

Recognising that we were players in a larger ecosystem made us rethink all of our relations with our stakeholders and this exercise made us assess our revenue streams (discovering new ones we weren't considering before) and see further value-add for our entrepreneurs. These were issues we had not tackled before and the reassessment has, hopefully, positively impacted our overall business model. For example the acknowledgement of the important role that the Palestinian diaspora can have in stimulating and supporting our local entrepreneurs has been assessed and targeted actions have been implemented to involve successful entrepreneurs who are now living abroad.

These are methodologies that are similar to those described by Wissam Rabadi and Autumn Gorman in their informative article "The Untapped Resource", which appeared in Volume 1, Issue 2 of *The Business Incubator* magazine.

#### A new model

As a result of all these changes, with development in both the sector and culture, and with new players on the scene, we have redesigned our business model. A business model compatible with the challenges Palestine is facing and taking into account those requirements that would-be entrepreneurs face every day. This business model is now in line with PICTI's strategic positioning which can be summarized as follows:

- An agent of *economic* change, creating wealth, jobs and added value through the development of the Palestinian ICT sector.
- An agent of *cultural* change, facilitating the transition towards a more entrepreneurial mindset, stimulating job creation through private activities, easing the change of mentality of Palestinian youth and university graduates from a 'safe job' mode to a career-driven and 'risk-taking' mode.
- An agent of *social* change leading to the concept that the incubation processes should be 'open to all' although not subsidised to 100 percent.

In the definition of the business model, we found revenue streams compatible with the cultural-change mission that is part of the agenda. Among the many elements considered, three are probably most worth mentioning:

- **The fee structure:** PICTI provides high-value, and therefore needs to be paid for the services it delivers. Services in the next few years must become an income generating activity. This may contrast with the lower perception of the value that customers might have and their ability to pay for these services. We believe that the only way forward is to ensure the highest possible quality.
- **Grants:** PICTI has been providing 100 percent grants to go through the pre-incubation stage. We have learned the lesson that this is way too high; first of all because it attracts a cross-section of the community that is not necessarily of entrepreneurial capacity. Reducing the grant level will hopefully help in the filtering process and draw out those who have a real entrepreneurial attitude.
- **Lower equities in incubated companies:** The higher the equity share, the higher the chances of a non-transparent relation between the incubator staff and the potential difficulties in buying out shares when a company graduates.

Furthermore, looking at the overall ecosystem in Palestine, it was decided that PICTI would concentrate on the incubation stage, while leaving the pre-incubation support efforts to the Universities, the Centers of Excellence and the Youth Development Resource Centers, present in Jenin, Nablus, Jerusalem, Bethlehem and Hebron. This of course leads to the necessity of empowering these organisations in order to build their capacities in undertaking this difficult task. We will be supporting them during the first few years, as this will be one of the greatest challenges we need to address. PICTI has developed the 'Palestine Innovation Initiative - PI2' to start the process and is currently seeking funding for this project.

While designing the new business model, all challenges and lessons learned were taken into consideration through an in-depth analysis of all successes and failures within the current and previous contexts. Partnership agreements and MoUs were signed with universities and international mentoring and coaching networks such as Mowgli-UK and the YEN Market Place. A network of local ambassadors was established and a local network of mentors was developed, including Palestinians from the diaspora.

The new model was announced during a special ceremonial conference in June 2012, which we now consider as the new birthday for PICTI, and a milestone in the incubation and innovation industry in Palestine. On that occasion PICTI received the certificate from EBN that certifies the alignment of PICTI to the EC-BIC Quality Mark Criteria.

PICTI provides high value and therefore needs to be paid for the services it delivers...

In conclusion, we can say that our situation is similar to that of most incubation units in the Arab world, the Middle East and the south countries in general. We are aware that we still have a way to go, but we now believe we are on the right track. Certainly, we are still not satisfied with the number of companies established and jobs created, and more work needs to be done. Arab youths are looking for a 'change'. The "Arab Spring" sheds the light on their role in the coming period with all the economic and political implications that drive the eventual success of our efforts.



Engineer Hasan Omar is an entrepreneurship, innovation and incubation expert. He is a founding executive member of the first ICT incubator in Palestine, and he is currently the Executive Director of the Palestine ICT Incubator (PICTI). He is a Medibtikar Innovation Expert and a certified trainer of incubator managers by the infoDev project(World Bank). He has launched several initiatives such as the Annual Technology Business Plan Contest with Intel, as well as business and technical communities in Palestine such as the PalDev.net with Microsoft, Palestine Open Source Community, and the Palestine Animation Community. He holds a Bachelors Degree in Computer Engineering from Jordan University of Science & Technology, Jordan.



## Different



## Down-Under



### *Phillip Kemp* explores the history of incubation in Australia and points out its ultimate aim

Australian incubation stands on the cusp of revival - but if that revival is realised, it won't be because of government support. Around the world, we have seen government interest in incubation remain strong, and even accelerate during the financial crisis, as they look to use incubators to shore up economic activity. There has been a resurgence of interest in the importance of small business to OECD nations - particularly since they account for 60 to 70 percent of jobs in many countries - and using incubation as a tool to help achieve that goal.

In Australia, though, the door to government support has shut. Instead, we are witnessing the rise of private sector seed investment and accelerator incubators, with investors wanting access to start-ups and economic opportunities. And this means a shift in thinking. Rather than supporting small businesses as a sector per se, as governments might, the new financial backers are there to pick winners and find the success stories, with individual excellence rather than crosssector growth as key. It means that incubators in Australia today are almost all financially self-sufficient, while also facing an uncertain future in which the role of incubation may change.

Understanding just how Australia got to this point requires looking back a little way.

Australia was an early adopter of incubation, with the first incubators developed in the country in the 1980s. For 20 years, the number of government-backed incubators grew, although the level of government support varied. "Free" buildings or rent was one common form of support. But there was also money to be found for incubators in grants and money for ongoing operations. Initial support for business incubation was found from the national government's Department of Employment, Education and Workplace Relations (the department responsible for job creation and training in Australia) which funded the creation of business incubator buildings and facilities. By the mid-2000s, though, the national government and the many state governments around Australia had begun to tire of incubation as a concept. The last Government-backed business incubator was created in Australia in 2006 in rural New South Wales.

In 2008, the Federal Government cancelled what was known as BITS funding (Building on Information Technology Strengths) - \$158 million that had been sourced from the sale of Australia's major telecommunication service to provide seed capital for ICT incubatees.

This eight-year programme was developed by the Department of Communication, Information Technology

and the Arts to address Australia's innovation in information and communications technology. This programme funded the management of incubators and provided seed capital for incubated tenants. However, it ultimately failed to deliver on the promise of generating and enhancing a successful ICT sector in Australia. At the time, this made sense. Much of Australia's economy in 2006 and 2007 was being driven, too fast, by the booming resources sector. Rising interest rates, falling productivity, a nationwide skills shortage and the threat of inflation were all bigger problems than a need to encourage people to start businesses. The Federal Government had shifted its attention to working with more established businesses, particularly in manufacturing, to try to help them address some of these issues.

