Session E: To Incubate or Not to Incubate?

Date: Friday, October 26th 2001
3:15—4:30 pm

Session Leaders: Mark Rice, Babson

Notes:

Session Structure: Participants divided themselves into three groups of eight people. Blue and yellow sticky notes were handed to everyone in the session. Each participant was responsible for developing positive reasons for incubation (yellow) and negative reasons for incubation (blue). Once each group of eight discussed the relevant points raised from each team member, the sticky notes were posted to walls and were grouped into recurring themes for the team. These themes were then shared amongst all the groups as positive and negative characteristics of incubation (see below).

Questions to ponder during group activity:

• What is an incubator?
• What are the potential benefits to the affiliated university of having an incubator?
• What are the potential drawbacks to the affiliated university of having an incubator?

I. Interactive Group Activity
a. Positives of a university having an incubator
   i. Economic Development
   ii. Student Employment
   iii. Faculty Perk
   iv. Technology Transfer
   v. Fostering Entrepreneurship
   vi. Educational Mission
   vii. Access to human resources
   viii. Infrastructure Support
   ix. Networking/Team
   x. Creating Jobs in the community
   xi. Institutional Enhancement
   xii. Teaching Materials to Enhance Learning
   xiii. Financial Support
   xiv. Creating Models for Others to Follow

b. Drawbacks of a university having an incubator
   i. Trades School Mindset
   ii. Management Burden to operate
   iii. Lack of expertise
   iv. Distracts Students – Attrition
   v. Complex IP Issues
   vi. Government Subsidy
   vii. Mission Distraction/ Pollution
viii. Startup Cost  
ix. Competition with non-university incubators  
xi. Artificial Construct  
xii. Takes too much of professors time  
xiii. Expectations of the technology exceed incubators abilities  
xiii. How do you kill the losers when they’re students?  

II. Mark Rice’s incubation experience at RPI (See slides)  

a. Major Takeaways  

i. **Structure of Practicum in Technological Entrepreneurship:** Engineering school works cooperatively with companies who want projects done. They submit proposals and students bid on these projects. Based on students’ abilities and interests, project teams are assigned to specific projects. Incubator companies often become classroom cases for study.  

ii. **Entrepreneurship Research and the Incubator:** 90% of the people in the incubator are not entrepreneurs.  

iii. **Shifting philosophy of incubators:** Early 90’s, the mentality was that incubators provide a social service and they should be subsidized. The mentality then shifted; incubators needed to operate like a business. Incubators need to show a return on investment to the sponsors: creation of jobs, revenue generated, tax dollars generated, etc. For the university, however, the economic benefit is not as important. The TRUE opportunity is for faculty and students to engage in the living laboratory of entrepreneurship. It acts as a magnet to attract talent.  

III. Incubation issues raised through open discussion  

a. Types of Incubators  

i. ‘Charity’ Incubator (Berkeley) - Set up in which students pay for nothing. Computers, phones, rent, and servers all provided. Students stay for a period of six months without any obligations or debts to university. University doesn’t hold any ownership of the IP.  

ii. Biotechnology Incubator (Florida) – Integration of University with private sector. In the biotechnology field, operation cycles are extremely long. How do you balance the problem of killing and moving teams out? This type of incubator concentrates on the development and transfer of technology from the university to public commercialization.  

iii. ‘Magnet’ Incubator (Indiana) – This incubator is focused on keeping engineering talent in state by creating an environment of technological innovation focused on new product development. Currently, the
incubator is set up with 17 firms. Most of them are located around the state of Indiana. Financial positions are taken in many of the upstart companies and 100s of students are involved working on projects. By building an incubator with a business focus and showing students the application of engineering in a business context, the organizers are trying to change the culture of the area.

iv. Global Incubator (Los Angeles) – This incubator concentrates on maintaining a global focus for its partners. Currently, 24 companies associated with the incubator have a worldwide presence. The incubator has raised 37 million euros.

v. Hatery Incubator (Massachusetts) – This incubator focuses purely on student companies and student projects. Outside companies do not submit projects and student resources are not diverted to public project. Focus is purely educational and academic.

vi. Takeaway – Incubators come in all different shapes and sizes. The eventual model settled upon depends on the overall objectives of the organizers and sponsors.

b. Challenges of incubators

i. How do you foster a collocation atmosphere without a common physical space?

1. Virtual Alumni Networks (Los Angeles) – Build an alumni network of past entrepreneurs who can mentor and coach incoming members of the incubator. This helps new participants to leverage past successes and avoid past mistakes.

ii. If your success metric for incubators is market capitalization, they are extremely inefficient. According to venture capitalists in the Silicon Valley, incubators have been proven to be unsuccessful over the past few years.

c. Incubator in an educational context

i. Definition: The new definition of an academic incubator is a program that offers networking, counseling, mentoring, training, and delivery of the services to the entrepreneurs.

ii. One of the major goals of an education incubator is to reach a steady state of self-sufficiency. For many of the incubators discussed in Mark Rice’s session, this is vital to prolonging the educational value of the venture. Constant fundraising is too much of a headache.
iii. An academic incubator holds value in many other ways besides financial gains. Many different success metrics can be used to measure an academic incubators success.
   1. Educational value
   2. Relationship with the community
   3. Inspiring Alumni

Notes taken by Jayson Yuan, Stanford University.