

Business Innovation & Incubation National Forum 2016 : Adelaide



16th May 2016

Mr Julian Webb

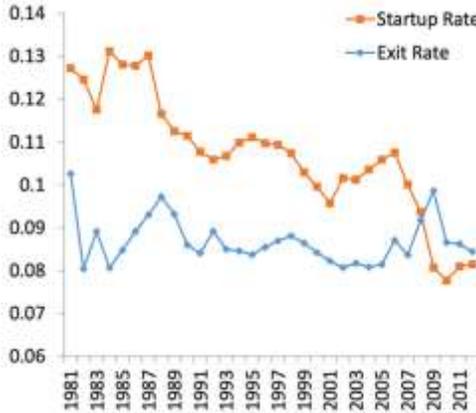
Global Trends and Directions

Adelaide May 2016
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Business incubation consultant

The world is changing. Is incubation keeping up?

ENTREPRENEURSHIP TRENDS

Its never been so easy or cheap to start a business but.....

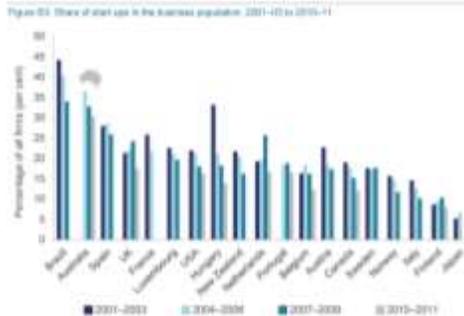


- But rates of entrepreneurship declining in the west
- Why???

 - Higher debt levels?
 - More distrust and fear?
 - Culture?
 - Wealth concentration?
 - Uncertainty?

Haltiwinger's Start Up Deficit – USA data
 Worrying given growth firms are more likely to be young

Decline in entrepreneurship similar in Australia – but still healthy rates



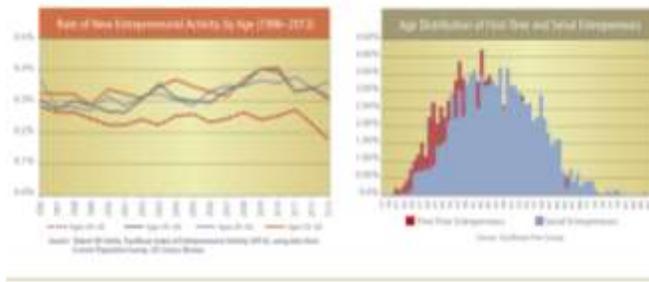
- Young SMEs generated the largest share of total job creation (40 per cent) in the economy
- 3.2 per cent of micro-start-ups grow dramatically over five years and account for 77 per cent of total post-entry job creation of all micro-start-ups in their cohort.

Department of Industry and Science, Research Paper 4/2015, The employment dynamics of Australian entrepreneurship

Entrepreneurship trends (USA – similar in many developed countries)

MILLENNIALS AND BABY BOOMERS AS ENTREPRENEURS

- The Millennial generation has had the most exposure to entrepreneurship: college courses focusing on entrepreneurship increased from about 250 in 1985 to more than 5,000 in 2008.
- The oldest Millennials will turn 34 this year; the peak age for entrepreneurial activity is 40.
- The share of [open entrepreneurs](#) between ages 25 to 34 fell from 34 percent in 1996 to 23 percent in 2013. (Continued)



- High-tech startups are [less likely](#) to be founded by someone older than age 50 as opposed to someone younger than age 25.
- The percentage of [entrepreneurs ages 25 to 34](#) has risen steadily from 14 percent in 1996 to 23 percent in 2013.

SPARKING INTELLECTUAL
START-UP BOOMING

Better understanding of growth businesses

- Only <10% of all entrepreneurs grow businesses
- Only ~3% achieve dynamic growth
- Vital 6% - UK – create >50% of all new jobs
- Everywhere governments, incubators, investors are searching for the dynamic growth companies, the 3-6%
 - ...but they are hard if not impossible to pick in advance!
- This is the market for incubation!

