



# Incubating Business Enterprise

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# Overview

1. Research project
2. What is Business Incubation?
3. Practitioner & academic findings
4. Urban vs. rural context
5. Other shared spaces
6. Further sources



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# The Research Project

- Two larger projects of Dr. Tina Dacin:
  - Cultural sustainability, geography, heritage
  - Social innovation and incubation
- Phenomena of interest:
  - Rise of social incubation and shared space in urban context
  - Diffusion of incubators in rural Ontario

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# What is Business Incubation?

- “An enterprise that facilitates early-stage development of firms by providing office space, shared services and business assistance”

*(Hacket & Dilts, 2004)*

- An organization that “creates a supportive environment conducive to the “hatching” of new firms”

*(Bergek & Norman, 2008)*

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# What is Business Incubation?

- First incubator in New York state in **1950s**
  - In U.S. grew from **12** in mid-1980s to over **2,000** today  
*(NBIA)*
  - More than **83** operating business incubators in Canada in **2005** generating funds in excess of **\$45 million**  
*(Statistics Canada, 2005)*
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# What is Business Incubation?

- After 5 years **87%** of incubator graduates are still in business vs. **80%** non-incubated failure rate
- **84%** of incubator graduates stay in their communities and continue to provide a return to their investors
- For every **\$1** of estimated annual public investment, clients and graduates of incubators generate approximately **\$45** in local tax revenue

*(Sources: NBIA, CABI, Statistics Canada)*

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# What is Business Incubation?

- Average of roughly **55%** survival rate

*(Hacket & Dilts, 2004)*

- Lower cost job creation: **\$6,500** vs. **\$11,000 to \$50,000** for large manufacturing jobs

*(Markley & McNamara, 1995)*

- **\$1** of public investment yields **\$5** of tax revenues

*(Molnar et al. 1997)*

- Issues: context, selection bias, and inability to compare incubated vs. non-incubated firms
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# What is Business Incubation?

SPONSOR	GOALS
University	Innovation, faculty/student involvement
Research institute	Research commercialization
Public private partnership	Investment, employment, other social goods
State sponsorship	Regional development, job creation, poverty alleviation, equity
Private sector initiative	Profit, patents, spin-offs, equity, image, returns

*(Lalkak, 2001)*

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# What is Business Incubation?

## □ Benefits:

- increased business survival rates
- generate jobs and increase tax base
- illustrate commitment to small business
- create an entrepreneurial culture



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# What is Business Incubation?

## ❑ Criticisms:

- ❑ hand selecting “winners”
  - ❑ limited economic scope
  - ❑ expensive and ongoing subsidies
  - ❑ duplicative – other services available
  - ❑ competition for local landlords
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# Findings

## 1. Shared Physical Resources - Co-location

- ▣ Office space
- ▣ Equipment and services
- ▣ Broadband
- ▣ Specialized labs, green screens, kitchens etc.

*“People were working in basements or drive sheds or the extra bedroom while the kids were napping... there was actually a significant economic impact that this was having.” (Tenant)*



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# Findings

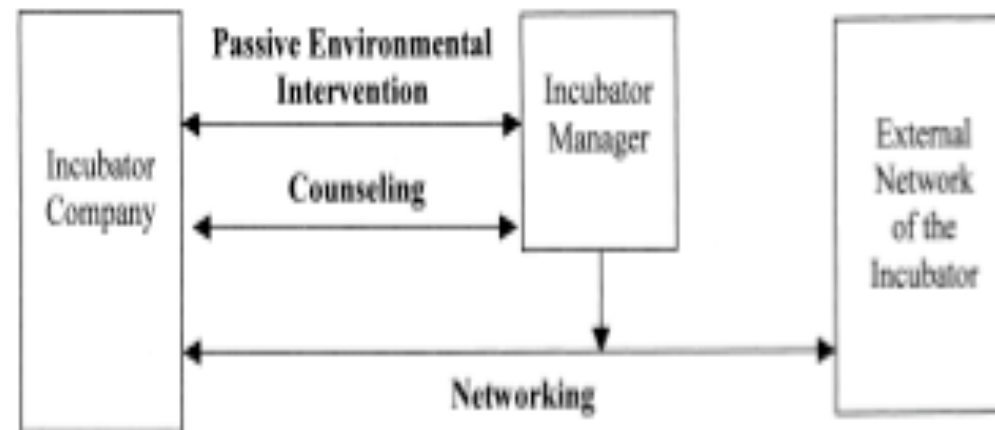
## 2. Social Resources - Counseling & Networks

- ▣ Technical assistance and counseling (marketing, finance, accounting etc.)
- ▣ Interactions **Internally** – enhance innovation and creativity
- ▣ Interactions **Externally** – expanded network

*“...an environment with other people where there is a collision of ideas and some new streams of revenue just from other people in the building...” (Tenant)*



# Findings



*(Rice, 2002)*

# Findings

## 3. Legitimacy

### □ Individual/Business Legitimacy

- *“...you put that business hat on and you start taking that ‘professional’ up a notch when you get out of your basement. It is just a small psyche thing but it does make a difference.” (Tenant)*

