



Business Incubation

Building Companies, Jobs
& Wealth

The National Business Incubation Association

Introduction



Speaker:

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National Business Incubation
Association (NBIA)

Topics of discussion

- **Business incubator definitions**
- **Incubator impacts (return on investment)**
- **Evaluation criteria and considerations**

Incubators: a definition



“Business incubators accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed or orchestrated by incubator management, and offered both in the incubator and through its network of contacts.”

Incubators: a definition



“A business incubator is a comprehensive business assistance program targeted to help start-up and early-stage firms, with the goal of improving their chances to grow into healthy, sustainable companies.”

Incubator facts



- 1980 -- 10 to 15 incubators in U.S.
- 2002 – 1,000 incubators in North America

Benefits add up (1998 data)

- Existing North American incubators have served 20,000 firms that are still in business
- Firms graduate in 2-3 years into their communities
- Clients and graduates of existing incubators have created 250,000 jobs

Return on investments



\$300K research project to study the impacts of incubators on their firms and communities

--funded by U.S. Department of Commerce in 1997

Project team



- **NBIA, University of Michigan, Southern Technology Council, Ohio University**
- **Mix of methodological and stakeholder perspectives**

Criteria for inclusion...

- Full or part-time on-site management
- A graduation policy
- A comprehensive set of business assistance services, *not* just office equipment and services
- Incubator in operation since *at least* 1991

Study sample of programs

- **3 incubator types: technology, minority/low income, mixed use**
- **Respondents: 50 programs; 126 companies; 107 community stakeholders and incubator managers**
- **Companies all entered incubator 1990-96**
- **Macroeconomic analysis**

ROI results



- **Average of 468 jobs directly attributable per incubator, plus 234 spin-off jobs**
- **Estimated subsidy cost per job of \$1,109**
- **Macroeconomic modeling indicates that the return (local tax revenues) on public investment (subsidy) was \$5 per \$1 for study sample (4-5 clients per incubator)**

Results: company survey

Average annual sales growth: \$240,000

- **Average annual employment growth: 3.7 (full and part-time)**
- **87% survival rate of grads; 84% stay in community**
- **Incubator firms provide employee benefits that are comparable to or exceed the norm**

Results: company survey

- **66% of companies report that the incubator was important or very important to their success.**
- **Companies used a variety of services, and were pleased with the services received.**
- **Incubators brokered many community services.**

Results: policy issues

- **Different types of incubators have different service profiles and outcomes**
- **Incubators have secondary impacts on community image, respect for entrepreneurship, business retention, and business climate.**

Client & Graduate Revenues

(average per firm -- technology incubators)

Year Entered *

1996 data

Gross Sales

\$168,499

\$1,144,314

Other Revenue

\$28,600

\$59,274

*average 1993

Total Annual Payroll

(average per firm -- technology incubators)

