



INTRODUCTION TO INCUBATION

In the earlier lessons, we discussed the definition and characteristics of an entrepreneur, how ideas can be generated and how they can then be translated into successful business, resources required and the ways to mobilise them. You have also understood the entrepreneurial eco- system and institutional support and government schemes for them.

In this lesson, you will learn that besides government schemes, there are incubators which help the entrepreneur to start a business. You will know the role and importance of incubators and get insights into some key incubators in India.



LEARNING OUTCOMES

After studying this lesson, the learner will be able to:

- comprehend the concept of incubation centres and their role in enterprise creation and development;
- identify functions of incubation centres; and
- identify incubation centres network in India.

16.1 MEANING OF BUSINESS INCUBATORS

A business incubator is an organisation established to accelerate the growth and success of an entrepreneur through various kinds of support. An incubator provides resources and services including physical space, capital coaching, common services and networking connections. Incubators mentor as well as provide business assistance and monitor services. The new ventures are facilitated by making them aware of risks and minimising the potential cost of failures.

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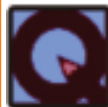
Business incubators play a key role in providing assistance to nascent entrepreneurs particularly at the initial stages. Hence, they play the role of an accelerator for start-up ventures.

The concept of business incubation emerged in the United States of America in 1942 when it was realised that due to excessive transaction cost and low social networking among innovators, many inventions could not be converted into useful products. This led to the establishment of the first business incubator, Student Agencies Inc, in Ithaca. Thereafter in 1946, an alumnus of MIT started an incubator, American Research Development (ARD). Since then, the concept of Business Incubators has rapidly spread across the world. Some of the top business incubators are in Silicon Valley, New York, Berlin and Singapore. The US-based International Business Innovation Association estimates that there are about 7,000 to 15,000 incubators worldwide.

Incubation activity has not been limited to developed countries. Incubation environments are now being implemented in developing countries and are raising interest for financial support from organisations such as UNIDO and the World Bank.

Definitions of Business Incubation:

The National Business Incubation Association (NBIA) defines business incubators as a catalyst tool for either regional or national economic development. Sherman and Chappell have defined business incubators as, “an economic development tool primarily designed to help create and new businesses in a community. Business incubators help emerging businesses by providing various support services, such as assistance in developing business and marketing plans, building management teams, obtaining capital, and access to a range of more specialised professional services. They also provide flexible space, shared equipment and administrative services.”

**INTEXT QUESTIONS 16.1**

State whether the following statements are true or false:

- Incubators are organisations providing only shared spaces.
- Incubators are same as Accelerators.
- Only capital is provided by Incubators.
- Professional service is one of the services provided by Incubators.



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16.2 ROLE OF BUSINESS INCUBATORS

- (i) **Physical facility support:** Business incubators provide a) Physical facility eg. rentalspace, electricity, high speed internet access, market research facilities, conference hall facilities.
- (ii) **Support service:** Business incubation as business support service like
 - (a) They provide Marketing assistance.
 - (b) Providing access to bank loans, loan funds and guarantee.
 - (c) Incubators help with presentation skills.
 - (d) They link to higher education resources.
 - (e) They link to strategic partners.
 - (f) They provide Access to angel investors or venture capital.
 - (g) They organise comprehensive business training programmes.
 - (h) They act as Advisory boards and mentors.
 - (i) They help in Management teamidentification.
 - (j) They help with business etiquette.
 - (k) They provide technology commercialisation assistance.
 - (l) They help with regulatory compliance.
 - (m) They provide Intellectual property management.
 - (n) Incubators help in accounting facilities/financial management
 - (o) Incubators help in Market Research
- (iii) **Networking facilities:** Business incubators provide networking facilities to the members. It encompasses a set of relationships with various agents or organisations. Building networks shortens and accelerates the firms' learning process.

As the phrase itself implies, business incubators are programmes intended to help small businesses get off the ground. They almost always provide both services and rental space to fledglings. The services typically include administrative help, consulting and referral. Incubator programmes are managed by public and private agencies. Business incubators are perceived to be a mainstay of economic development programmes. They create value by combining the entrepreneurial drive of a start-up with resources generally not available to new ventures. The primary objectives of business incubators are

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creating employment opportunities in the local economy and commercialising technologies.

A non-business organisation incubator or an academic institution incubator is not for profit. They have an objective of promoting an enterprise and facilitating the implementation of the process of creating an enterprise. The role of these incubators has been to create some kind of forum whereby science and technology researchers as well as students and entrepreneurs come together to create an enterprise.