At the moment of the global financial crisis, then, support for incubation in Australia had hit an all-time low. And while the crisis prompted governments around the OECD to implement policies targeting small business, pump dollars into programmes that assist with developing capacity and push to turn innovation into commercial reality, that didn't happen in Australia. Why? Well part of the reason was that the economic crisis didn't bite as hard in Australia as it did elsewhere. In October 2008, just before the Lehman Brothers crash, unemployment in Australia stood at just 4.3 per cent. It peaked at 5.8 in mid-2009 and today is back to 5.4 per cent.

When the Federal Government decided economic stimulus was needed in 2009, then, rescuing people from unemployment by encouraging them to start businesses was just not a priority. Instead, governments focused on boosting the economy by spending on infrastructure and encouraging households to buy.

What happened in the wake of the financial crisis was more surprising.

As Australia weathered the storm better than most other economies, some of the intellectual capital we had sent overseas for decades in the form of smart Australians who wanted to work in Europe, Asia and America, came home. Their jobs elsewhere had evaporated, and they came back to look for new opportunities. Some of the world's money also wanted a new home. Australia's dollar was and remains strong, our banks are secure and the economy continues to tick along - so it is little wonder that venture capital has suddenly found a new place to invest. While other markets are still emerging from the economic doldrums, there has been an injection into Australia both of smart, savvy operators and investment funds looking for something to do - and incubation offered some answers.

Since 2010, we have seen venture capital finance create seed investment business accelerators, take equity stakes in start-up tech businesses and incubate them with their own management teams and mentors. There are examples of incubators like Angelcube, Fish Burners, Pollenizer, Starmate and BlueChilli - smart, modern and canny operators - with a very different set of skills to those seen in the traditional incubators Australia had prior to 2008. These incubators have more sophisticated models to allow investment in startups but also work in partnership with industry. Telecoms firms, mining companies, and media groups want to connect with, if not the next-big-thing, at least one of the companies that might be in the running.

What you see in Australia today has been a rapid evolution from an environment which the Federal Government lamented in 2004 as "a market failure of the venture capital market to adequately assess the prospects of early stage ICT companies and to provide them with seed capital." The money is there now, and the incubator operators that can tap into those pools of funds, are finding entrepreneurs lining up out the door.

The biggest split between old and new incubators is more philosophical than financial, however. Most existing general incubators don't rely on government funding either, these days; 80 percent of incubators report being financially sustainable, and the operation of pre- and post-incubation programmes and income generated from tenants remains a model that continues to deliver benefits. For the new crop, the thinking is different, though, and the risk going into the future will be all about balancing the support for firms along with the growing demands of private backers. Not an easy task!

Everyone wants to commercialise technology, everyone wants to find the next Facebook, and everyone wants to turn a firm started on a shoestring into magic multi-millions. But with the founder and financial investors wanting high returns for the risk, it is going to be important that the fundamental goal - supporting the entrepreneur - does not get lost along the way.

> Australia's dollar was and remains strong, our banks are secure and the economy continues to tick along

Richard Laschon/Shutterstock.com





#### In conversation with Hamish Hawthorn, Chief Executive of ATP Innovations

ATP Innovations, one of Australia's leading incubators, started as many do - as an alliance with universities. Four of the country's biggest tertiary institutions are shareholders - the Australian National University, University of New South Wales, University of Sydney, and the University of Technology, Sydney - and the links mean the organisation has access to all the benefits of working closely with the university community.

But Hamish Hawthorn, ATP Innovations chief executive, says the success of ATP Innovations has come through the decision by the incubator to break out of the narrow role of dealing only with university technology. In recent years, the executive has worked with more than 80 businesses from outside the university pipeline as well as within, helping them raise more than \$96 million from investors, sell products internationally and file more than 200 patents and trademarks applications.

#### What makes your incubator a successful one?

I think that part of our secret sauce is the fact that we are not just limited to university technologies. What we have created here as an environment is an ecosystem of both university spin-outs, technology that is licensed from the universities by private sector companies, and companies that are totally unrelated to the university intellectual property. Those companies absorb the outputs of the universities, so they hire staff, they give places to interns and they provide collaboration opportunities for the universities. Having that mixture within our portfolio of companies is really essential and it helps create the right culture here of entrepreneurship and commercialisation excellence.

#### Who are your tenants and clients?

ATP Innovations' current portfolio of companies features about 55 businesses, drawn from technology sectors. We

#### the**Spotlight**

have three big buckets of clients: life science businesses, engineering and widget-type companies, and software businesses. And sitting between those businesses are the convergence of all those technologies, like clean-tech, the creative industries sector, food technology and others, for instance.

If we look at those companies, the things that make them world class and successful is a clearly articulated value proposition, solving problems using a defensible IP or rich technology that gives the company some sustainable competitive advantage. They are the companies in our sweet spot and it means we have developed a range of activities that are part of our product offering relevant to those types of companies.

#### How does Australia fare for technology start-ups compared to offshore locations?

There is sometimes an urge for Australian firms to skip offshore and try their luck in the bigger markets of America and Asia, particularly for technology companies. But there are benefits in using the Australian incubator networks and support as an anchor point for offshore expansion. I think the view that you have to go to Silicon Valley to be successful is

flawed. It makes some flawed assumptions a bout the opportunities here in Australia. A colleague of mine said it very well: it isn't Silicon Valley or Australia, it is how to take advantage of the best of both of those options.

#### So, what in your opinion is the best way forward?

I think really where we have to get to, is to show how university technology commercialised through an incubator that addresses a global market is a well-trodden path to success. We have been able to help companies take advantage of the great opportunity here in Australia but in a way that facilitates entry into those overseas markets. I think you should go to Silicon Valley if that is where your customers are or where your investors are or where your acquirers are. But if you are still developing a product and proving that it works and understanding the commercial opportunity, then Australia is a really great place to do that. It is very easy to be drawn to the bright lights of Silicon Valley. But I have seen it often leads to you becoming road kill. And the reason is that people think they can just go over there and walk up and down Sandhill Road spruiking *(sic)* their pitch deck. Pretty quickly you realise that you don't stand up to scrutiny. Richard Laschon/Shutterstock.com

#### Can you give us a recent example?

Recently we have had a company here at ATP Innovations called ScriptRock who have an office in Palo Alto and an office here in our incubator. The investors in that company are very happy with the situation. They can get great people in Australia to do technology development and the management team are close to customers and work on the strategy to take over the world!



Phillip Kemp has qualifications in small business facilitation, company management and agricultural science and has published widely on SME and micro-enterprise development issues with particular reference to international best practice in business incubation operation. He has conducted international research and published comparative international studies on the provision of SME and micro-enterprise business advisory and support services. He is Chairperson of Business Innovation and Incubation Australia and Director of the Asian Association of Business Incubation. He has previously sat on a number of Federal and State Ministerial boards and committees, investigating the provision of services and training to Australian SMEs.

