

# **Best Practices in Science Based Incubation** **Combining Technological Entrepreneurship with Creativity and Culture**

Liverpool 17th-19th November 2010

Day Two Summary, 19<sup>th</sup> November, and a celebration of the Top Three Superior Incubators

Summary Report  
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An Event Organized by:

## **THE TECHNOPOLICY NETWORK**

Global Community for Regional Innovation Policy

*Provides forums for international knowledge exchange and collaboration between experts and practitioners of science based business incubation and development on regional innovation*

In collaboration with:



*Supporting the growth of a commercial community focused on knowledge and innovation, through office space, networks and business development advice*



*An international collection of business incubation experts and practitioners*

## **Day Two Summary: “Trade Over Aid- Let the markets do their work”**

Day two began with breakout sessions where three groups hashed out, perhaps the most pressing topic for Incubators, the creation of a financial ecosystem. These collaborative examinations covered both how to source and deal with seed financing for the businesses as well as managing the funding needs of the incubators. The use of investment principles and classical due diligence processes was highlighted as critical to bridging the chasm between esoteric invention and economically impactful commercialisation. It is rigorous, structured, financially empowered incubator management that will help small companies high jump the “valley of death” experienced through idea formulation to external funding and independence. Henri-Francois Boedt, of the European Investment Fund, who backed the Chalmers Innovation Incubator in Gothenberg in 2000, believes incubators can attract VC funding by behaving like commercially valid, growth-driven businesses themselves. He provided the group with tips to help Incubators attract VC funding:

- Have strong best practices incubation processes
- Provide intensive guidance
- Become an attractive counter-part for investors
- Help start-ups apply for grants and soft loans
- Coach entrepreneurs towards fundraising
- Organize match-making events
- Manage and participate in business angel networks.

Peter Hiscox of Cambridge Enterprise, Patricia Beckmann of OTRDI and Rudi Cuyvers of Leuven University provided one audience with successful examples of these investor-attractive vehicles. Great incubators build great, balanced teams, validate technologies and markets, test various revenue models (licensing, trade sales, management buyouts), and provide sufficient investment syndicates to ensure companies overcome the initial capital hurdles of this trough period. These ideas laid the foundations for the afternoon’s discussion of how VC funds can be the engines of incubators and incubators can be the source of deal-flow of VC funds. Strategic business partnerships with industry players can empower incubators with expertise and favourable exit options for the entrepreneurs. “Trade not aid” was the message; perhaps, a good seed capital investment strategy and a good business incubation management strategy as well.



*Nick Sturge who runs the Bristol SETsquared Incubation Centre, teaches us about strong financial ecosystems in business incubators*

The next series of presentations took the audience on an international tour of incubation models, hurdles and lessons learned. Yossi Smoller, Israel's Technological Incubators Program Manager, supports start-ups that that would not have otherwise existed, by a strong selection process focussed on inter-tenant synergies, and a connectivity to customers, partners and investors (among other more common incubation offerings). Chen Wei of Shanghai Technology Innovation Center, began by thanking the business incubation guru Rustam Lalkaka for helping start the rapidly growing and prosperous incubator movement in China in 1987; 42 centres now incubate 2095 tenants with 33, 157 employees. A revolution that only saw a slight slowing during the financial crisis and a banking environment that supports the SME sector with loans offered on the basis of IP alone. STIC has grown to help UK and Chinese companies penetrate each other's markets via soft landing offices in UK. Abdulaziz Alhargan describes the physical, social, cultural and political hurdles of Saudi Arabia. Particularly surprising, the programmes for technology, innovation, incubation and entrepreneurship have to lobby against antiquated laws that prevented researchers from commercializing their innovations; a restriction that paints the "Valley of Death" as a much deeper curve. Lessons learned for this emerging sector include:

- using international standards as benchmarks
- understanding your cultural environment
- the safety in growing organically
- the importance of connecting to international networks

and one of the most revealing dynamics: that between publicity versus public awareness. Incubator's not only have to market their services but also have a role to play in educating the public about the benefits of incubation.



*Yossi Smoller, Technological Incubators Program Manager; Chen Wei of Shanghai Technology Incubation Centre (STIC); Abdulaziz Al-Hargan, Director of Badir Program for Technology Incubators*

Next in the Technopolicy programme **was a celebration of the Top Three Superior Incubators**: Jeff Becker of Arts Incubator in Kansas City, Russia's new Tambov Innovative Incubator and the best overall incubator IPN Incubadora in Portugal run by Luis Andrade. Evan M. Jones, head of Digital and Incubation and Wales Digital Incubator, and last year's winner of Best Incubator, described the characteristics of award-winning business incubation: selective, supportive, time-limited. BI's must have an entry policy procedure, a entrepreneur-tailored incubation process and a graduation policy that provides follow-up support referrals.



*Luis Andrade ascribed his success to a passion for cultivating entrepreneurship in emerging, underdeveloped areas, a virtual incubation program of support services.*

*which expands the incubator's reach and committed, competent people who have an invested interest in their fellow business professionals.*

The final rounds of discussion examined the details of the stakeholders: regional development institutions, universities, internal staff, and the client- the entrepreneur. The following are a rough summary of some of the key discussions that ensued.

*What do you do with companies who do not follow the incubator's advice? Should they be asked to leave? Do we take the power away from the entrepreneurs to design their own solutions? What types of mistakes (failure being a critical conditioning experience of the entrepreneur) should they be allowed to make and for how long?*

*Will there be a global network to connect and provide guidelines to this diverse collection of incubators? And will it be useful? Can we standardize set-up and incubation processes, benchmark performances and share best practices? The answer it seems by today's debate is both yes and no: Incubators prosper both by shared learnings and reaching for research-backed quality standards but also by leveraging their unique competencies and tailoring their offering to local social, cultural, legal environments.*

*How do we get universities to interact with the business community? How to incorporate the management talent to technology transfer programs and incubators without alienating the idea owner? What are the best practices for Incubators to bring university-owned IP to the private industry sector for the betterment of society?*

Many suggestions were shared and it is expected that **next year's conference in New Zealand** will help to tackle this new round of concerns.

Incubation means "Hug" in Arabic, a translation that doesn't seem to have a practical application as explained by Abdulaziz Al-Hargan. However, it relates metaphorically. It is through the coordination efforts of networks like Technopolicy that the warmth of inspiring ideas is shared and ushered into practice. The conference has inspired many to go back home to their very different, entrepreneurial communities and through the impactful vehicle of business incubation, continue to invite them in, support them and nurture them into strong positions in real markets.

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