What is the formula for guaranteed success?



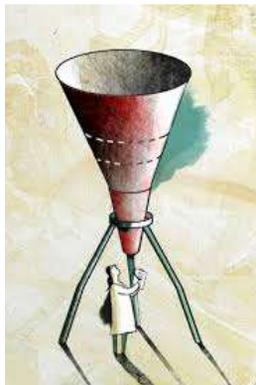
.....there isn't one
& most new
businesses don't
succeed

.....no silver
bullet, or single
intervention

.....but 80%+ of
incubator clients
don't fail

Pipelines, funnels and sieves

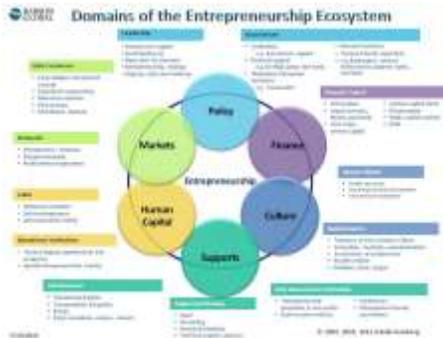
How: Maximise what goes in, the size of the funnel and the # of services on the way through



The goal: reliable supply of high growth companies – the 3-6%



Entrepreneurship Ecosystems



Ecosystem mapping – where are the strengths? Where are the gaps?

Culture is important



Measurement

Indicator	Description
Entrepreneurship Index (EI)	Measures the overall health of the entrepreneurship ecosystem, including factors like innovation, investment, and talent.
Startup Density	Tracks the number of new startups per capita, indicating the vibrancy of the ecosystem.
Investment in Startups	Monitors the total amount of venture capital and angel investment flowing into the startup sector.
Talent Retention	Evaluates the ability of the ecosystem to attract and retain top entrepreneurial talent.
Exit Success Rate	Measures the percentage of startups that successfully exit through IPOs, acquisitions, or other means.

Kaufman Foundation 2015

BMC Revolutionised the industry

Lean startup a combination of:

- business hypothesis-
- driven experimentation,
- Iterative product releases,
- "validated learning".
- iteratively building products or services to meet the needs of early customers, they can reduce the market risks and sidestep the need for large amounts of initial project funding and expensive product launches and failures.
- *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful, Businesses.*[6]

- Rather than the book..... **Business Model Canvas** and other similar tools are revolutionising the industry
- **Throw out the business plan!**



Incubation Trends

If you had only one choice between
accelerator, co-work-space or
incubator what would you go for?

Lots of buzz

ACCELERATORS

Seed Accelerator = A fixed-term, cohort-based program, including mentorship and educational components, that culminates in a public pitch event or demo-day. (Cohen, S. 2014)

- **Market & business model validation**
- Seed stage investment 15-25k in exchange for 4-7% equity
- Short duration - **3-6 months**
- **Cohort based** – companies entering and graduating at same time – average of 8 teams/companies per cohort
- **Intensive** programs with extensive mentor interaction, networking and education – **rigorous process**
- Very selective – e.g. TVA 6%
- **Teams** (Companies) very early stage – may not have any organizational form
- Most have work space – co-work space
- Demo day culmination – pitch to investors



Preschool group for Fresh Market. Natural sciences and built products for kids.