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**Inauguration of a design, modern and inspiring Coworking space in CEEI Héraclès:** In December 2012, the BIC of Charleroi, CEEI Héraclès officially inaugurated their new design, modern and inspiring coworking space. The inauguration was marked by the presence of Jean-Claude Marcourt, Government of the Waloon Region, Minister of Economy, SMEs, External Commerce and New Technologies. The SWITCH is located within the BIC Héraclès in Charleroi (Belgium). The site has a large parking area. By the end of 2013, the barracks will be progressively renovated and the coworking space should be one of the most modern in Europe.

**Four Andalusian BICs in Smart Specialisation Strategy 21/01/2013:** Andalusia and Valencia are the two autonomous communities counting with the largest number of BICs. Indeed, each one counts 4 BICs, out of the 28 existing ones in Spain. The General director of IDEA, the Regional Government Innovation and Development Agency, Antonio Valverde, met with EBN's President, Álvaro Simón, who is also the CEO of BIC Euronova located in Málaga, Philippe Vanrie, CEO of EBN and the directors of the BICs of Cádiz, Granada and Sevilla to get informed at first-hand about their activities and analyze their future. IDEA is linked to these four Andalusian BICs either through the participation of entrepreneurs (which is the case of Granada, Sevilla and Málaga), or as member of the foundation as it is the case for Cadiz. The meeting highlighted the need for the design of coordination structures which enable the generation of synergies between these four centres, thereby adding value not only to their territories but also to the whole Community. The Director of IDEA invited the BICs to participate in the work group that will design the Smart Specialization Strategy for Andalusia. This work group will ground on the experience and existing technological, human and physical capital. It will enhance R&D and support innovative companies through better education and training drawing on the experience of the present programme period 2007-2013.



**Standardization, THÉSAME awarded:** Thésame was awarded the national prize for Standrdization 2012 from the Union of Standardization of Mechanics (UNM), an organisation aiming at valorizing the linkage between SMEs and standardization.



The National Business Incubation Association (NBIA) is the world's leading organization advancing business incubation and entrepreneurship. Each year, it provides thousands of professionals with information, education, advocacy and networking resources to bring excellence to the process of assisting early-stage companies. www.nbia.org



Incubation industry growing, creating jobs diversifying and economies: As communities around the world look for new ways to promote economic growth, business incubation programs continue to play a vital role, according to NBIA's 2012 State of the Business Incubation Industry. The report presents a snapshot of the industry using survey data collected from business

incubation programmes throughout North America. NBIA has conducted the industry assessment periodically since 1989 and last published the SOI report in 2006.

The 2012 SOI confirms that the industry continues to expand and that programmes are evolving to meet the needs of today's entrepreneurs. Even in the face of the greatest economic downturn since the Great Depression, which resulted in some programme closures, the overall number of incubation programmes in North America has increased by over 300 since 2006. We estimate that more than 1,400 programmes currently serve approximately 49,000 new ventures that provide employment to more than 200,000 workers.

The scope and breadth of services offered by these programmes are expanding as well. NBIA often cites examples of well-run incubation programmes that form the hub of entrepreneurial activity in their communities, and it seems more programmes are doing just that. Nearly threequarters of SOI respondents reported offering preincubation services, post-incubation services or both. Anecdotally, we know these services include youth entrepreneur education, business plan competitions, seed acceleration, coworking services and a host of other innovative solutions to problems faced by entrepreneurs and growing companies. If you're interested in learning more, the 2012 State of the Business Incubation Industry is available through the NBIA Bookstore at www.nbia.org/store.

**NBIA has moved:** After months of planning and long hours of packing (that often included interesting trips into almost-forgotten organizational history), NBIA has moved from The Ridges, the site of a former psychiatric hospital, to the building nearby that houses the Ohio University Innovation Center in Athens, Ohio.

Our telephone numbers remain the same, but the association has a new address:

340 West State Street, Unit 25

Athens, OH 45701-1565

"Everyone on the staff is excited about the move," says Tracy Kitts, NBIA's acting CEO. "Ohio University has a vibrant community that supports entrepreneurship, and our new office location puts us right in the middle of that community."



The European Space Agency (ESA) is Europe's gateway to space. Its mission is to shape the development of Europe's space capability and ensure that investment in space continues to deliver benefits to the citizens of Europe and the world. ESA is an international organisation with 19 member states. Each year it produces an impressive number of incubatees through competitions that promote innovation and entrepreneurship creating high-knowledge jobs and transfer of technologies. www.esa.int

Last year ended with launches of two new ESA Business Incubation Centres (BICs) in Belgium, continuing the country's strong support for the use of space.

**ESA BIC Redu,** located at the futuristic Galaxia business park in Transinne (Libin), is to support projects involving telecommunications, satellite navigation, earth observation and also integrated applications for use on the ground, in the air and on the sea. Regarding applications dedicated to aeronautics, the ESA BIC Redu is conveniently located near the St Hubert Airport (EBSH), which is an ideal test platform. Furthermore, the optical fiber installed between ESA Redu Centre and ESA BIC Redu is a unique tool to help companies needing to send commands towards the Redu antennas or to collect and treat fresh data coming from Earth observation satellites.

**ESA BIC Flanders,** located in Geel, Belgium, in cooperation with the renowned Flemish research institutions VITO, SCK•CEN and IMEC, is to act as technical

partner in addition to ESA. The scientific expertise of these institutions complement the start-ups' technical development in the fields of electronics, nanotechnology, telecommunications, navigation systems, nuclear science, bioengineering, radiology, life science and Earth observation.

These two additions to ESA's Technology Transfer Programme Office's Business Incubation Centres Initiative, join a total of seven centres in Germany, Netherlands, UK, Belgium and Italy, in which businesses are created that owe their competitive advantage to the use of space solutions. Whether start-ups or spin-offs from SMEs, ESA BICs help to create viable businesses and new jobs by providing support to 60 companies every year in Europe, and more than 180 start-up companies have received support to date. In the next few years, the plan is to strengthen ESA's business incubation initiative as one of the many ways in which space can contribute to economic growth and job creation.



The Dutch Incubator Association (DIA) has been established to provide the Dutch incubators with a common platform for professionalisation and positioning on a national, European, and international level. The goals of this association are: professionalisation of the incubator industry, and; reinforcement of the incubator infrastructure and relations (synergy) on both national and European level; and optimizing the information about incubation towards start-ups. www.dutchincubator.nl

**Incubator E - Sustainability & New Energy:** The newest addition to the Dutch innovation ecosystem opened in December in the Southern province of Limburg. The City of Heerlen, a former coal-city, together with the Province funded the incubation programme at the BIHTS (research centre on Building Integrated High Tech Systems) to attract and grow innovative start-ups that enable the global transition. The incubator is considered the third specialised program for sustainable innovations and new energy in The Netherlands. It kicked off with 16 start-ups. It offers knowledge and lab facilities from the research institute, support from university students for market research, professional advice from experienced entrepreneurs and access to funding. But according to manager Elbert Jan

Achterberg, the power is in bringing together people with a variety of challenges but with the same drive under one roof.

