

WASBI Implementation Standards of NBIA Best Practices

What Defines a Business Incubator?

A business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services. A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding.

These incubator "graduates" create jobs, revitalize neighborhoods, commercialize critical new technologies and strengthen local and national economies.

Critical to the definition of an incubator is on-site management, which develops and orchestrates business, marketing and management resources tailored to a company's needs. Incubators usually also provide clients access to appropriate rental space and flexible leases, shared basic office services and equipment, technology support services, and assistance in obtaining the financing necessary for company growth.

Two principles characterize effective business incubation:

- I. The incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies.
- II. The incubator itself is a dynamic model of a sustainable, efficient business operation.

Model business incubation programs are distinguished by a commitment to incorporate industry best practices. Management and boards of incubators should strive to:

- Commit to the two core principles of business incubation.

WASBI: Have a mission statement adopted by the Incubator's governing authority that incorporates the first principle of effective business incubation: "to have a positive impact on its community's economic health".

- Obtain consensus on a mission that defines its role in the community and develop a strategic plan containing quantifiable objectives to achieve the program mission.

WASBI: Have a strategic plan – adopted or revised within the past three years by the Incubator's governing authority following governing authority retreats/workshops and/or special meetings – that contains quantifiable objectives to achieve the Incubator's mission.

- Structure for financial sustainability by developing and implementing a realistic business plan.

WASBI: Have a business plan – adopted or revised within the past three years by the Incubator's governing authority – that describes the market niche of the Incubator, the value that the Incubator provides client companies and a demonstration of financial sustainability. The plan should contain at least an average of prior year financial revenues & expenses and a projection of positive financial performance for three or more years.

Have one or more reliable sources of annual financial revenues that include sufficient income to maintain incubator operations in the event other revenue sources are not renewed. Operating revenue sources should include tenant income from rents and services, individual contributors and community sponsors.

- Recruit and appropriately compensate management capable of achieving the mission of the incubator and having the ability to help companies grow.

WASBI: Have on-site management employees with business backgrounds and education present during normal working hours that are paid at least 75% of the area's median salary for such a position. The Incubator should have established an employer and/or employee paid retirement plan. Incubator management – including Board Directors – should participate in continuing education and be active in professional incubator organizations.

Recruit and orient counselors, mentors, instructors, interns and volunteers that assist companies with on-site activities such as marketing, management, accounting and other business tasks.

- Build an effective board of directors committed to the incubator's mission and to maximizing management's role in developing successful companies.

WASBI: Have a Board of Directors of at least five non-employee members who meet at least quarterly to oversee the Incubator's performance and its management.

- Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation.

WASBI: Have adopted client selection and graduation policies. At a minimum, requirements should include a draft of a written business plan and commercial licenses and insurance.

- Develop an incubator facility, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company.

WASBI: Own or lease a facility with private and/or shared space for five or more for-profit companies that operate on a full-time basis. Within the facility and accessible for client use should be business (including Microsoft) and financial (QuickBooks or equivalent) software; high-speed internet access; wired or wireless telephones; conference room(s); additional shared work areas; a copier; private locked mail boxes; and at least one visual display (television, projector screen and/or computer monitor) for common use.

WASBI Recommended: Possess a technology system within the incubator facility that includes built-in wiring of category 5e or higher, a broadband router/firewall/switch and "plug-and-play" telephone and Internet connections. The incubator should have at least one on-site personnel capable of handling client needs for hardware and software technical assistance and troubleshooting. The package of incubator client services should also include the design and maintenance of company web sites.

Have at least the following common areas available for client companies: reception and lobby entrance, at least one additional meeting or consultation space in addition to the conference room, restrooms and parking.

- Seek to integrate the incubator program and activities into the fabric of the community and its broader economic development goals and strategies.

WASBI: Establish agreements with community organizations and public agencies to further the advancement for both client companies and the surrounding area or other target population.

- Develop stakeholder support, including a resource network, that helps the incubation program's client companies and supports the incubator's mission and operations.

WASBI: Maintain partnerships with non-incubator providers of business services who perform on-site support for client companies (such as accounting assistance, administrative internships, professional mentoring and contract-related aid).

Perform advocacy functions that lead to enhanced business revenues on behalf of client companies (such as arranging networking functions that result in additional contracting opportunities, introducing clients to prospective customers and urging private and public entities to conduct transactions with incubator companies).

- Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation, thus improving a program's effectiveness and allowing it to evolve with the needs of the clients.

WASBI: Maintain Contemporaneous Records:

Client company files should include: business license, signed lease, proof of commercial insurance, written business plan and agreement to adhere to Incubator principles.

Incubator staff resumes should include degrees, previous work history and background relating to business support services.

Preserve Specific Documents at least three years, including:

Originals or copies of Incubator operating revenue and expense receipts.

Articles, reprints and media coverage of the incubator and its activities.

Quarterly reports of client employment and sales data.

Retain Important Records Permanently, including:

Board of Director meeting minutes

Articles of Incorporation

By Laws

IRS recognition letter

CPA prepared annual financial statements

IRS annual fiscal reports

Computerized accounting records

Property, capital facility and equipment records

List of Graduate companies