

Entrepreneur Centers
and
Tech Incubators

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Business Incubator is...

- Increases chances of success (87% - NBIA)
 - Accelerate growth of new ventures
 - Shared infrastructure, coaching, expertise
 - Develop Entrepreneur Community & Culture
 - Commercialize Innovation and Technology
 - Diversify and Growth Economy
- = Innovation, Entrepreneurship, Investment

Goals of incubators are..

- Diversify and grow economy
- Provide employment
- Create new wealth in communities
- Commercialize innovation
- Develop entrepreneur culture and community
- Grow locally owned ventures



Key Factors for Success



- Entrepreneur Development Services (Marketing, Finance, Management, etc.)
- Tailored to needs of entrepreneur clients
- Shared services, training, support, space
- Coaching (independent progress to graduation)
- Accessing capital for growth
- Flexible and adaptable culture
- Operate lean as resources are scarce



Incubator Industry

- 5,000+ worldwide
- 1,400 in North America (12 in 1980)
- 1,115 in US, 120 in Canada, 191 Mexico
- 39% focused on tech ventures
- 54% mixed use
- 31% are in rural areas
- 210 university incubators (7% of 3000+ colleges)

Incubator Income

- Rent and service fees (largest source)
- Virtual tenants (still at home)
- Entrepreneur consulting outside incubator
- Community support:
(city, state county, univ. subsidy - sponsors)
- Operating and program grants
- Grants from foundations and donors
- 90% incubators are non-profit
- Need multiple streams of income





Graduation Requirements

- Grown more sophisticated over time
- Less about time, more about business-related benchmarks/milestones
- Cash-flow and stabilization is key
- Outgrown space
- Or failure
- Growing a portfolio



Incubator Industry Averages

- Ave number of client companies – 22
Was 12 companies in 1991
- Ave incubator size – 47,000 sf
- Median Incubator size – 26,000 sf
- Ave staff 5 FTE (too lean)
- 87% success rate of companies
- 84% stay in community

Incubator Rules of Thumb



- About entrepreneur services, not building
- Invest in good people, not buildings
- Min. size 30,000 sf, with 85% rental space
- Breakeven at 67% occupancy
- Breakeven in 18-24 months (need subsidy)
- Need multiple sources of revenue
(rents, fees, services, grants, subsidies, volunteers, etc.)
- 40-50% of budget is staff

Incubator Rules of Thumb



- 10-12 Co's = critical mass, more is better
- Client turnover 40-50% per year
- Ave length of stay – 3 years (varies)
- Flexibility is key in services, agreements, space, graduation policies, etc.
- 8% revenues lost to bad debt
- Entrepreneurs need access to capital – key to success



Incubator Rules of Thumb

- Incubators need to be run like business, maximizing value of resources
- Incubator best judged by long-term objectives/impact (portfolio approach)
- i.e. lemons ripen first, pearls take awhile
- Cannot pick winners & losers – help those who have opportunity and let market decide
- Have tolerance for success and failure



2006-10 Recognition



www.innovators.net

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Thank You !!