

the Business Incubator

a practitioner's journal

Volume 1 Issue 1
June-September 2012

Unnatural Selection

How to spot the business ideas that will thrive and survive

Winds of Change

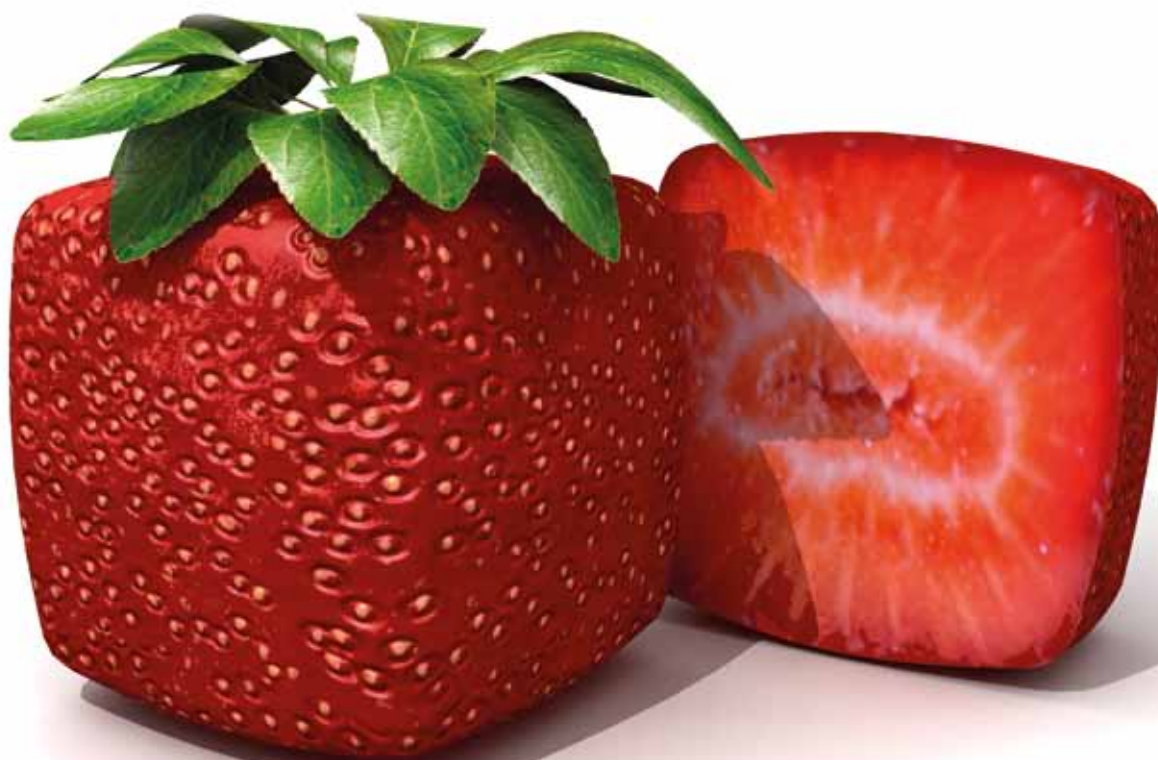
The evolution of incubation in East London

Three Part Harmony

Funding incubatees through business angels

Money Matters

Finding revenue streams in times of austerity



PLUS: Spotlight on Taiwan's incubation industry, Georgia Tech's incubation experience, latest network and industry news, incubatee showcase, resource reviews and columns from industry leaders

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A new chapter in the story of incubation

The concept of incubation has been around for a long time. In fact, many forward-thinking governments, large corporations, place-based communities and universities of merit have seen the need for, and invested in, incubators over the last three decades or so. In the EU, what began as a pilot experiment, brought into existence the first EC-BIC “Business & Innovation Centres”) in 1984 in Belgium, which has now grown into a full-blown network of over 200 innovation-based incubators, which I have the privilege to serve.

Of course there is much more out there as the BICs, although a major player in the field, are not the only incubators around. Science parks, technology centres, clusters, entrepreneurship centres, accelerators, etc, all play a fundamental role when addressing the needs of entrepreneurs and of small and medium enterprises that everyone, I believe, might agree are the life blood of economies. But incubators are where the whole process begins and there is a specific reason for their success. They are professional bodies, highly selective and therefore have higher chances of generating sustainable businesses and therefore long-lasting jobs. Simply put, incubators make it happen. The best of them also embrace a broad and open concept all along the incubation value chain, from pre-incubation to post-incubation - for start-ups, for spin-offs, for gazelles, for SMEs, for everyone!

The European BIC Network has many sister networks around the globe and these are prominent and important players as well. The NBIA (National Business Incubation Association) in the US, the Chinese Business Incubation Network, Anprotec in Brazil, the IASP Science Parks network, the World Bank's infoDev, the Technology Incubators programme in

Israel, RETIS in France, UKBI in the UK, ADT in Germany, SISP in Sweden, the Jordan Innovation Centres, Chile Incuba, KOBIA in Korea to name a few, all work with their partners and members to foster and promote best practices and share ideas across their own platforms. Where possible, agreements among networks are made to improve their economy of scale, a crucial step to increase the opportunities for client companies, and a necessary one when working in times of scarce resources. But a device that would put news, events, experiences, practices... of the incubation industry from around the world together in one single platform was actually missing, despite the wealth of experience from around the globe. Until now!

The launch of **The Business Incubator** has indeed come at a crucial time. This magazine, I believe, will provide that much-needed platform for practitioner to talk to practitioner and address the growing needs of this industry, as the independent publication that provides peer-informed content. I have been privileged to see the making of this first issue and am hopeful that it will give us all a fair and informed view of the issues and concerns that we deal with in our day-to-day working life. I am proud that EBN has chosen to sponsor Issue 1. Hopefully other networks will follow soon.

I encourage you all to participate by contributing and subscribing to **The Business Incubator**. It is indeed the “incubator practitioner's journal” and therefore each of us should have a vested interest in its success.

I wish the team at **The Business Incubator** the very best and look forward to a continued relationship with this much-needed magazine.

Philippe Vanrie,
CEO, EBN
www.ebn.eu



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GUEST EDITOR

Philippe Vanrie - CEO, EBN

PUBLISHING TEAM

Publisher

David Tee
david@theIncubatorMagazine.com

Managing Editor

Sangeetha Shinde
sangeetha@theIncubatorMagazine.com

Art Director

Necdet Sahin
necdet@theIncubatorMagazine.com

Business Development

Stephen Gardner
stephen@theIncubatorMagazine.com

Content Adviser

Giordano Dichter
giordano.dichter@ebn.eu

CONTRIBUTORS

Giordano Dichter
Joe Greaney
Alexia Hengl
Lynne Henkiel
Charlene Lambert
Martin Longstaff
Nicolas Rouhana
Robert Sanders
Antonio Sfiligoj

MORE INFORMATION

www.theIncubatorMagazine.com

CONTACTS

Editorial & Media

editor@theIncubatorMagazine.com

Advertising & Sponsorship

sales@theIncubatorMagazine.com

Images

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www.IncubationWorldwide.com
Tel: +44 20 8144 6471



I am delighted to welcome you to the very first issue of **The Business Incubator** magazine.

There has possibly never been a more important time, in international business, for business incubation. As economies throughout the developed and developing world are striving to find growth, business incubators are nurturing the nascent enterprises that will form a vital part of the recovery. The incubation industry is certainly getting stronger, but a concerted effort is needed to share and

highlight the excellent work that is being done around the world. It is our aim to be the global voice of this vibrant sector and to bring our subscribers news of successes in all sectors, and from all regions.

Our contributors are experts in their fields, and through this magazine we aim to provide a steady stream of advice and best practice from the best there is in this business.

In this edition, for example, we have features on what Business Angels look for when funding incubatees (p16) and how to maximise the innovation potential in an incubator (p28). *In Money Matters* (p12), we have looked at ways to source innovative means of developing revenue streams to help an incubator stay afloat in these difficult times. We have also added snippets of news from around the world and some interesting, and hopefully enjoyable, tools and resources that practitioners could use themselves, or pass on to inspire and motivate the fledgling businesses under their care.

Putting this first issue together has been both challenging and immensely rewarding and we have many people to thank. Our contributors who took time out of their busy schedules to lend their knowledge and expertise, colleagues and friends who lent their time and talents... all of which helped us get to this point. Last, but in no way least, I would like to thank Philippe Vanrie and the team at EBN, whose generous sponsorship, help and encouragement made this first issue a reality; our gratitude to them cannot be expressed in mere words.

We hope you enjoy this first issue; we welcome your suggestions and feedback. Although based in Europe, **The Business Incubator** is the platform for the global incubation market. We want the magazine to be about you, and your concerns, so wherever you are, please get in touch with us and let us know how we can make future issues as relevant to you as possible.

We certainly believe that launching a new magazine at a time of financial austerity, demonstrates just the kind of entrepreneurial spirit that incubators are trying to foster, and the team at TBI feel a real empathy with those in the industry. Together with you, we are the voice of the industry that is making a positive difference...

Sangeetha Shinde
Managing Editor



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The Incubator Portal is a fantastic product - we've successfully rolled out the portal across all seven of our incubators... if you're looking for a system to assist with your client administration, monitoring, evaluation and reporting requirements then we can definitely recommend the Incubator Portal

Michael Reddy

African Incubator Network Chairman, Fumtech CEO



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the**Feature****Money Matters**

How does an incubator find alternative revenue when public funds are less available? How are incubators addressing any short-fall in income during the current economic climate?

**Three Part Harmony**

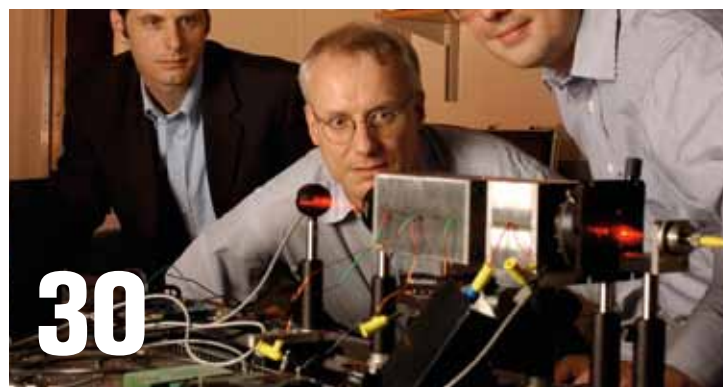
How should incubators make the most of 'angel investors' in their area? What are angels looking for when evaluating potential opportunities? What does it take to get an incubatee 'investment-ready'?

**Winds of Change**

Can sustainable enterprises be created through the legacy of mega events like the Olympics? A look at Knowledge Dock, an incubator based within the Olympic catchment area, and how it intends to capitalise on this major investment.

**Unnatural Selection**

Getting the right mix of entrepreneur, business idea, technology and market is crucial to a start-up's success. A look at techniques for assessing business ideas considering different approaches and methodologies.

the**Experience****Walk the Talk**

How do you thoroughly assess the innovation value of a business idea? How is innovation tested in the market, especially with regard to incremental versus radical innovation? An overview of Georgia Tech's experience.

the**Spotlight****Eastern Promise**

A view of Taiwan's incubator industry and its European connections; plus an interview with the Director of a Taiwanese biotech incubator.



RWANDA

Youthful initiatives

Rt. Hon. Prime Minister Dr. Pierre Damien Habumuremyi visited Masaka Business Incubation Centre, located in Masaka, Kicukiro District, Kigali City, Rwanda in April 2012. The Prime Minister visited the Centre with the aim of assessing the breadth of activity and scoping out areas of improvement. He was appreciative of the work being undertaken and encouraged the Centre to provide the training offered on a continuously productive scale. He also urged them to collaborate effectively with local government agencies to enhance the youth training provision. The Masaka Incubation Centre focuses on products manufactured from bamboo, including tables, beds and chairs, with some companies manufacturing leather-based products. Plans are in place to start incubating various agri-dairy based businesses as well. The Masaka Business centre was established by the Rwanda Development Board in an effort to promote and to enhance youth capacity building in the area.



NIGERIA

ICT gets a leg-up

The IT Business Incubation Development Centre committee in Nigeria stressed that the government needed to align the curricula of ICT programmes in tertiary institutions in the country to current global standards in order to produce a better quality of ICT graduates who are potential entrepreneurs. The committee was given the mandate to

develop a sustainable domestic IT business incubation framework to nurture and encourage local talent and facilitate the commercialisation of research results. The committee report recommended a country-wide range of activities based on an initial set of about six incubation centres nationally to support deserving aspiring ICT entrepreneurs. The report recommended a detailed 18-24 month incubation process which would result in the creation of high-quality businesses entrepreneurs who would add value to existing SMEs in the Nigerian ICT industry. The Minister of Communication Technology, Mrs. Omobola Johnson stated that her ministry was working with the Ministry of Education to ensure that ICT is embedded in the curriculum of schools in the federation. She expressed her eagerness to see the ICT industry take off and said that seed capital was critical to implementation. While receiving a report of IT Business Incubation Development Centre committee she stated that the government was pursuing policies to ensure indigenous manufacturers were encouraged. The committee was set up by the ministry to deliver a sustainable framework to guide the setting up of incubation centres and the provision of an environment that fosters ICT innovation from incubation to commercial success in the country.



UNITED KINGDOM

Quick growth

Four new start-ups were launched at Birmingham Science Park's Entrepreneurs for the Future incubation centre (e4f). Settle, Sync Interactive, Dojit and Cubica 3 will receive mentoring and business planning services to become investor ready. In addition, they will get

telephone, internet access and office space for free for six months; a package worth £10,000. Partially funded by the European Regional Development Fund, e4f is unique to Birmingham and aims to harness and support the city's growing tech community. Since its launch in November 2009, Birmingham Science Park's e4f centre has created 82 new directors and employees.

Ten out of ten

The European Space Agency's Business Incubation Centre Harwell (ESA BIC Harwell) has reached its target of signing up ten tenants within a year of launch. It now houses ten hi-tech, start-ups, that will turn cutting edge space technology into profitable businesses in non-space-related industries. Tenancy can last up to 24 months and companies will receive a broad range of services, including a grant of £41,500 for product development. The ESA BIC Harwell is one of six ESA business incubation centres across Europe.



INDIA

Fishing for business

Southern India has always been a place where the fishing industry has thrived. The Central Institute of Fisheries and Technology (CIFT) in Kochi, South India launched a 5,000m² Business Incubation Centre, on April 5, 2012, to enable the establishment and development of technology and knowledge-centric business ventures within the agricultural sector. The Centre is geared to assist start-up companies by providing a host of support business services, including access to a pilot plant and hi-tech equipment. The usual mix of market intelligence, networking assistance and business modelling will also be on offer to incubatees. Currently the Centre can host nine ventures simultaneously and the goal is to set up a 100 incubators by the 12th Plan period.

Charity begins here

Agnel Charities (Agnel Seva Sangh) launched the Centre for Innovation and Business Acceleration (CIBA) on April 4, 2012. The Centre was inaugurated by chief minister, Manohar Parrikar. CIBA's CEO, JM Noronha was confident that ideas and innovative solutions by as-

piring entrepreneurs would be incubated at the Centre while they would have access to financial assistance from venture capitalists or angel investors, if the ideas had potential. The Centre is oriented to promote innovation in the areas of IT enabled services, food processing and solid waste management. IIM, Ahmedabad, a leading business school, has agreed to provide mentoring and services for the incubatees. The Centre is also supported by the Department of Science and Technology, Government of India. Strategic associations have been formed with various incubation networks that include the Asia Pacific Incubation Network (APIN), the Indian Business Incubator Association (ISBA) and Indian STEP.



