Incubation Works

Case studies of Australian small business Incubators and their impact
INCUBATION WORKS

Australian small business incubators and their impact.

Publication Details


Prepared and published by the Australia New Zealand Association of Business Incubators (ANZABI) with funding from AusIndustry.

More information on ANZABI can be found at www.anzabi.com.au.

Research and writing by Strategic Economic Solutions.

Design and layout by Green Words and Images.

Credits

This publication would not have been possible without expert assistance from Amanda Kenyon (former Chair of ANZABI), Julian Webb (former CEO of CREEDA) and Paul Pfluger (formerly of AusIndustry).

Acknowledgments

ANZABI would like to thank the Australian Government and its business program delivery division, AusIndustry for providing the funding for this publication. ANZABI would also like to acknowledge the contribution over many years to business incubation in Australia made by the Australian Government, currently through AusIndustry. More information on AusIndustry and its Small Business Incubator Program can be found at www.ausindustry.com.au or by calling the AusIndustry Hotline on 132 846.
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Minister’s Foreword

Dear small business operator

Small business employs a third of Australia’s workforce and plays a vital role in the success of the Australian economy.

The Australian Government recognises the importance of a strong small business sector and offers a number of programs, such as the Small Business Incubator Program, to help new Australian businesses get on their feet.

Small business incubators are not-for-profit organisations and help new business start-ups by providing accommodation, business advice, and support services – such as phone answering and reception.

In other words, fledgling businesses are given a support environment to house and start their business, before graduating and leaving the incubator to be part of the wider business community. The aim of the incubator program is to reduce the failure rate of new businesses, assist the effectiveness of their operations and support them to achieve their true potential.

The incubator program is part of the Australian Government’s $60 million 2002-2006 Small Business Assistance Program. This program is delivered by AusIndustry and includes services such as the Small Business Answers Officer network, which is a referral service for business information in regional areas, and the Small Business Enterprise Culture Program, which funds business skill development and mentoring for small businesses across Australia.

The Australian Government has committed approximately $45 million in the past decade to support the establishment and enhancement of 94 business incubators across Australia.

Australians are proud that small business is the backbone of this country and the Australian Government will continue to support this vital sector.
Chairman’s Message

Small business incubators are now a well-established part of Australia’s small business landscape. Strong support from the Australian Government has enabled establishment of almost 100 incubators. Some have been around for over 10 years, and many are world-class operations.

The Australia and New Zealand Association of Business Incubators (ANZABI) has been keen to tell the story of small business incubation in Australia for some time, and I am delighted that we have been able to prepare this publication.

In these case studies readers will find profiles of a diverse mix of incubators, tenants and graduates. The profiles highlight the impact incubators have on their regions and the roles they play in the growth of their tenants and graduates. The profiles also show some of the diversity and creativity of enterprising business people across Australia.

The incubator case studies were chosen by a small project steering committee, of people from ANZABI and AusIndustry, to represent the great mix of incubators across Australia. We have profiled at least one incubator in each state, from a mix of urban and regional locations.

The tenant and graduate case studies were chosen to reflect the diversity of businesses – from niche services to ICT applications to manufacturers – that are using incubators in a range of different settings.

ANZABI would like to acknowledge the assistance of AusIndustry in funding and preparing this publication, and to thank Minister Hockey for his support.

I hope these case studies will enrich your understanding of small business incubators in Australia and the role we play in supporting a vibrant and dynamic economy.
Chapter 1: Introduction

Small business incubators are becoming more common and more visible across Australia, as tools to help strengthen small business performance around the country.

Small business incubators first appeared in Australia in the mid 1980s as a response to the problem of unemployment and industry restructuring. Since then, the number of incubators has grown steadily and now there are around 100 in all Australian States and Territories. During this period incubators have become a global phenomenon with continued growth in all countries.

Australia has three broad types of incubators:

1. General purpose incubators (around 83 are operating or are under construction) funded by State and Territory governments and by the Commonwealth Government’s Small Business Incubation Program since 1991;

2. High technology incubators (10 funded through the Commonwealth Government’s Building IT Strengths program in 2001); and

Source: Business and Technology Development Strategies LLC, New York 2002
3. Other special purpose incubators (such as those for food-related industries, or attached to particular universities or R&D organisations etc).

There are many definitions of what a small business incubator actually is. The Commonwealth Government’s definition is:

*A small business incubator is a facility designed to assist new and growing businesses to become established and profitable by providing premises, advice, services and support. Business incubators are known to reduce the failure rate of new start up businesses. In doing so they create jobs and assist local economic development.*

*Small business incubator tenants are provided with an initial place of operation and a supportive environment in which to grow their business. The incubation period is normally from one to three years, during which time the fledgling business becomes established before graduating into the wider business community.*

*The same commercial criteria which normally apply to all business activities also apply to the establishment and management of incubators, the majority of which, in Australia, are operated under an incorporated non-profit legal structure which requires the commitment of a voluntary, community-based management committee that is responsible for the financial and legal aspects of the incubator’s operation*.¹

An alternative definition from the United States emphasises the process and outcomes of business incubation:

“Business incubation programs accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed or orchestrated by incubator management and offered both in the incubator and through its networks of contacts. The goal is to produce successful firms that will leave the program financially viable and freestanding. The incubator graduates have the potential to create jobs and wealth, revitalise neighbourhoods, commercialise new technologies and strengthen local and national economies. An incubator must provide management guidance, technical assistance and consulting tailored to young, growing companies. Incubators usually provide clients access to appropriate rental space and flexible leases, shared equipment, technology support and assistance in obtaining the financing necessary for company growth*².”

**Development of Incubator Concepts**

In the early 1980s State and Territory Governments in WA, Qld, NSW and the ACT supported the initial incubators. The Commonwealth Government started to fund business incubators in 1991, with a program that now resides in AusIndustry. This funding, $46 million to date, has driven the development of small business incubators in Australia.

Australia has mirrored developments in small business incubation across the world, and has seen three generations of approaches to business incubation.

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²*Best Practices in Action*, NBIA 2001 and adapted from the Definition of an Incubator approved by the National Business Incubation Association (NBIA) board of directors in 1996.
### Generation | Determinant
--- | ---
1<sup>st</sup> Generation | Real estate focus with only reactive and limited business support services
2<sup>nd</sup> Generation | 1<sup>st</sup> Generation plus pro-active business development program
3<sup>rd</sup> Generation | 2<sup>nd</sup> Generation plus in-house debt/equity finance for clients or clear channels to finance

1<sup>st</sup> generation incubators are now seen as outdated and not best practice, although real estate continues to provide an important foundation for incubation. 2<sup>nd</sup> generation incubators are seen as the standard, with 3<sup>rd</sup> generation incubators constituting a recent development in the incubation sector.

Australian incubators are predominantly non-profit, as is the case in the rest of the world. Prior to the crash in technology stocks in 2000 private incubators, often called “new economy”, “dot com” or “Internet” incubators, and typically developed by boutique venture capitalists, were forming at an astounding rate, primarily in the USA. Incubators were being used by entrepreneurial financiers as a risk minimisation and value-adding tool for an early stage equity investment. Since the crash just about all have failed and closed, largely due to the fact that growth in the technology sector has been slower than anticipated and so investors were unable to retrieve their investments in a timely manner. Australia largely missed out on this failed attempt at incubation, although the 10 Building IT Strengths (BITS) incubators funded by the Department of Communications, Information Technology and the Arts (DoCITA) in 2001 all have business models that rely upon successful exits from investments. Of these 10 incubators only 2 are non-profit.

Corporate incubators, whereby a corporation uses an incubator to spin out technology is another private model that has a proven history, although none exist in Australia at the moment.