Teams working in TVA co-working space

Accelerators

- **Insiders in the industry expect a crash** in numbers
 - Unrealistic valuations
 - Unrealistic private business models copying Y-Combinator and TechStars without the quality of deal flow or ecosystem
 - **But new models, the process and proven ones will continue to prosper**
- Rippling around the globe
 - Hunting for ideas to take to Silicon Valley
 - US and European accelerators seek applicants globally
- GAN (Global Accelerator Network) the elite club with about 70 members
 - Only 1 from Australia (it is very expensive)
- **Now around 700 globally and 170+ in USA**
- Y-Combinator 2005 and Techstars 2007 the first – proven models
- Initially were private and largely suited to mobile, social media, web and other fast to market products (ICT)
- **But models are changing** with non-profit and educational objectives and using acceleration in other sectors such as Biotech (ATPI) and varied sectors (TVA) (Tax status data below from GAN)

Tax status of accelerator

	For-profit	Non-profit	Combination
Total	66%	29%	5%
Non-USA	81%	19%	0%
USA	50%	36%	14%
<4 Years	54%	42%	4%
4+ Years	87%	7%	7%

What Accelerators Do and Don't Do

Do well

- Market validation
- Business model validation
- Pivot for best product/market fit
- Intensity and Speed
- Excellent source of seed capital
- Provides access to networks
- Generate buzz
- Engage mentor community
- Excite investors
- Access follow-on funding
- Certifies start-up quality
- Encourage to fail fast

Don't do

- Build companies
- Products and technologies with long development cycles. But...
- Follow and engage graduates
- Build community of entrepreneurs
- Provide sustained support for companies
- Generate revenue for the program...with exceptions

Are they successful?

- No one knows – too early and models keep changing
 - Y-Combinator, TechStars and a few other **early leaders.. yes,**
 - **Research has only recently commenced**
 - but.....
- Different objectives
 - Private to make money, e.g. Y-Combinator, Techstars
 - Non-profit for social/economic benefit, e.g.
 - For education
- Different drivers
 - To help entrepreneurs develop a business
 - To deliver qualified deal flow to early stage investors
 - Education



But, a great process for market and business model validation

One of the Newer Models



Telluride Venture Accelerator

The Telluride Venture Accelerator (TVA), a program of the Telluride Foundation (a 501(c)(3) community foundation), invests human and financial capital in innovative enterprises with the **aim of building and strengthening the entrepreneurial community in the Telluride region** to create a self-sustaining entrepreneurial ecosystem bringing innovation, jobs, ideas and a renewed dynamism.

5-month early-stage accelerator program focused on unique, **non-traditional verticals** leveraging Telluride's access to world-class mentors and investment capital. Full member of the Global Accelerator Network (GAN).

85+ World class mentors and a robust investor community has achieved over **\$6.1m investment in 15 graduate companies in 3 years**, 3 partner companies raised additional \$2.9m.

Space, events and networks – keeping it simple

CO-WORK SPACES AND HUBS

Coworking spaces, maker spaces, hubs – growing rapidly everywhere!!



- **The Coworking concept shared values:** Community, Openness, Collaboration, Accessibility, and Sustainability. It represents a fundamentally new way of thinking about how we work and share with one another.
- A **Coworking Space infrastructure** for a new and growing workforce of people who work where, when, how, and why they want.
- **The Coworking Movement is a decentralized assembly** of those who ascribe to the values of the Coworking concept. It can be found primarily in the form of a discussion group, a wiki, and a blog.
- **No one knows how many – 000s**
 - Many incubators and accelerators incorporate co-work spaces
 - Numerous stand alone co-work spaces
 - The term first coined in 2005 along with first formal co-work spaces, San Francisco, London ++
- **Spaces**
 - Shared office facilities, equipment, networking and meeting spaces
- **Learning**
 - With events, training and networks
 - Peer learning
- **Community**
 - A diverse member community enriching business and social life.
- **Variants:**
 - Maker spaces
 - FabLabs – Global network started by MIT
 - TechShop – USA
 - Mobile Application Labs (infoDev)
- **Revolves around peer learning and networking**
 - **Letting it happen naturally without too much process**



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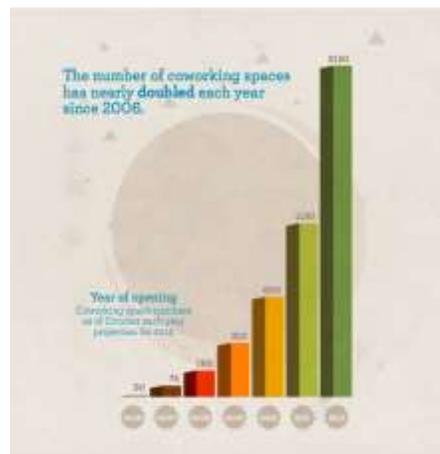
Community powered or real-estate centric co-working space?