SWEDEN

All in the game

The Swedish government recently funded The Game Incubator Network, an initiative that aids development start-ups in the country with their intellectual property management. The programme will be implemented by Gothia Innovation AB, which is located at the Gothia Science Park in Skövde. Key member of this programme, Nicholas Dunham, former head of major development studios, Starbreeze and Grin, believes the Swedish government has been proactive in promoting the videogame industry and is convinced that the incubator team is well placed to produce the next round of development achievers. Besides the National Gaming Centre at Gothia Science Park, there are seven other incubators in the programme. Currently, there are over 70 companies and research centres in Gothia Science Park, employing close to 700 people in industries such as telecommunications, life sciences and information technology (with a niche in computer and videogames).



TURKEY

The learning curve

The crossroads between two worlds has always been a place of learning and development. infoDev hosted a "Training of Trainers" programme in Istanbul, from

20th to 25th Feb, 2012. The focus of the programme was to enhance and develop the skills of a number of experienced business incubation practitioners from the infoDev network. Those completing the twelve modules became infoDev certified trainers who can now offer training programmes based on the infoDev training material. Dr. Nicolas Rouhana, from Berytech, Lebanon (author of *Unnatural Selection*, Pg 26) was one of the incubation practitioners selected to participate in this training programme. The training was designed to enhance the delivery of skilled business incubation in outreach areas covered by infoDev. The programme has drawn its content from experiences, proven models and examples across diverse regions of the globe. Over 30 experts helped to provide the module content and the results were tested by 300 professionals across developing countries who also supplied information from their knowledge base.



SWITZERLAND

Space for ideas

It is not often that ideas, science and support come together in such a happy mix. The Science and Technology Facilities Council and CERN announced a joint venture on 3 May, 2012 at the Daresbury Science and Innovation Campus. The JV is designed to translate technologies that are developed by CERN into profitable companies in the United Kingdom. The CERN-STFC Business Incubation Centre will help foster small businesses with innovative ideas that are based on technologies developed through high energy physics at CERN in Geneva. This is a first for CERN and it is hoped that the initiative could grow to include other European countries as well. Under this cutting-edge scheme, five companies each year, over a period of two years, will be helped to become profitable businesses. They will be given the benefit of a support package that includes up to £40,000 funding. In addition, they will receive 40 hours of unpaid access to technical expertise and facilities across STFC and direct access to CERN's technologies, expertise and intellectual property. The incubation centre will be officially launched later this year when the first call for proposals will be made.



UNITED STATES

From the ashes

Project Phoenix, launched on 12th April, 2012, is the first project of this kind and focuses on turning victims of domestic violence into financially independent entrepreneurs who control their own future. The project was funded by a \$100,000 grant from Verizon (one of five \$100,000 grants awarded to workforce development organizations and domestic violence agencies across New York State) to develop entrepreneurship training programmes for survivors. The entrepreneurial side of the programme will focus on training in opportunity recognition, exploration, and education, to show participants the potential that exists and to help them get there. Courses will cover subjects such as credit, money, financial instruments, public speaking and time management. At the end of the training, individuals will be able to create their business entity enabling them to apply for a Verizon Domestic Violence Entrepreneurship Grant. The grant offers up to \$5,000 in start-up funding. Those wanting to take their business plans to the next level may be enrolled in the advanced NxLevel business track that provides optional and advanced courses, and access to the SSIC Community Business Partners programme and further financing options.

Socially minded

Mobile and tech start-up veteran Michael "Luni" Libes has started a new incubator aimed at fostering "conscious companies". These are not 'not-for-profit' companies, but businesses being run by entrepreneurs who want to make a positive impact on the world. Seattle-based Fledge invites applicants from any sector as long as they aim to improve the environment, health, community etc. A total of seven companies are to be selected and will work for an eight-week period at the HUB Seattle, or at the SURF incubator. Fledge is a hybrid of the standard tech incubator model—taking three percent equity in the company and revenue-based financing, with the standard \$7,000 cash stake considered a loan to be paid back. Libes saw the huge potential for entrepreneurs outside of the tech sector after eight months spent advising early stage companies.



CHINA

The art of business

Gallery owner, curator, lawyer and resident of Beijing - David Ben Kay - launched an art incubator aimed at nurturing start-ups that combine art, business and sustainability with technology, on 25 April, 2012. Yuanfen is dedicated to supporting the creation of new companies by providing technical and financial support as well as mentoring services. Yuanfen has a very strong technology component to it and looks for artists who are doing things that are "interesting, challenging, cutting edge and a little bit dangerous". The companies being incubated are diverse in nature; for example, one of the incubatees, Muuyu, teaches yoga online, while another, Customaid, is a service that enables users of social networks to create made-to-measure clothing.



SAUDI ARABIA

Innovation for the future

King Abdulaziz City for Science and Technology (KACST) organized a major workshop on the five disciplines for innovation in April, 2012. KACST worked with the Stanford Research Institute (SRI) International, US, and the BADIR programme for Technology Incubators represented KACST at the event. The workshop aimed at educating participants, both entrepreneurs and industry leaders, on the importance of innovation in any organisation and the impact on the local economy. The vision of the workshop was to give a boost to sustainable development and accelerate the knowledge economy. Both the National Science and Technology Plan and the National Industry Strategy objectives of the country target diversification in the economy through the growth of non-oil technology industries – the end aim is to build a knowledge economy in Saudi Arabia. BADIR-ICT has already assisted in the creation and development of a number of ICT businesses. Four more BADIR technology incubators, covering bio-

technology, advanced manufacturing, nano-technology and energy sectors are at various stages of development in the Kingdom. KACST plans to support at least 11 other BADIR affiliate technology incubators in the next few years in association with universities and other institutions. The Kingdom of Saudi Arabia National Technology Business Incubation Policy Framework, envisages the Kingdom having 80 technology incubators by 2025.



TRINIDAD & TOBAGO

Quest for diversification

The NOVA Committee of the Trinidad and Tobago Chamber of Industry and Commerce flagged off its SME initiative through a set of workshops and their biennial conference that focuses on SME development. The conference in January, 2012 also included an ice-breaking session with past presidents of the Chamber. The conference was attended by members of the Ministry of Labour and the Small and Micro Enterprises Integrated Business Incubator System Programme (IBIS.) The NOVA committee stressed their commitment to offer support to initiatives such as the IBIS Programme as the Chamber believes that it is important to support ideas and businesses that can create sustainable, revenue generating niches. The Chamber plans to continue its promotion of SME development and will continue to organise events and sessions with a similar focus in the future.



AUSTRALIA

Opening new doors

ilab, Queensland's incubator for tech-driven start-up companies saw the official opening of its new offices on 30 April, 2012. The inauguration of the new premises coincided with *ilab* becoming an operational unit of UniQuest Pty Limited, the main commercialisation company of The University of Queensland. Besides the traditional office space and mentoring services, *ilab* will be adding innovative networking, education and funding programmes to its portfolio

of offerings. *ilab*, for example, will disburse A\$20,000 to Queensland entrepreneurs with business concepts or early technologies to commence Minimum Viable Product (MVP) development and marketing. The first intake of incubatee companies at the new premises is slated for June this year.



UNITED ARAB EMIRATES

Youthful aspirations

Dubai SME announced that registration for the 'Mohammed Bin Rashid Award for Young Business Leaders (YBL)' will stay open until July 12, 2012. The YBL Award is the first of its kind in the region and aims to foster a competitive environment among young entrepreneurs in the Emirates and other Arab countries. The award will also recognise both individuals and organisations who have helped entrepreneurship flourish in the UAE. Ibtihal Al Naji, General Coordinator of the Award, said that since its launch in 2003, the YBL Award has had His Highness Sheik Mohammed's continuous support in encouraging the SME business sector. Dubai SME is committed to expanding and raising the scope of this award by adopting best practices and creating a model that is internationally recognised and commended.



PAKISTAN

Women take the initiative

A 50-member delegation thanked the Small and Medium Enterprises Development Authority (SMEDA) for arranging their participation in the Women Lifestyle Exhibition held at Islamabad in April, 2012. SMEDA officials told the delegation about the efforts being undertaken by SMEDA to increase the participation of women in business. SMEDA has set up a Women Entrepreneurship Cell that conducts business training workshops and initiates projects that facilitate entrepreneurship among women. The Women Business Incubation Center at Lahore and in other cities in Pakistan are all part of SMEDAs scope of activities.

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 - FAWIRA - Strengthening of Food, Agriculture and Water related International Research Cooperation of Algeria (FP7-INCO-2011-6.2)
 - MoICT - Morocco Research Advance in ICT for Water (FP7-INCO-2011-6.2)



EBN

Snapshots

In the pipeline

A quick look at EBN's recent partnerships, new members and forthcoming activities

OCTOBER 2012

Following last year's successful event, EBN, in partnership with UKBI and Knowledge Dock, the BIC of the University of East London, are pleased to welcome you to participate in the 2nd Tools Exchange Forum which will take place in London, in October 2012 (final date to be confirmed). Join us to have a chance to see what tools have been developed by your peers to manage your incubator, your innovation chain, and your business support organisation.

A call for tools has been launched, so if you have developed your own tool that you would like to showcase during the above event, make sure you contact Chiara Davalli (cda@ebn.eu) for an application form.

NOVEMBER 2012

The art of coaching entrepreneurs and SMEs has gone through significant evolution and innovation over the past few last years. What are the latest trends and tools? Discover them at the next BIC Master Class "Coaching and Mentoring". Scheduled to take place in November, the final date and location are still to be confirmed.

To know more about EBN events contact Chiara Davalli (cda@ebn.eu)

EBN PROJECTS

EBN's project team is continuously looking for opportunities to develop new tools and processes that ease the job of incubators around the world. Among those that are about to start (involving EBN members) the following may be of interest to incubation practitioners. They touch on two themes crucial to the growth of SMEs: fundraising and internationalisation.

EMMINVEST

The purpose of the EMMINVEST project is to build an effective coaching platform with 120 entrepreneurs and 40 coaches to double the chances of fundraising for SMEs. The goal is to help at least 30 companies raise around €0.5m each – a total of €15m funding. During the project, sources of SME funding will be mapped on a website, as well as profiles of the SMEs and partners. A further objective of the project is to develop and roll-out an effective 'mobile investor exchange platform' with 180 investors. Webinars, online portfolio peer reviews and online company presentations will be part of this platform. Finally, EMMINVEST will test the effectiveness of cross-border funding facilities with specialist investment groups. It will mobilise at least six investment and/or seed/angel funds to co-invest and support growth.

In the past six months EBN has accredited eight innovation-based incubators and welcomes them to its community:

DNA Cascais, Portugal

www.dnacascais.pt

IBBT, Ghent, Belgium

www.ibbt.be

Innovation Center Banja Luka, Bosnia and Herzegovina

www.icbl.ba

Novalia82, Montauban, France

www.novalia82.com

Innobridge, Ruse, Bulgaria

<http://innobridge.rcci.bg>

Chamber of Commerce of Paris, France

www.ccip.fr

Palestine ICT Incubator (PCTI), Ramallah, Palestine

www.pcti.ps

BIC Kymi, Finland

www.bickymi.fi

To find out more about EC-BIC accreditation contact Giordano Dichter (gdi@ebn.eu) and visit www.ebn.eu

INT-SME

INT-SME's main activities are to identify the main barriers, needs and skills required for internationalisation. In addition, a training toolkit will be developed with case studies, narrations and "soft landing" experiences of selected SMEs who are interested in further investigating the possibilities of internationalising their activities. The project target-groups are: innovation driven SMEs, BIC tenants, other SMEs who operate in traditional sectors as well as BIC managers.

If you would like to be involved in EBN's projects in the future, or if you are interested in the outcomes of past projects, please contact Robert Sanders (rsa@ebn.eu).



THE EC-BIC NETWORK IN 2011 - A LOOK AT THE FACTS AND FIGURES

Check out how the EC-BIC Network has performed in 2011. See the latest trends in key performance indicators and value for money. Find out the structure of BICs and get real-time profiling.

To find out more, please download EBN's BIC Observatory 2012 on the EBN website at www.ebn.eu

Touchdown

The launch

EBN announced the launch of the Soft Landing Club, a pilot programme that aims to boost international business development for start-ups and SMEs. The Soft Landing pilot, which involves over 70 Business Innovation Centres (BICs) and business incubators worldwide, started earlier this year, and will run through until December 2012, at which point it is expected to become a mainstream EBN service.

What it means

A Google search reveals a number of definitions, but for EBN and its partners it's all about BICs and incubators offering short-term business support packages to visiting companies that are incubatees or clients of other BICs.

A company looking to develop international business or global partnerships in another region can be hosted in a Soft Landing Club Members' incubator for

a short period, say a week or two, and benefit from local knowledge and expertise in order to accelerate access to new markets. The hosting BIC or incubator acts as a "trusted friend" and helps to fast-track a company to international business development by providing, for example, market research, arranging business meetings with targeted prospects, and providing follow-up services if needed.

The Soft Landing Club has members from Cambridge (UK) to Chengdu (China), thereby opening up and offering a global network for EBN members' client companies. EBN has also partnered with other global networks on this initiative, including RETIS, NBIA, Anprotec, and the World Bank's infoDev to name a few.

As Sam Raymond (Access to Markets and Finance Consultant) explains "infoDev is excited to collaborate with EBN on the Soft Landing pilot. We are partner-

ing to internationalise EtherVoice, a small Colombian voice technology company and winner of infoDev's TOP20 SME prize. The two networks are currently organising "co-incubation" for the company, sending them from their home CREA-ME incubator in Colombia to Asturias BIC in Spain. EtherVoice is working with managers from both incubators, EBN and infoDev, to identify services which will enable them to effectively enter the Spanish market. These offerings may include market research related to their product, customer development, customer acquisition and legal services."

The EBN Soft Landing pilot is a first step in defining a realistic method for the international expansion of companies and EBN is hopeful of being the author of many success stories. A new website is currently in the design stage, but those companies interested in this initiative can find essential details at www.ebn.eu/softlanding or contact Robert Sanders at rsa@ebn.eu

Eileen Moloney, Senior Consultant to CorkBIC on the Soft Landing programme:

"CorkBIC has undertaken many outbound missions to France, Finland & UK. CorkBIC presented Cork-based company, Radisens Diagnostics, at a Sophia Business Angels (SBA) in Venture Academy, in the South of France. Radisens (www.radisens.com) develops disruptive point-of-care diagnostic platforms and multiplexed test panels, which diagnose and monitor patients for multiple chronic and acute care conditions. The result of the presentation was an equity investment by SBA. This soon led to an SBA angel, based in Cambridge, UK opening the door to the innovations arm of the UK National Health Service (NHS) which resulted in another significant contract. Radisens was hired to

integrate a creatinine test onto its existing chronic care assay panel for long-term disease management. Subsequently, Radisens raised €1.1 m in investment and also won a €1m contract with the European Space Agency. The Soft Landing in Sophia Antipolis and the angel investment from SBA were the instigators and catalysts to this business success.

Another Cork company, TreeMetrics, who developed a unique set of solutions to better measure and improve the management of forest resources (www.treemetrics.com) were targeting the Finnish market. The Finnish partners of the Soft Landing international network based in Helsinki, organised sales meetings with prospective customers, with strategic partners and with government departments responsible for forestry affairs.