Incubators themselves can be broken into two broad categories:

1. Those focused on employment creation through helping new and emerging growing businesses. Where there is no industry focus these are called “general purpose” incubators in Australia, and make up around 60% of Australia’s incubators. In the United States these incubators are called “mixed use” incubators, and they constitute 47% of all incubators. Sometimes these sorts of incubators are focused on a particular industry, such as services, manufacturing, food, arts and crafts, fashion etc; and,

2. Those focused on technology commercialisation, where the ultimate aim is wealth creation through commercialisation of technology and R&D. These incubators constitute 37% of the stock of USA

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3 2002 State of the Business Incubation Industry, NBIA
4 ibid
incubators\textsuperscript{4} and only about 15\% of Australian incubators, with the BITS incubators accounting for most of these. More information on incubators overseas is available from www.infodev.org and www.idsic.net.

Other categories have been used overseas such as “empowerment incubators” in the USA where the focus is empowerment of minorities. The World Bank through its infoDev program is now supporting incubators that use Information and Communications Technology (ICT) as an enabling technology for poverty alleviation in developing economies.

Australia has developed an important categorisation that relates to an incubators strategy for self-sufficiency, with 2 categories:

1. “Independent incubators”, which are those that can be independent and self-sufficient; and,

2. “Embedded incubators” where the economies of scale are such that the incubator can only be financially self-sufficient as a part of a larger organisation.

Networked incubators, whereby one body runs multiple incubators have been an emerging trend globally and in Australia. This improves economies of scale, assisting self-sufficiency and provision of quality services to clients. These exist in metropolitan areas and can also play an important role in rural areas where the catchment population and potential economies of scale in a particular town are limited.
By 1996 the Australian Government had been actively supporting the establishment of small business incubators in Australia for 5 years. With deepening experience in establishing and running incubators in a wide variety of places in Australia – from city suburbs to small rural towns – ANZABI felt it was time to assess incubator management. In that year, the then Department of Employment, Education, Training and Youth Affairs provided funds to ANZABI to prepare best practice standards for Australia’s small business incubators.

There were some 49 incubators across Australia in 1996, with many more in the development phase. ANZABI interviewed incubator managers in depth to develop best practice standards and case studies in successful incubator practice.

To define best practice in Australia, ANZABI:

1. Developed a framework for investigating incubation in Australia;
2. Identified key components of successful business incubation and designed a questionnaire focusing on these components;
3. Approached every incubator in Australia to provide information on the key components;
4. Analysed what incubator managers determined as successful incubator practice and drafted “best practices”;
5. Circulated the draft best practices to incubator managers for input and comment; and,
6. Analysed the responses from incubator managers and developed the Best Practice Standards set out below.

What is Australian Best Practice?

There are many different ways to assist small business to grow and survive, and the Australian Best Practice Standards represent the most successful core activities for Australian incubators.

The standards are not just theoretical, but have been developed and used by practising incubator managers and boards across Australia. The research in 1996 found that Australian incubator managers wanted to improve their incubator services and outcomes, but felt subject to factors beyond their control. The perception in 1996 was
that no single incubator had achieved all the standards, and the standards were prepared to provide direction and performance indicators to aspire to.

The process of business incubation is divided into four areas of key sets of activities, each having several best practice standards. These four areas are:

1. Incubator Set Up;
2. Incubator Management;
3. Incubator Services; and,
4. Incubator Performance.

**Australian Best Practice Standards**

1. **Incubator Set Up**

   1.1 *Focus the Incubator program on nurturing and growing*

   *Best Practice Standard:*
   
   *That the incubator focuses on nurturing and growing businesses.*

   The central objective of the incubator program is to grow small businesses. The incubator provides services and advice which tenant businesses need and provides active facilitation, mentoring or coaching (or all three) to help tenant businesses achieve their growth aims.

   1.2 *Ensure the needs of the incubator program dictates the building requirements*

   *Best Practice Standard:*
   
   *That the building is configured to fit the incubator’s requirements.*

   The building size reflects the level of community demand for the incubator. Building space is flexible. The common area is centrally located and promoted as a place for informal interaction. There are low maintenance costs and office services are centrally located.

   1.3 *Structure the incubator program to become financially self sustainable*

   *Best Practice Standard:*
   
   *That the incubator should operate without operational subsidies.*

   All the incubator services, space and business advice operate with sources of income exceeding costs and are not reliant on external funding for the running of the incubator.
2. **Incubator Management**

2.1 **Use a planned and structured approach to develop the incubator**

*Best Practice Standard:*

*That the incubator program is based on integrated management plans.*

The whole incubator set up (building, finances, management and services) has strategic, business and marketing plans that are linked to one another.

2.2 **Recruit staff who fit the incubator program and are able to help businesses grow**

*Best Practice Standard:*

*That the incubator manager is able to advise incubator tenants on their business and manage the incubator as a business.*

The incubator manager has a range of expertise including small business experience in finance, marketing, bookkeeping and planning as well as excellent interpersonal skills and the ability to network in a range of settings.

2.3 **Understand the needs of incubator tenant businesses**

*Best Practice Standard:*

*That the incubator manager should have an up to date working knowledge of each tenant’s business needs.*

The incubator manager has sufficient knowledge about the business to be able to anticipate problems and take advantage of opportunities as they arise. This knowledge can be gained through formal monthly meetings and other informal means.

2.4 **Incubator Managers should focus on value adding to tenant businesses**

*Best Practice Standard:*

*That the incubator manager spends 60% of their time working directly with tenants or developing business assistance networks or developing training programs.*

Incubator managers play a critical role in the success of their incubator, and they are expected to have a very hands-on role with tenants. The best practice standard is that managers spend 60% of their time in direct contact with tenants, maintaining external business support networks for tenants or establishing training programs.
3. **Incubator Services**

3.1 **Focus the incubator space, business services and advice on the needs of the tenant businesses**

*Best Practice Standard:*  
*That the incubator program offers space, business services and advice which meet the needs of tenant businesses.*

Space provided is appropriate to the needs of the tenants and on a monthly flexible licence arrangement. It includes access to a fax, photocopier, computers, bookkeeping service and conference room. Services provided include sales / marketing and financial management advice, help obtaining finance, business planning and counseling.

3.2 **Support the tenant businesses with a wide network of business support services**

*Best Practice Standard:*  
*That the community network supplies, at a reduced rate, incubator tenants with business advice and training which incubator management cannot provide.*

The incubator uses resources throughout the community to provide a wide range of specialised services to tenants – at no or discounted cost. These services include: business advice (including business planning and management, sales and marketing, bookkeeping and taxation, financing and legal matters); business training (including business planning, marketing planning and financial record establishment and maintenance); mentoring and coaching.

4. **Incubator Performance**

4.1 **Regularly evaluate the incubator program's performance**

*Best Practice Standard:*  
*That the incubators performance is regularly assessed.*

Financial performance (including budget variance, sponsor support and tenant satisfaction with incubator services) is assessed monthly. Tenant use of incubator services and incubator annual graduation and failure rates are assessed yearly.
Overseas Best Practice Standards

USA Best Practices

The incubator sector in Australia has long looked to the USA for direction and guidance. Much of our practice has been based on successful initiatives from the more mature sector that exists there and many of our best practice standards are similar to those adopted by the US National Business Incubator Association (NBIA) and listed below.

1. Commitment to the core principles of Business Incubation;
2. Collect and assess key information. Decide whether the Incubator is feasible or not;
3. Structure the Incubator to be financially self sustainable;
4. Structure the Incubator organisation to minimise governance and maximise assistance to Incubator Businesses;
5. Engage stakeholders to help business and support Incubator operations;
6. Recruit staff who will manage the Incubator like a business and a manager who has the capacity to help businesses to grow;
7. Choose a building that will enable the Incubator to generate sufficient revenue and also support business incubation;
8. Recruit and select tenant businesses that provide revenue required in the financial model and have the potential to grow and create jobs;
9. Customise the delivery of assistance and address the development needs of each business; and,
10. Engage in continual evaluation and improvement as the incubator progresses through various stages of development and as the needs of tenant businesses change over time.