**Win your Start-up in three months:** A remarkable initiative was launched in December, in Amsterdam. StartupPush offers a programme that looks at a thorough selection procedure, a three-month intensive incubation programme and is international from the start. If the team is able to generate first sales in the three-month period, they earn 70 percent of the ownership of the company. Initiator Arie Boon, a seasoned entrepreneur in marketing analysis, states: "Matching a talented entrepreneurial team with validated scalable business concepts offers a better opportunity of success". StartupPush is already initiating similar programmes in Berlin, San Francisco and London.

DIA forms partnership with USA Remington Business Group: This association also works to inform promising start-ups of fitting incubators, and initiate connections between both parties. In an effort to upgrade globalization services for business incubators and their clients, DIA cooperates with specialised organisations which deliver high standards in internationalisation support to start-ups and small companies, which are usually neglected by foreign investment agencies. Remington Business Group is a 'Business Operations' firm which offers support both in the administrative and operational side of the business and also in the 'first line customer interface', which is the support of foreign companies with their communications with local U.S. contacts. Together with DIA, the Dutch Chamber of Commerce and the American Embassy, they will organise the first 'Go Global - Succeed in the USA' seminar on April 17th in Rotterdam.



UK Business Incubation (UKBI) has been the UK's and increasingly the international principal and successful authority on business incubation, business incubation development and best practice since 1998. www.ukbi.co.uk

**UKBI Annual Conference 2012:** UKBI held it's annual conference at the end of November in the English city of Lincoln. In a departure from previous conferences the event was held within one of the University of Lincoln Buildings allowing interaction between conference delegates and

#### the**Network**

university students. Delegates heard presentations on a wide range of topics such as government policy, IP, supporting start ups and open innovation. The conference maintained its traditional international air with delegates and speakers from the USA, New Zealand, France and Greece. UKBI also presented its annual awards at the conference, bestowing awards to Strathclyde University Incubator for achievement in Business Incubation. The North East BIC for Business Incubation Champion. Stephen Hampson as International Business Incubation Champion and finally the UKBI Outstanding Contribution award was given to Nick Sturge of SETsquared at the University of Bristol. The conference closed with a gala dinner in the amazing setting of Lincoln Cathedral.

UKBI would like to convey its thanks to all the delegates, speakers and university students who made the conference so memorable.



UKBI at ISBE Annual Conference: UKBI teamed up with ISBE (the Institute of Small Business and Entrepreneurship) to run a workshop at ISBE's Annual Conference early in November in Dublin. Hosted by Dublin City University, the workshop welcomed members from both UKBI and ISBE to look at 'What We Don't Know' about business incubation. ISBE has long been a champion of research so this was an ideal opportunity to discuss where further research in Business Incubation was needed. Peter Harman - Chief Executive of UKBI - who chaired the event said, "Over the years there has been countless research conducted into business incubation usually academic or at the behest of Stakeholders. Working with UKBI members and members of ISBE, this workshop was an ideal opportunity to ask Business Incubation Practitioners what topics of research they would like to see pursued to make their lives and the lives of their clients a little bit easier."

If you would like more information on UKBI's research activities, please contact UKBI's Research Manager Arnaud Drapier a.drapier@ukbi.co.uk

# TGN

The Taiwan Globalization Network is managed by The Taiwan Desk Foundation which seeks to explore the potential for Taiwanese companies to expand in Europe, and help European businesses find opportunity in the dynamic Taiwan market. Through TGN, Taiwan and Europe continue to cultivate their bilateral business incubation networks, and look for new and better ways to support start-up companies interested in expanding their business abroad. www.taiwandesk.org

**TGN collaborates with EBN to organize innovation study tour to Taiwan:** EBN and TGN participated together in Taiwan's Global Entrepreneurship Week activities. With 12 participants, representing incubation centres, venture capitalists, EBN and government officials, and SME's from a total of six European countries, the tour resulted in new contacts and solid alliances made between partners from both regions. The delegation also visited several of Taiwan's top incubators, and participated in a speed-networking event to exchange information about meet potential partners. During the tour, TGN also introduced the innovative Dutch company Bluerise, to explore the potential to develop an energy facility using their own technology based on ocean thermal energy in Taiwan.

**First Taiwanese Incubators now EC-BIC:** Two Taiwanese incubators were evaluated and subsequently awarded the EC-BIC quality label - National Chiao Tung University International Incubator in Hsinchu City and Chaoyang University of Technology Innovation Incubation Center in Taichung. This is a first, and as a result several others are now looking to also become EBN members. This prestigious label ensures the quality of services provided in the incubator are of a very high standard, and puts the incubators in direct connection with other incubators in their league, facilitating contacts and exchanges.

**Online Platform provides free information:** TGN's Venture21.net is a one-stop shop that offers free information about support packages for SMEs looking to expand their business abroad. The site now provides the complete details and service packaged offered by over 100 of the Taiwanese incubators. Taiwan is known to provide generous support programmes for incubatees, and entrepreneurs are invited to check the Venture21 site for new information. Likewise, incubators and service providers can browse the site for companies that are looking to expand and may like to land in their incubator or make use of their services.



The University Industry Innovation Network (UIIN) is a professional resource and networking platform aiming to create a self-sustaining resource and networking platform providing academics and practitioners in the field of technology transfer, intellectual property and university-industry relationships with the knowledge and information to effectively and efficiently conduct their work. With close to 130 members the platform and more than 3,500 resources listed, UIIN has become an important player in university-industry interaction. www.uiin.org

**UIIN Conference on "Challenges and solutions for** fostering entrepreneurial universities and **collaborative innovation**": From the 27th till the 29th of May 2013, the University Industry Innovation Network and the VU University Amsterdam will jointly host the "2013 University-Industry Interaction Conference". With keynote speeches and parallel sessions, workshops, panel discussions, a PhD workshop as well as an amazing social programme being the building blocks of the event, Amsterdam will be the place where theory meets practice. The conference will feature more than 100 talks from 30 plus countries, including both scientific research results as well as insights into good practices. Confirmed keynote speakers include Henry Etzkowitz (President of the Triple Helix Association), Lucia Recalde Langarica (European Commission, Head of Unit - European Institute of Innovation & Technology ), Dr. David Docherty (Chief Executive of the Council For Industry and Higher Education, UK), Philippe Vanrie (CEO of European Business & Innovation Centre Network).

**UIIN Award winners announced:** Having finished the second review round, the Award Committee Chairs have announced the Department of Management, Economics and Industrial Engineering at Politecnico di Milano as well as the Office of Technology Licensing at the University of California, Berkeley as the winner of the 2012 University-Industry Innovation Award. With a total of 37 submissions from all over the world in its first year of existence, the UIIN Award gives recognition to the many projects and publications making a clear impact on university-industry innovation.