The other models of incubators comprise those supported by organisation such as Microsoft, Infosys, Wipro, Intel etc. They promote their own employees to spin off an idea and create new products or change an existing set up. If the idea is successful, the company goes ahead, giving the founders a return on their innovation. There are certain venture capitalists that run their own incubators themselves. The major benefit of an incubator is that it insulates the entrepreneur from the impact of the macro and micro business environment.

16.3 ADVANTAGES OF INCUBATORS

Given the myriad advantages associated with membership in an incubator programme, small business consultants often counsel their clients to at least investigate the possibility of securing a spot in one. Strengths of incubators include:

1) Shared Basic Operating Costs

Tenants in a business incubator share a wide range of overhead costs, including utilities, office equipment, computer services, conference rooms, laboratories and receptionist services. Basic rent costs are usually below normal for the region in which the fledgling business is operating, which allows entrepreneurs to realise additional savings. It is worth noting, however, that incubators do not allow tenants to remain in the programme forever; most lease agreements at incubator facilities run for three years, with some programmes offering one or two one-year renewal options.

2) Consulting and Administrative Assistance

Incubator managers and staff members can often provide insightful advice and/or information on a broad spectrum of business issues, from marketing to business expansion financing. Small business owners should remember that the people responsible for overseeing the incubator programme are usually quite knowledgeable about various aspects of the business world. They are a resource that should be fully utilised.



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3) Access to Capital

Many business incubators help entrepreneurs acquire capital by means of revolving loan and micro-loan funds, according to NBIA. They link businesses to investors by referral. They assist entrepreneurs in preparing presentations to venture capitalists and assist companies in applying for loans. Start-ups are helped in raising capital merely by having been accepted by an incubator programme. These programmes act as a qualifying filter. Those who are accepted gain legitimacy in the business community.

4) Universality of Incubator Concept

One of the key advantages of incubators is that the concept works in all communities of all shapes, sizes, demographic segments and industries. In many cases, the incubator naturally takes on some of the characteristics of the community in which it is located. For example, rural-based incubators may launch companies based on the agriculture present in the area.

5) Comradship of Fellow Entrepreneurs

Many small business owners that have launched successful ventures from incubators cite the presence of fellow entrepreneurs as a key element in their success. They note that by gathering entrepreneurs together under one roof, incubators create a dynamic environment wherein business owners can

- (a) provide encouragement to one another in their endeavours;
- (b) share information on business-related subjects; and
- (c) establish networks of communication that can serve them well for years to come.

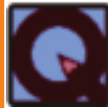
FUNCTIONS OF AN INCUBATOR

- a) Act as a “safe house” for start-ups as they provide the requisite knowledge that entrepreneurs need when starting out.
- b) Spurring entrepreneurial talent resulting in greater number of successful start-up ventures.
- c) Central to innovation as entrepreneurs have ready to use infrastructure for their ideas.
- d) Enhance probability of success of start-ups, ensuring societal and economic benefits.



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- e) Act as a centre for innovation for industries local to the area where the incubator is.
- f) Create employment at lower cost per job in the region.
- g) Act as a nodal point for aggregation of stake holders of the entrepreneurial eco-system – innovators, government, financial institutions, entrepreneurs, investors and mentors.
- h) Act as a local/regional expert in policy framework development.
- i) Promote regional growth and development.



INTEXT QUESTIONS 16.2

State whether the following statements are true or false:

- a) Incubators provide long-term facilities to the organisation.
- b) Providing space does not include a conference hall.
- c) The consulting activities are restricted to only marketing issues.
- d) Those who are accepted by incubators gain legitimacy in the business community

FACTORS AFFECTING CHOICE OF INCUBATOR

Many incubators have been pivotal in nourishing small businesses to the point where they can make it on their own. But observers note that the programmes are not fool proof. Some small businesses fail despite their membership in such programmes; incubators themselves sometimes fold up, crippled by a number of factors. Entrepreneurs, then, need to recognise that some incubators are better suited to meet their needs than others. Considerations to weigh when choosing an incubator include:

- **Is it a true incubator:** Some office building owners falsely advertise themselves as incubators to lure tenants. Entrepreneurs need to study the details of each offer to determine whether such claims are legitimate.
- **Length of Operation:** Incubators take some time to establish their reputation unless they are sponsored by a high-profile corporation or a well-funded government agency.
- **Incubator Leadership:** Many analysts contend that entrepreneurs can learn a great deal about the fundamental quality of an incubator programme simply by studying the programme’s leadership. Is the incubator managed by people with backgrounds in business, or by general college or agency administrators? Can the managers provide long-term



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business plans that show how they intend to guide the incubator to financial independence?