The NBIA has a wide range of useful information on business incubation in the Unites States on its website (www.nbia.org). The Association also publishes detailed performance benchmarks for a wide range of incubator types, and makes these available to members.
European Best Practices and Benchmarks

Small business incubators are becoming better known across Europe, and also more sophisticated as European countries build on their growing depth of experience with incubation.

The European Commission published a review “Benchmarking of Business Incubators” in February 2002. The review contains a wealth of useful practices distilled from European experiences, and also contains an interesting set of quantitative benchmarks on incubator performance. Some of the main performance indicators are reproduced in the table below:

<table>
<thead>
<tr>
<th>Setting Up and Operating</th>
<th>Average</th>
<th>Range</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average capital investment cost</td>
<td>€ 3.7 million</td>
<td>€ 1.5 m to 22 m</td>
<td>NA</td>
</tr>
<tr>
<td>Average operating costs</td>
<td>€ 480,000 p.a.</td>
<td>€ 50,000 to 1.8 m p.a</td>
<td>NA</td>
</tr>
<tr>
<td>% of revenue from public subsidies</td>
<td>37%</td>
<td>0% to 100%</td>
<td>25%</td>
</tr>
<tr>
<td>Incubator space</td>
<td>3,000 m²</td>
<td>90m² - 41,000m²</td>
<td>2,000 – 4,000 m²</td>
</tr>
<tr>
<td>Number of incubator tenants</td>
<td>27 firms</td>
<td>1-120 firms</td>
<td>20 – 30</td>
</tr>
<tr>
<td>Incubator functions</td>
<td>Average</td>
<td>Range</td>
<td>Benchmark</td>
</tr>
<tr>
<td>Incubator occupancy rates</td>
<td>85%</td>
<td>9% –100%</td>
<td>85%</td>
</tr>
<tr>
<td>Length of tenancy</td>
<td>35 months</td>
<td>6 months - no max</td>
<td>3 years</td>
</tr>
<tr>
<td>Number of management staff</td>
<td>2.3 managers</td>
<td>1 – 9 managers</td>
<td>2 managers min</td>
</tr>
<tr>
<td>Ratio of incubator staff: tenants</td>
<td>1:14</td>
<td>1:2 – 1:64</td>
<td>1:10 – 1:20</td>
</tr>
<tr>
<td>% of managers’ time advising clients</td>
<td>39%</td>
<td>5% – 80%</td>
<td>50%</td>
</tr>
<tr>
<td>Evaluating services and impacts</td>
<td>Average</td>
<td>Range</td>
<td>Benchmark</td>
</tr>
<tr>
<td>Survival rates of tenant firms</td>
<td>85%</td>
<td>65% – 100%</td>
<td>85%</td>
</tr>
<tr>
<td>Average growth in client turnover</td>
<td>20% p.a. (2001)</td>
<td>5% to 100% p.a.</td>
<td>25%</td>
</tr>
<tr>
<td>Average jobs per tenant company</td>
<td>6.2 jobs per firm</td>
<td>1 to 120</td>
<td>NA</td>
</tr>
<tr>
<td>New graduate jobs per incubator p.a.</td>
<td>41 jobs</td>
<td>7 to 197</td>
<td>NA</td>
</tr>
<tr>
<td>Cost per job (gross)</td>
<td>€ 4,400</td>
<td>€ 124 to 29,600</td>
<td>€ 4,000 to 8,000</td>
</tr>
</tbody>
</table>

Source: Benchmarking of Business Incubators, European Commission, February 2002, p16

In considering the performance benchmarks it is important to note that the study aggregated responses from all types of incubators in a wide range of socio-economic circumstances. This aggregation blurs some of the performance criteria. For example, the report notes that:

“It is inappropriate to set benchmarks for incubator capital investment and operating costs because these will vary widely depending on the type of incubator. For example, a biotechnology incubator requires dedicated laboratory space as well as office space, whereas an incubator providing just office space to new start-ups will require less capital investment.

Similarly, in relation to the] proportion of revenue dependent on public subsidies: Whilst the public funding requirements of incubators will inevitably vary depending on location-specific factors such as the dynamism of the regional economy and the extent of market failure, we have assumed that incubators should try and increase the proportion of operating costs derived from their own activities (rent, advisory services, etc).”
Chapter 3: Lessons Learnt

Australia’s experience with small business incubation has yielded many lessons on establishing, running and evaluating incubators. No doubt there are many more lessons to learn in this growing and dynamic activity.

This chapter highlights the most important lessons ANZABI has identified for Australian small business incubators, and points to lessons that are emerging.

Lessons Learnt

Clarify Misconceptions

There are widespread misconceptions about how incubators operate. They are not serviced offices or purely real estate operations or industrial or technology parks or mere providers of business advice and services. As the “best practices” demonstrate, their focus should be on adding value to new, emerging and growing tenant businesses capitalising on the real estate services provided and supporting the new business proprietors. Much of the power of incubation comes from co-location of early stage businesses in the one building or complex.

Secure Commitment Over Time

Small business incubators require great commitment over a long period of time. ANZABI considers ten years to be a minimum time-frame. They take time to develop and only deliver meaningful outcomes in the medium to long term. The main employment impact of incubators will come with the graduates after they have left the incubator. This is summarised by the OECD in a policy recommendation: “Business development should take primacy over job creation. In the context of incubation, job creation is best attained through successful business outcomes. Broader initiatives to raise interest in entrepreneurship should complement incubation”¹.

Know Your Champion

An incubator needs a strong champion for the development phase. The lead time to establish a new small business incubator can be quite long, sometimes up to two, three or even four years. Much depends on there being a committed and enthusiastic champion for the development of an incubator and adequate local support, including

¹Good Practices in Business Incubation, OECD 1999
support from complementary business development services. Championship is equally important when an incubator is up and running. It is a fact of life that managing an incubator is not easy and requires great commitment, enthusiasm and passion from the manager and board.

**Use “Free” Buildings**

Small business incubators are not normally commercially viable where they have to pay commercial rent on their buildings, or pay a return on the capital investment involved in their buildings. One way or another, they have to secure buildings at no, or minimal, on-going cost, other than in exceptional circumstances, or secure funding to purpose build, typically on donated land.

**Put Commercial Viability in a Community Context**

Incubators are not viable in the usual commercial sense. As such while they aim to cover their running costs, they do not deliver a financial return to stakeholders. Instead of a financial return, incubators deliver a return in terms of enhanced business survival and success, employment, accelerated business growth, wealth and social capital.

**Market failure**

An understanding of market failure is fundamental to the justification for public support of business incubators. The OECD recommends that “Public intervention should be justified by explicit reference to market failures and/or the provision of public goods. Market enhancement rather than displacement should be aimed for”\(^2\).

As noted in the paragraphs above, incubators do not provide a financial return to investors or owners. In place of the financial return, incubators provide enhanced social and community outcomes. Where there is a surplus of income over expenditure, a better practice is to plough funds into increased services for tenants to further leverage returns for the community – and this could include provision of finance or risk capital.

Tangible positive externalities arise from support for incubators where business survival rates, business growth rates and employment growth rates are increased through the activities of the incubator. In this way, the space and support provided by an incubator is for the public’s good, with the benefits spread across the public and private sectors.

The economic sector returns include taxes paid by profitable tenants and graduates and increases in the labour force through additional employment generated. The private sector returns exemplify the market enhancements described by the OECD. They include the returns to business owners, staff and customers from business growth, reduced risk and default rates for private financiers, and more demand for commercial space as tenants graduate. This is particularly significant in regional areas where resources like investment capital and new commercial tenants can be scarce.

\(^2\)Good Practice in Business Incubation, OECD 1999
Other positive externalities can also flow, which may be less tangible. These include promotion of a climate of business growth and confidence and provision of a focus for business support activities. A successful incubator will also play a role in harnessing the talents of tenants and graduates in giving back to their community – through ongoing relationships and mentoring as illustrated in some of the case studies in this collection.