CorkBIC accompanied Treemetrics on the visit which resulted in the company securing a number of Finnish contracts and they now have their own sales office in Finland.

Last month CorkBIC welcomed four companies on an inbound Soft Landing mission from UK, Spain and US. The US company has already set up an office in Ireland to service the European market. Later this year we plan to facilitate companies from India, China and Africa.

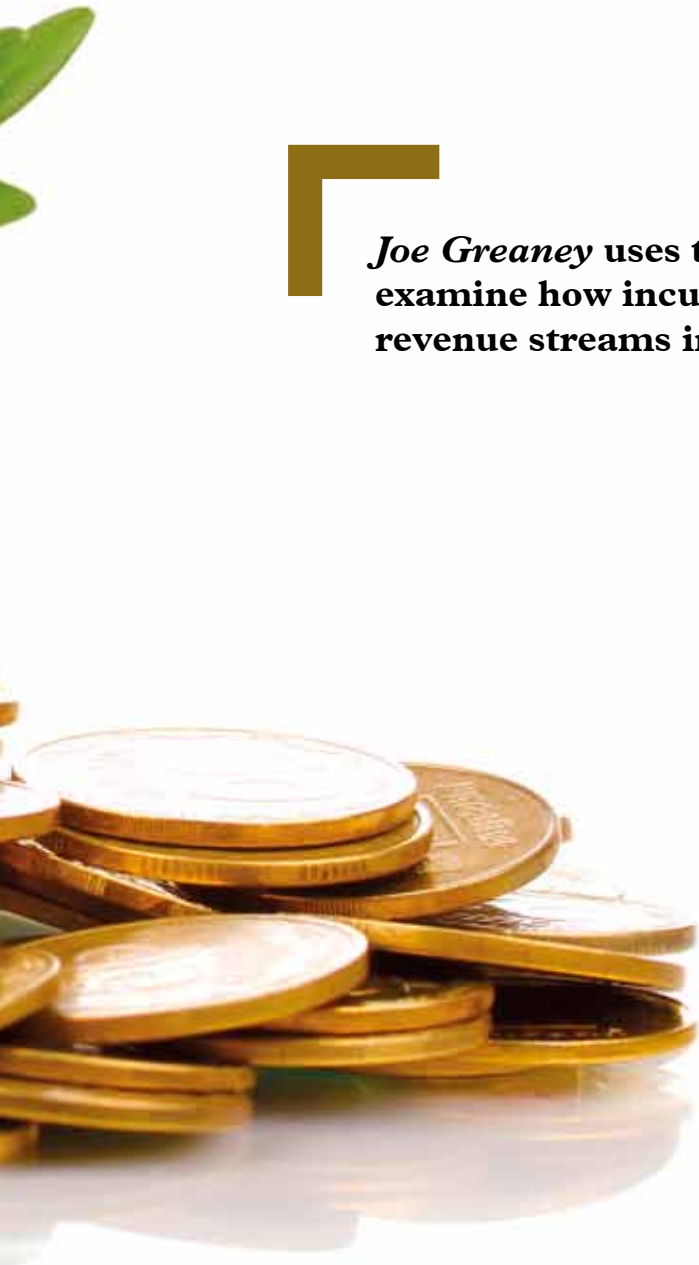
The potential for growth for partners and their incubatees is significant, to say the least. The model is proving itself every time. The connections we have made through this network have resulted in huge opportunities for our client companies"



Money Matters



Joe Greaney uses the WESTBIC perspective to examine how incubators can source additional revenue streams in these times of austerity





The commercial imperative

Incubators are businesses, just like any other, and have a bottom line to attend to. As practitioners in this challenging field, we therefore have to constantly find ways to optimise our sources of income from the incubation activity, as part of our overall portfolio of support to innovative enterprises.

Unless underwritten by state or regional authorities or indeed, higher-education colleges, incubators are fundamentally businesses too; ones that need to survive, grow and pay their way. They need a market presence, a strategy and a business model to sustain their survival and participation in the applied innovation eco-system of their region. An incubator has to be run as a business and needs to be able to 'wash its face', to use an Irish colloquialism.

WESTBIC currently runs four incubation sites in the Border, Midland and Western Region (NUTS2) of Ireland. The biggest of these, the Galway Technology Centre (www.gtc.ie), is a 5,000m², ICT-dedicated centre which has become an international cluster of global names trading side-by-side with indigenous start-ups and early-stage ICT companies.

It was founded from the ashes of Digital Hardware, following its closure back in 1993/4, with the Chamber of Commerce as the lead partner and developer, and WESTBIC as the delivery partner. The results were testimony to what an accredited EC-BIC (Business and Innovation Centre) and its extended networks could achieve. The cumulative job creation record of the Centre is now a multiple of the jobs lost during Digital's collapse. That story alone is a case study in itself and worth describing in greater detail at a later date. What remained became Compaq, which then became HP who, most appropriately, came back again in tangible support of the GTC.

Part of the incubator mix includes 'Fiontarlann' (www.fiontarlann.com) which was developed, built and delivered as a second incubation facility in the rural Gaeltacht (Gaelic speaking) area of South West Donegal. This incubator served to attract more art-related and digital relevant market niches, while the other two centres are currently more desk incubation in nature. The first of these is operated as part of the Mayo Ideas Lab, which pilots initiatives with local partners further up-stream on the innovation curve.

The other is located in the Midlands in County Roscommon and is supported by the municipality and a number of local partners in that area.

Consistent with core marketing principles, the division and 'divisibility' of the overall product mix, to suit the various market niches, is a necessary approach to optimise on revenue returns.

Hot-desking

WESTBIC accommodates entrepreneurs who just want to use a desk and 'plug in' to the incubator's advanced technology, to perhaps test a concept. This activity is accommodated at 'The Cube', a separately branded facility of desk incubation, perfected and replicated at each site. For the client, the deal is a flexible one and well-suited to companies who need to travel throughout the region, but need a fixed 'post box' or IP address, if necessary, and to be able to access the same facilities as they move around the region. This solution can also work for companies with executives active in various parts of the region on a part-time basis. They may only need a desk, one day per week, but need to have very good connectivity on that day and a five-star facility to hold

business meetings, receive important customers, and gain easy on-site access to other support services and vital networks in the WESTBIC portfolio.

Soft-landing

Matching the client's overhead usage to need is key, and very appealing to companies, especially in these times. Current capacities at WESTBIC can accommodate small companies employing two, three or four people, and mid-sized companies of up to 20 people. A recent example was the US global player who 'soft landed' in the Galway site about two years ago with two employees. They recently graduated to a purpose built, stand-alone site, nearby, with 130 employees. Companies can grow or down-size or merge with a neighbour on a new contract in the incubator. Experience has shown that it is vital to match the rentals to space and growth of employees in order to expand on an upwardly mobile route. Yet, oddly (or maybe not so oddly) enabling the easy departure of a company from an incubator, is a very attractive feature for companies, and a key reason spaces such as this get picked over others. It is all about the client and *their* needs on *their* development curve.

Inward investment

Being the ultimate resource for a budding business can be lucrative for an incubator. Fiontarlann, for example, presently offers support to the project management needs of a prospective incubatee who wishes to out-source that service, until they can build more secure revenues themselves and justify the HR investment 'in-house'. For Fiontarlann it is an additional revenue stream and greatly enhances the holistic and integrated nature of the relationship with the incubatee and, no doubt, adds significantly to their 'feel good' experience – which always leads to additional revenues through a variety of means, like referrals and customer loyalty. Therefore it is crucial to invest in overheads and hardware so that the incubatee does not need to.

At Galway the span of services and facilities can be customized to suit the needs of an incubatee company using the Centre. Because the incubator has invested in these core technology services, start-ups and developing companies can focus their scarce resources on innovation, product development and marketing. Start-ups in particular need a low threshold of access and need to avoid overheads in those vital, early stages of growth and traction in

the market. It is very beneficial to them that the infrastructure is already there so that they can avoid contracts with utility companies, avoid onerous lease arrangements and work on a 'plug-and-play' and an 'easy-in-easy-out' basis.

From a revenue optimisation point of view, incubators can buy and sell the connectivity, allowing a margin for the incubator. Megabytes of broadband and telephony can be sold at a profit both on-site and off-site by beaming broadband from the roof into certain areas with 'line of sight' access.

Win the space-race

Incubator spaces do not just have to be on loan to incubate tenants. Expanding on

the use of the existing space offers benefits to the business community around, as well as giving the incubator another means of revenue.

HP MAP (Micro-Enterprises Acceleration Programme) is an example of how well this concept works. The HP MAP suite is a further facility on offer in both the Midlands site and the Galway site. It is a well-appointed computer lab and meeting/training facility sponsored by HP, that in the Galway site has its own server and state-of-the-art multi-media equipment. This is in fairly constant demand from both within and outside the Centre and is attractive to major neighbouring large corporates on the Business Park who want to engage in 'off-site'



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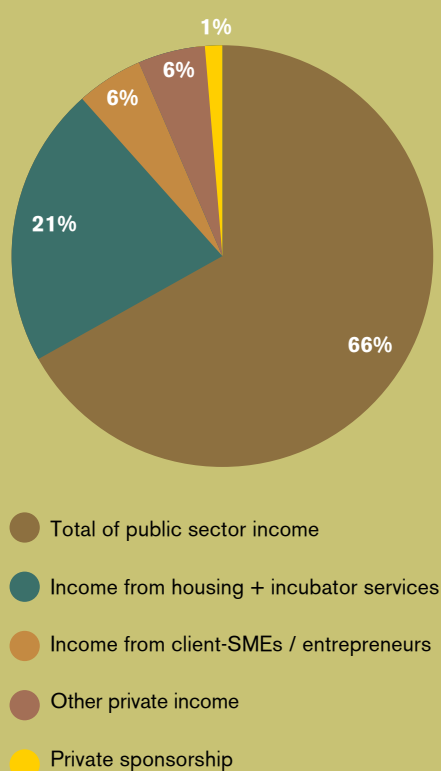
Possible incubator revenue streams

- Rental
- Incubation services (business planning, networking, financial services, IT services)
- Facilities (catering, meeting room rental)
- Consulting (to SMEs)
- Hot-desking (single and multi-site for SMEs)
- Soft-landing support (for non-local, international companies)
- Sponsored areas (e.g. HP's MAP)
- Reselling bulk-bought telecoms / internet capacity
- Networking (finding local contacts for incoming businesses; part of soft-landing)

workshops, planning and training initiatives. An innovative way to raise revenues is to offer the full service of tea/coffee/refreshments, lunch and break-out rooms and open mezzanine space for such groups in a most flexible and client-centred way, as companies are attracted to this conferencing facility. They come into an entrepreneurial environment and have it all laid on with competitive rates and a pay-as-you use principle. The return on the facility, to the bottom line, is above the equivalent if that space was simply occupied by a single company.

In these difficult times, flexibility and client-centred thinking is the order of the day. Knowing what and how to buy and sell beyond 'just space' is commercially important for the incubator.

The statistical analysis



According to the EBN Observatory Data "Financial Assessment" - 2011, around two thirds of BIC revenue came from the public sector, with just over a quarter from incubation services fees and 7% from other private sources of income. In times of lower public expenditure there are clear challenges for incubators to reduce their reliance on public funding through innovative programmes of private fund raising.

And so...

In these difficult times, flexibility and client-centred thinking is definitely the order of the day. Knowing what and how to buy and sell beyond 'just space' is commercially important for the incubator. It is equally advantageous for the company or entrepreneur who needs to use such facilities in a timely manner in order to gain that vital foothold in a market where they are developing and selling their knowledge-based solutions. Simply stated, it pays to continually seek out other add-on support services and network-based advantages to pass on to our community of innovators – putting the incubator at the heart of the business needs of not just the entrepreneur, but the local business community as a whole. Relying on grants and handouts is no longer the only viable and sustainable option available to the rapidly expanding incubation industry. We must consider that self-funding and maximising revenue sources from within may well be the route to enhancing financial survival in these challenging times that we are all facing.

At the Galway site the technology infrastructure includes;

- an integrated network comprising high speed fibre broadband with built-in resilience,
- Cisco VOIP telephony with call centre and teleworking capabilities, Cisco Routing and Firewall equipment.



Current EBN President, Joe Greaney, has worked with start-ups in the West of Ireland since 1981 and is one of the longest serving CEOs of an EC-BIC across the EU. He is the founding Director of the Galway Technology Centre Ltd, the Irish BICs Seed Capital Fund Ltd, Gaillimh le Gaeilge Teo, and is an elected Director of Galway Chamber of Commerce, having already served as President. He is a long-time contributor to policy in Economic Development and Innovation delivery at EU level and is regularly invited to share his experience and knowledge in Applied Innovation measures in EuropeAid supported countries.

www.westbic.ie



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Three Part Harmony



Petr Vaclavek/Shutterstock.com

Antonio Sfiligoj explores how connecting incubatees and business angels provides significant opportunities to the enterprising incubator

It is certainly a time of financial crisis around the planet. Markets are slowing down, Governments everywhere are looking at brutal austerity measures, while cash-rich Big Business seems unwilling to invest. Business incubators are as affected by the crisis as anyone else, and they have the added difficulty of not only ensuring their own survival but also in contributing towards the accelerated growth of the businesses under their care. And this is where Business Angels play an important part – both to turn a good idea into a business success, and give incubators a little additional support in competitive markets.

Who are business angels?

The term Business Angel, or BAs as they are commonly referred to, are high net worth individuals, or “accredited investors”, who typically invest in and support start-up companies in their early stages of growth. BAs are typically experienced and successful entrepreneurs, financiers and professionals who offer not just financial support, but also guidance to the entrepreneur. BAs have proven themselves to be an integral part of the capital market and today, they are organized into groups – typically 20, and up to 100 individuals. As a collective, angel groups now have more resources, a light organisational structure to professionally manage the investment process (deal sourcing, screening, evaluation, negotiation, management, harvesting) and arrange regular meetings and follow-up.

Most groups in Europe refer to the European Business Angels Network

(EBAN). As of 2010, the organization is an umbrella for 350 organized networks/groups, with 20,000 angels, who receive up to a total of 40,000 business plans each year. Total investing in Europe is currently estimated at over €3bn every year and annual investment IRRs (internal rate of return) above 20% are common amongst the best of these groups. As a matter of routine BAs tend to invest on a regional basis to be close to investees. However, according to EBAN, there is now a clear trend with BA groups looking at opportunities further afield, in different countries and even in less advanced regions throughout Europe. Incubators may well play a fundamental role in supporting this trend and make it viable for BAs to increase their scope of activity.

BAs increasingly co-invest with other BAs, and with early stage funds, which have been set up taking advantage of European structural funds and the facilities of the EIF (European Investment Fund). Europe 2020, the EU’s growth strategy for the coming decade, is also poised to provide important and much-needed stimulus, in association with the EIF, and the Structural Funds. EBAN indicates that there are a few hundred such funds, each valued at around €10m. EBAN predicts there will be further growth in BA investing over the next few years, thanks to the emergence of a younger generation of investors and a greater involvement of “family offices” – the managing of investments on behalf of wealthy families.

Add to this, the new emerging “sidecar funds” that provide public matching

co-investment with BAs (the fund management being with BAs) and suddenly incubators become ideally placed to provide a win-win situation for all parties, themselves included.

Experience tells us that the amount of invested capital that companies can realistically obtain from BAs range normally between €200k / €300K and €1m.

The bottom line in all of this is not only the creation of new opportunities for entrepreneurs who need financing, but also for incubators who can enhance their own financial sustainability as part of the overall picture.