Year Entered

1996 data

\$89,423

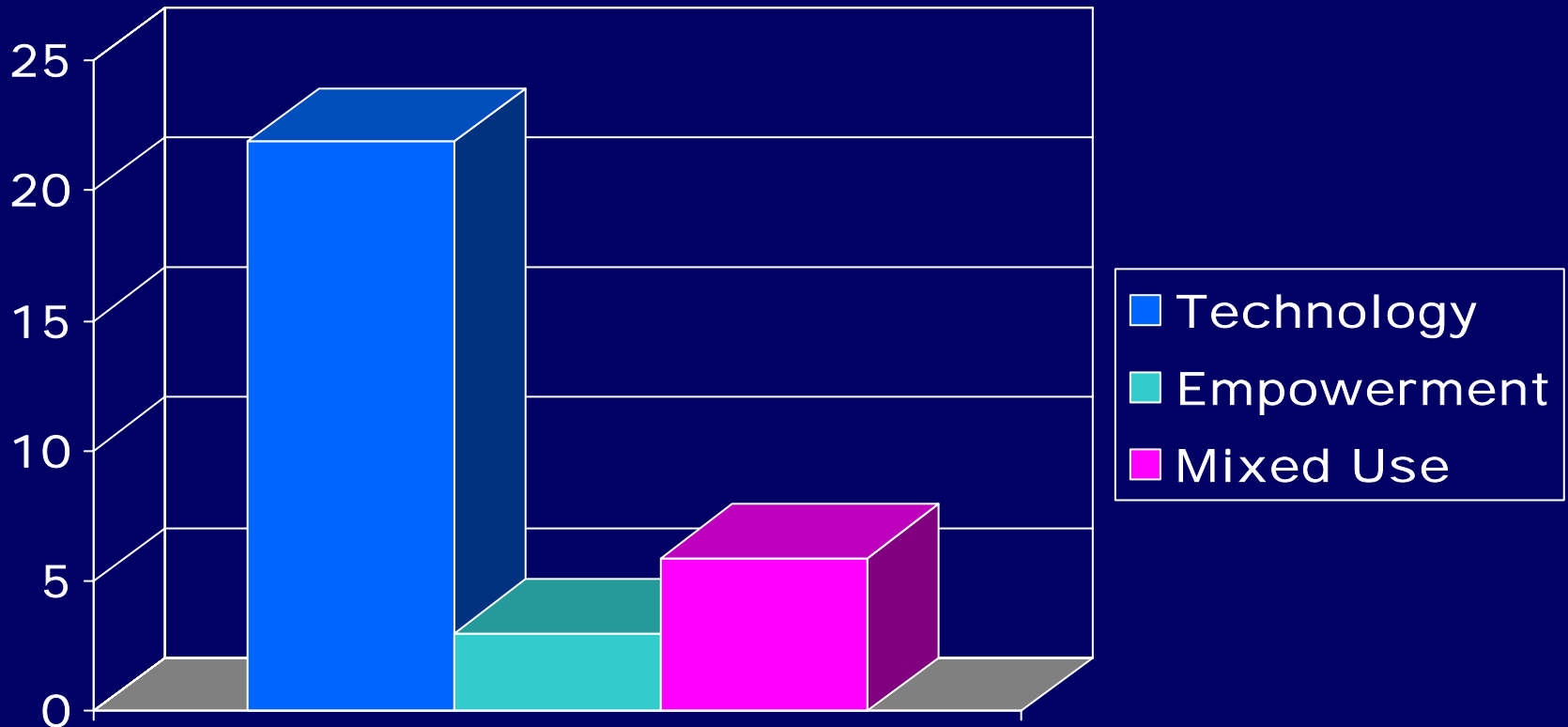
\$464,739

Total Employees

(average per firm -- technology incubators)