**Market failures that incubators address fall into three areas:**

1. **Property market**
   - Accommodating new businesses that cannot give adequate security, or take a long term lease, is often too risky for property owners. The OECD 1999 publication “Good Practice in Business Incubation” includes a good analysis of market failure in the property area, in a paper by Ian Dalton, a Technology Park Specialist. Unfortunately, the conclusion Dalton draws is that governments should simply guarantee the rent of privately funded buildings, but he does not take into account other aspects of market failure that relate to business incubators. For example, he ignores the fact that incubators are much more than just property developments, and in this respect are very different from Technology Parks.

2. **Business services market**
   - New start and micro businesses can’t or won’t pay for the help they need. This is the justification for a range of government supported services targeting the new start and micro market.

3. **Seed finance, where incubators can play a role in minimising the risk and transaction costs of an investment**
   - Equity for companies with global market potential – up to $1M to $2M. This can be called the “seed funding gap” and the extent of this market failure depends on the state of the venture capital market. Venture Capitalists (VCs), even in good times, rarely come in at the seed stage preferring, for understandable reasons, to come in later with first and second round funding. The amount of seed funding required to bridge the gap depends on the extent of the gap, the industry and the state of the VC market, but is typically around $500,000 in Australia.
   - Unsecured debt and cash flow lending for growing companies. Only established businesses can get this type of facility from banks and other institutions, which consider new start and growing businesses as being too risky.

**Exploit Economies of Scale**

Economies of scale are essential with business incubators and this is noted continually in the literature. The OECD summarises this important point in a policy recommendation: “Aim to achieve scale. Greater scale opens up possibilities for cost and risk reduction as well as the leveraging of private finance.” Economies of scale are important in terms of the incubation process and financial viability. Generally speaking, incubators work better when they accommodate more tenants; 20 to 30 seems a good number. As rent constitutes the main revenue source,
economies of scale make financial self-sufficiency easier to achieve. Too many incubators in Australia don’t have enough tenants, and may be below the minimum optimum scale for viability as a consequence.

Policies should facilitate development of incubation capacity in a way that maximises the potential economies of scale, while being suited to the level of demand. Competition between incubators in a small market is likely to lower quality, fragment resources and lead to a reduced capacity. For smaller regional centres, regional incubator networks (with incubators in a number of towns in a region run together to realise economies of scale) show promise as an alternative to having (too) small independent incubators operating on their own.

**Don’t Underestimate Buildings**

Virtual incubation or incubators without walls should be viewed with caution. The concept has been talked about for more than 10 years and there has been a range of experiments. However, it is very hard to find a model that has worked, is differentiated from advisory services such as Business Enterprise Centres and has stood the test of time. A viable option is to develop outreach services from a physical incubator. Most incubators now have a number of outreach or virtual clients.

**Value the Manager**

The manager is perhaps the single most important success factor. In addition to managing the incubator as a business, being a landlord and excellent networker, the manager has to work with the tenant businesses, anticipate their problems and take advantage of business opportunities. This requires a high level of interpersonal skills, a high tolerance for ambiguity and the ability to network in a range of settings as well as business experience in finance, marketing, bookkeeping and planning. Staff with this level of necessary experience are not easy to find and often do not come cheap.

**Choose Tenants Carefully**

Incubators cannot help all businesses. For example, retail businesses, whose location is critically important, are often disadvantaged by graduation, and businesses that are noisy or noxious will always be difficult to house in a multi-tenant complex. Successful incubators tend to accommodate firms which have growth potential in the service, knowledge and information technology industries, rather than small scale manufacturing, which often does not lead to high employment outcomes.

**Anchor Tenants**

Anchor tenants are normally a part of the tenant mix and incubators may have specific anchor tenant entry criteria. The main arguments for including anchor tenants relate to financial self-sustainability and easing cash flow shortfalls.

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caused by graduations and external factors (e.g. economic cycles). There are other arguments relating to synergy
with other tenants in terms of service provision and being role models.

“In addition to contributing to the revenue bottom line, they (anchor tenants) can serve as a model to other
companies, offer important services or attract business to other incubation program clients” - 2002 NBIA State of
the Industry Report page 44.

The only benchmarks found are based on USA data, which indicates that “only about 15% of respondents had no

The 2002 NBIA State of the Industry Report notes on page 15 an average gross square footage of 47,000 square
feet and at page 17 it notes that the average space leased to anchor tenants was 18,756 square feet, or 39% of the
gross square area.

**Ensure Integration**

Incubators need to be integrated with other businesses and economic development services in their area. They
cannot operate in a vacuum. Incubators that are successful will normally enjoy the support of their local authorities
and will have strong links to a “knowledge base“ of assistance, business professionals, financiers and mentors who
are prepared to offer services to the incubator’s tenants.

**Use a Funding Cocktail**

Incubator projects require a ‘cocktail’ of funding from various sources. Financial and in-kind support from local
government is usually essential, often in the form of suitable buildings. State government support is also important.

**Realistically Assess Demand**

There must be a demand for incubator services in the local marketplace. This is normally assessed in the feasibility
stage and the assessment needs to be realistic. Small business incubators are not likely to be viable in areas where
the catchment population is below a certain threshold, or where there are no suitable, affordable buildings available
on appropriate terms (usually surplus buildings which can be obtained at no on-going cost to the incubator).

**Explore Industry Focus Carefully**

Specialised incubators have advantages in that services can be focused on the needs of a particular industry, industry
synergies can be fostered and management can develop a depth of expertise in a particular industry. On the other
hand there are advantages that flow from non-specialisation in that cross industry linkages can be capitalised upon
(e.g. high tech software developers still need access to a range of services).

Most successful incubators, whether high tech or general, are not specialised. Specialisation limits the market being
served and increases the risk at the same time as reducing the potential economies of scale. Narrowly specialised
incubators have proven to be far riskier than more general incubators.
However, exclusively specialised and focussed incubators can operate successfully where they are underpinned by a critical mass of demand for incubator services in that industry, or R&D and a critical mass of local industry in that sector.

Commonly, specialisation is not exclusive and is achieved by themes or clusters within the one incubator. For example, an incubator may have a range of different clients and mini-incubators within the overall structure, thus achieving the benefits of specialisation and non-specialisation without limiting the market being served.

**Adopt Continuous Improvement Practices**

The adoption of continuous improvement practices plays an important role in improving an incubator’s performance and needs to be embraced as part of management practices.

Around the world and in Australia, stakeholders and better-managed incubators are constantly reviewing their performance and looking at ways to raise performance levels.

**Focus on Growth Businesses**

Incubators initially focused on firms that needed help to survive. In recent years incubators and stakeholders have realised that to maximise employment and other benefits the focus should be on businesses that aspire to and have the capacity for growth. This does not necessarily just mean high growth and export but could equally be growth from 1 to 5 employees.

**Understand What Attracts Tenants**

Despite the current focus on business development programs in incubators, research makes it very clear that the main attractor for tenants is primarily to do with real estate. The two main attractions are the short term leasing and flexible leasing that facilitate tenant expansion on site. The exception to this is incubators like the BITS incubators that offer seed funding, which then becomes the main attractor.

**Emerging Lessons**

The lessons learnt relate to strengthening experience in developing incubators that support real, growing small businesses in many different parts of Australia. Business incubator professionals are still learning about their craft, and there are two emerging lessons.

Firstly, the reality of establishing and running a successful small business incubator is that not everything always goes to plan – flexibility and creativity are essential.

