

## **How Are Baby Chicks Involved?**

What is all this talk about Incubators? What do incubators have to do with Economic Development? An interesting question, but it makes a whole lot of sense when you delve into it.

Business incubators are just that! They are places, or systems, that incubate new businesses. As the businesses mature, begin to generate some self-support, get their legs under them so to speak, they exit the incubator and make their own way. It's a great concept and it works for a lot of businesses where incubators are up and operating. The problem with incubators, for the most part, is that due to the nature of their business, they themselves cannot usually stand alone and at the same time provide adequate support and services for their occupants! Therefore, most incubators are subsidized in some fashion. Lets take a look at why this is so, and why it usually ends up this way.

There are many different kinds of incubator projects in the United States. Most are focused on particular industries, and most are tied to educational institutions. The University of Wyoming is currently involved in the fund raising portion of developing a Technology Incubator at the Laramie campus. While technology is popular in the incubator industry, there are many other focuses, from general manufacturing to specifics such as food processing or value-added agriculture processes. In a way incubators promote clustering, which was mentioned in a previous column.

Let's draw a quick picture. For this example we will use a food processing focus. Take one building; divide it into four equal and separate spaces and one smaller common area. In the common area we'll put a receptionist, a phone system, a copier & fax, a board or meeting room, maybe a computer server, a postage meter, restrooms, and any other amenities we deem appropriate for day-to-day operations. In each of the four equal spaces we'll put adequate plumbing, coolers, deep sinks and stainless counters and prep areas, dry storage areas, clean rooms, etc. and we will have it all inspected and approved by health agencies, USDA, etc. We

will also have separate overhead doors and outside access for each space in addition to the main entrance. Okay we have a physical incubator. Now all we need are one employee (receptionist) and four tenants....usually startups. For one monthly payment look at all the tenant gets: qualified, inspected space; a live body answering the phone and performing light clerical duties; all of the usual business needs, i.e. copier, phone, conference room, etc. without having to invest in same; association with three other businesses in very similar venues, offering opportunities to team up on purchasing, marketing, delivery, advertising, etc., etc. It's great for them! Additional services, and in some cases these are required of tenants, include business planning assistance, marketing assistance & classes, bookkeeping assistance & classes, mentoring, research assistance, and similar services usually provided by the educational sponsor, SBDC, Community College, or sponsoring entity.

Looking at all of that pretty well explains why most incubators need subsidies. That's a huge investment on behalf of the landlord. Incubator leases usually run three to five years, allowing time for the business to stabilize and carve it's niche. Then it's time for incubator management to boot them out into the hard, cruel world and make room for a new startup!

Personally, I'm a huge proponent of the incubator concept. And I believe that hybrids can be created that may not require subsidies, but could require some patience when considering return on investment. Incubators can be a great tool to grow businesses and jobs!