Making the connection

Incubators play a crucial role in crossing that great divide between investors who say “good projects are scarce”, and entrepreneurs who complain that “we cannot find investors”.

While conventional training and investor readiness programmes are generically useful, today a much more proactive role is necessary. A “hands-on” understanding of the BA investment process is required of incubator managers, who need to think and act like a BA in order to best advise their clients. The incubator team has to think like a fund manager and follow the reasoning and processes that drives that decision-making process. The following fundamental steps may enable a better understanding of the investment process from the BA group’s point of view:

- The first step invariably involves making contact with the BA group and sub-



andrea crisanter/Shutterstock.com

mitting the business plan, which is best presented via referral.

- Once a plan has been accepted there is the interview with the BA screening committee, which normally includes someone with key skills in the industry of the candidate investee.
- The next stage involves the presentation to the BA group (typically a 15 min “pitch”) in order to collect preliminary commitments. Each BA indicates the amount she/he is personally willing to invest (typically between €10,000 and €100,000). Usually, total commitment can range between €200k - €700k and may stay below the €1m mark. However, some deals may not get enough commitment to progress to the next level, which can be very disappointing for the entrepreneur, obviously.
- Once the commitment has been cleared, there is usually a nomination of an “investment champion” (usually a BA with specific industry knowledge) to manage due diligence. This BA may, later on, represent BAs on the company board;
- Due diligence and negotiations are an important part of the process. Usually, the BAs will buy a minority of common

stock although buying preferred stock is fast becoming a popular trend.

- The next phase in the process is the creation of the investment vehicle where individual commitments are transformed into shares. It is important to note that it is not the angels group as a whole that invests, but a sub-group of committed individuals. Also, investment typically occurs in tranches in accordance with pre-agreed milestones.
- An important part of the investment process is the mentoring and support given to the entrepreneurs themselves while reporting back to other angels and keeping them apprised of developments. The BA role at this point encompasses strategy, international marketing, finding key managers, dealing with larger companies, getting high press visibility... all of which are crucial to eventual business success.
- Of course, the final goal is the exit. The normal and preferred way out from the investment is through a trade sale to a larger industry player. Exiting to venture capitalists is not uncommon however, while listing on a stock exchange through an IPO can be rare, though not unheard of.

It is important to note that it is not the angels group as a whole that invests, but a sub-group of committed individuals.

Question time

Since BAs invest in early stage companies having little track record, trust and ethics are especially important. BAs prefer companies that already have a proven track record, and are validated by lead customers or lead users who express a strong need for their innovations.

Key questions that BAs ask themselves are:

- How attractive is the market and how disruptive the technology?
- Is the IP protected?
- Can we *trust* the team with their vision, motivation and industry knowledge?
- Will they be available to get guidance from us and implement necessary changes?
- How good are the key company partners and suppliers, distributors, experts, coaches, etc.?
- Is there a credible exit strategy on the horizon?
- In what time frame will this happen?
- Does the business plan convincingly explain scalability and how to reach high growth?
- Last but not least, is the pre-money valuation realistic?

Another important aspect when considering the angel investment route is to see which sectors are particularly attractive for BAs? BAs have both profit and “doing good” objectives. Increased attention is being paid to so-called “impact investing” – profitable businesses that also have the specific objective of creating positive social and environmental impact such as renewable energies, medical instruments, life sciences (biotech/pharma are the most demanding), and the environmental sector. It is expected that the share of impact investing from high net worth individuals’ portfolios will reach €1.2bn in 2013. ICT, mobile, social networks and web media have high appeal because of the low initial investment required and perceived high potential for scalability. In order to more easily match BA’s investment criteria, should incubators be looking for tenants in these sectors?



Keystone organisations play a crucial role in business ecosystems. Fundamentally, they aim to improve the overall health of their ecosystems by providing a stable and predictable set of common assets that other organisations use to build their own offerings. keystones can increase ecosystem productivity by simplifying the complex task of connecting network participants to one another or by making the creation of new products by third parties more efficient. They can enhance ecosystem robustness by consistently incorporating technological innovations and by providing a reliable point of reference that helps participants respond to new and uncertain conditions. And they can encourage ecosystem niche creation by offering innovative technologies to a variety of third-party organisations.

A keystone role

Given all of the above, the business incubator is the ideal partner for BA groups, as it helps generate quality deal flow, accelerate growth, lower risk, leverage additional finance through incentives and banks, organize executive coaching, identify managers and key human resources. In addition, incubators activities are essential to bringing BAs from metropolitan areas to invest in peripheral regions that do not have BA groups of their own.

Incubators offering executive coaching to investees enable better implementation and faster growth. Company growth – and so investor profitability – depends on the ability of the team to manage complex processes for sales and distribution, production, logistics, budget control, R&D, administration, personnel, etc. However, skilled managers may not be available to young companies on a full-time basis and as a result, executive coaching becomes a viable, alternate

route to enabling business success.

Whilst members of the board provide strategic input, the executive coach helps turn strategy into reality, building discipline and skills, as well as making a positive impact at the entrepreneur level. The executive coach works with entrepreneurs and key managers to facilitate implementation of appropriate decisions and thus help align strategy and operations. He or she will work with the entrepreneur and other key staff to help them introduce necessary changes in company culture and attitudes that investors may expect. The coach therefore is key to investment success.

The big picture

One can therefore see an evident similarity of vision and objectives as well as the complementary skills between incubators and BAs. And incubators can take advantage in several ways from the growing flow of private investment into promising companies. The most obvious way

to profit from this trend is for incubators to join BAs investments. The size of each investment for the incubator would equal the typical individual BA commitment (between €10k and €100k), which seems to be an affordable amount for many incubators. Even a relatively small investment can help trigger commitments from other BAs and therefore reach sizeable total amounts. Statistics indicate this is a potentially higher return on investment, as better capitalized companies are better tenants, and will buy additional services from the incubator.

The incubator's financial sustainability is also positively affected by the improvements in the skills of managers and staff who work with BAs and learn from them, as this generates improved business processes and greater overall market impact. By acting together in the new challenging investment environment, incubators BAs may well become the keystone of renewed entrepreneurial growth so essential to all our economies.



Antonio Sfiligoj is board member at BIC-Incubatori Friuli Venezia Giulia, Senior Adviser - corporate finance, with Advicorp PLC, Investment Manager with Ingenium Slovenia Zernike-Metaventures and co-founder of IAG (Italian Angels for Growth). He was Programme Manager of the Innovation and Technology Management group at BATTELLE Geneva and researcher at ZELTRON (R&D division of Electrolux/Zanussi). He has contributed to the establishment of the Innovation System in Slovenia which includes technology parks, incubators and national agencies.

Winds of Change

Martin Longstaff examines the changing role of incubation as seen through the lens of east London's Olympic-driven evolution

The University of East London was the first university in London to create business incubation and hot-desking units on its campus. Knowledge Dock, which hosts up to 65 businesses and 150 jobs at a time, came into being in 1999 and subsequently joined the European BIC (Business and Innovation Centre) Network.

Knowledge Dock was created in response to a massive economic shock. The industrial economy in the area had declined and in many cases disappeared completely. Change of many kinds - automation of production, privatisation of major public businesses, globalising supply

chains, cheaper locations, new international competition – radically altered east London's economy. Hundreds of thousands of jobs were lost and the human impact was tremendous. Earlier in its history, UEL had research relationships with companies that were operating locally such as Ford and Thames Water, however these were exceptions. In practice, east London was strong in terms of production locations, but it lacked R&D infrastructure, so as the economy changed, starting points for rebuilding a knowledge-based economy were few. Simply stated, east London was not an 'intelligent place'.



The last three decades

Over the last 30 years though, there have been tremendous efforts to create a new economy. Attracted by very large UK Government investment in new transport infrastructure, international investors have created new business locations such as Canary Wharf, O2, Westfield Stratford City and the ExCel event and exhibition centre. The knowledge and visitor economies have together moved eastwards as London's core economic strengths in financial and business services, creative industries, tourism and retail expanded. This brought perhaps 150,000 new jobs to this once-struggling area. This new economy now demands higher levels of skills and makes extensive use of new technologies. However, it is an open question as to whether the change is creating a new, strong, local knowledge base or whether it represents talent recruitment or technology purchase from wider and more fluid global markets.

The games

The London 2012 Olympic Games add a new dimension to this evolving picture. By regenerating 2.5 km² of land close to the City of London (rather than London's periphery), that are as close to the City as fashionable districts like Knightsbridge, the Games have opened up a completely new development area and intensified commercial interest in London's east. The Olympic Park's permanent venues, in combination with

the existing infrastructure of O2 and ExCel, create one of the largest concentrations of sports spectatorship in Europe. Served by Stratford's International Passenger Station, London City Airport and in 2019 by London's new rapid Crossrail link to Heathrow, this area's development will most certainly serve to enhance and expand the scope of London as an international business and leisure destination.

While the Olympics will change London significantly, it remains to be seen what its impact will be on the knowledge base of the London economy. Part of the answer will lie in business activity attracted to the Park.

There are two main contenders to occupy the 100,000m² of space in the press and broadcast centres. The first is a dedicated fashion and textile manufacturing centre aiming to create a destination for wholesalers, buyers and the creative industries. The bid involves a fashion centre with offices, an incubator, manufacturing and creative uses, plus a fashion college and fashion e-tailing, as well as media centres. The second is an 'innovation city' accommodating a cloud computing centre, research labs, post production, graphic designers, digital education and an innovation and research centre with links to higher education showcasing technology. The latter potentially links to the UK Government's "Tech City" development agenda which is focussed on growing the new digital business cluster to the east of the

City of London. The latest development in Tech City, for example, is the business campus created by Google.

What next?

These bids suggest a new stage in economic development. The big ventures in London's east over the last 30 years, such as Canary Wharf, have been about locations for large corporates or multiple business. Their supply chains are in the mainstream of office building requirements, office technology, retail procurement, catering, and so on. They have not been great generators or attractors of new, innovative small business so far, especially in the tech or creative space. Companies in these sectors are mushrooming in the east – hence Tech City – but until now the reasons have been cheaper location and proximity to the rest of London. UEL's Knowledge Dock and similar facilities have grown new businesses, but there has not been a rich sense of connection to a wider developing local economy with a strong knowledge component. This may now begin to change.

The 2012 winner of e-Factor, Alex Oviawe's Precision Sports Performance Systems, is a GPS-based sports performance measuring device using cloud computing and mobile telephony to give smaller-sized clubs and teams the real-time performance measuring capacity currently only available to affluent elite in the sports arena. Alex is currently doing an MSc in Sports Strength and Conditioning and he also works at the new SportsDock sports centre (the largest of its kind in London), which will be used by Team USA during the Games. Alex will take his business into Knowledge Dock as part of the winner's package. He has the opportunity to grow his company as a sports tech business: operating in the UK's largest sports hub in London's east and reaching into new markets. If he succeeds, the incubation concept that supported him will have been a combination of study, relevant work, stimulation to innovate, initial investment, profile (the London Games, Team USA), and a sense of this being the place to do business. All of these were provided by or through UEL – the university acting as the incubator.



Alex Oviawe at e-Factor

The Olympic Park bids and parallel ambitions for major sites such as the Royal Docks where Siemens is about to open The Crystal and its global sustainability centre... these could be the drivers of a new wave of development. A successful focus on creative, technology, sustainability and biotech sectors would provide UEL and other local higher education institutions with a business milieu that excited and promoted the demand for start-ups.

The UEL stance

UEL has created a haven for start-ups in an economic environment that has not been historically fertile. We are now looking to broker opportunities as the local economy diversifies and in particular becomes friendlier to small innovative companies. Google is not investing in Tech City just to make friends with the UK Finance Minister. A key form of business development for very large companies is to buy small, innovative ones. Google has therefore created a magnet for fast-moving commercial ideas and it isn't the only big company interested in doing this. What UEL has in common with Google is that it has invested in physical space to be part of an 'intelligent place'. In the last century, incubation had to be justified as an appropriate activity for higher education. That battle has been won and now, incubation is coming of age as a place-making activity.

Our challenge in this new environment is not incubator management, but stimulating the supply of innovative ideas, particularly from the student body, which can then populate our business space. Our flagship intervention is an annual competition called e-Factor launched in 2006. The difference is that this is a business idea challenge, not a conventional business plan competition. The winning students get cash and support for development. The aim therefore is not a plan, but a working business.

An intelligent future

We are not claiming to have mainstreamed this approach or to have a pipeline of hundreds of students coming through. That would be fantastic – but not true! However, what is true is that this couldn't have happened 15 years ago – none of the above combination of factors was available. But it can now – we have developed and grown and innovated through our experience of running an incubator. UEL is now rethinking its concept of business incubation – there is a shift from operating a business location that needed to be unlike its wider environment to one that is convergent with a sense of 'intelligent place'.

While the Olympics will change London significantly, it remains to be seen what its impact will be on the knowledge base of the London economy. Part of the answer will lie in business activity attracted to the Park.

London 2012 is going to make a big difference to us, over time, but it is not certain what that will amount to. We are very clear that there are great challenges here. Commercial development, for example, is not just a matter of economic concern, but a question of the quality of social life in terms of promoting business interaction. Active academic alignment with such development ambitions is not achieved by simple policy decisions. It would be very interesting to harness the unique experience and expertise of the global incubation networks to share understanding of how business incubation interacts with the evolution of the digital economy in different places. We may learn a lot from each other.

The 'cluster' as a concept has gone in and out of vogue in UK politics. Policy-based attempts, as opposed to market-evolved actions to create business clustering, have not been successful at scale. Too often, the rationale has been 'we want this to happen' not 'the conditions are right for this to happen'. However, if a new wave of business formation is in prospect, in the kinds of sectors identified, then conditions for new clustering are better in London's east than ever before. The Higher Education sector itself is more aligned. There is demand from students and crucially the market will be there.



Martin Longstaff is Head of Research and Development Support at the University of East London. He is responsible for external research and knowledge exchange project funding and developing external relationships to enhance the role of the university as a key driver for local and regional economic development. Martin has a particular interest in developing new business clusters in Knowledge Dock, the university's business incubator.
www.uel.ac.uk/knowledgedock

Unnatural Selection



Nicolas Rouhana shows us how to spot a good idea that has commercial benefits and will withstand a competitive global market

Statistics clearly show that businesses going through an incubation programme maximise their chances of success. But perhaps one of the most crucial contributors to this success is the screening and selection process that incubators apply to entrant clients, in the hope of graduating them as (more) successful businesses. It goes without saying, therefore, that the importance of the selection criteria is crucial to the viable operation and reputation of a business incubator. It is vital to get that first step right in order to select and capitalise on winning business ventures.

For any business to succeed (either inside or outside any incubator), the following common “technical” denominators or the *Four Fundamentals* are inevitable:

- **Who:** Vital to business success is the availability and commitment of the founder(s) and the management team, as well as the complementarities demonstrated. (relevant backgrounds, expertise and experience in the business sector)
- **What:** Obviously the service/product portfolio, and its unique selling proposition carries much weight in what will

eventually determine performance.

- **So What:** The ‘why should I care’ approach defines the size and nature of the gap in the market, the competition and why the idea is likely to succeed.
- **How much:** The availability of funds and potential financial sustainability needs to be evident from the start, notably through the business model adopted.