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5 References for this are UK Incubators Identifying Best Practice, UKBI, 2001 and Benchmarking of Business Incubators, Centre For Strategy and Evaluation Services, European Commission, 2002.
Flexibility is often a feature of successful incubation and needs to be well understood by stakeholders, boards and managers. For example:

- Most incubator business models rely upon rent, up to 95% of revenue. This puts pressure on incubators that have to achieve self-sufficiency to take all comers as tenants. However, low quality (non-growing) tenants will lead to low quality outcomes and a deteriorating incubator;

- Good business development programs are costly and will reduce profitability, but will enhance quality outcomes;

- Facilitating tenant growth on site enhances business outcomes from high growth companies, but leaves a substantial cash flow hole when they graduate. This is not the case with low growth smaller businesses, which do not produce the same quantum of employment and wealth outcomes, but do not leave large cash flow holes on graduation; and,

- Manuals make management easier. However undue reliance on manuals treats all tenants in the same way whereas they are all different and arguably require an individually tailored program. Another concern with manuals and undue attention to process is that this works against innovation and entrepreneurship, which are, arguably, not process or manual driven. Good incubator managers will be entrepreneurs, relying on intuition balanced with process, and will have confidence and empathy with the clients being assisted.

Secondly, the importance of a better understanding of the intangible outcomes of incubators is becoming more widely recognised. It is clear that incubators have a catalytic impact on a community that can help change cultures and attitudes as well as develop collaborative networks, all of which are critical for innovation, entrepreneurship and survival in the new knowledge economy.

The United Kingdom Business Incubators Best Practice Report⁶ suggested that for university related incubators the major long-term benefit may not in fact be directly related to tenants and graduates, but to the culture change in the university.

In a similar vein the 1999 OECD Review⁷ of incubators suggested that development of social capital, or put another way, the development of linkages and trust in a community, and development of entrepreneurial and innovative attitudes, are long-term benefits of business incubators.

The fact that incubators are very tangible and visible in a community, relying upon many linkages and networks, is perhaps why incubators have this impact in a way that does not happen with less visible business support services.

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⁶ ibid

⁷ ibid
Chapter 4:
Case studies of Australian small Business Incubators and their impact
Todd Street
Business Chambers

Mission statement:
“To accelerate the growth of new and emerging businesses, and to stimulate job creation through their development.”

Year incubator started
1999

Premises
Heritage listed building in Port Adelaide heritage precinct.
Rentable space 1100 m²

Building arrangements
Peppercorn rental paid to local government

Tenants, graduates and employment impact
Tenant numbers 29
Occupancy rate 98%
Average length of time in incubator 2.5 years
Average no. employees 2.5
Total no. graduates 8
Total no. jobs created 104

Business survival
% businesses still trading 90%

Incubator staff (roles)
Manager
Several anchor tenants used as advisers and coaching personnel for other tenants, including outsourcing reception services

Revenue from rent
50% from rent
50% from use of services and facility hire

Financially sustainable
After 1 year

AusIndustry Funding
$489,000

Contact Details
6-8 Todd Street
Port Adelaide SA 5253
Ph: 08 8440 2400

Port Adelaide
(Adelaide)
Manager Lyn Hay describes the commencement of the Todd Street Business Chambers as the “gutted warehouse scenario”. A heritage listed building, it was completely empty prior to becoming a business incubator, with architectural plans and some council assistance available for the project.

“Basically it was up to me at that point to get the place happening”, Lyn said.

There was a feasibility study undertaken, and while there had to be a minimum of 1500 m² of lettable space, the chosen building came close at 1100 m².

“It had presence in a good commercial precinct in Port Adelaide, and it had public carparking available. So it met a number of pre-requisites”, Lyn said. “It also has tremendous street appeal – it’s a great looking building from the outside”.

The building was also important from a branding point of view. Lyn surveyed the 6 tenants there at the time, and overwhelmingly they voted for Todd Street Business Chambers, rather than a business centre that seemed a bit government-like.

The incubator has come a long way in its four years of operation. All of the available space, on three levels, has been used to accommodate tenants.

“Our basement was vacant when we arrived, and there are now businesses occupying that space. Where it was previously like a carpark, we’ve turned it into another level. Light assembly, fitness club, gymnasium and storage for tenants.”

Management

Lyn Hay’s background is in training and management, in the public and private sectors. She also established and ran a skills centre, and before that she worked in the small business field as a consultant and adviser.

“That’s when I realised I wanted to work in that sector”, she said. “It brought together an interest in delivering a one-stop-shop service in small business. You get to know so much about business enterprises by managing the combination of property management, training and development, and business advice, all rolled into one”.

Lyn is the only individual actually running the Todd Street Business Chambers. However, she utilises the services of a range of anchor tenants who make a major contribution to this role.

“I have a relationship where I’ve selected anchor tenants that add value - a solicitor, accountants, the BEC, a PABX and Telecommunications company and Secretarial Services”, Lyn said. “I use the anchor tenants as advisers, coaches and support personnel. I do expect a lot from them – they provide a great service and are really committed to our philosophy.”

Lyn describes her interaction with all tenants as: “Intense. 80% of my time. A coaching role; a sounding board role.”

While she has formal appointments with tenants, she sees the true worth in her everyday presence, where tenants are free to approach her with any issue affecting their business.

Tenant Businesses

Tenants operating from Todd Street Business Chambers are diverse and include a physiotherapist, a horticulturalist, surveyors, training company, a mortgage originator, debt collection, estate management and a fitness club.

No two businesses are the same, and Lyn has considered a policy to cover this.

“We’ve only had one occasion where we’ve had two the same, and it does make it difficult when you’re
offering referral services and marketing assistance. You are spreading your contacts and support between the two”, she said.

Tenants are selected via a three-step process comprising a preliminary checklist, a written response and a formal interview. The selection criteria include an ability to articulate a business goal, demonstrated skills and commitment to 3 key areas – business planning, sales and financial management.

“We don’t expect a business plan as a pre-requisite to entry, but we do expect the capacity to demonstrate that they can put one together”, Lyn said. “So what we’re doing is attempting to assess potential, and mostly we get it right! Over time our clients will gather and analyse information that will lead them to document a meaningful plan”.

**Lessons Learned**

From a business support point of view, the incubator’s in-house network has worked very well. There is partnering and sharing of services, which tends to occur after tenants have been operating for over a year.

“I’ve tracked that, and meaningful networking that translates to dollars and cents is really at the 15-18 month mark”, Lyn said. “I think it’s related to trust and familiarity”.

A number of other tenants are developing as important sources of support to fellow businesses, which Lyn describes as “an evolutionary thing that’s been happening”. These include a financial adviser and the printer who offer support to tenants in an informal way as well as securing business for themselves.

“The incubator is now looking at ways to formalise valuable support offered by tenants with specialised expertise, for example sales and financial mentorship. They may well convert to anchor tenants.”

Virtual tenancy is sometimes used to test a business idea, so that potential tenants can build their business over a period of several months, before considering going in to the incubator.

“So it’s a pre-entry phase; almost like a self selection process for us”, Lyn said.

**Social Outcomes**

The Todd Street Business Chambers is part of the Western Area Business Enterprise Centre (BEC) but it is a stand alone unit, in terms of finance, marketing and branding. The BEC holds breakfasts and lunches every six weeks, for members of the business community. Incubator tenants are entitled to membership of the BEC and the local chamber of commerce, which also has regular functions. At the formal interviews conducted when selecting tenants, Lyn organises for a
business adviser colleague from the BEC to be present, although she has the final say.

Lyn believes that incubation is really about embedding: “I’m embedded in the incubator, to ensure that we are part of our local community”, she said. She sees this concept as something that’s really beginning to emerge, and that is becoming increasingly important in the world of incubation.

“Otherwise our services aren’t delineated from the plethora of government and private sector services that are available. Coaching is available, training is available; a lot of it free of charge. What makes an incubator different is that it is accessible, providing practical support when people recognise that they need it.”

**Lyn’s Success Factors**

- Location and size of incubator
- Good management
- Multiple income streams (relevant to core business)
- Quality clients and graduates
A Choice Place to Grow

Sue Gibbs is a financial planner and manager of Professional Choice Financial Services. She runs her business from the Todd Street Business Chambers, Port Adelaide. Turnover has tripled since moving into the incubator in 2001, and she has five staff working for her. Sue’s husband Dell, one of the directors, also helps out.