- **Location:** Does the incubator's setting adequately address your fledgling company's needs in terms of target market, transportation, competition, and future growth plans?
- **Financing:** Is the incubator's financial base a reliable one, or is it on shaky ground?

Would-be small business owners should have a complete business plan in hand before applying for entrance into an incubator programme. Most incubators maintain a stringent screening process to ensure that their resources are put to the best possible use.

16.4 INCUBATOR NETWORKS IN INDIA

In May 2017, India had the third-highest number of start-up incubators and accelerators in the world after China and the USA, according to National Association of Software and Services Companies (NASSCOM) and Zinnov Consulting.

With 140 incubators and accelerators, India inched past Israel, whose count stood at 130. However, the gap with the top two is still huge. China and USA have over 2,400 and 1,500 incubators and accelerators, respectively.

Bangalore, Mumbai and Delhi-NCR continue to be the hubs, with more than 40 per cent of all incubators and accelerators concentrated in these areas. There has also been a steep rise in the number of incubators based in TierII cities.

An incubator typically mentors a start-up for six months to three years, providing resources such as dedicated office space, networking with investors and technical training, among other things. In comparison, an accelerator typically hand-holds for three to 12 months, providing sessions on venture capital, road shows, CEO coaching and developer tools.

Only recently, The Nudge Foundation, which is backed by Infosys co-founder Nandan Nilekani, Tata Trusts and other industry heavy weights, launched N-Core, an incubator for non-profit start-ups working towards poverty alleviation. This was set up in July 2015 in Bengaluru. Chipmaker Intel India, IIT-Bombay's Society for Innovation and Entrepreneurship and the Central Government's Department of Science and Technology came together to start a hardware incubator programme in August 2004.

Most incubators in India are run by academic institutions (nearly 51 per cent) while the rest are either corporate (nine per cent), independent (32 per cent) or government-supported (eight per cent), the report shows.

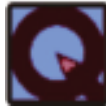


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Start-up Incubation (also known as start-up accelerators) hold significant importance in a country like India where entrepreneurs by the score are launching new setups and changing the game of business in minutes. For the uninitiated, **start-up incubation programmes or centres** provide support functions, mentorship and resources to individual entrepreneurs or entrepreneurial setups.

This enables them to get all the expert advice and technical guidance that they need to survive for a longer time, unlike most other entrepreneurial ventures that fizzle out within a few months of their launch.

Almost every other prestigious B-school today houses an incubation centre so that great ideas can be nurtured from their very source. There are number of incubation centres supported by the ISBA which is the apex Indian professional body supporting business incubators. Private incubators are a handful, but growing gradually.



INTEXT QUESTIONS 16.3

Fill in the blanks:

- a) Nudge Foundation, backed by _____, launched _____.
 - b) _____, _____, _____ are hubs with more than _____ of all incubators and accelerators concentrated in these areas.
 - c) India has _____ incubators and has inched past _____.
 - d) Most incubators in India are run by _____.
- 1) **Innovation and Entrepreneurship (SINE), IIT Mumbai** It was setup in 2004. It is one of the earliest incubators in academia with a potential to create start-ups focussing on economic growth, strategic value and social relevance.

If you've heard of Webaroo, Bhugol GIS and SMSGupshup.com, then you must know that these ventures came into existence because they were nurtured and incubated by SINE, the tech incubator housed at IIT Bombay. ThinkLABS Technosolutions, an educational robotics venture, Myzus Technologies and Elnfinitus are amongst some of the famous businesses that SINE has incubated. These start-ups have been successful in raising venture capital investment after incubation of upto rupees three crore from the market.

SINE can incubate an average of 15 companies at a time and has an infrastructure spread over 10,000 sq.ft. They still have not opened up to



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external business incubation because ideas from within IIT just do not stop flowing!

2) **Technology Business Incubator, IIT Delhi**

TBI has been in active operation since 2000. It has been conceived and programmed by the Foundation for Innovative and Technology Transfer (FITTT). This incubator accepts incubation applications from either IIT-D students, alumni or one of the members of the Academic staff only. The selection criteria are quite stringent. If external start-ups want to be a part of it, they can explore having tie-ups with the college professors, which can then enable you entry into TBI.

