



# The Evolution of Business Support Programs

White Paper

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## Introduction

Traditionally, successful business incubation models provided a brick and mortar facility that housed full time administrative staff and the incubator's client companies. In this model, rental income becomes a very strong driver for decision-making and can compromise selection of appropriate companies for the incubator. The ongoing expenses associated with such a facility require long-term financial support of the incubation program by the public sector.

Today, we see a strong move away from this traditional physical model. State and local governments are under increasing budget pressure and in many instances cannot justify the required levels of financial support.

This shift also recognizes more directly than has sometimes been the case, that business incubation is a process. This fact can sometimes be lost, particularly when the planning for a new program includes, and is centered on, the development of some kind of physical space associated with the program. Increasingly, business incubation is being viewed as something that takes place on a wider basis within communities, integrated with other organizations and services, and not confined to a limited set of resident clients.

## New Models

New models are emerging that reduce or eliminate the facility as a principal driver. For example, business acceleration programs generally take companies as clients for relatively short periods (often as little as three months) and through a combination of intensive coaching and training, seek to move them rapidly to a point where they are able to attract external investment.

The accelerator model originated in the software sector and is well-suited to sectors that have similar characteristics such as very low capital equipment costs and the possibility of rapidly moving to a minimum viable prototype product or service. They are selective and often seek participants on a national or even global scale, with the expectation that any successful applications will relocate. Accelerators are resource-intensive, requiring investment capital that can be deployed to participating companies, a pool of experienced mentors, and a network of additional sources of capital for those companies that are considered to have been successful in the program. They generally run on a cyclical basis, with one or more cohorts of participants per year and while not being focused on real estate, require physical space amenable to use on a 24 /7 basis for short periods of intensive work by the participants.

It is difficult for public sector organizations to deliver this combination of resources, although there are some instances of public-sector funded accelerators – most notably the I-Corps program run by the National Science Foundation. There are also instances

of existing public sector incubators being rebranded as accelerators without any substantial change in operating model, but in the absence of being able to provide the resources required by the accelerator model, this is little more than a marketing strategy.

The rapid emergence of co-working spaces has also increased the pressure on many traditional business incubation programs. Co-working spaces offer highly flexible workspace for individual entrepreneurs and entrepreneurial teams at very competitive rates, and often in locations that provide access to other amenities. Those incubation programs for which renting office space has been the cornerstone of their offering to entrepreneurs are now finding that many entrepreneurs prefer the co-working option.

The challenge, and the opportunity, for regions that seek to continue to be relevant to entrepreneurs developing and commercializing new technologies is to create models that provide the necessary support to those that fall outside the target markets of accelerators while needing more than access to basic workspace.

## A Hybrid Solution

Available technology such as such as WebEx, GoToMeeting, Skype and FaceTime can now support a program structure that leverages existing physical assets within a region while offering access to training and mentoring resources on a highly flexible basis. These approaches leverage proven pedagogies used by major colleges and universities in their online curricula. They enable a more cost efficient delivery of services that is independent of location and thereby more accessible to a wider range of participants.

Experience suggests that a completely 'virtual' approach may not be viable as it loses some of the benefits of the traditional model in the form of opportunities for participating companies to connect with each other, share experience, potentially form partnerships or other business arrangements, and test their ideas with established companies.

A combination of scheduled group events for participating companies coupled with one-to-one support, substantially provided online, offers a solution to the challenge of affordably serving the entrepreneurial community. In this model, client companies can utilize existing physical space such as co-working facilities rather than requiring the program itself to provide office space which is difficult to scale to varying levels of demand. They also receive the guidance and support that a traditional incubator might offer, but without the rental charges associated with an incubator facility.

Workshops can address common topics: incorporation options, market research, product development, marketing, staffing, financing, product support, and growth strategies. Meetings can also be held at various venues throughout the community hosted by private companies, government agencies, and universities. The agenda can

include progress reports by clients to stimulate interactions, engage with host organizations, and test their business models.

Meetings can alternate between workshops and organization visits. Engagement with the community on an established schedule provides visibility and networking benefits not available at traditional facilities.

This approach also has the considerable advantage of being scalable – with the resources committed to supporting the program linked directly to the number of participants, overcoming the challenge that many traditional incubators have of paying for space and resources that are not fully utilized.

## Axcel Innovation

Axcel Innovation was formed in 2010 to bring together a group of highly experienced individuals with extensive records as entrepreneurs and economic development professionals, and with a demonstrated passion for the creation and growth of thriving, innovative economies. The Company's mission is to characterize and support the growth of the industries that will define the 21st century.

We do this by supporting the development of the following groups:



We believe that those regions, industries, companies, and individuals that achieve the greatest success in the coming decades will be those that have a global perspective. These people and organizations will access the resources that they need and combine them to provide products, services and skills, across international boundaries.

In global markets that are increasingly populated by agile organizations and highly mobile, skilled individuals, the attraction and retention of people and the organizations that employ them will require new approaches, as will the assessment of the economic impact of those organizations and the industries in which they participate.

## Our clients include:

Economic Development Organizations

Companies

Academic Institutions

Government Agencies

Entrepreneurs

Axcel team members have led consulting projects in more than half of the US States and in a range of other countries as summarized on the following map



The Axcel team as a whole encompasses expertise in a wide range of fields including: venture capital, intellectual property management, business incubation and acceleration, advanced manufacturing, research parks, technology licensing and commercialization, development of local, regional, and national-level economic development strategies and their implementation (including the management of economic development organizations), foreign direct investment, grant and loan programs, and entrepreneurship.

Our experience in economic development spans more than twenty-five years, and includes a wide variety of different kinds of projects and locations, all focused on the development of technology-based economies. These have ranged from small, local projects to state-wide and national initiatives, and have spanned everything from creating and operating economic development organizations to developing and managing projects including incubators, accelerators, funding programs, training and education programs, and the creation and management of research parks.

Members of the team have the CEcD designation awarded by the International Economic Development Council (IEDC), and have held positions in state and national-

level organizations focused on business incubation. Team members are also qualified in science and engineering disciplines, allowing us to understand, at a technical level, a wide range of industries, research programs, and the patent literature. This expertise informs all of our economic development work.