Starting Off

Sue ran her business from home for about a year; and it grew rapidly. Her business relations manager suggested the incubator as a next step. Sue and Dell then met with Lynette Hay, the manager.

“Lyn filled us in on what it offered,” Sue said. “We thought about it and considered it would be a big asset.”

Moving In and On

The incubator enabled Sue to grow her business fast. Sue rates four incubator services particularly highly:

- Receptionists
- Access to tenants as clients
- Ability to hire staff
- More professional look

Since arriving, Sue has made constant use of the reception services. Sue says, “I didn’t feel like I was running it from home any more, making all the phone calls, getting back to people,” she said. “I knew clients were being attended to.”

Access to the boardroom saved time and looked professional because Sue didn’t have to go out and visit her clients.

“I’m much more effective…people can see me here… I have a bigger turnaround…it’s enabled me to hire staff. This isn’t possible working from home.”

Sue’s first year at the incubator was a financial struggle because she employed her first staff. The support she received helped her get through this difficult period and progress to more prosperous times.

The Contact Factor

Sue says, that interaction with tenants was a “core element” in her success. Informal contacts and regular networking functions alleviated feelings of isolation common to those working from home.

“I’ve found other mortgage brokers have given up, because of the isolation,” Sue said. “Here we’ve got a buddy system. We have our doors open, so there’s moral support around.”

Incubator tenants visit Sue just to sit down and talk, or they might receive mentoring on financial issues. An added bonus are the 14 or so different tenants who have been, or still are, her clients. She uses tenants herself – like the printer or physio, and exchanges client referrals with others.

“I’ve got a signed agreement with the accountant here…we refer clients to each other. It’s a true working relationship,” Sue said.

Sue has regular contact with Lyn Hay, incubator manager, whose open door policy enables discussion as issues arise. “She’ll come in and have a chat with
me probably at least once a week...I can go to Lyn and talk. She’ll say ‘Well, why don’t you try this or that?’ Working from home doesn’t give you that. You have to get out and look for support somewhere.”

**The Future**

Sue’s not definite about when Professional Choice Financial Services will graduate from the incubator, or where it will go. The amount of space needed in the coming years is a major factor. It may be that part of the business stays put while another part re-locates.

“I’m not in a hurry right now because the business structure is still being formulated,” Sue said. “There are different facets and I’m still in major growth mode, so I’m reluctant to hire a big building paying enormous rent etc.”

Overall Sue perceives the incubator gave her an opportunity to grow and expand at a huge rate. Sue says it’s been particularly beneficial to look professional and have support around. She adds, “As you’re setting up any business, expense is always a worry, I was able to grab extra offices then grow with it. If I’d had to hire a building we might have been bankrupt within 6 months; I did have that difficult year when I moved in here.”

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**Sue’s Success Factors**

Sue considers the critical key factors in her business success are:

- A careful approach to taking on staff
- The referrals she receives
- An efficient office
- The reception service is tops
- Consolidation of her whole business within the incubator
Darebin Enterprise Centre LTD.

Mission statement:
“Our Enterprise Centre is committed to long term economic growth for new and existing businesses, leading to increased sustainable employment in the region.”

Year incubator started
1998

Premises
4.5 hectares in total
1500 m² rentable office space
6000 m² rentable workshop space
1 hectare horticultural space

Building arrangements
Leased from local government for fee of 20% of annual net profit

Tenants, graduates and employment impact
Tenant numbers 46
Occupancy rate 100%
Average length of time in incubator 2 years
Average no. employees 3
Total no. graduates approx. 40
Total no. jobs created 153

Graduates and employment impact
% businesses still trading 74%

Business survival and economic impact
% businesses still trading 100%

Incubator staff (roles)
CEO / Manager
Operations Manager
Training Manager
Office staff (x2)

Revenue from rent
70%
25% from services provided to tenant

Financially sustainable
For operations after 15 months

AusIndustry Funding
$600,000

Contact Details
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Evolution

Darebin Enterprise Centre Ldt (DECL) evolved out of local government discussion regarding economic development. The City of Darebin stretches to the outer north of Melbourne and has undergone a lot of industry structural change in the past 20 years. “This area was a textile centre and there was very high unemployment,” Manager Bob Waite said. “In 1996-7 it was around 15%, with youth unemployment around 30-40%. It was out of those sort of issues that they decided this incubator could be a possible solution.”

Initially the Centre’s site was a quarry, then a dump site, then a council depot.

“Although it’s a big space we’re limited in that we can’t put buildings on any other land around here. Because the site is slowly sinking!” Bob said.

While there is now a high level of diversity among tenant businesses, it is an area of consideration for the board.

“My concern when we first started was ‘let’s fill the place up quickly and get the cash flow operating, and go from there.’ So if someone rang up and wanted a site to make wooden ducks, we gave them one,” Bob said. “We’re starting to think more strategically about whether it might be beneficial to have certain types of businesses, and a few options such as clustering. Timber based and design businesses might be ones that we feature, or niche clothing textile businesses.”

Management

CEO Bob Waite’s background is primarily in education. This experience ranges from teacher to senior counsellor; from high school deputy principal to working in the higher education sector, at Swinburne University. He has also run his own small food businesses.

So what attracted him to this role at the DECL?

“It seemed to put together everything. We see ourselves as educators in a way, teaching businesses,” Bob said. “We’re counsellors to businesses, and there’s a small business we’re running ourselves here as well. It seems to involve all three.”

An Operations Manager is primarily responsible for the site’s facilities and works with businesses on Occupational Health and Safety issues, logistics and environmental requirements. A Training Manager assists tenants with traineeships, and helps them to set up their clerical and administrative systems. Two staff members run the front office reception area. All five work closely with businesses on a day to day basis.

Tenant Businesses

Three sectors of tenant types correspond to the different areas on the premises. A range of service businesses, such as logistics, advertising and environmental services, fill the office space.
Light manufacturing businesses are housed in the workshop space, e.g. – woodworkers, designer sock production, and baby clothes manufacturing. Three horticultural businesses also occupy the site: a wholesale tree nursery (also an anchor tenant); and two specialist nurseries (one indigenous, one exotics).

Of the 46 businesses at DECL, half started at home and the other half started in the incubator. Initially businesses from elsewhere were allowed in, to fill the spaces and pay rent, but there is now a policy to only let start up or home based tenants in.

“We’ve got businesses coming to us now who want to be here because of the value adding we can do to the business. Which is great. It’s taken us 5 years to get to that point, but we’ve got there,” Bob said.

Apart from space, other services provided include: low cost telephone calls; a high speed, broadband internet service; and front office facilities. A program has been developed to encourage businesses to look at aspects of management – “whether it’s the financial side or entrepreneurship, sales and marketing, their networks in developing and expanding, or new technical developments”.

**Lessons Learned**

Of the vital lessons learned in running a business incubator, Bob pointed to careful selection of tenants. A couple of difficult tenants, who “slipped in under our guard” have made the centre staff more cautious in following a formal process.

“We put them through fairly close scrutiny about their business idea and market,” he said. “And we’re a lot more critical of their business plan.”

The lessons about selection relate to a policy on not allowing sub-tenants in, and how it can be overlooked. Bob advises that when a policy is developed, “make sure you stick with it!”

Of the support provided to tenants, Bob has identified a particular need for assistance in financial management. He tends to work with them on this because of his experience in running small businesses.

“I think generally people have very poor systems for managing finance in small business. It’s a key area where people fall over.”

**Social Outcomes**

DECL has strong networks within the local community across employment and training. This includes delivery of the New Enterprise incentive Scheme program and representation on the area consultative committee, which promotes micro business activity.

“Council seems to think we’re having an impact on the economic development strategies,” Bob said. “They tend to wheel us out to various events, and push us in front of the media.”

Some of the businesses are featured in a local newspaper on a regular cycle, so “we’ve got good relationships with the media.”

Keeping businesses within the city of Darebin region once they graduate is a problem area to be solved, particularly for the light manufacturers.