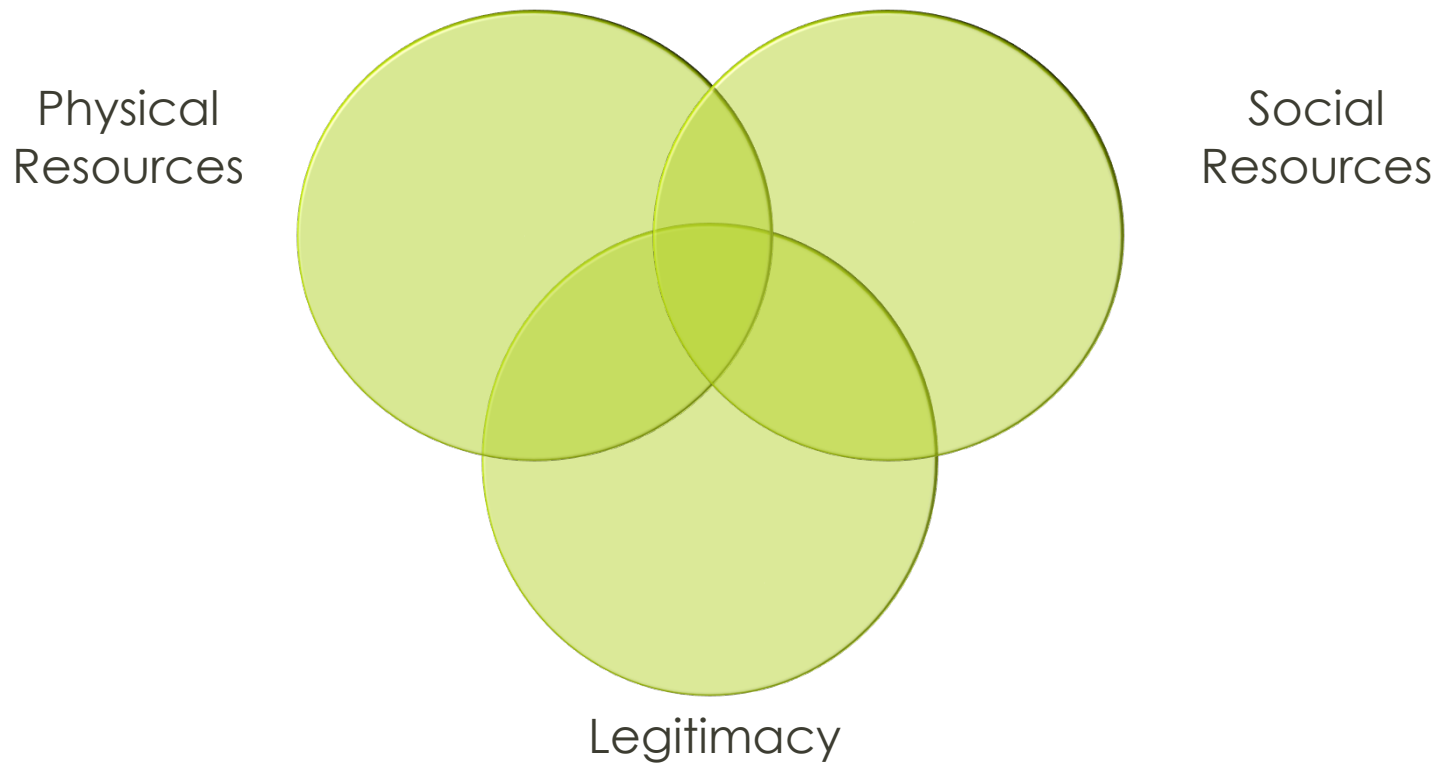
### □ Community Identity & Legitimacy

- Business community self-esteem
- Signaling commitment to business
- Entrepreneurial culture



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# Theoretical Foundations



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# Key Success Factors

- Incubatee selection processes
  - Internal incubator network formation
  - External incubator network formation and density
  - Relationships between the incubator manager and the incubatee
  - Manager quality
  - Community ties and support
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# Theoretical Foundations: “Place”

## ■ The Role of Shared-Space and “Place”

- “a meaningful location” (*Agnew, 1987*)
  - “a way of seeing, knowing and understanding the world” (*Creswell, 2004*)
  - attachment strongest among those with *ancestral* or *cultural* ties to a place. (*Hay, 1998*)
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# Other Shared Spaces

- ▣ **Co-working spaces/Hubs**
  - ▣ San Francisco “Hat Factory” 2005
  - ▣ “work for yourself, not by yourself”
  - ▣ Shared values:  
community & collaboration





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# Other Shared Spaces

## ▣ Jellies

- ▣ Coined in 2006 in Manhattan
- ▣ “a semi-weekly work together”
- ▣ Flexible membership and attendance
- ▣ Non-dedicated work space:  
coffee shops, home,  
community centre etc.





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## Jellies



## Co-working Spaces



## Incubators

- No dedicated space
- Meet regularly but intermittently
- Ad hoc mentoring and support
- Intended to foster community and reduce isolation
- Very casual, low cost
- May develop into a more formal model

- Dedicated space
- Flexible membership models
- Shared physical resources vary
- Ad hoc mentoring and support
- Open membership
- Collaboration and community are key

- Dedicated space with long term commitment
  - Manager provides training and counseling
  - Manager acts to convene and build social capital
  - Often industry specialized
  - Selection process
  - Most formal model of co-location
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# What To Consider...

- ▣ Needs of local community, level of formality
  - ▣ Various types of financing/sponsor arrangements
  - ▣ Physical: design space to stimulate interactions both internally and externally
  - ▣ Social: Delivery of quality services and community support
  - ▣ Dynamic management team
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# Additional Resources

- ▣ National Business Incubation Association (U.S.)  
[www.nbia.org](http://www.nbia.org)
  - ▣ Canadian Association of Business Incubation  
[www.cabi.ca](http://www.cabi.ca)
  - ▣ Statistics Canada 2005 – “Characteristics of Business Incubation in Canada”
  - ▣ Jellies & Co-working - Wiki pages, blogs etc.
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# Questions?



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