Moving Forward - Road Map for University-Industry Innovation and Entrepreneurial Universities: UIIN is currently in the process of setting up a think-and-do-tank like project, called "The Moving Forward Project", which aims to shape the future environment of university-industry relationships and entrepreneurial universities. Bringing together the various stakeholders in university-industry interaction, the project will foster the discussion on key challenges, potential solutions as well as implementation strategies. Besides research reports, the main outcomes of the project will be regularly published roadmaps for the various stakeholders.

**Global Glossary on Science-to-Business Marketing and University-Industry Innovation:** The Science-to-Business Marketing Research Centre at Münster University of Applied Sciences in Germany, together with UIIN, just launched a glossary project on key terms and definitions on Science-to-Business Marketing and University-Industry Innovation. Currently containing more than 500 definitions, academics and practitioners are invited to contribute terms and definitions on the glossary's website with an expert group later on deciding which terms and definitions make it into the final glossary. If you are interested in serving as a member of the Glossary's Expert group, please contact Alborada Gonzalez at gonzalez@uiin.org.

#### Introducing our new network partner



ILSLEDA is the network of 60 Local Economic Development Agencies (LEDA) aimed at human development, operating in developing and in transition countries. Although in the past their role has been mainly of reducing poverty, exclusion, territorial marginality, through joint efforts of the public and private actors, lately these LEDAs are putting increasingly attention in stimulating innovation. www.ilsleda.org

The recent theoretical approaches (Freeman, Nelson) have stressed that R&D is only one part of the overall process of innovation, which is rather stimulated by a complex system of overlapping socio-economic relations, feedback mechanisms and knowledge flows within and between firms, producers and users, between economic agents and institutional and research organisations (Lundvall, Edquist). Others (Hodgson, Granovette, Camagni, Storper, Amin, among others) have emphasised how systemic interactions and creative synergies among learning agents are embedded in their local socio-cultural and business settings of action.

Due to the importance of the "systemic interactions", the

role of the LEDAs has become increasingly important in the innovation processes, because their proven capacities of gathering all the local actors, stimulating and facilitating relationships and networks for providing tailored comprehensive services for sustainable and competitive development (Canzanelli).

A recent thesis of the London School of Economics (Ferrannini) investigated the role of two Balkan LEDAs of the ILSLEDA network (Auleda, and Redasp) in the innovation processes, and it confirmed their contributions as animators of innovation, strengthening the governance of systemic relationships between the local actors, whose activities and interactions generate, import, modify and diffuse new technologies (Morgan).

In this perspective these LEDAs (but similar considerations could apply to the majority of the Leda of the network) have:

- multiplied the quantity and quality of the interactions towards innovation
- raised the awareness of the need of innovating for competing and improving the quality of living
- provided technical assistance for innovation, financed it, build capacities for it, and introduced it in the territorial plans.
- channeled funds for knowledge building

Nevertheless still many weaknesses exist for fostering spread innovation, such as:

- scarce availability of applied research and propensity of universities to provide services and knowledge to the local system,
- low diffusion of information and knowledge.
- lack of skills, and capacities
- scarce involvement of national governments and academic institutions
- low cooperation among local firms are far from being diffused, when the entrepreneurs are not linked within clusters and value chains
- lack of links with national policies
- weak role of local media in the innovation processes
- lack of tailored financial instruments

The next challenge for the LEDAs are therefore in:

- 1. strengthening the local interactions through constituting and coordinating special task forces, including local administrations, universities and research centres at local and national level, entrepreneurs, representatives of civil society.
- 2. strengthening the R&D activities and the Universities' capacities
- 3. improving the local skill, through valorizing talents, operators, researchers, and entrepreneurs
- 4. stimulating and realizing tailored finance
- 5. enhancing knowledge building and diffusion through emigrants, international partnerships, and scouting and spreading existing innovations
- 6. promoting new infrastructure for innovation (BIC, technological parks, etc.)





### Heading for Recovery:

latest U.S. and European trends in entrepreneurship and SMES

In February 2013, *The Business Incubator* magazine and the U.S. Mission to the European Union coorganised a panel discussion and networking lunch with four industry experts: Kimberly Weisul (Editor-at-Large for Inc.com), Robert Sanders (Head of International Projects at EBN), Moraig Henderson (Deputy Director for Policy and Communications at UNDP) and moderator, Tom Strodtbeck (Director of International Programs at NBIA). The panel provided valuable analysis on both current and evolving trends that impact SMEs and entrepreneurs around the world.

Cultural perceptions were acknowledged by the panel as a strong influential factor. They felt that lessons should be learned from the U.S. 'culture of entrepreneurship', in order to bolster the entrepreneurial spirit both in European countries and worldwide. In this context, Kimberly Weisul referred to the acceptance of failure as an insightful comparative indicator between the U.S. and European mindsets.

With SMEs as the current driver of recovery, support to entrepreneurship has been acknowledged as a leading strategy for worldwide economic development. In this perspective, the panel agreed that the capacity to reach and support less developed regions presents a major challenge. "Success is through inclusiveness of marginalised communities," stated Moraig Henderson.

The panel presented the current development of crowd funding in the U.S. as an encouraging trend. The role of education and mentoring were also raised by the audience and confirmed by the panel as offering powerful leverage. Yet, whether the solutions exist to enhance entrepreneurs' support, the challenge is to identify delivery mechanisms, concluded Robert Sanders. In their closing remarks, the speakers emphasised the necessity to support entrepreneurs and promote the entrepreneurial spirit in our time of economic downturn.

Reported by Flora Soyez

### **Arctik**



## Helping Hand

Incubator teams are called upon to be many things to many people. The following resources may help make the job a little easier

#### INNOVATION IN INNOVATION MANAGEMENT

With a background in marketing research gained from her work within research institutes and large companies in Europe, Séverine Herlin turned to marketing research for start-ups by creating ViaNoveo; a company that was launched to mentor innovative projects in Sophia-Antipolis, Southern France.

Noticing the inadequacy of standard strategic marketing methods, ViaNoveo set a benchmark to a new methodology based around existing approaches to marketing for innovative company activities. While most of the existing marketing methods remain at a rather theoretical level, Séverine found ISMA360® (Innovation Systemic Marketing



www.vianoveo.com

Analysis) a methodology invented by Dominique Vian, a very operational and efficient approach to guide the entrepreneur and his/her team in their strategic goals. This approach is based on the theory of near decomposability systems (Herbert Simon, 2000) and the theory of effectuation (Saras Sarasvathy, 1998).

The first applications in this approach with start-ups immediately validated her intuition and motivated her to launch ViaNoveo with Dominique Vian, in order to find the conditions for a large scale deployment of the system. Since the launch, Dominique has completed a doctorate on the subject and is now pursuing his research at Skema Business School and supporting the method's deployment.

Séverine was convinced that the only way to efficiently use the method was through internet based software (SAAS mode). The purpose of which was to give access to the first systemic approach, to present all the variables, questions specific to the innovation context and their relationship in a structured and logical way. Therefore ViaNoveo developed ViaDesigner, the only collaborative platform that gives full access to the ISMA360® method. Binding all these variables together, as well as questions specific to innovation. ViaDesigner gives

questions specific to innovation, ViaDesigner gives access to all the stages and processes an entrepreneur must go through to identify, the most relevant market entry points. This process allows the innovator to identify, organize and rationalize all his/her information. Thus, at a specified time, he/she is able to extract a logical and operational representation of a market and its accessibility.