On entry criteria

Entry criteria must be aligned with the objectives of the incubator and, if appropriate, the sector focus. A creative industries incubator is unlikely to be of much help, to a biotech start-up and vice versa. So in addition to the *Four Fundamentals*, other criteria should be factored in, such as degree of innovation, protectable knowledge (or IP), employment potential, growth potential, export potential, social dimension, time-to-market (like quick trading time-scales), etc. In the case of Berytech Technology Pole in Lebanon, two different eligibility guidelines and application forms are used for project holders and start-ups wishing to join Berytech:

- A project that wants to take the idea to a start-up level is required to fill in the

project holders’ application form and provide supporting documents such as CVs, studies, plans, etc.

- A freshly established start-up (less than two years old) or about to be established, is required to fill in the start-ups application form and provide supporting documents that also include formal presentations, legal documents, by-laws, registration details, etc.

These applications are then forwarded to a selection committee. They are analysed based on the following major key points:

- technological and scientific quality
- innovative aspect and proposed target market
- economic sustainability and viability
- team expertise
- derived added-value from Berytech to cater for the needs/expansion of the venture

The people factor

The importance of people in the selection criteria cannot be stressed enough because it is the team that drives the venture forward - hence the importance of the interview of the team member(s) behind the idea. Additionally, because the

Good examples of client entry criteria can be found from CREEDA Business Development Centers in Australia: www.creedaprojects.com.au

For selection criteria laid out by Sheffield Technology Parks in UK go to www.shefftechparks.com/Home/Supporting-Your-Business/Entry-criteria.aspx

team is entering the environment of the incubator, other points should be carefully assessed, such as:

- the level of motivation of the candidate(s)
- the quality and availability of the team
- the willingness of the team to listen to advice, and their availability and desire to participate in incubator programmes such as trainings, mentoring, networking, animation and social events
- the possible interaction and synergies with companies housed in the incubator
- their blending within the incubator community (“rub shoulders”, share, etc)

In this respect, some incubators use formal psychological tools to assess the mindset of the entrepreneur and viability of the business (www.utas.edu.au/australian-innovation-research-centre) while others use informal ways of testing “entrepreneurial aptitude” – a mix of methodologies is always good. In any case, the typical entrepreneurial traits to look for include: independence, high internal locus of control, self-confidence, creativity, tenacity, realistic goals, flexibility, willingness to work hard, organisational abilities, honesty and honour (yes, those are important), and most importantly, focus. Other aspects, such as health considerations might have an impact, or family responsibilities – there are subtle elements to factor in to the final decision. The main objective will be, however, to establish a similar set of criteria to guarantee an objective, unbiased selection process.

Certainly, at the end of the day, the final go-no go decision to accept the venture in the incubator is given by the selection committee of the incubator. So as one might expect, the composition of this committee is of paramount importance. It is worthwhile having selection criteria for members of the selection panel and the following suggestions might be helpful. Ideally a member

- should be of an entrepreneurial mindset

- may be sourced from the know-how network of the incubator, such as board of directors, entrepreneurs, investors, coaches, and mentors

- should represent the diverse expertise required, such as business management experience and capabilities (including financial, HR resources, marketing and stakeholder management), and possess relevant technical expertise when required.

Trust your gut

At the end of the day, selecting an incubatee and finding the winning business idea is not an exact science, and of course, no matter how good the project and team and no matter how rigorous the selection process, no one has a magic “crystal ball”. Perhaps the entrepreneurs whom the incubator thinks will do best, don’t, whereas unexpected ones, or even those rejected by the incubator, may shine. Think of the Wright brothers - five people came to the test flight, as everyone thought it was just a ‘bad idea’. Sochiro Honda was rejected by Toyota for being ‘unfit’ for the job he applied for. So, yes, it can be about chance or “gut” feelings, so a portfolio approach is critical, since one cannot get it right every time. However, it is important to note that incubators should not fall under the pressure of filling space and inducting any type of project in order to play the “numbers game” and divert itself from its main objectives. At the end of the day, experience, gut feeling and a thoroughly researched business idea will often combine in spotting the ‘unnatural’ that evolves into a successfully incubated idea or service. Selecting the one that stands out, and is different, yet compatible with industry and market trends, is what we as incubator managers have to focus on. We are in the business of unnatural selection and it is the incubators of today that will evolve the wealth generators of the future.

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Berytech’s evaluation criteria

For ideas/projects:

www.beryttech.org/images/forms/btech_app_project_holders_2012.doc

For established start-ups:

www.beryttech.org/images/forms/btech_app_startup_2012.doc

Useful links to help with psychological assessment and business viability

www.raizcorp.com
www.savilleconsulting.com/products/wave_reportsent.aspx



Nicolas Rouhana is Executive Director of Berytech Technological Pole, a Business Innovation & Incubation Center in Lebanon. He joined Berytech at its inception in 2002 and is part of the management team as well as technical advisor to Berytech Fund, a seed/VC-fund for Lebanese technology start-ups. He is Associate Professor at the Faculty of Engineering of University Saint-Joseph in Beirut (USJ) where he teaches computer networking and entrepreneurship courses to undergraduate engineers. Nicolas has a Telecommunications Engineering degree from USJ, a PhD in Networking Systems from Université Pierre et Marie Curie, France and is an EDP graduate of INSEAD, France.



The Dyson vs. Branson approach

Entrepreneurs come in many shapes and sizes. Some are driven by a new technical innovation that they believe will change the world, or at least disrupt a significant market inhabited by old-fashioned products. Others see new ways of doing the same thing, just better, cheaper or faster. Two entrepreneurs who personify these extremes are James Dyson and Richard Branson. Much has been written about both, but consider their business models.

Dyson came up with a radical new approach to creating suction and spent years trying to convince traditional vacuum cleaner manufacturers to licence his idea. No one was interested. Eventually he set up his own business and now produces a range of products for the domestic vacuum cleaner market. His products look different, are technically superior, but of a higher price than traditional cleaners.

Despite this, they sell very well. He has now migrated the business into wash-room hand driers and space heaters, reversing the suction into a blowing action using the same patented techniques. His constant focus is on the technology and how it can disrupt traditional markets.

Richard Branson couldn't be more different. He is the ultimate brand builder. Virgin is known all over the world for what? Music? Airlines? Cola? Telecoms? Media? Banking? Many brand experts would tell you spreading a brand this wide is commercial suicide. Yet Branson succeeds very well. His approach is to identify a market where business is entrenched in a traditional way of working, and then bring his own approach to product development and customer service to radically improve the experience for the customer. He also delegates huge responsibility to

his employees. It is said that the check-in staff at Virgin Atlantic airlines are allowed to buy tickets for customers on competitor airlines just to get a customer to their destination. Without having to refer up the chain! Branson's adage is keep the staff happy, who keep the customers happy, who keep the shareholders happy.

As you can see, selecting an entrepreneur for an incubator requires the assessment process to be flexible. Certainly, if the incubator is focussed on technology, then a service business may not fit at all, but it is important to spend enough time with the entrepreneur to find out from which angle they are approaching the problem before rushing to a conclusion. One size certainly does not fit all and there is no perfect approach as this is not an exact science. Gut feeling is sometimes your best guide.



WALK THE TALK

Lynne Henkiel offers practical advice about how incubator managers can spot innovation in a business idea, while staying innovative themselves

There's an old adage that says the cobbler's children are often the ones without shoes. Thinking about that should perhaps prompt innovative incubator managers to ask if their children – their companies – have the innovation they need to be successful in the marketplace. How do you go about becoming an innovative incubator? How do you implement innovation in an incubator? One of the ways is to look at your customer base and educate yourself on what your customers really need to succeed. The answer may not necessarily be what they think or say they need, so learning what your customers actually need should begin with examining the problem they are trying to solve.

Entrepreneurs speak their own language, and the responsibility of a business incubation programme is to interpret, curate, and educate, facilitating the discovery and implementation of the entrepreneur's creation. At the Advanced Technology Development Center (ATDC) incubator, and the VentureLab (VL) commercialisation programme at the Georgia Institute of

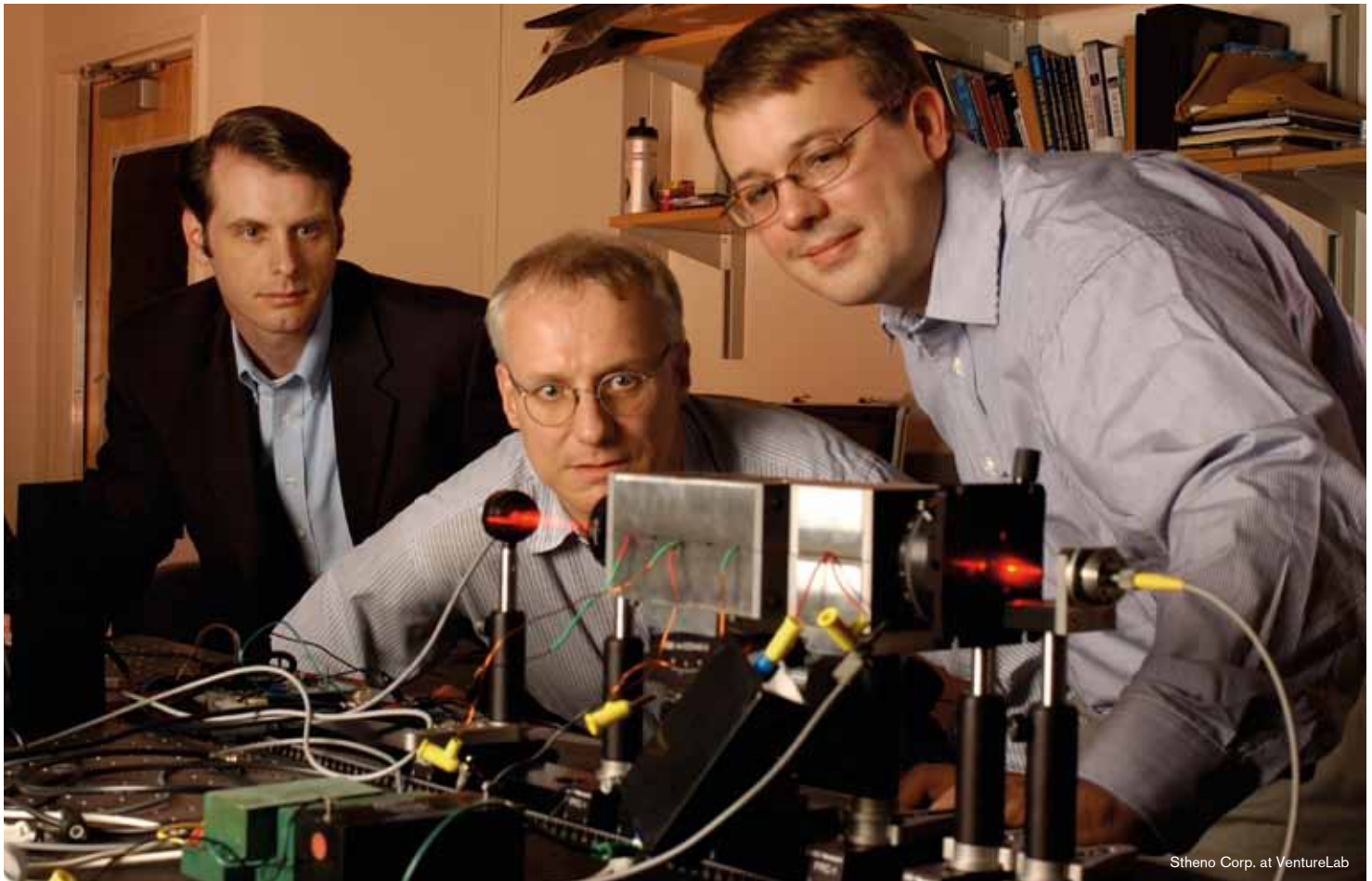
Technology (Georgia Tech) in Atlanta, GA, we focus on helping entrepreneurs reduce their risk of market entry by prototyping or evolving a proof of concept, or assisting with market assessments to discover the potential of the product in the market.

We believe no one person can do it all, so we staff our VentureLab programme with experienced entrepreneurs that we call 'venture catalysts'. Our venture catalysts have a very good general understanding of science and engineering, all of which helps them develop dialogue and trust with the professor or graduate student who has come to them for help in fostering their creation. These venture catalysts do not need a deep knowledge of the narrow market area, but need to know enough to be able to communicate the unique product attributes to potential customers. Having good business skills is also a must, which is why we include only serial entrepreneurs in the programme. There is no better way to demonstrate credibility to the fledgling entrepreneur than to have already walked in their shoes.

Starting points

The VentureLab (VL) programme is structured around university technology and the students and faculty who develop it. In our VL programme, the first phase of developing a company is called a "start-up". A start-up does not have a business plan yet; it is still investigating the technology and the potential market placement of the invention or discovery. Only once a business model has been chosen and implementation of the plan begins, do the entrepreneurs and innovation coalesce to become a "company". We view these as two completely separate stages of the company development process.

The director of our VentureLab, Keith McGregor, believes that most companies make the mistake of focussing on the pursuit of funding before they understand the potential market segments they are trying to affect and how their product will benefit this market segment. Consumers can often say what their "pain" is and what they don't want, but usually cannot tell you what it is they do want – and more importantly be willing



Sitheno Corp. at VentureLab

to pay for. They just know it when they see it. Keith recommends reading the Steve Blank book *“The Startup Owner’s Manual”* to help incubator managers understand what their entrepreneurs need to grow their start-ups into a viable company.

Here are some key thoughts that Georgia Tech uses to facilitate healthy business incubation:

Start-ups are a contact sport. Don’t let anyone tell you differently. The best thing a start-up company can do is to get out into the public and talk to their potential customers, one-on-one, to find out if what they’re proposing is what the customer really wants. An incubator manager’s assignment is to encourage entrepreneurs to participate as much as possible in forums, tradeshows and any other networking activities to learn what their customers need – and to educate their potential customers about how their product will make life better for mankind. The real education part comes to the entrepreneur in valuable feedback from potential customers, affording the start-up the opportunity to tweak their product before it goes into the marketplace.

Be aware of adjacent spaces in your market research. Remain open to the possibil-

ity that what your entrepreneurs initially focus on may not end up being the most viable commercial use. I’ll insert the widely publicized discovery of the Post-it from 3M here. A researcher developed an experimental glue that was rejected for its intended purpose. However, the researcher’s wife found a perfectly good use for it on the back of small squares of paper that would stick to the refrigerator door and not leave a mark when removed. Voila! Post-it notes were born.

Don’t forget disruptive business processes that employ incremental technology can really be innovations with existing market re-segmentation – think e-books. Electronic books stormed into a long established market segment simply by changing the delivery method.

Entrepreneurs are born, they’re not made. It is our belief that entrepreneurs are born the way they are and one cannot force this behaviour on someone who is not predisposed to start-up companies. Entrepreneurs are the type of people who will never give up until they get it right. It is in their DNA and there’s no changing that. The incubator manager’s job is to encourage, guide and facilitate their journey, along with their product, into a viable company.

Remember that start-ups are not ordinary businesses. You must first go through the start-up phase before you can create a “real” company.

A little bit about Georgia Tech's programmes

Georgia Tech has three main programmes supporting business incubation in Georgia. The largest and oldest component is the Advanced Technology Development Center (ATDC), followed by VentureLab, and, most recently, our new programme called Flashpoint.