Community powered co-working spaces:

- Start with a community, not a space, take time to build, don't aim for profit at first, and often struggle financially to break even and make the whole thing sustainable.
- **Their main asset is the community, its diversity, its capability to create and innovate.**
- Many of these spaces receive a lot of partnership offerings from corporates and local gov. although there's no easy match.

Real-estate centric co-working spaces:

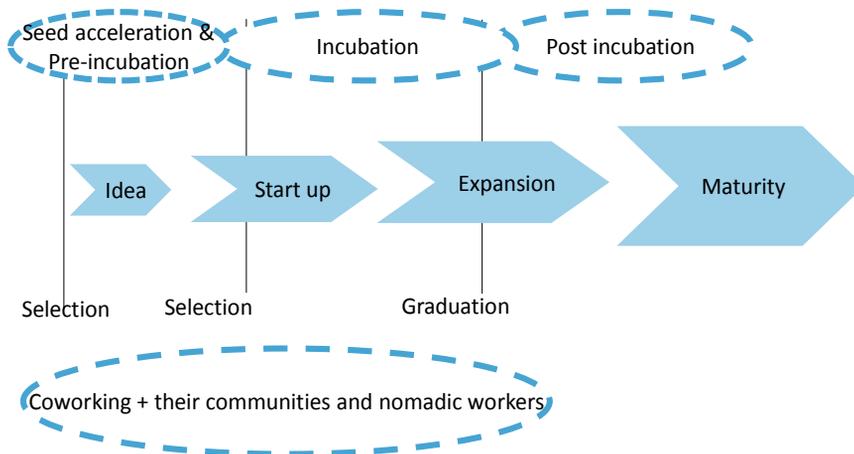
- Sell **desks and other services first**, to address a demand and then see if a community can emerge.