3) **Techno Park Technology Business Incubator (T-TBI), Kerala**

It was established in 2006 with the support of the Government of Kerala. It has been renamed as Kerala Start-up Mission. It is India's first and successful non-academic business incubator. It is a joint association of Techno Park Thiruvananthapuram and the Department of Science and Technology (DST), Government of India. T-TBI offers fully furnished working spaces spread over 15,000 sq.ft, expert opinions and guidance from the industry, marketing and legal management consultancy and financial assistance.

T-TBI till 2016 has successfully incubated more than two hundred companies. In early 2011, T-TBI was chosen as the world's best software incubating company and the first Indian organisation to have achieved this status.

4) **Start-up Village**

It is a not-for-profit business incubator in Kochi. It was started in April 2012. Start-up Village is a public-private enterprise run by Government of Kerala. The government earmarked Rs.100 crore for Start-up Village and wants to incubate over a thousand start-ups in 10 years.

Interestingly, student entrepreneurs are offered various perks to be a part of this incubator including getting attendance at college, grace marks and even tax exemption for business generated by start-ups incubated within Start-up Village premises.

5) **Indian Angel Network (IAN)**

IAN was founded in 2006, it is a unique concept which brings together highly successful entrepreneurs and CEOs from India and around the world who are interested in investing in start ups and early stage ventures which have the potential of becoming successful. It is an equity based



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business incubator centre that gives priority to ventures in the areas of healthcare, gaming and animation cloud computing, retail, mobile VAS, media and entertainment, alternative energy, education and clean technology. It has been established with the support of the National Science & Technology Entrepreneurship Development Board and the Department of Science & Technology of the Government of India.

In addition to the regular functions of a business incubator, the IAN incubator helps start-ups to get seed funding and pre angel funding through its tie-up with Small Industries Development Bank of India. The IAN also has strategic alliances with DST supported incubators, corporate, R&D labs and many industry associations.

The IAN incubator is particularly famous for the activities it organises, from its Open Saturdays to angel investors' meet to workshops for training entrepreneurs.

6) **Techno Park TBI**

Techno Park Technology Business Incubator (T-TBI), is India's first Non Academic Business Incubator, hosted and housed inside the Asia Largest IT Park TechnoPark. It was established in 1990 in Thiruvananthapuram. It is the largest Information and Technology park in India in terms of developed area. Technopark Technology Business Incubator (T-TBI), a joint association of Technopark, Trivandrum and the Department of Science and Technology (DST), Government of India, helps technology business start-ups.

TBI provides start-ups with fully furnished office spaces, mentoring support in developing business and technology plans, networking of business resources, seed capital assistance, marketing assistance, professional assistance, conference facilities and video conference facilities.

7) **Centre for Innovation, Incubation and Entrepreneurship (CIIE), IIM Ahmadabad**

A business incubator housed at India's prime business school simply cannot be left out of the list. Having started incubation initiatives since 2007, CIIE has an interesting perspective on why it doesn't provide physical space for business incubation. **They want entrepreneurs to build their ideas from wherever they are stationed, so that the local economy benefits from its growth.**

From the time it started, CIIE has incubated more than 50 companies, only a handful of which were owned by IIM students. CIIE has been



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incubating businesses in the areas of internet and mobile technology, clean technology, social sector start-ups and healthcare.

8) **NSRCEL**

It is an incubation centre run and managed by IIM, Bangalore. Located in this scenic educational institute is N.S.Raghvan Centre of Entrepreneurial Learning (NSRCEL). Since its inception in 2002, it has brought together entrepreneurs, academicians and industry experts to create an impact on the start-up eco system.

With support from government agencies, corporate and institutional partners NSRCEL provides a platform to successful and budding entrepreneurs running profit or non-profit ventures. They offer various types of incubation offers all the basic facilities to start-ups including office space, desktops, Hi Speed Internet facility, Un-interrupted Power supply etc. The incubator provides mentoring from their eminent faculties and also offers seed money support to some of the incubate companies. The funding is primarily through government grants and its disbursement is in accordance with the guidelines that have been laid down by the primary funding agency. Screening is done by the screening committee before start-ups can get into NSRCEL.