The ATDC is a start-up accelerator that helps technology entrepreneurs in Georgia launch and build successful companies. Founded in 1980, ATDC has helped create millions of dollars in tax revenues by graduating more than 130 companies to date, which together have raised over a billion dollars in outside financing. Headquartered in Atlanta's Technology Square, ATDC serves as the hub for

technology entrepreneurship in Georgia. Membership is open to all technology start-up companies in Georgia, from those at the earliest conception stage to revenue generating, venture-fundable companies. Currently, ATDC has over 350 members, with approximately 34 being physically incubated over three locations: Technology Square, The Ford Bioscience Center, and our Savannah campus.

The VentureLab programme is Georgia Tech's comprehensive centre for technology commercialisation, open to all faculty, research staff, and students who want to form start-up companies based upon intellectual property developed at

Georgia Tech. University innovations are transformed into companies by developing engaging business models, connecting faculty and students with experienced entrepreneurs, locating sources of early-stage financing, and preparing these new companies for global markets.

Flashpoint is a new start-up accelerator programme at Georgia Tech for any eligible technology start-up. Flashpoint offers entrepreneurial education and access to experienced mentors, experts, investors and stars in an exciting, immersive, shared-learning, open workspace. The programme is delivered through several cohorts throughout the year that run for approximately three months.

Advice for entrepreneurs (and incubator managers):

Evaluate your market fit first. Make sure the market is there before investing your time, your relative's life savings and fervent supporter's sweat equity into a company proposal that's doomed to fail because the market is just not there. In some cases, it may be bad timing, or other extenuating factors, that doom an otherwise viable plan. Once a market segment is identified, the business development process can begin.

Beware of false assumptions. It is important to impartially assess the real need. This goes hand-in-hand with market analysis and clearly identifying what the market niche is. This discovery process should be just that - a process. It is perfectly acceptable to backtrack and review market strategy based on customer feedback to make sure you're correctly positioning your product or service to the needs of the customer.

Remember that start-ups are not ordinary businesses. You must first go through

the start-up phase before you can create a "real" company. If you are assigning titles at this point in the process, you are off your mark. Go through the business model discovery. Check out Alex Osterwalder's book, "*Business Model Generation*", (another recommendation from Keith) is an excellent starting point. Business creation is not a one-size-fits-all proposition and should not be viewed that way. Each start-up has its very own distinct evolutionary process and should be managed in a way that allows for its individual needs.

Advice for incubator managers

Populate your incubation staff with actual entrepreneurs. Nobody understands the process of start-up formation as well as someone who has already been through the highs and lows of starting up their own company. Georgia Tech's ATDC incubator uses an Entrepreneur-in-Residence (EIR) programme that purposely rotates experienced entrepreneurs as advisors for their start-up companies.

Some great, long-term relationships have emerged from this network, allowing the EIRs to, in some cases, be hired on as the start-up company evolves and grows. If nothing else, the EIRs have already made great networking contacts that the start-ups will no doubt need through their learning process. EIRs are used by multiple start-ups at the same time, providing valuable advice in the different phases of each individual start-up's development.

For start-up entrepreneurs, focusing on the money is easy (but important); becoming a good business person is hard. Incubator managers need to help entrepreneurs focus on their business objectives. The better business people they become, the more solid their company will be, hence the greater chance for success.

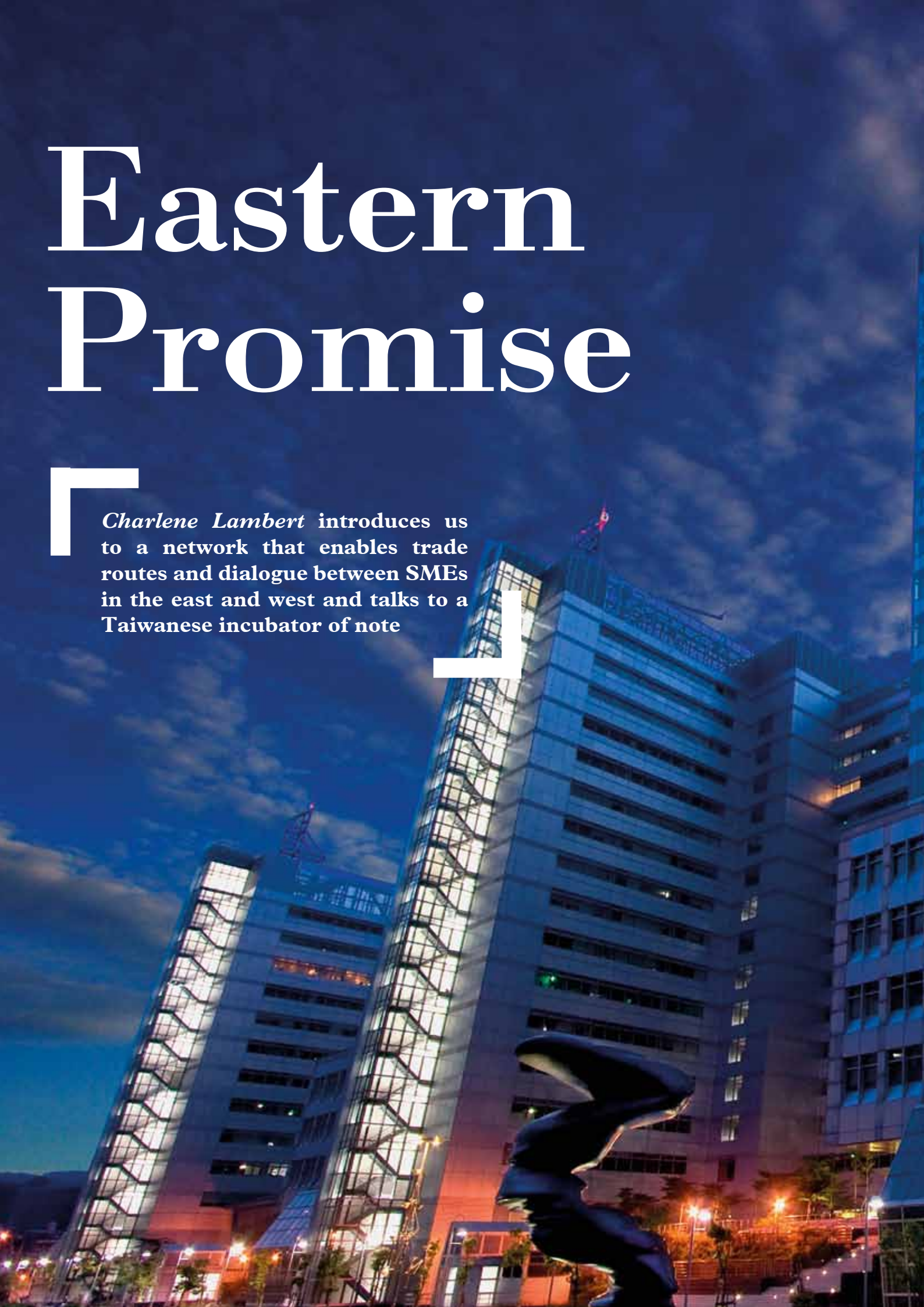
The incubator manager's main responsibilities are to help the start-ups find their way and then facilitate the execution of their strategy. Once you provide the right shoes for your children, then you can help them find the path they need to walk.



Lynne Henkiel is Director for Georgia Tech's Innovation-Led Partnership Program in the Enterprise Innovation Institute (EI2). She spent fifteen years with IBM in finance, manufacturing, research and development organization and holds a Master of Science in Technology Management from the University of Miami, FL and an undergraduate degree in finance from Nova Southeastern University, Ft. Lauderdale, FL. Lynne has been with Georgia Tech for over ten years working with the commercialisation of federal research and also works with the Advanced Technology Development Centre and other incubation programmes.
<http://growbusiness.gatech.edu>

Eastern Promise

Charlene Lambert introduces us to a network that enables trade routes and dialogue between SMEs in the east and west and talks to a Taiwanese incubator of note






Entrepreneurs wanting to develop their business and enter a new market halfway around the world can now take the first and most important steps from the ease of their own office with The Taiwan Globalization Network (TGN) - a platform and facilitator that supports and promotes bilateral collaboration and business development between Europe and Taiwan. The main focus of TGN's activities is on developing partnerships between business incubators and entrepreneurs in both regions. The key tool TGN uses to support international collaboration is its interactive website *www.Venture21.Net*, launched in April, 2012. With this tool, investment agencies and service providers can post details about their international service packages, and entrepreneurs seeking to expand abroad can browse the listings on the site to find the best package that fits their needs. Companies can also post information about their business, and search for partners with whom they can collaborate to enter new markets.

Why Taiwan and Europe?

A country approximately the size of The Netherlands, Taiwan now has over 130 incubation centres linked to universities, the government, the private sector or NGOs. Between 2001 and 2011, approximately 3,000 companies have been successfully incubated from a wide variety of sectors. For European companies, Taiwan is a hotbed of innovation, in sectors as diverse as life sciences, micro-electronics, medical equipment, textiles, and machinery. European companies can take advantage of the wealth of incubation facilities and support offered in Taiwan to internationalise their business and explore markets in the Far East.

On the other hand, Europe, with nearly 500 million residents and a strong and well-organized incubation network, represents an additional market for Taiwanese companies that normally target the US and China. While numerous language and cultural differences might seem challenging at first, TGN's partnering programme helps companies to find and compare service providers and reliable partners, who can make the transition more successful.



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Background information:

The management team of the Taiwan Globalization Network include:

Mr. Pinglin Kang
Chief Executive Officer
Dr. Valerie Hsu, CPA
Director
Ms. Charlene Lambert
Chairman

Memberships:

TGN is an Associate Member of the Dutch Incubator Association (DIA), and an Associate Member of EBN

Registration information:

TGN is a Foundation registered in the Dutch Chamber of Commerce Trade Registry in The Hague under number: 27317673.

Business address:

Eglantierbaan 10
2908 LV Capelle aan den IJssel

Mailing address:

P.O. Box 85151
3009 MD Rotterdam

Telephone: +31 (0) 6 21 84 72 56

Fax: +31-182-370 373

Website: www.TaiwanDesk.org

Achieving results

According to a recent study funded by the European Union, there is a direct link between the international expansion of small and medium enterprises (SMEs), and increased business growth. TGN facilitates the SMEs' globalisation dream by helping to make the process more feasible and cost-effective. The European market is one of the most important in the world in terms of wealth of purchasing power, and Taiwanese companies can access this market and develop their technological advantage by finding the right partners and support to launch their European business. Likewise, accessing the huge developing Asian markets can be facilitated through TGN's support networks in Taiwan. Through the tool and resources offered in *www.Venture21.net*, companies can realise their internationalisation action more smoothly and effectively. The results are that Taiwanese businesses in Europe will be strengthened and European businesses and specialists can also make meaningful inroads into the Far East through Taiwan.



Our slogan is: NBIC provides solid and dependable services to biotech start-ups. We believe that **networking** is the spirit of incubation business.

Taiwan - the biotech focus

Biotechnology is not only recognized as one of the most important and significant global industries of the future, but also as a technology that will have great influence on the quality of life for us all. Taiwan's plan to develop this industry is multi-faceted: to position Taiwan as the centre for human clinical trials in the Asia Pacific; for the island to become a regional centre for the manufacturing of biotech products; to be the center for genomic R&D in Asia; to become a worldwide subtropical floriculture center; and to build the most vibrant biotech-focused venture capital industry in Asia.

To develop Taiwan's advantages in this sector, the government has included biotechnology in the mix, including the "Challenge 2008" six-year national development plan. It is also one of the 'star' industries in the "The Two Trillion, Twin Stars" Plan, which promotes increased productivity in several industries, including biotechnology. With the enactment of the Promotion Plan, both government

and the private sector in recent years have aggressively invested in the development of the biotechnology, pharmaceutical and medical device industries. In total, the Taiwanese government annually invests over US\$ 1 billion in developing the biotech industry.

NBIC and its environment

To develop the innovation and entrepreneurial capabilities of small SMEs, the Taiwan Ministry of Economic Affairs (MOEA) and Small and Medium Enterprise Administration (SMEA) has built a platform for enterprise start-up and incubation. At present, the majority of incubation centres in Taiwan are affiliated with universities. The Ministry of Economic Affairs has been encouraging research institutes and the private sector to invest in the incubator sector. The overall goal is to provide a comprehensive set of incubation services to cover every stage of the SME development process, and currently there are more than 130 incubators in Taiwan.

NanKang Biotech Incubation Center (NBIC) is funded by SMEA and the MOEA, and started operations in 2004. The incubator is under the management of the Development Center for Biotechnology (DCB). NBIC is a multi-functional organisation for advancing biotech business incubation in Taiwan. Located in the NanKang Software Park in Taipei, the NBIC provides a world-class environment for biotech start-ups. The NBIC provides "full services and solutions" to biotech start-ups to accelerate their rapid growth and success.

Dr Shang-Pwu Shia is designer and Director of the incubator since the incubator project was begun. He earned his PhD from the University of Texas and has also studied business at the Business School of the University of Washington, in Seattle, and has had intellectual property rights training in the Asia Pacific Legal Institute, Washington D.C., USA. He has worked in laboratories and in the bio business for many years before coming to the incubation business.



The NanKang Biotech Incubation Center has set the pace in biotech business development. Dr Shang-Pwu Shia tells us about the incubation industry and the successes of his own space

Charlene Lambert: *Could you give us a quick profile of NBIC?*

Dr Shia: We have seven-eight full time employees in the service office of the incubator, and serve client companies that employ more than 200 employees. The incubator is fully sponsored by the SMEA MOEA, and managed by the Development Center for Biotechnology (DCB), a non-profit organisation. Located on the 17th floor of a 20-storey building, the incubator is 4,000m², and the space we rent can be from about 10m² up to 120m². The office and laboratory space, including facilities and equipment, are well-maintained around-the-clock to serve tenant needs. Lease terms are negotiable and renewable annually. Besides the monthly rent, most of the services are free, or covered under a small management fee. Training courses and the forums offered at the Center are normally open to the public at no charge. The incubator is a state-of-the-art facility, equipped with both wet laboratory that provides world class business and facility services to high-tech life science companies.

CL: *Could you tell us what the KPIs were last year?*

Dr Shia: We were able to deliver on many fronts:

- Helping the companies of NBIC to get eight subsidies from the government. More than US\$ 531,000 was granted in 2011 to the NBIC companies.
- Helping the companies in NBIC apply for eight patents from various countries, including four Patent Cooperation Treaties. A total of five patents were issued in 2011.
- Six incubated companies that raised a funding of more than US\$ 8,619,000 from private investors through either direct or indirect help from us, in 2011.

CL: *Do you get a lot of enquiries each year?*

Dr Shia: Due to limitations in capacity of the incubator, usually less than four vacancies open per year, and there are more than 30 inquiries each year. The turnover

rate of the incubated company is about 15-20% annually

CL: *What are your principles for business success?*

Dr Shia: We have five core values we aspire to at all times.

- Welcoming all possible collaboration under an open-door policy
- Proactively serving the incubatees and the whole industry
- Building the incubator as a resource and information exchange platform. Networking is the spirit of the incubator
- Care about the community and the neighboring business park; be the initiator and coordinator in every aspect to trigger a tight clustering of the company in NBIC and in the biotech industry. The clustering effect will benefit all
- Introducing new business models and concepts to accelerate skill management and performance

Our slogan is: NBIC provides solid and dependable services to biotech start-ups. We believe that *networking* is the spirit of incubation business.