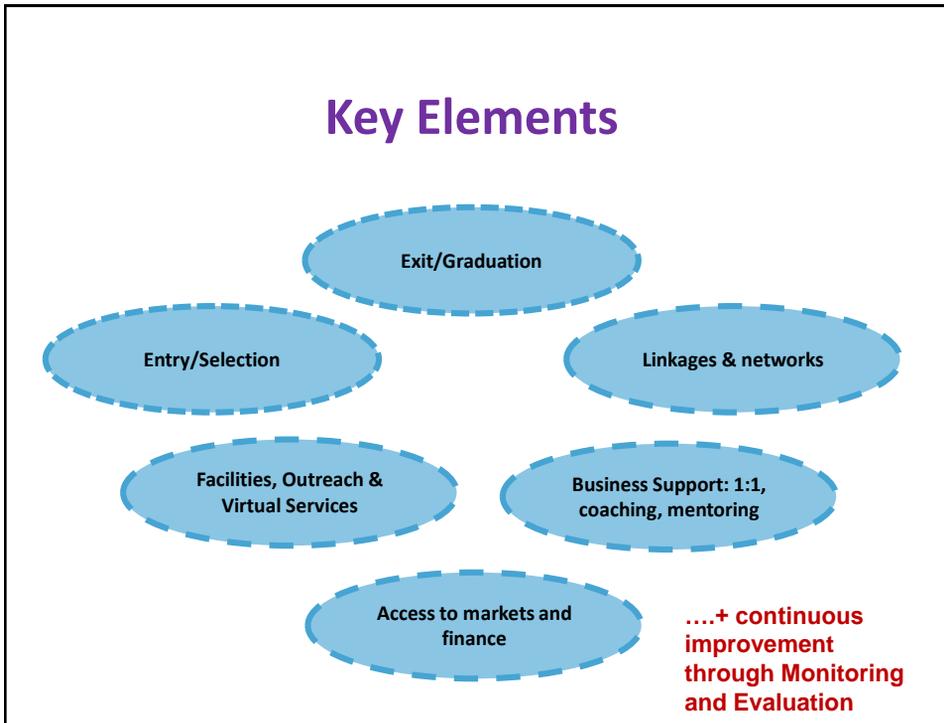


Getting better and better

INCUBATION CONTINUES AROUND THE WORLD

Acceleration, Incubation & Growth Stages





How many?

- Global data is weak but estimates are **7,500+** with incubators continuing to be an important feature in most advanced and transition economies:
 - Europe
 - USA and Canada ~ 1250+
 - China ~1,000+
 - India ~ 250+
 - Thailand ~ 80
 - Korea, Japan, Malaysia, Chile, Brazil etc

They have stood the test of time and many are operationally self sufficient

Developments

- Quality certification
 - EBN Europe
 - EBN & NBIA for Soft Landings
- “Super Incubators”
 - Incorporation of accelerators and co-work spaces
 - EBN, ATPi, Darebin, Adelaide Business Hub, Bio Commerce Centre (NZ) ++
- Seed funding
 - NZ linked in with SCIF and angel investors
 - PowerHouse Ventures, Bio Commerce Centre
- Government funding comes and goes
 - GFC was good for incubation in USA
- Soft landings
 - Facilitating internationalization – mixed results
- Annual Monitoring and Evaluation for improvement
 - Saudi, Chile
- Continually looking to adapt and improve
 - The best keep evolving!
- Specialised incubators

Sound good, but where are the gaps and where is the deal flow?

