

VIRTUAL BUSINESS INCUBATION PROGRAM

Every economic development organization recognizes that a successful business development strategy is based upon a four-prong approach which includes business retention, business expansion, business attraction, and growing new business ventures. Each of these methods serves a common purpose – to create a positive business environment; one that nurtures firms and encourages the creation of new jobs and investment.

There are three possibilities available to communities seeking to grow new ventures. These are entrepreneurial activities, small business start-ups, and intrapreneurial ventures. How is an entrepreneur different from a small business? The distinction between a small business and an entrepreneur is that most small business owners do not display entrepreneurial attributes in that they do not seek to grow their businesses. Many small business owners simply provide the same product or service that others have offered successfully in the past, while the principal components of an entrepreneurial venture are creativity, innovation and providing unique value with the potential for growth.

The concept of the intrapreneur has been around since 1982 and was coined in an article written by Mr. Norman Macrae, Deputy Editor for the Economist magazine. The concept was further refined in a book written by Gifford and Elizabeth Pinchot in 1985 titled *Intrapreneuring*. The American Heritage Dictionary defines intrapreneurism as “a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk taking and innovation”. Intrapreneurs also result from research and development activities and/or innovations in business firms, universities or research institutions that do not want to exploit these business opportunities and would rather commercialize them through spin-offs, joint ventures, licensing agreements, or other types of arrangements.

Virtual Business Incubator Program - A Four-Step Approach

Growing new businesses presents a number of challenges to communities as there are a wide range of possible enterprises including retail, restaurants, service firms, light industrial, manufacturing, and high technology companies just to name a few. In addition, minority and/or women-owned businesses are historically underrepresented in business ventures and to encourage their participation creates further challenges.

What can communities do to assist and serve so many business interests? The key is to focus on networking – finding and assisting those in need. Because communities have limited financial resources and a wide variety of people are already in business or interested in establishing a business, local and regional efforts may be better spent on providing quality “volume” business support services. By volume, I mean serving a large number of customers in varying business stages through the synchronization and promotion of existing programs and service providers.

Business incubation as defined by the National Business Incubation Association is “a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services”. To accomplish this goal will require a four-step approach with a significant emphasis on public awareness and outreach in order to generate participation.

STEP I: COMMUNICATE INTEREST & ASSISTANCE

The first step is to recruit those individuals and partnerships along the business continuum which are: (1) considering starting a business; (2) starting a new business; and (3) growing an existing business and offer them services that promise to answer questions and resolve issues. Information and assistance will be communicated through various promotional efforts such as one-on-one contacts, targeted print and broadcast media, program publications, internet web page development, special event coordination, advertising, e-newsletter and other promotional tactics.

STEP II: DETERMINE WHERE THE RESPONDENT IS ON THE BUSINESS CONTINUUM

Each respondent will be in different stage of experience and investment and will require a unique level of assessment and response. Some principal concerns faced by the business continuum are listed below.

When considering whether to start a business, starting a business, or even running a business after years of operation, each stage requires substantial preparation and research. To help these groups gather all the information necessary to conduct effective market research, investigate marketing techniques, or incorporate internet or e-commerce into their business. The VBI is a program that will make their tasks less daunting and their business goals more achievable.

CONSIDERING STARTING A BUSINESS

- Am I really prepared to go into business?
- What type of business should I start?
- Business planning
- Buying an existing business

STARTING A BUSINESS

- Business Plan Development & Implementation
- Type of Business Structure (S or C-Corp, LLC, Partnership, etc.)
- Registering a Business
- Assessing Financing Needs
- Sources of Financing
- Record Keeping
- Taxes
- Business Insurance
- Hiring Employees
- Business Marketing

GROWING EXISTING BUSINESS

- Managing Rapid Growth
- Sources of Financing
- Federal/State/Local Contracting
- Importing/Exporting
- Controlling Costs
- Hiring/Training Employees
- Developing Compensation/Benefits Package
- Time & Project Management
- Methods to Promote Business
- Expand or Relocate Facility

STEP III: DETERMINE THE SPECIFIC NEEDS

The VBIP could provide one-on-one counseling and serve as the information clearinghouse for business assistance advice and programs. The VBIP could also serve as the preferred source of contact for those seeking to start a business or expanding one. The general philosophy of the program will be to maximize the regions resources including service providers, colleges/universities and local, state and federal agencies to create an environment in which innovation and entrepreneurial activity can be cultivated.

| Expert Advisory Network |
|---|
| <ul style="list-style-type: none"> • Business Planning • Business Mentors • Legal Services <ul style="list-style-type: none"> - Business Structure - Patents • Business Insurance <ul style="list-style-type: none"> - Benefits Package - Liability - Product • Hiring/Training Employees <ul style="list-style-type: none"> - Human Resource Professionals - Management Development • Importing/Exporting • Logistics • Markets & Marketing <ul style="list-style-type: none"> - Domestic & Foreign - Promotional Mix • Pricing Products & Services • Technology <ul style="list-style-type: none"> - For application in the business - Technology Transfer • Time & Project Management |

| Financial Network |
|--|
| <ul style="list-style-type: none"> • Local Loan Programs • State Loan Programs • Federal Loan Programs • Banks • Venture Capital • Angel Investors |

| Incentive Network |
|--|
| <ul style="list-style-type: none"> • Local Incentive Programs • State Incentive Programs • Federal Incentive Programs <ul style="list-style-type: none"> - List of Statutory Programs & Requirements - Contacts & Applications |

STEP IV: RESPONDING TO IDENTIFIED NEEDS

To respond to the needs of a variety of individuals involved with thinking about, starting or already engaged in retail, restaurant, service, light industrial, manufacturing, and high technology businesses, a locality or region could hire one to two full-time staff positions dedicated to this program. The salary for a highly qualified individual to lead this effort is estimated to be \$85,000± to and an equally qualified support staff position is estimated at \$45,000±.