CL: *Tell us more about the services you offer?*

Dr Shia: Depending on the needs, NBIC's services are categorised in to four classes:

- **Full Incubation** - on-site with full incubation service
- **Virtual Incubation** - off-site with full incubation service
- **Member of NBIC** - for a company who only needs part of the incubation services, i.e. instrument, consultation or industry information
- **Transitional incubation** - for short term or transitional incubation needs, usually with an incubation time of no more than nine months. The criteria for the various categories of incubation applicants differ accordingly. NBIC welcomes start-ups and individuals with ambitions of entrepreneurship. After entering the incubator, and with the help of NBIC, individuals are required to register a company within six months.

CL: *What about start-ups and graduated companies?*

Dr Shia: 24 companies have been graduated from NBIC in the past eight years, and have a higher than 90% survival rate after three years of graduation.

CL: *Are there some unique programmes you have developed for incubatees?*

Dr Shia: NBIC managers endeavor to understand and respond to the specific needs of companies and the services can range from individual consultation, referrals to experts, fund raising, arranging training activities or courses, etc. For example, we were able to help a US drug discovery company in the 'pre-pre-incubation' phase. This company had an interesting technology, and we were able to introduce them to investors in order to help them raise funding. We also used our network to find some specialised laboratories that matched their requirements. And we did all of this for them before they actually applied for a place in the incubator!

CL: *How much and which of these services are actually externalised to external consulting firms and/or other stakeholders?*

Dr Shia: The incubator offers clients many activities, such as the CEO club, the bio-forum, training courses, product-launching, press release and consultation services, and channels to the government for regulation or funding. We have built a bio-service alliance as a platform for resources and information exchange for the whole bio-community in order to serve the incubatees. There are more than 22 professional members from outside who have joined the alliance, including law firms, patent service offices, accounting firms, business consultation service companies, technical service companies, venture capitalists, etc. NBIC has direct contacts with the biotech and incubation communities from more than 25 different countries around the world, and is energetically expanding its network across the globe, and especially in China.



CL: *How does NBIC support its entrepreneurs to internationalise, and what countries do the incubatees consider more strategic?*

Dr Shia: Traditionally Taiwan has more contacts with North America, and NBIC has incubated at least three companies from the US, one from Canada, one from Singapore and one from Australia. Currently, the Government of Taiwan emphasises “Invest in the EU” to promote mutual business. NBIC is trying to gain more connections within the EU to explore opportunities for collaboration. For this reason, our contacts with the TGN are particularly valuable.

CL: *What are the connections with other incubators in the biotech sector both in Taiwan and on the international level?*

Dr Shia: NBIC is member of CBIA, which is the Chinese Business Incubation Association (Taiwan). We are also a member of NBIA (National Business Incubation Association) and AABI (Asian Association of Business Incubation). Through these associations, we have met incubators from around the world. There are more than 30 groups of visitors each year, both local and foreign, who visit NBIC.

CL: *Is there an acceleration programme, and if so how does it function?*

Dr Shia: NBIC works with each client company to assess their needs and accelerate their growth. Companies can stay longer than five years in the incubator by paying 20% extra in monthly fees. We also give the companies more intensive support and consultation to help them to become independent.

CL: *Which one would you deem to be the most successful company incubated by NBIC?*

Dr Shia: Taiwan Liposome Company (TLC) is a biopharmaceutical company focusing on the research, development and commercialisation of innovative pharmaceutical products based on its proprietary drug delivery technologies. NBIC provided TLC a 120 m² incubation space, laboratory bench space, a tissue culture lab, instruments and devices for TLC. DCB helped TLC accomplish several contracted preclinical studies.

Dr Keelung Hong, the founder and chairman of TLC, was a research scientist at the Cancer Research Institute of University of California, San Francisco for twenty years. With a persistent devotion to the advancement of cancer therapy,

TLC achieved a series of breakthroughs in drug carrier technology for improving drug and gene delivery. In 2007, with NBIC’s help on the business plan, and an organised road show for fundraising, TLC successfully raised NT\$ 194 million (~US\$ 6.5 million) in that round, with the stock share price being 300% higher than the starting price. In 2010, TLC opened its European operation office in the Leiden Bio Science Park in The Netherlands to launch its business in that region. TLC stayed in the incubator from January 1, 2005 to December 31, 2009.

CL: *What do you see in the future?*

Dr Shia: Globalisation is playing a more and more important role in diverse ways. For example, following the tsunami in Japan, we saw a lot of interest from Japanese groups and companies in our incubator. The Taiwanese government is also promoting investment in to the EU, and we are looking to form more connections in Europe. We are encouraging our companies to ‘Think Global’, for example, by holding seminars on the subject. In addition, partnering with foreign contacts can help companies globalize and grow their business.



Charlene Lambert is Chairman of the Taiwan Globalization Network. She has over 20 years’ experience in economic development and inward investment promotion in Canada and The Netherlands. She is Adjunct Professor in International Business and Marketing at Webster University, and a Founding Advisory Board Member of the Women’s Business Initiative, an incubator and business centre for entrepreneurial women in The Netherlands. She holds a Master’s Degree in Planning from the University of Ottawa, Canada.

The Reason d'Être

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



ERGONOTICS

France

ADDRESS

Ergonotics SAS
5 rue Heloise,
59650 Villeneuve d'Ascq, France
www.ergonotics.com

THE INCUBATOR

MITI
MITI Incubateur Nord - Pas de Calais
Parc Scientifique de la Haute-
Borne - HUB Innovation - 11, rue de
l'Harmonie - 59650 VILLENEUVE
D'ASCQ Cedex
www.miti.fr

About Ergonotics

Ergonotics aims to improve human-computer interaction through the use of natural language (such as English or French). ActiveLinguistics™ was

developed using a set of technologies that turn words into actions, thus making difficult or cumbersome actions a lot easier. Their first application, Convex, (www.convexapp.com) is a smart 'unit converter' that enables one to effortlessly convert over 950 different units in over 20 categories such as miles to kms to inches. It has been downloaded over 600,000 times to date, in over 100 countries and is even used by NASA. Ergonotics is currently working to develop new products in other categories that offer users a productive experience through the use of language. They will be shortly releasing a smart remote control for an Internet/TV box in France that allows users to record a movie or an episode of a series by just telling the app to "record movie tomorrow night on TV5" for example - no more messy menus and complex recording nightmares. The next phase will take the technology to other companies in different vertical markets to enable them to differentiate from their competitors by offering simpler, more natural and more effective user interfaces.

The challenges

Ergonotics was Francois Liger's first attempt at entrepreneurship and while he knew quite a bit about technology (having worked at Microsoft for 16+ years) he certainly did not fully realise the complexity and challenges of getting a company off the ground - especially a technology one, which required upfront R&D investment. Getting from idea to product,

and to a set of products, turned out to be a much slower and a far more costly endeavour than was originally expected.

The incubator advantage

Francois approached a business incubator at first mainly to ensure that he would get some help in dealing with the regulatory side of starting the company. Prior to starting Ergonotics, he had spent 14 years abroad in Ireland, Belgium and the US and he wasn't familiar with the concept of business creation in France, his home country. The help he received from the business incubators he worked with (MITI and Ruche Ciel) went way beyond what was initially expected. For example, they won a national innovation award that the company would never have contemplated competing for, if not for the incubator pushing them to so.

And more...

Being incubated provided Francois and Ergonotics with the means to improve their company's operations and offering by challenging their business plans, activities and priorities. The "external" yet benevolent eye that was provided got the business on track and helped them stay on course. The continual feedback and evaluation of assumptions "definitely made us more adaptable and business-savvy," says Francois Liger, who was very satisfied with the quality of service and the guidance he received.



TELMOCO DEVELOPMENT LABS

India

ADDRESS

Box No 101, Technopark TBIC,
Technopark Campus, Park Centre,
Trivandrum, Kerala, India
www.telmoco.com

THE INCUBATOR

Technopark TBIC, Technopark Campus,
Trivandrum, Kerala, India - 695581

About Telmoco

Telmoco Development Labs (P) Ltd is the brain child and joint venture, founded by Nijesh CR and Aadith Bose. Kalpa later joined the team as the third promoter of the company and is responsible for the everyday financial functioning of this start-up. Telmoco, as the name indicates, focuses on innovation in the telecom, mobile and computing sector. It invests hugely in R&D on advanced electronics and designs high-speed computing devices. Attitude Daksha is the first product to be launched by Telmoco and it offers an affordable smart tablet for the people of modern India. Daksha has been inspired by the technological and computing advances and is made for high speed, high performance computing. The team at Telmoco feels that there is

a need for a cost-effective handheld computing device; is now a necessity not just for people in the sub-continent, but for people across the globe to enable the sharing and transfer of knowledge.

The challenges

The main difficulties in getting started were the lack of finance and finding the right professionals with the necessary industry know-how in computing device design and advance computing. Several months of Google searches and exploring various professional channels yielded little and it was hard to find anyone with the right skills set. The search eventually uncovered some white papers from ARM Holdings and resulted in several meetings with Original Design Manufacturers (ODM) and Printed Circuit Board (PCB) design contractors. But as every entrepreneur knows, expertise advice and money are key, and of course scarce. Technopark TBIC provided invaluable support, from mentoring to providing infrastructure to scheduling meeting with professors, and the breakthrough was achieved.

The incubator advantage

Technopark TBI (which is run by the Government of Kerala) is one of India's leading business and technology incubators. The entrepreneurs were 'virtually incubated' during their first year at university. Starting an electronics research company as a student is a Herculean task and the young team feels they would never have taken off if not for the support of TBI. They provided the start-up with needed resources and facilities and the results of that speak for themselves today as Attitude Daksha has opened up a whole new world of portable IT capability for the Indian market.

And more...

Nijesh and Aadith are clear that Technopark TBI provided them with the right framework to make things happen - the facilities to test, research and schedule meetings. As far as incubators are concerned they

are convinced that TBI is the best there is, especially as the incubator management team have always been on hand to address doubts, encourage the entrepreneurs and help solve problems when things were going wrong. Nijesh is outspoken in his views on incubation and is clear that that "without the help of their incubator they would not be where they are today."



CERBERUS GAMING

The Netherlands

ADDRESS

BlackShore - creative
Diamantlaan 132
2332 GR Leiden, The Netherlands
<http://cerberusgaming.net/>

THE INCUBATOR

ESA BIC Noordwijk
European Space Innovation Centre ESIC
Kapteynstraat 1
2201 BB Noordwijk, The Netherlands
www.esa.int

About Cerberus

Cerberus takes satellite images or aerial photography to players who are then asked what it is they can see in the image. These could be sediments on Mars or damaged roads after an earthquake... Research has shown

that when enough players make an assumption about a spot in the satellite image it is actually to correct definition. The 'crowd-sourcing' results are achieved via an online portal similar to Google Earth and maps can be generated quickly and effectively by players from the age of ten upwards. The game is not just a map-making tool; it is fun and informative, and enables players to directly impact the outcome of a variety of activities... from space exploration to management of natural disasters around the globe.

The challenges

Cerberus, like most companies, started with a plan that unfortunately made no allowances for setbacks. The programming of the actual game was outsourced and went through four rounds of negotiations with various companies, none of which worked out. It was eventually outsourced to a company in Egypt. In 2011, at a conference in the US, however, the director of Streaming Creativity, a games studio, showed interest in the project and it seemed that both sides found the other a good fit professionally and creatively. Early stage finances were a concern as well.

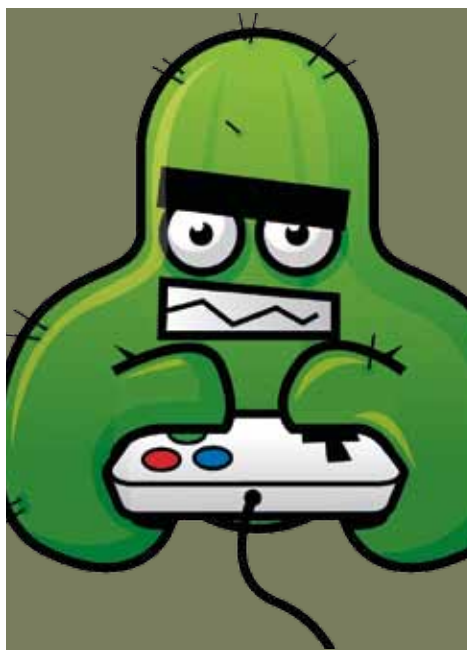
The incubator advantage

Cerberus was Hans van't Woud's master's degree research at the University of Amsterdam. It was a chance meeting with someone from the University of Leiden that resulted in an introduction to Niels Eldering from ESA's technology transfer office. This meeting provided the inspiration to apply for and scout for other business opportunities that went beyond the mapping of Mars. Besides the product development angle and legal cost benefits, there were other practical benefits as ESA has enabled access to knowledge that has increased scientific performance of the game in relation to space domain. Hans also feels, there exists within the ESA framework, enormous networking potential that might be beneficial at a later, post-incubator stage. The ESA business incubator offers "great and affordable office facilities", interesting events involving space-related companies and so much more. He feels there is a distinct plus in being with

other start-ups, and sharing similar aspirations and obstacles.

And more...

According to Hans van't Woud going into an incubator puts you into the 'entrepreneur mindset' and puts you in touch with a network that can be beneficial to the business. ESA has provided him valuable access to media contacts, for example. This does not mean complete dependency on the incubator, however, and for the most part it is business as usual for most incubatees, he feels.



FISHING CACTUS

Belgium

ADDRESS

Rue Descartes 1 (Initialis Park)
7000 Mons, Hainaut, Belgium
www.fishingcactus.com

THE INCUBATOR

La Maison de l'Entreprise,
SA Parc Scientifique Initialis,
rue Descartes 2,
7000 Mons

About Fishing Cactus

Fishing Cactus is a video game development studio created in 2008. It is a truly multiplatform, independent studio working on a large variety of systems, from mobile (iPhone, Android, 3DS) to computers (PC, MAC) to consoles (Xbox, Playstation etc.) They use their own technology and are developing their own game engine which gives them a huge ad-

vantage while integrating new technology. For example, they are able to rapidly integrate Kinect before it came out and have become one of the technical leaders in that technology usage in Europe. Fishing Cactus work for companies such as Ubisoft, Microsoft, Playfirst, Armorgames and currently have a team of around 30 talented people, with plans to increase that number to 50 within the next couple of years.

The challenges

Laurent Grumiaux, the force behind Fishing Cactus, felt money (not unusually) was the biggest issue and locating relevant information was not easy. As any entrepreneur will tell you, it is good to have some money on the side while not paying oneself, but finding the cash to pay that first employee can be a real hurdle, especially in a place like Belgium where the social taxes are rather high. There were other issues as well - like identifying relevant information. While a lot of help existed for start-ups, such as R&D support and budget and business development assistance, understanding how to put it together presented an administrative nightmare at times.

The incubator advantage

Fishing Cactus got a leg-up from their close partnership with LME (La Maison de l'Entreprise) based in Mons. The incubator helped them find a place to start business on the technological campus of Mons and took them by the hand in the first year of business. They also took the company through the start-up process, helping them with business leads and taking them to various networking events such as EBN European events and venture capital meetings. It proved to be of immense help and made a huge difference to the shape of the fledgling company.

We're always looking for interesting projects to feature in this section of our magazine. Please write to us and let us know who your star incubatees are.

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The Pre-Nup



Alexia Hengl, explains why and how a non-disclosure agreement in the initial stages of incubation can be a wise move for all those involved

The pre-incubation contract is one of the first formal agreements binding selected entrepreneurs to an incubator and its services. Indeed it is the first, and potentially the only legally binding decision the aspiring entrepreneur will take before understanding if her or his project is feasible. On the other side of the same coin, the pre-incubation contract may be the first step for an incubator towards a contractual and lasting relationship with their potential clients. Therefore, getting it right at this delicate stage is imperative.