	Year Entered	1996
Full-time	2.8	11.3
Part-time	1.9	2.3

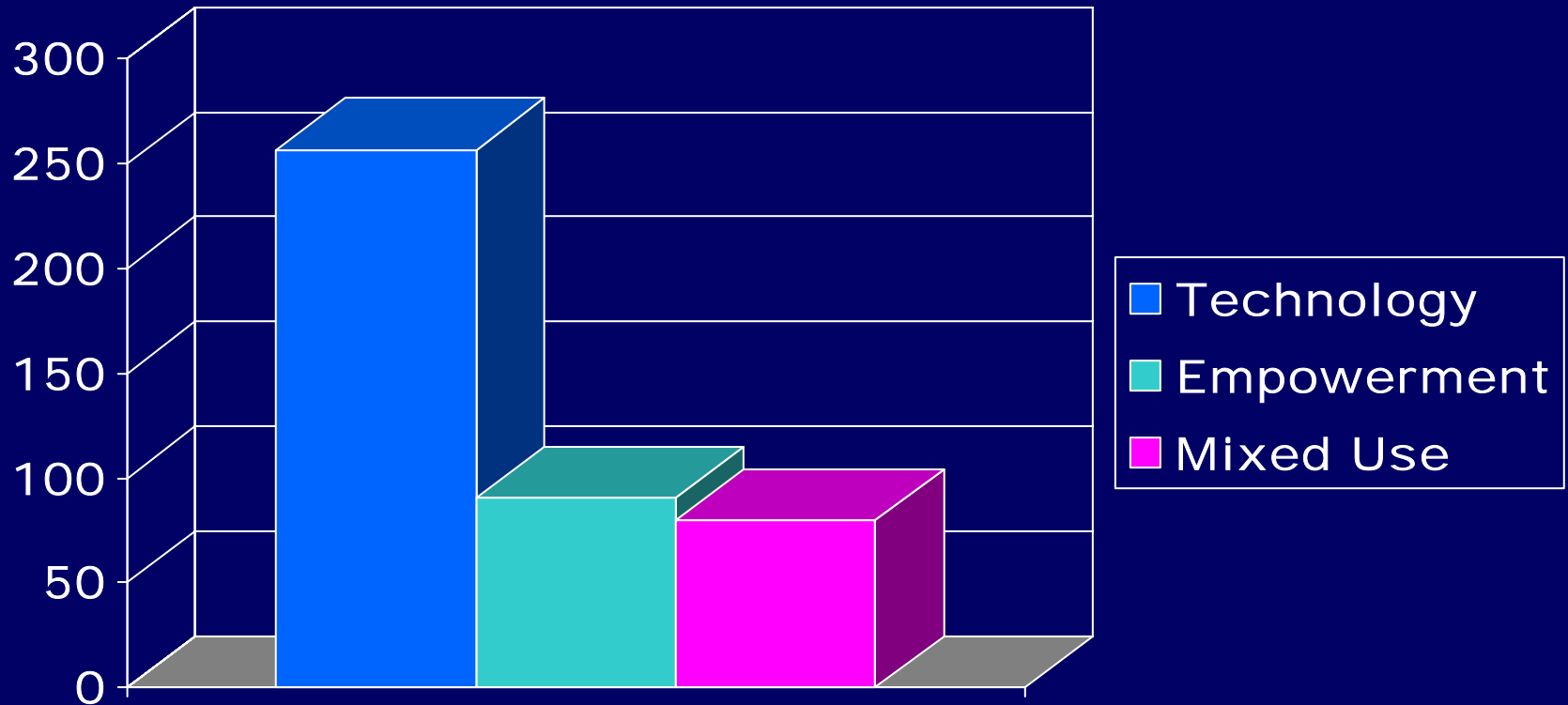
1996 Client Revenues (average per incubator)



Technology \$21.9 mm Empowerment \$3.0 mm
Mixed Use \$5.9 mm

Total Jobs in 1996

(average per incubator)



Technology 256.7 Empowerment 90.4 Mixed Use 79.9

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Evaluation Considerations

- Incubators have long-term impacts that are difficult to quantify
- Comparison groups are difficult or impossible to identify
- Incubators improve community entrepreneur support mechanisms
- “Marginal” incubator clients often do not become graduates

Evaluation Considerations

- Incubators grow entrepreneurs, not just successful firms; some become “serial” entrepreneurs
- ALL incubators work with clients whose primary job creation occurs AFTER graduation
- Incubators “fertilize” the seedbed of healthy economies; this is their PRIMARY contribution
- Fertilizing the entrepreneurial seedbed creates opportunities for ALL types of firms

Evaluation Considerations



Most entrepreneurs and employees who join new firms leave jobs for others to fill; they do not simply displace existing jobs

- New firm creation and economic revitalization creates the wealth to support government/public sector efforts
- Evaluation, while necessary, should never impede the ability to provide services to clients

16th International Conference

- Toronto, Ontario, Canada
- April 28 – May 1, 2002
- 600 incubator developers and managers
- 70 sessions, workshops and roundtable discussions
- Numerous networking opportunities
- Participants from 59 nations

Thank you!



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