Today, ViaNoveo's customers are start-ups, SMEs, large companies as well as business coaches. With ViaNoveo's offering, they have an efficient tool to help each of their customers face the uncertainty and complexity of launch, market penetration and success. The entrepreneur Guillaume Pertinant recently said, "Using ViaDesigner helped me to go from the Titanic ballroom to the Bridge of the Titanic and in doing so, I was able to face the approaching situation and take steps to avoid the iceberg before it was too late".

Pascal Denizart, Head Marketing and Sales Officer at IFTH (Institut Français du Textile et de l'Habillement) said, "Because our daily challenge is to combine Innovation and Solutions for companies in the textile industry, we were looking for a new way to integrate our unique R&D expertise into our offer so that we meet customer's needs. ViaNoveo, with its breakthrough methodology and tools has helped us to find a common language among our team of experts".

#### IT'S A JUNGLE OUT THERE...

...and this book might be the way out. Silicon Valley is roughly thirty years old, and while the region's success has been lasting, replicating similar technology hubs elsewhere has proven especially challenging. Considerable resources have been applied to understanding Silicon Valley, but what was hoped to be a model still seems more like a mystery.

Two respected Silicon Valley insiders, Victor W. Hwang and Greg Horowitt, now claim to have solved the mystery by proposing a radical new understanding of Silicon Valley's innovation system in their book, *The Rainforest: The Secret to Building the Next Silicon Valley*.

Using clear language and concrete examples, Hwang and Horowitt upend conventional wisdom by demonstrating that "free markets" are actually constrained by invisible transactional costs created by social barriers, such as the perceived differences between people in class, status, culture, and language. These social barriers reduce trust, the authors argue, impeding the flow of information and the circulation of resources throughout the system, thus limiting the ability of entrepreneurs and innovators to access the means they need to succeed.

In productive innovation systems like Silicon Valley - what Hwang and Horowitt call "Rainforests" - people are encouraged to trust each other regardless of cultural background, status, or social group. Individuals are willing to share resources without expecting something of equal value immediately in return. Thus, transactional costs are reduced, speeding the movement of talent, ideas, and capital. A young entrepreneur in Silicon Valley, for example, can therefore more easily access the assistance of a seasoned business professional than they could in a traditional social environment.

"To explain the difference between highly productive systems like Silicon Valley and most other places in the world, what is most important are not the ingredients of economic production, but the recipe - the way in which the ingredients are combined together," the authors write. "Human systems become more productive the faster that the key ingredients of innovation - talent, ideas, and capital - are allowed to flow throughout the system."

Hwang and Horowitt also challenge the fundamental notion that economic productivity is highest when the rational

pursuit of selfish motives is greatest. When it comes to the culture of Silicon Valley, and to innovation systems in general, they claim individuals must rise above short-term selfishness and focus on long-term mutual gain in order to produce the greatest overall economic benefits.

Describing how a rainforest works requires a host of scientific disciplines. Similarly, the authors draw from a range of natural and social sciences to detail the human ecosystem of Silicon Valley - including sociobiology, economics, political science, psychology, chemistry, neuroscience, physics, and mathematics. Their emphasis on practical observation and application, however, is what enables them to combine ideas from disparate studies into an accurate depiction of the ways innovation hubs work in real life, with all the complexity, dynamism and symbiotic interdependence of real-world ecosystems.

The book also provides specific tools that incubator professionals and others can use to improve their innovation systems. These tools include the underlying rules of behaviour that cause people to come together in successful innovation communities, and an actual recipe for fostering the environmental conditions that cause an innovation Rainforest to flourish.

The authors' perspective is informed by their experience as entrepreneurs, venture capitalists, and consultants in Silicon Valley and around the world. Their firm, T2 Venture Capital, combines a venture capital fund with an international technology development consultancy specializing in regional innovation hubs.

Whether you're an incubator professional, venture capitalist, entrepreneur, economic development expert, or whatever your field, the book has a wealth of ideas and tools you can apply to foster innovation in your work.



innovationrainforest.com

## Raison d'être

Business Incubators have a single purpose - we take a look at the end results and what they have to say



**DWTEK Co., Ltd.** Taiwan

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THE INCUBATOR Innovation Incubation Center of Chaoyang University of Technology (CYUT) 40763 Taichung City Central Taiwan Science Park, Keyuan Road 21, Taiwan http://www.cyut.edu.tw/~incubatr/u shtml/index.php

#### About DWTEK

DWTEK is the first sub-sea manufacturer in Taiwan. It has applied strong technical knowledge, with enormous passion, to lead the innovative design and development of the ROV system, which has already completed several underwater tasks in Taiwan. Also, it acts as a leader and is competent to establish the linkage of the up-, mid- and down-stream outsourcing suppliers in system integration and machining work.

#### The challenges

Though possessing the ability, it was hard for DWTEK to enter the field of sub-sea projects and construction. It was because Taiwan has relied heavily on foreign sub-sea teams to implement underwater tasks. Therefore, DWTEK waited for a turning point to break such a long-term business model. With help from Innovation Incubation Center (IIC)of Chaoyang University of Technology (CYUT), DWTEK became known to the Taiwan Government, which realised it had advantages and capabilities in sub-sea industry. Now DWTEK is fully supported by the Government. CYUT IIC has paved the way for DWTEK in media, enhanced its exposure and helped it to grow at a fast rate which was beyond its imagination.

#### The incubator advantage

The Chaoyang University incubator is a dynamic and energetic incubator where customer care has the highest priority. Entrepreneurs feel that it is important to be located in the incubator as it provided the best possible environment for developing their business, both for the facilities and the human component within it. energy, there There commitment to the client and to the overall incubator's mission, and there is professionalism and willing to learn and to let the staff grow. A of volunteers unique system enables the incubator's basic functions to be taken care of but it also represents a unique way to introduce an entrepreneurial mindset to university students.

#### And more...

The team feels that this quote by Sir Isaac Newton says it all, "If I have seen further than certain other men it is by standing upon the shoulders of giants." In the near future, DWTEK is planning to build the biggest West Pacific maritime integration centre providing various services including training for professional diving crews, an underwater equipment testing base, and a maritime engineering simulation environment.



**New Duivendrecht** *The Netherlands* 

#### ADDRESS

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#### THE INCUBATOR

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#### **About New Duivendrecht**

New Duivendrecht is the newest manufacturer of contemporary furniture from the Netherlands. It offers a collection of interior design products by a group of young Dutch design talents. At New Duivendrecht we develop our products in co-creation with designers and manufacturers. We aim to create a collection of innovative, sustainable and highquality interior design products.