9) **Atal Incubation Centre**

Atal Innovation Mission (AIM) is Government of India's flagship initiative to promote a culture of innovation and entrepreneurship in the country. AIM's objective is to develop new programmes and policies for fostering innovation in different sectors of the economy, provide platform and collaboration opportunities for different stakeholders, create awareness and create an umbrella structure to oversee innovation ecosystem of the country.

AIM intends to support the establishment of new incubation centres called Atal Incubation Centres (AICs) that would nurture innovative start-ups in their pursuit to become scalable and sustainable business enterprises.

AIM will support these AICs in creating world class incubation facilities across the country with the state of the art physical infrastructure, in terms of capital equipments and operating facilities available to their incubatee start-ups, coupled with the availability of sectoral experts for mentoring. Apart from this, business planning support, access to seed capital, industry partnerships, training and other relevant components required for supporting innovative start-ups will be provided.

Moreover, most of the AICs established would be sector specific in areas

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such as manufacturing, transport, energy, health, education, agriculture, water, sanitation, Cyber Security etc. to promote unprecedented technological innovation in these sectors.

Academic institutions such as higher educational institutes, R&D institutes etc. as well as non-academic institutions such as corporate sector enterprises, alternative investment funds registered with SEBI, business accelerators, group of individuals, and individuals etc. are eligible to apply.

AIM will provide a grant-in-aid of upto Rs. 10 crore for a maximum period of 5 years to cover the capital and operational expenditures to establish the A/c.

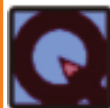
The applicant would have to provide at least 10,000 sq. ft. of ready-to-use, built-up space, for the exclusive use of the AIC.

10) AngelPrime

AngelPrime was launched recently in 2011 in Bengaluru by well known names in the Indian technology industry like Bala Parathasarathy, Shripati Acharya and Sanjay Swamy. The areas that AngelPrime aims to incubate in are mobile payments, e-commerce and smartphone / tablet apps. It has already begun incubating a mobile payments company and a smartphone and tablet start-up.

Unlike CIIE, AngelPrime believes in incubating ventures at their office space so that they can be closely monitored. AngelPrime has an edge in its services because the founders bring their previous corporate networks and experiences into incubating new ventures.

Business incubators play a large role in reducing the gap between new products / services, in stages of ideation to their commercial rollout. It also provides an equal platform to all entrepreneurs so that they can create products and services that will benefit all sections of society.

**INTEXT QUESTION 16.4**

- SINE nurtured several ventures. Name any two.
- For whom and when is Technology Business Incubator IIT is established?
- Which incubator has tied up with SIDBI?
- Which incubator is tied up with DST?



WHAT YOU HAVE LEARNT

- An incubator is an organization to accelerate growth and success of an entrepreneur through various kinds of support in the form of resources, services and networking. They play a key role in helping entrepreneurs in early stages.
- Strengths of incubators include shared basic operating costs, consultation and administrative assistance, access to capital and comradeship of fellow entrepreneurs.
- Choice of an incubator depends upon whether it is a true incubator, length of operation, incubator leadership, location of the incubator and its financial base.
- India ranks third for start-up incubators in the world after China and USA with 140 incubators and accelerators according to NASSCOM in May 2017.
- Some of the business incubation centres in India include Innovation and Entrepreneurship (SINE), IITMumbai, Technology Business Incubator, IIT Delhi, Techno Park Technology Business Incubator (T-TBI), Kerala, Startup Village, Indian Angel Network (IAN), Techno Park TBI, Centre for Innovation, Incubation and Entrepreneurship (CIIE), IIM Ahmedabad, NSRCEL, IIM Bangalore, Atal Incubation Centre and Angel Prime.



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TERMINAL QUESTIONS

- 1) Define an incubator.
- 2) Explain the role of incubators.
- 3) What do you mean by a business incubator? Elaborate the advantages of an incubator.
- 4) List ten important incubators in India.
- 5) Write a short note on any four business incubators in India.



ANSWERS TO INTEXT QUESTIONS

16.1

- a) False b) False c) False d) True



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16.2

- a) True b) False c) False d) True

16.3

- a) Infosys co-founder Nandan Nilekani, N-Core
- b) Banglore, Mumbai, Delhi c) 140
- d) Academic Institutions.

16.4

- a) Webaroo, Bhugol GIS
- b) Innovation and Technology Transfer, 2000.
- c) Indian Angel Network
- d) Techno Park

CONCEPT MAP