During the pre-incubation stage both potential entrepreneurs and incubators are required to disclose information and data which they might very well perceive as commercially confidential. And keeping this confidence could be of great importance to the success of the enterprise. This is especially true if, as is usually the case, candidate entrepreneurs have not yet patented or protected their ideas under existing intellectual property provisions.

Therefore, a new entrepreneur, when developing his/her business idea, would be wise to try and sign a non-disclosure agreement (NDA) when disclosing ideas to incubators and other parties involved in assessing initial concepts and market opportunities. NDAs can touch many aspects of the business: new materials, product formulae and components, technical drawings or designs, possible customer and prospects' lists and so on.

On the whole, if achievable, non-disclosure agreements can be perceived as a first, low-cost way to protect a business idea during the project formulation stage, and help put the potential entrepreneur in the right state of mind when sharing their business ideas. Hence, protecting the idea from its inception will ideally provide higher chances for a successful pre-incubation phase by ensuring that an effective and complete information flow takes place. This will lead to an improved selection processes for an incubator and therefore to increased capacities in delivering sound incubation services at a later stage which directly impacts sustainability. It is therefore, clearly not just a "formal" agreement that takes place between the potential entrepreneur and the incubator, but a substantial one that might very well affect the success rate of an incubator. Let's take a look at some basic elements.

Defining an agreement as a 'non-disclosure' agreement does not automatically imply that all the information provided

will fall under a non-disclosure obligation for the recipient. The obligation actually stems from the provisions contained in the agreement and not from the definition and title of the agreement itself. This fact brings to mind the most precious, but probably least followed tips of all time: read before you sign.

Confidentiality agreements can be one-way or two-way agreements, depending on whether or not both parties are disclosing confidential information. Under the mutual confidentiality agreement, both the discloser and owner (the party providing the confidential information - in this case typically the entrepreneur) and the recipient (the party receiving the information - in this case typically the incubator and its staff) have to be clearly defined. Affiliated partners, agents or consultants of the recipient are normally required to sign a separate agreement or to intervene in the initial contract if they are privy to confidential information.

There is a mutual interest in better specifying the information deemed to be confidential, or the subject, in the confidentiality agreement. Even if 'boilerplate' agreements seem to be the easiest and cheapest way to define the confidential information and limitations, efforts should be made by both parties to precisely identify what should be considered confidential.

Normally the one disclosing the information tends to interpret the subject in a broader way, while the recipient prefers a narrower interpretation of what is covered by the NDA. However, generally, when presenting a product or project at an advanced stage of definition and development, the more specific the information is, the more the perception and minimisation of risks. Indeed, a precise assessment of which element of the business can be disclosed and to what extent should be preventatively done by the owner. The NDA should also be as precise as possible as to how information provided may or may not be used by concerned parties.

Any problem arising after the NDA is signed, with regard to what must be considered confidential, can be resolved by changing or adding clauses to the agreement. Information already available to the public, or made available to the public by parties other than the recipient or its agents/representatives, or information made available to the recipient by a third party without breach of any confidentiality obligations, is not deemed to be infringing the provisions in the NDA.



The NDA should include a statement of reasons defining the rationale behind the signature of the contract and the overall context in which the information is provided.

Under the terms of agreement the parties define how long the confidentiality obligation lasts; in the United States, for example, confidentiality obligations generally last for a maximum of five years, while in Europe it often covers a ten-year period. Non-disclosure agreements can also provide for an arbitration clause establishing that any claim, dispute or controversy arising between the parties and relating to the information disclosed, or to the applicability and validity of the non-disclosure agreement will be resolved by neutral binding arbitration. Under the arbitration clause parties can pre-define the composition of the arbitration panel if they wish.

A fundamental element of a non-disclosure agreement is the definition of penalties in case the confidential information is divulged. This clause can either define a total amount (in value) in case a breach of confidentiality is proven, or only list the consequences of disclosing illicit information. Non-intentional disclosure can also be defined as subject to penalty. Indeed, a very detailed and tailored agreement may also define a responsibility in case the recipient, in this case the incubator or a potential investor, handled confidential information without due care.

There are obviously instances where protecting a business idea through intellectual property rights can be rather costly and time-consuming. It is no secret as well, that time, to an entrepreneur, is most precious and that cost is a sensitive issue. Simply stated, there are cases where the provision of intellectual property rights is just not feasible.

Hence, a precisely drafted NDA, while not the ideal solution, is certainly a viable “helping hand” and as a starting point for a marriage of incubatee to incubator, it might be the ideal proposal.

Defining an agreement as a ‘non-disclosure’ agreement does not automatically imply that all the information provided will fall under a non-disclosure obligation for the recipient.

ON NDAS WITH EARLY-STAGE INVESTORS...

Investors often take a different view of NDAs than entrepreneurs. Whilst the NDA might give comfort to the entrepreneur it must be noted that many investors are unwilling to enter into such an agreement as they consider it may limit their ability to make commercially sound decisions. For example, if an investor sees a weak team on day one with a great idea but no real ability to execute, and then sees a strong team on day two with a similar idea and a clear ability to execute, he could perceive the NDA signed with the first team as severely limiting his choice in who he wants to work with. The investor could also fear the first (weak) team would exploit the signed NDA to file a lawsuit against him if he is willing to finance the second team's entrepreneurial project, it being similar to the one described in the first NDA. This situation leaves potential incubatees with the final decision on how much, if anything, to disclose without a signed NDA. However, it should be borne in mind that, generally, incubators have established business relationships with most of the investors approaching their incubatees and that these are normally keen to protect their professional reputations and will be unlikely to breach commercial confidences.

Alexia Hengl is a lawyer with over ten years experience advising public and private clients on industrial relations and commercial and public contracts.

Helping Hand

From providing support to motivation, incubator teams are called upon to be many things to many people. The following resources can be used either by incubator teams or the companies under their care to provide a helping hand

M-power your business



Patrick M Powers has been involved with entrepreneurs for many years and has combined his extensive skills as a speaker, networker and personal coach to get people talking and sharing their ideas. He is the author of *Turn your contacts into cash* and *Only suckers settle for less than rich*, both available for download. Each month he runs a Meetup seminar that engages a diverse group of people from all walks of life - from entrepreneurs looking to get started to investors scout-

ing for potential business opportunities. The meetups include talks by industry greats, motivational seminars and networking events that people talking and doing business and taking things to the next level. He offers one-on-one mentoring and coaching to new-start-ups and incubation teams, and offers his own life, which has been the entrepreneurial roller-coaster, as the basis for business success.

Question time

- *Why are you a small business marketing expert?*

I love helping start-ups and small businesses succeed. Entrepreneurship is one of the most powerful ways to create positive change in the world. But practically none of the skills needed to succeed are taught in schools. I feel I'm making a difference.

- *What are the elements crucial to entrepreneurial success?*

Commitment/willingness to do whatever it takes

Success is found on the outside of your comfort zone, so being committed to do whatever it takes is crucial. On the way to success you will have to do many things that are scary. The people that just want success will give up when it gets tough, only the committed will continue to succeed.

Willingness to change

Your initial approaches probably won't work so it's crucial you are willing to change your approach. Even if you do succeed initially you probably have to change what you do every one to two years, since the world is changing faster and faster.

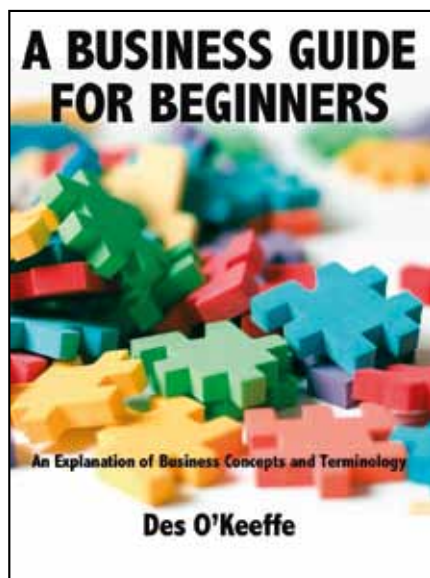
Marketing know-how

There is nothing more vital to a business. This is the most important - even if you have a brilliant idea, product or service nobody will know about it or understand it if you don't know how to market. Companies with mediocre products and great marketing can conquer the world. The good news is that very few people are good at marketing, so with a bit of effort and learning it's not that hard to overtake your competitors (in most niches).

- *Why do you think business incubation is a great idea?*

When people are starting a business they need support and know-how in many different areas and many times they are not aware of what they need the most. The support structure of an incubator is something I wish I had had when I started out.

Patrick's book *Turn your contacts into cash* can be bought online at www.theincubatormagazine.com/resources/#marketing



A Business Guide for Beginners

The objectives of Des O'Keeffe's latest book are simple but *A Business Guide for Beginners* is not simplistic. It sets out to provide an introduction for those who are daunted by their lack of basic business knowledge when embarking on a career in business or a course of business study. The author's core belief is that complex or difficult subjects can be readily understood when explained simply and this is the guiding principle for the book, written in non-academic language that is entirely congruent with that used in everyday business.

However, *A Business Guide for Beginners* is much more than a primer for business students. It offers a practical guide to the five primary functions of every business operation: people management, marketing, finance, operations and quality, in which every aspiring manager needs to acquire a degree of proficiency in order to succeed. Along the way, the author defines key concepts of success and offers clear advice on starting a business, business strategies and ethics. For those intent on achieving rapid progression in their careers, the final part of the book focuses on elements of personal success.

Des O'Keeffe claims modestly to have "been about a bit", but his 30-year financial career includes work for a variety of well-known companies in the UK and then in Central Europe with teaching assignments from 2003. Although mostly aimed at beginners, those who are already a few rungs up the ladder to success could read this book to advantage.

Business Guide for Beginners can be bought online at www.theincubatormagazine.com/resources/#startingup

The Lean Startup

The Lean Startup was published in 2011 by internet entrepreneur, Eric Ries. It applies techniques used in lean manufacturing and agile software development to the business environment, especially to start-ups. The book is divided into three parts: Vision; Steer and Accelerate. Within these lie five fundamental principles that lean start-ups should employ: Entrepreneurs are everywhere; Entrepreneurship is management; Validated Learning; Build – Measure – Learn; Innovation Accounting.

He starts by considering what a start-up is and concludes that it is an "experiment", a "human institution designed to

create a new product or service under conditions of extreme uncertainty". This is a very fair assessment. Uncertainty is everywhere. How many customers will we get? Will they like our offering? Is the pricing correct? Is our distribution model right for the market? And so on...

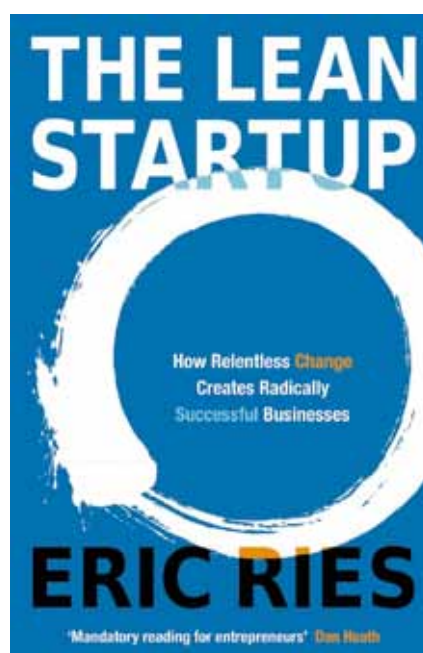
Ries believes that managing a start-up requires completely different skills to managing a large corporate business. And the skills learned in most MBAs are not relevant. As uncertainty is the name of the game, being able to spot where things are not going right and to change direction rapidly and with minimum impact on the rest of the business is crucial. This so-called "pivoting" is a key facet of lean start-ups. As Alex Osterwalder and Steve Blank state in *Creating Startup Success 101*, "No business plan survives first customer contact". So spotting where things are not right, and pivoting into a different direction is what start-up management is all about. Many successful companies are no longer in the business they started in. And being quick to spot the need to change, before the money runs out, is where the lean start-up will have an edge over its slower competitors.

In a presentation of *The Lean Startup* at LSE, Ries kept repeating "Stop wasting people's time". He was referring to the fact that so many businesses start on a belief that the market needs a particular product or service and invests huge amounts of resources in building it, only to discover no one wants it. It's not a new principle, but putting the customer at the heart of the production process will generally lead to a better solution.

The Build-Measure-Learn cycle is the way to ensure lean and agile techniques are applied constantly. Start by creating a 'minimum viable product' – the MVP. Measure customer reaction to this product. Learn from the feedback and then build a new, better version. By constantly iterating around this cycle, the product will continuously improve and customers will continue to be customers.

As with all good management books, *The Lean Startup* is peppered with examples and case studies that show how Ries developed and applied his theories. Most are US-centric but still applicable across the start-up world.

The Lean Startup can be bought online at www.theincubatormagazine.com/resources/#startingup





What are the numbers really saying?

Recent studies in 2010 showed that it takes approximately €12,000 (EBN BIC Observatory 2011) to create a job through the European incubation system. A closer look, reveals that approximately 69% percent of that cost was contributed by the public sector, in the form of subsidies, EU/regional projects, structural funds and other similar initiatives and processes. Specifically, it can therefore be argued that the cost to the public sector for each job created through an incubator in Europe, in 2010, was around €8,300.

I must thank Swedish incubation expert, Mikael Hult, whose presentation at the NBIA conference in 2011 was inspirational to say the least. It made me realise that we should not really be looking at this issue through the lens of costing. Should the focus not be in terms of ‘investment’? The 2010 Eurostat labour figures, using basic statistical calculations and some generic assumptions, showed that the average yearly inflow into the public sector budget was just a little under €9,200 Euros per person. This means the payback period (PBP) for public sector investment into an incubator is a mere 11 months... and this is just from income tax. What if the figure were to also include company profit taxes, or increased VAT generation from increased spending?

Let’s add another layer to the picture. Incubators produce sustainable companies and therefore sustainable jobs. Let’s project these figures onto a ten-year timeline, without considering increased salaries that accompany increased competence. We have established that a single job created in the public sector gives a return of €9,200, a return on public sector investment (ROI) of 8.8 over the full ten years given the high sustainability of incubated companies. And while that is not an academically-approved statistical model the numbers raise some interesting questions, starting with the most important one.

Why is the world, and specifically the European public sector, not investing more consistently into the incubation industry?

It is clear that the socio-economic returns are significant, but the numbers suggest that incubation is also a viable solution to generate public income that can then fund public sector needs such as schooling, health, parks, leisure initiatives etc. One would be hard pressed to find other investment opportunities offering a similar ROI and PBP, with the same “safety” (read sustainability) that the incubation industry provides. I’d certainly leap in head first!

Should this not be incentive enough for governments – national, local, European – to divert more of their scarce resources into the incubation industry? All governments are keen to attract inward foreign investment – so why not make their borders attractive to young entrepreneurs from other countries by creating a well-supported incubation infrastructure. One that provides the necessary support to grow ideas into viable, tax/income/employment generating businesses. Surely a better route than caving to ‘big business’ which often asks for (and takes) more than it ever gives back.

Simply stated, an ROI of 8.8 is a strong argument that policy makers cannot ignore – and demonstrates in no uncertain way, that the impact of the incubation industry can be measured in the short term, and not, as usually assumed, in the longer term. The numbers speak for themselves.

Giordano Dichter

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