#### The challenges

Our biggest challenge was to make sure that when New Duivendrecht would be launched at the world's most renowned design fair, the Salone del Mobile in Milan, Italy, we would position it in exactly the right This meant the spot. international design industrv would talk about us as the best new brand, that could grow to become serious competition for the more established brands.

#### The incubator advantage

At the incubator we had the chance to experiment with several unique materials, creating unique propositions towards our clients. Besides this the incubator offered us a vast network of potential partners and clients.

#### And more...

The industry of furniture design is very exciting. New products are developed fast which means that you never have to wait very long for customer feedback. To be 'Hot or Not', combined with a good commercial and technical sense is what it is all about. The company is proud to be moving on and is looking forward to the next step in Milan in April, 2013.



#### Xi'an Shengjin New Material Technology Corporation China

China

#### ADDRESS

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#### THE INCUBATOR

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#### About Shengjin Technology

Xi'an Shengjin New Material Technology Co. is a high-tech company, specialising in R&D, production and sales of wearresistant materials and light-metal. It owns a large TXX series of new zinc-base alloys and a TNL series of special wear-resisting aluminium alloy-moulding technologies, which is mainly used for casting bearings. bushings, turbines. sliders, sliding plates, screw boxes, half-nuts, bearing-retainers and other components of large machinery and equipment etc. It can also be widely used in metallurgy, mining, general machinery, transportation industry and the manufacturing industry. New allovs show several such as good characteristics, friction behaviours and high inwear resistance. Moreover, the advantages lie in lower cost of raw materials and energy consumption, and a pollution-free melting process.

#### The challenges

The company's main business continues to grow rapidly, thus it faces many challenges, particularly in the development of new products, the expansion of its market and the risk-control systems.

#### The incubator advantage

Xi'an Yichuang Dual-use Science & Technology Industry Incubator Ltd, located in University National Science Park of Northwestern Polytechnical University, is noted for being a professional services organisation that cultivates and supports high-tech SMEs. The Ministry of Science and Technology awarded the company a national incubator, providing infrastructure, talent-training, interdisciplinary cooperation, financing, management consulting services etc. In addition, it helps enterprises to survive and grow smoothly. At the beginning of Shengjin's establishment, the incubator offered the company infrastructure and management consulting and hired services, also professional mentor to assist the enterprise in interdisciplinary R&D and provided cooperation. innovation funds the from incubator. A pilot-scale production line was formed.

#### And more...

The construction and management of University National Science Park was in the hands of Northwestern Polytechnical University. In 2001, with the joint approval of the Ministry of Education and the Ministry of Science and Technology, this science park has become one of the first 22

university national science parks. Its main functions include: the incubation of high-tech enterprises, the cultivation of entrepreneurial talents, the transformation of high-tech achievements and venture capital, etc. At present, the incubator has 58 incubated enterprises and 70 incubating projects.



**Ontecom™ Ltd.** *Russia* 

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#### The Incubator

Krasnoyarsk Regional Innovation and Technology Business Incubator Svobodny Prospect Str. 75, 660041 Krasnoyarsk, Russia Tel.: +7 (391) 201-77-77 www.kritbi.ru

#### About Ontecom<sup>™</sup>

Ontecom™ is an innovative developer of equipment for metallurgy, based in the capital of aluminium-rich city the of Krasnovarsk. It is specialized in promoting induction MHD devices and induction heating technologies to the global market under the brand name of Ontecom Inductors.

#### The challenges

There are many unresolved problems in the metallurgical industry and Ontecom<sup>™</sup> always finds new ways to make production more innovative and economically advantageous by incorporating linear induction machine (LIM) for MHD effect on non-ferrous metal melting. LIM, with greater operating clearance, is basically designed to provide melts that are homogenized in their chemical structure and temperature, as well as their metallurgical process acceleration. The main advantage of LIM is a moderate price, 40 percent lower energy consumption, three times smaller mass, and assembly and operation simplicity.

#### The incubator advantage

Industry veterans know how difficult it is to create new successful and useful devices and create innovative technology in this sector. The Incubator was like a first home for this enterprise offering a green card for financial infusions from investors and funds, as well as advice on matters of accounting and legal support. Krasnoyarsk Regional Innovation and Technology Business Incubator (KRITBI) brought in much-needed connections and special orders from plants like Krasnoyarsk Metallurgical Plant and Norilsk Nickel Holding. The first Ontecom<sup>™</sup> manufacture of equipment was started at the area of KRITBI. Finally, and quite importantly, the incubator brought the financial resources precious to the successful implementation of a first prototype.

#### And more...

Russian infrastructure of innovation support is a very young system and the appearance of structures like KRITBI, is a big step for all Russian innovation companies. Incubators like these help technology companies like Ontecom<sup>™</sup> to take their place in Russian industrial centre.



#### **Giaura** The Netherlands

#### ADDRESS

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#### THE INCUBATOR

Giaura European Space Innovation Centre Kapteynstraat 1 Noordwijk, 2201 BB The Netherlands

#### About Giaura

Giaura sells machines that concentrate atmospheric  $CO_2$  in the greenhouse sector. Based on a spacecraft air-recycling technology, Giaura was accepted onto the European Space Agency's (ESA) incubation programme in 2010. Started by Maximus LL. Beaumont, a former graduate trainee working at ESA, and Anthony C. Thirkettle, an ESA project engineer, the pair saw atmospheric CO<sub>2</sub> as a resource that could be utilized. Due to its nature as a by-product distributed where and when it's available, sufficient access to  $CO_2$  is regional and depends on the time of year. This is achieved by installing CO<sub>2</sub>capture units at the user's site.

Giaura's core technology is a plastic CO<sub>2</sub> absorber developed over the last 20 years by ESA. Giaura has the advantage of being welllocated in the Netherlands, a hub for greenhouse technology and development. As a supplier of carbon-neutral CO<sub>2</sub>. Giaura has the potential integrate to its technology into closed-loop carbon cycles such as bio-fuel and synthetic fuel production for the transportation industry.

#### The challenges

Giaura interested in was conducting research for the application of its CO<sub>2</sub> absorber to the atmosphere which until then had been developed for use inside a spacecraft cabin. At the time our business case was still in development, mainly due to the unproven nature of the technology. We required funds to conduct the research and develop our business plan. We had no market contact, and, composed of a physicist and an engineer, the team had comparatively little business experience.

#### The incubator advantage

The ESA programme provided us with 80 hours of technical support from ESA personnel, as well as access to laboratory and workshop facilities at the ESA campus in Noordwijk. This allowed us to characterize our CO<sub>2</sub> absorber in the atmosphere. A grant of €50K and loan for the same amount were made available for technical and non-technical expenditures respectively. We were given access to training programmes and support from business advisors surrounding the incubation programme. These included business training workshops, oneto-one counselling on business strategy with incubator advisors and introductions to local stakeholders.

#### And more...

Giaura operates a prototype aircapture unit in Noordwijk and aims to sell its first commercial systems within two years. The company is currently seeking investment to fund the development of a pilot plant.