“Unless we can get developers providing more space, or at least carving up existing space into units acceptable to the smaller micro businesses graduating from here, we’ve got a problem,” Bob said. “The council’s prepared to work on it; that’s their role. If they want businesses to stay in the region they need to work with developers and property owners to ensure that it happens.”

All graduating businesses are assisted where possible to find premises in the local area, “otherwise they go elsewhere.”
**Bob’s Success Factors**

- Size of incubator and premises – helps to generate business
- Staffing – “An incubator cannot be successful, or can’t be more than a serviced office space, unless you’ve got staff.”
- Output – of businesses leaving successfully over time
- Financial independence – “We’re not relying on sponsorship from one year to the next.”

**Riverbank Socks**

Riverbank Socks, of Melbourne’s Darebin Enterprise Centre, commenced with two sock making machines occupying 100 m². After four years it has expanded to 30 machines, filling its maximum space capacity of 450 m² in the incubator.

For an Australian clothing manufacturer, the business has seen remarkable success in supplying high quality designer and corporate logo socks to niche markets, such as sports clubs. It has also been able to provide 12 people with employment.
Web Alive Technologies is an IT company that commenced its road to success and globalisation in the Darebin Enterprise Centre when the centre opened in 1998. The company, then Webscan, started as an internet service provider (ISP) and then turned its hand to become a web developer before joining forces with The OSSI Group of companies to become Web Alive Technologies in 2003. This incubator-housed organisation now has a world leading E-business and E-commerce web site solution and hosting solution for the price that the market used to pay for just the hosting component alone… at “$1 a day”.

Early Days

Housed in the Darebin Enterprise Centre Ltd (DECL), Web Alive Technologies started with the premise that small to medium businesses needed to have the capability to conduct business over the internet at an affordable price. The business model focussed primarily on delivering to small and medium enterprises (SMEs) all the web site functionality that was contained within the “high end of town” web sites but without the cost. The team commenced development of the Web Wizard Platform, working with incubator tenants and other small to medium sized businesses to determine the functionality requirements for communications, web site content management and e-business requirements.

Incubation

Web Alive Technologies spent almost four years in Incubation operating from a small office in DECL. “The Business Incubator provided us with the necessary resources, contacts and facilities that we required to commence the business and develop the program that we were to later release into the Australian and Global markets, ” - said Glen Kerr, Technical Director of Web Alive Technologies.

“Bob Waite, the CEO of the DECL was a mentor figure for us through the development phase of the business, and was able to facilitate exposure through the Australia and New Zealand business incubator network,” he said.

Moving On

Through an introduction via another Melbourne based Incubator – the Monash Enterprise Centre managed by Jenny Pietsch – Webscan’s Glen Kerr worked on a project with The OSSI Group’s Managing Director, David Daniel. The end result was the development of Web Alive Technologies, which formed in July 2003 by combining the skills of the two entities.

Work commenced on a rapid commercialisation of the group’s technology platform, with the successful alliance and support of the two key Business Incubator bodies in the country – ANZABI and BEC Australia, who are making the Web Alive suite of software available to all businesses in incubation and affiliated businesses. The primary target market is the SME sector. In Australia alone there are some 1.2 million SMEs - 29% of these have Web Sites and this share is growing at 25% plus per annum. Less than 5% can manage their own content.

The key features of the Web Alive Suite enables users to manage all facets of their organisation’s on-line
presence, including web site content, e-mail addresses, E-commerce and much more, from a simple to use program.

“We are providing total E-business and E-commerce web site functionality as well as comprehensive email facilities and hosting for the price that the market used to pay for just the hosting component alone. We deliver high demand and high value add E-Business and E-Commerce tools compatible with all computer platforms,” said David Daniel, now the Managing Director of Web Alive Technologies. “E-business is now affordable for all businesses at $1 a day plus GST”.

**Growth and Expansion**

Web Alive Technologies has rapidly grown in the last six months of 2003 and early 2004, culminating with the successful technical testing and release of the Mandarin language version to a Chinese Telecommunications company. “We are currently finalising our distribution partners in China, The Middle East and the UK, “says David. “We have had a fantastic response from our Australian and New Zealand partners in Office National, BECA and ANZABI. We are now providing hundreds of businesses a week with true E-business utility at an affordable cost”.

This incubator-founded business originally planned to procure 2000 sites in the first two years of commercial operation. Current indicators are that the business is on track to secure 50 times that number of user licences. They have even managed to secure the services of one of Australia’s largest payment gateway providers to supply credit card transactional facilities to Web Alive licensees at no extra cost. This allows Web Alive users to deploy online stores and be paid over the internet via eight different payment methods.

As of mid May 2004, this becoming-global business will be based out of Australia’s newest ICT precinct – Digital Harbour, Docklands, Victoria. Within this facility, Web Alive Technologies will be deploying their technology to the world market. Web Alive will also be launching Australia’s first E-business Centre of Excellence incorporating an E-business school of commercial training and potentially Australia’s first E-business Incubator.

**Putting Something Back Into the Community**

Web Alive Technologies has learned from and adopted the lessons of top corporates to take the initiative to create its own charitable foundation and returns up to 20% of its gross income into local not for profit organisations and charities through the Web Alive Foundation. More information on the Web Alive Foundation, and on Web Alive Technologies more generally, can be found at www.webalive.biz.
Suitably Impressed by a Dedicated Winner

**Early Days**

JoAnn Kellock started SuitsU, about 5 years ago, as a fashion business specialising in individual design. JoAnn received COMET and SIP funding for the development of design software, which enables fashion clients to take an active role in the design and production of their clothing.

JoAnn decided on the name of the business after playing around with the phrases ‘Suit yourself’ ‘Suitable’ and came up with SuitsU; a succinct name, which pleased her.

**At the Incubation**

SuitsU has spent five and a half years at the Business Matrix incubator operating out of a tiny, half bedroom size office crammed with “stuff”. JoAnn found out about the incubator through a friend who reckoned it was just the place for her. Her friend saw an advertisement in the local Yarra/Melbourne newspaper and persuaded her to give it a go.

“I was apprehensive at first, a bit sceptical. I thought it’s not the place for me. It's really quite hard to classify my business. That causes me problems when applying for money or help of any kind. I claim it’s a new category. I’d say really its Fashion/Professional service/Software development. So I don’t fit in with the IT boys and that causes problems when applying for funding.”

Despite her unease JoAnn went through her business plan with the incubator manager and after that it all felt OK to go ahead. JoAnn says, “The atmosphere was great amongst the tenants. Buddy to buddy. We supported each other. The Manager was really good, arranging get togethers for the tenants; celebrating each others birthdays and so on.”

When she saw the training programs on offer she felt really happy with the place. The manager encouraged her to take all guidance on offer:

“I just soaked up the training and then had enough confidence to go on to study for a Master of Design.”

JoAnn found that life as a tenant at Business Matrix enhanced and honed her ideas. “Definitely. Developing a prototype…it’s been my dream. It’s been difficult because I’m a single mum with two kids. I guess I work a 60-90 hour week what with study, being President of the Fashion Association and part-time work to help pay the rent at the incubator. The Prototype doesn’t earn me a cent. I rely on government funding for development of it.”

**Moving On**

JoAnn earns nothing from the business at present. “I’ve been really just slogging along with a prototype design.” In the last 12 months her business has grown 100% and she now employs some occasional contract outworkers when she can afford to. She plans to increase this number from 1 - 3 to maybe 5 in the near future.
JoAnn knows she’ll need to move her business out of the incubator sometime. She commented on her knowledge of the incubator’s exit policies. “I know I have to give one month’s notice when I’m ready to leave.” The financial aspect of moving on is a big concern. “When I move out I’ll lose the use of the PO Box and have to generate access to finance. I had to laugh although it wasn’t funny. The bank refused me a credit card one day and then invited me the next day to their Christmas party – payment by credit card!”

**Success Factors and the Future**

JoAnn considers that future business success will depend on her own strengths. She says these factors are crucial to her prospects.