**DO WE NEED SPECIALISED
INCUBATORS?**

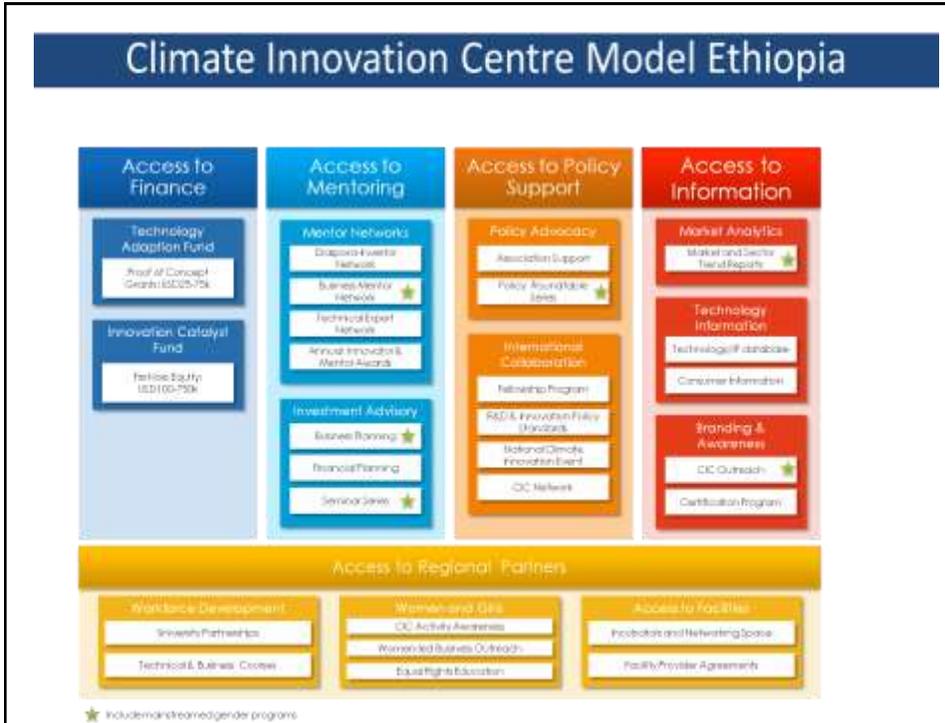
Specialised Incubators

- **Bio-tech**
 - Many more innovations will come from bio-science
 - Need industry knowledge, expensive specialised facilities and finance
- **Space Technology (EU)**
 - Levering EU Space Agency and technology incubators
- **Climate Innovation Centres (infoDev)**
 - Need access to specialised finance and regulatory change
 - Cross cutting sectors and in many countries significant % agriculture
- **Clean Tech**
 - Often renewable energy
- **Advanced Manufacturing**
 - Rapid prototyping
- **Agri-business Incubation**
 - Food processing
 - Need access to specialised facilities and food markets
- **IP or investment led incubation – as opposed to entrepreneur led**
 - Commercialising public research
 - Where is the entrepreneur problem

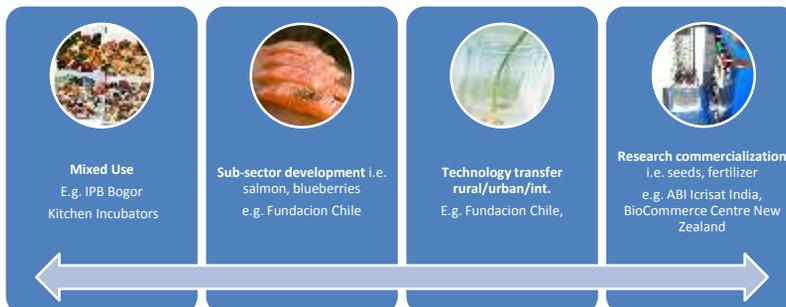
CIC Services



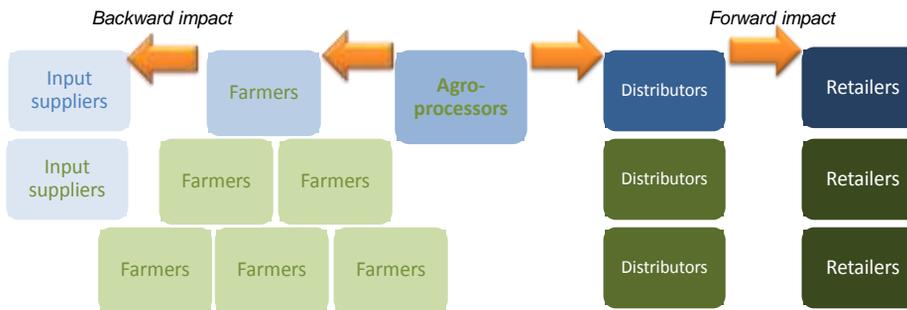
Typically \$16 million, with 50% for a seed fund to invest in early stage companies



Agri-business Incubation: Varied maturities, models and sizes



World Bank InfoDev AIC's focusing on Agro-Processing (Food processing primarily)



IP or Investment led incubation

- Incubator does market validation, develops the business case and takes the IP to a stage where it gets an investment
- Investment pays for the entrepreneur
- Examples:
 - Israeli Program
 - PowerHouse Ventures New Zealand 
 - BCC New Zealand (Super Incubator) 

Two Successful Examples (Powerhouse Ventures

NZ)



CropLogic is a unique system that uses advanced scientific plant growth models to forecast the future effects of today's input decisions on crop yield and quality. CropLogic collects and processes field sensor data, climate data and aerial images and delivers optimized, daily input prescriptions to growers in the format of their choice.



Invert Robotics has breakthrough technology enabling robots to climb a range of industrial surfaces. This technology is used to inspect industrial vessels quickly and safely. Technology developed at the University of Canterbury.



www.powerhouse-ventures.co.nz/

Accelerator, Incubator, Cowork Space

SO, WHAT WOULD YOU CHOOSE?

**AND IF YOU WERE GOVERNMENT
WHAT WOULD YOU INVEST IN?**

Thank You

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www.businessincubation.com.au