We are always looking for interesting projects to feature in this section. Please write to us and let us know who your star incubatees are: editor@theincubatormagazine.com

## Patently Obvious



*Alexia Hengl* examines the new EU Unitary Patent Package and its potential to ease the process of cross-border IP protection

During the last few decades Europe has been losing its competitive advantage vis-à-vis new and emerging global competitors. As a consequence, one of the most sensitive and long-lasting debates within the European political arena has been how to enhance the economic growth potential of innovation. The backdrop to this debate of course is the failure in achieving the innovation and smart growth objectives as identified by the European Union in the Lisbon agenda and, later on, reaffirmed in 2010 by the flagship initiatives of the Europe 2020 strategy.

Whether our governments and the European Union have proposed sufficient measures and policies which could have helped SMEs to further develop and maintain their market shares, is still an open question. It is however incontestable that more actions could have been undertaken to lift administrative and economic burdens from European SMEs, the endusers of the incubation industry.

Following the ongoing 40-year

debate, on 11 December, 2012, the European Parliament adopted the socalled "EU unitary patent package" that included a regulation creating a European patent with unitary effects in 25 European Member States (the Patent did not include Italy and Spain). The regulation defined a new language regime and applicable translation arrangements for patents and an international agreement to set up the "Unified Patent Court".

This package was designed to fill the innovation gap and the lack of competitiveness for European applicants, in comparison with their counterparts in the U.S. or Japan, by lowering the huge costs of granting a patent in the EU. It is to come into effect from 1 January, 2014 and remedy a system that renders the US patent market three times more attractive than the European one.

But what will really change? Today the inventor who wants to protect his invention under a European patent, has to submit his patent application at the European Patent Office (EPO) in Munich (or at one of its branches) in one of the official languages of the EPO (French, English or German), providing a full translation of the patent application in case it has been filed in any other language.

The peculiarity of the current European patent lies in the fact that it is not a directly enforceable single patent. On the contrary, it appears to be a bundle of national patents, valid only in the countries where the patentee has decided to look for legal protection. Indeed, following the granting of the patent by the EPO, the inventor must validate the patent in the country/ies where he (or she) seeks patent protection, by translating it and paying national renewal fees in every country where protection is sought. As estimated bv the European Commission, the current cost of a European patent in all 27 Member States can cost roughly €36,000, of which almost €23,000 are considered to be translation costs alone for the patent validation. While In the U.S. patent system however, an average



American patent can cost around  $\in 2,000$ .

The new European Unitary Patent is expected to drop the cumulated patent costs by reducing them to a manageable total, that ranges from  $\notin$ 4,725 to  $\notin$ 6,425 - this includes a dramatic reduction in translation costs of anything between  $\notin$ 680 and  $\notin$ 2,380. The granting of a European Unitary Patent will also ensure that an automatic translation system will substitute human translation.

While waiting for this system to be fully operational (and in case translation of a pending patent is required) a reimbursement system has been provided for SMEs, natural persons, non-profit organisations, universities and public research organizations who are resident in, or operate a business, in a EU Member State and who do not have English, German or French as an official language.

It is fundamental to highlight that the new European unitary patent will enter into force as an additional option for applicants, besides the existing systems.

Is this the only advantage for SMEs and inventors? No. Another direct positive outcome will be a broader protection for patent owners. Currently an entrepreneur or inventor looking for investment/funding will tend to seek patent protection in the country where he or she is likely to market or produce the product - and this runs the risk of an incomplete patent granting.

Moreover the Unified Patent Court (UPC) will finally provide a specialised court with exclusive jurisdiction with regard to European patents with unitary effect infringements and litigation. The agreement on a unified patent Court will have to be ratified by at least 13 Member States and will comprise a Court of First Instance, a Court of Appeal and Registry. It will comprise a central division in Paris and two specialized divisions in London Munich and dealing with pharmaceutical biotechnology and cases and automotive and court administrative cases. The Court of Appeal is to be established in Luxembourg.

The UPC will bring to legal certainty and will stop the current forum shopping by businesses who exploit the differences among national systems by deciding where to seek legal redress, and file suits depending on the courts' interpretation, level of damages awarded and legal proceedings' length.

SMEs will certainly profit from the new system and even individuals will be able to sustain the costs of regionally protecting their innovative ideas. Practitioners in the field of incubation, acceleration and entrepreneurship should closely follow the evolution of the Unitary Patent legal framework and advise clients to patent their products wisely, and from the very beginning.

We all watch and wait...

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### Looking High and Low

In Europe and in the United States, business incubator trade associations such as EBN and NBIA calculate that the survival rate of companies created and supported within the incubation industry is a figure between 80 and 90 percent. This figure goes a long way in demonstrating the success of business incubators as organizations capable of providing sustainable jobs for given territories. This success is achieved through the application of serious selection processes such as this which have been highlighted by both Nicolas Rouhana and Olivier Tomat in past issues of this magazine.

I have few doubts that this figure is realistic. In the EU we can refer to the annual survey EBN undertakes with the aim of assessing the EC-BIC quality mark criteria, while in the U.S. the "2012 State of the Business Incubation Industry" prepared by Linda Knopp for NBIA offers insight into this issue. Therefore, it may be interesting to fully understand this figure and what it means for the industry itself. Indeed, this indicator, or any indicator you choose, may assume various meanings and will read differently whether you are an incubatee, a stakeholder or an incubator.

As an incubatee this indicator should provide you with a decent degree of comfort as your assessed and accepted-in-the-programme business idea has passed the test! It means that most likely you have got it right, that you have come up with something that will have both a good impact in the community where you are basing your company and a very high probability of providing you with a decent living. Hard work? Undoubtedly, but it will most likely pay off as you are in the right place at the right moment!

As a stakeholder you will probably feel comfortable that your investments will most likely pay off. As incubated companies tend to stick around you should have the satisfaction of seeing the economic life in your community thriving; after all incubated companies tend not to be fly-by-night operators. You will have the assurance that the jobs are there to stay and that a virtuous circle has spun from the investment made in your incubator. However, are you happy with the total number of jobs created by the incubator? That is a completely different question which may very well lead to a certain degree of discomfort, as the average employment by incubated companies viewed from a mere political perspective (definitely not from a technical one) is on the low side. Average employment by tenants in a BIC in 2011 was 151, while NBIA reports 137 as the average full-time employment by an incubator resident and its affiliate clients.

As an incubator you are facing a trade-off. You may look at the survival rate as your comfort zone, one of the main indicators of success, and decide to continue operations as always. Certainly, you are shaping the life of people and you don't want to mess about with any of that! But on the other hand you might view a 90 percent success rate as an indication that you are not much of risk-taker. Is it possible that accepting a lower level of survival rate might, in the end, bring a higher number of jobs created and if so, how many jobs? How much can a lower survival rate impact job creation?

I don't know. Academics and researchers, maybe you have the answers for this!

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Giordano Dichter

**Giordano Dichter** is Head of Quality and Technical Assistance at the European BIC Network. He is passionate about incubation and innovation and always seeks ways to introduce the latter into the former.

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