The VBIP manager and support person will work in conjunction with the local Economic Development Department Departments and the Expert Advisory Network (see Attachment A) to respond to a variety of customer needs. The key is to qualifying the customer’s needs and ensure that they are sufficiently prepared before being advanced in the assistance network. The Program Manager and the assistant will be required to do one-on-one counseling and channeling clients towards different tracks to ensure the network is utilized efficiently and clients gain access to relevant information and resources. Each business is unique (retail, food service, home based business, government contractor, technology firm, etc.) and will be in different stages in their development so a cookie cutter approach to assistance is not appropriate.

Service Fee Structure

The VBIP website and business orientation sessions put on by the localities and business assistance providers would be free and open to the public and are a key component of the success of the VBI Program. However, enhanced services would be provided to individuals based on a monthly fee for service or a service menu fee structure.

Monthly Fee Structure

Clients wanting on-going participation in the Expert Advisory Network could be charged a monthly fee. New and existing businesses will have access to a wider array of services. As an added inducement, clients could enjoy reduced costs for customized consulting, research and technical support services and reduced fees for VBI sponsored events, such as trade fairs, on-line classes, and training. Under a the monthly fee structure, VBI clients are required to accomplish milestones in order to continue to be a member such as within 30 days have an approved business plan.

Menu Fee Structure

As an option to a monthly fee VBIP could create a cost for a menu of business incubation services. The fees charged would be for basic service and would be dependent upon what is negotiated with members of the Expert Advisory Network. *For Example:*

| Business Plan Package | Business Start-up Package | Business Development Package |
|---|--|---|
| Cost : \$400 – 30 days | Cost:\$1,500 – 120 days | Cost: \$2,500 – 180 days |
| <ul style="list-style-type: none"> ▪ Basics of business planning ▪ Twice weekly meeting with consultant ▪ One (1) hour each with an Attorney, Accountant, Insurance expert | <ul style="list-style-type: none"> ▪ Twice weekly meeting with consultant ▪ Weekly consultation with mentor ▪ One (1) hour each with an Attorney, Accountant, Insurance expert ▪ Creation of a business plan ▪ Hiring employees ▪ Securing financing | <ul style="list-style-type: none"> ▪ Weekly meeting with consultant ▪ Weekly consultation with mentor ▪ One (1) hour each with an Attorney, Accountant, Insurance expert ▪ Business plan creation and implementation ▪ Hiring employees ▪ Securing financing ▪ Management training ▪ Marketing consultation |

BENCHMARKING ACTIVITIES

As with all public supported programs, it is important to monitor its use to determine if the funds are being used wisely and the program is having the intended effect. The VBIP manager will collect a variety of data to include but not limited to:

Elements of Program Participation (Clients)

- Creation of a database that tracks the number of individuals, existing businesses and minority and women owned businesses assisted:
 - Type of start-up businesses being considered by individuals
 - Type of businesses being started
 - Type of existing businesses being assisted
 - Minority/Women participation
- Scope and range of services and business assistance provided to clients
- Size of incubatees in terms of annual revenue, employees, product and/or service line
- Distribution of client and graduating companies (Where do they operate?)
- Graduation/participation rates
- Sustainability rates 1, 3 and 5 years after graduation/participation
- Assistance provided after graduation
- Annual critique of the VBI Program and Lessons Learned

Elements of Program Participation (Expert Advisory Network)

- Creation of a database of expert advisors
- Bi-annual survey of Expert Advisory Network providers to solicit feedback concerning client referrals and their experience working with clients
- Bi-annual survey of participating businesses soliciting feedback on the VBI Program (beginning in the second year).

ENCOURAGE LOCAL INDUCEMENTS

Encourage the localities to provide some level of financial incentive to encourage business start-ups and expansions.

- **Business Plan Grant** for residents successfully completing a business plan through an approved program provided by a university, the Virginia Small Business Development Center, or other recognized organization, may (i) be eligible for a grant of up half of the typical tuition cost and (ii) if they start a business in the locality they could receive the other half or full tuition reimbursement. Consideration for non-residents to receive a tuition reimbursement grant could be given however non-residents must have completed the same approved course work and started a business in the locality.
- **Technical Assistance Grant** to aid small businesses as defined by the locality providing matching grants of up to a specified amount could be used for obtaining legal counsel for patents, development of prototypes, Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) proposal assistance, commercialization of technology, development of market studies tied to products, purchase of federal accounting software, workforce training and other pre-approved activities that will lead to business expansion within the locality.
- **E-Commerce Assistance Grant** to help facilitate technology access for local, small for-profit and minority owned businesses. The services provided under the grant program would include website design and development, creation or enhancement of online shopping, and search engine optimization to help customers find their business.

Conclusion

Entrepreneurship is relevant to all business sectors from technological to traditional, small to large businesses, businesses with different ownership structures and in various stages of the business lifecycle. Establishing a virtual business incubator is a step toward promoting economic growth, fostering competitiveness and job creation. In the “new economy” this approach can and will contribute to growth and sustainability of more and better jobs within a community and the region.

Potential benefits

- Serves to further mission of business recruitment by helping to grow new business ventures
- Greater regional profile as a place to start and grow a business
- Increased interest in cooperation by potential Expert Advisory Network business service providers
- Provides a resource to foreign companies when considering a business location within the region