“I’ve shown an ability to hold myself together, despite all the difficulties. A determination to fulfil my dream. I believe that real innovations are the key. Let’s not get too highly regulated in this industry. For me now, it’s a matter of save, save, save.”

She reflected on what she’d learnt recently from a colleague at the incubator. “I talked to someone who’d been to USA and he said that incubators there have a really good policy for women in business. They help with access to banks and finance. They really support women’s goals and aspirations.”
Paul Leo, the founder of Plexcom Industries, has been a tenant at Western Port Business Centre under the guidance of the manager, Peter Lees, for 15 months. He is now, with a feeling of satisfaction, able to consider himself the Production Manager. His company, Plexcom industries, manufactures instruments to measure rock stress, which are used extensively in the mining and building industries.

At the Incubator

Paul occupies a 6m x 5m area working on precision engineering. He says of his area, “I don’t need much space as it’s just me and my tools.”

Paul is in the process of establishing his business and comments, “I’m still searching for customers, but I’ve made some interesting contacts since I moved in here. I’ve had inquiries from an Italian marble firm, a miner in WA, and companies in Chile, Malaysia, and Britain.”

Paul spoke of his decision to move to the incubator.

“I faced an uncertain future at 43 years of age. I was unemployed and disillusioned. NEIS helped me with income support for 12 months. I did a 13-week intensive business training course and received advice on taxation, law and accounting. Marketing and, in particular, how to stay motivated were important aspects of my training.”

The Selection Process

Paul says, “I actually selected the incubator to assist me. I couldn’t afford a factory but I knew I wanted to run my own business. I’d had years of working for employers who either didn’t need what skills I had to offer; or their business simply folded and I was out.”

Paul considers that incubator manager Peter Lees is very accessible: “He’s available to everyone, all the tenants. I see him daily and can discuss anything, if I need to. He’s always doing something that’s needed around the place; even mowing the lawns. For example: he helped build the motorcycle track for another tenant, Baylink Motorcycle Training, which runs courses for motorcyclists to get their learner permits.”

Business Progress

Paul is certain that being part of the incubator has helped his business start to grow: “It certainly has. I couldn’t have afforded to start up anywhere else. The reasonable rent is the main factor. The other tenants are a plus. It’s nice to chat – have a break from work, I’ve even got small jobs through the other tenants.”

Paul says, “The business support services at the incubator are great. I’ve used them all. The accountant, the photocopier, the fax machine and I’ve attended any lectures/talks given.”
**Incubator Exit**

Paul knows he’ll be leaving the incubator one day. “There’s one month’s notice, either side, to be given. But this has no implications for me, at this stage, because I’m just starting up.”

**Success Factors**

Paul says, of future successes, having written his business plan:

- I have to obtain customers
- I’m starting to make contacts all over the world
- I’m now feeling enthusiastic about my chances
- I’ll give it a try and follow through
- I won’t be put off by any difficulties
Business Bodes Well for Russell

Russell Bode is Principal of Third Millennium Management (TMM) Pty Ltd and a highly successful graduate of the Monash Enterprise Centre. He was a Highly Commended nominee for title of Incubator Graduate of the Year in 2001. His business has continued to win tributes, including best presentation at the Symposium of Venture Capitalists for high growth technology start-ups held in Adelaide. Russell’s turnover has grown in the last 12 months by 300% and he currently employs 9 staff in his premises in Melbourne.

At the Incubator

Russell started his business from a home office in 1999 and then decided to grow his software development business, TMM, in 2000 at the Monash Enterprise Centre. He entered the business incubator through the encouragement of Small Business Victoria. Russell says of the incubator selection process:

“I found it easy to convince the manager because I knew I had a good case to put.”

Russell operated the business for 16 months from the incubator and used a 10 square metre office with daily contact with the manager. His business progress was monitored and reviewed by monthly meetings with small business representatives.

Russell believes that: “Being a part of the incubator definitely helped the business to grow. I found it very useful to have access to the mentoring and training programs on offer.” Russell made a lot of use of the coaching by the COMET group and that available through ADI. He considers that: “The counselling and coaching was quite excellent.”

Russell described his interaction with other tenants as enjoyable and his on-going connection with the incubator is really important to him because, as he comments: “It’s a lonely business going out into the big world of business on your own.”

Moving On

Russell feels that moving on can be an isolating time. He says, “I was coached to leave and had to, because of other tenants who wanted the space. I consider it would have been even more helpful if the coaching to leave were extended – say over a 6 to 8 month period.”

The Future

Russell says of the future: “It looks good and I feel confident but it’s a shame to see small businesses knocked out so quickly from government tendering processes through unrealistic demands in terms of levels of insurance coverage and contract documentation. Surely it’s for the government’s benefit to support innovation and local enterprise.”

Success Factors

Russell considers there are four factors in his success so far:

- His ability to persevere
- A product he really believes in
- The dollars to make it happen
- Finding the right people to employ
Getting into and out of Deeper Water

“It was the charities. They were what I had to break. The charities dominated the market I was aiming for. They are ruthless about competition…they have to be, I suppose. I had to try and break their monopoly…without the support the incubator manager gave me I actually don’t know how I would have kept on trying. I really, really valued that. I was facing a very hostile market out there.”

Greg Goullet is talking about his business, H2O PRO, which he started in 1997, training Lifeguard and First Aid Specialists. He now runs it as fully registered Australian training company from Mulgrave. He explains, “My business is a part of the aquatics industry – so the idea of living and growing in or out of water appealed to me - and I based the name of my company on this idea.”

Greg says, “My turnover has grown by 50% which is pretty good. I’m happy with that. In the last 12 months there’s been a 30% increase in growth. I employ 2 fulltime staff and 15 special staff.

Early Days

Greg started out as a home based industry. “Then I recognised the need for help as there was a lot I didn’t know. So I was one of the inaugural tenants of the Monash Enterprise Centre incubator.”

Of his entry into the incubator Greg recalls: “It was easy enough to get into because, at that stage, they were taking anybody. They’d just started up. However, the selection process was quite carefully done. I demonstrated a potential for growth, and that’s what they were looking for. They also selected for a balance of tenants who would interact with one another.”

“I ran the business for 3 years in the incubator - initially from a 10 square metre office. After 8 months I realised that I needed a larger office and I moved within the premises to a 20 square place when I wanted to employ another person. I had daily contact with the manager there and quarterly review meetings with the Council of Victorian Small Business Service.”

Greg laughs as he describes the feedback meetings: “They were almost as green as we were. It was a two-way process. They were learning from us and we were learning from them.”

Greg commented on the importance of the incubator to his growing feelings of confidence: “The small business courses, counselling services. These were great and I also had the opportunity to try the operation without the hassles of a long-term lease. Then importantly, I was assisted with set up costs. For example, furniture.”

He describes the atmosphere at the incubator as one of close interaction between tenants: “Although we all had different businesses we were facing the same problems.”
For example: cash flow, staffing, GST and so on. It gave us lots of great networking opportunities with other businesses outside the incubator as well as within.”

Greg didn’t consider the incubator’s name, address or reputation as significant to H2O because it was a new place. He adds: “We, the tenants, helped to make it significant and we gave it a name by being the first graduates.”

Moving On

Greg has now graduated from the incubator. Since graduating Greg has kept up his connection with the incubator by using the training rooms for running courses, photocopying and admin services and also more networking with current tenants. He says “I think you get out of it what you put in.”

Greg feels that there could have been a better assistance program for exiting. “There are nagging personal and professional doubts that come up for discussion. It’s a really scary experience, once the decision to move out has been made. It would be useful if the manager could have gone through the business plan and checked the budgeting plan one more time before I finally left.”

Success and the Future

“I aim to provide my customers with a high quality of service. I’m not trying for big profits.”

Greg won a Highly Commended award as part of the competition for Incubator Tenant of the year in 2002, and was a nominee for the City of Monash Business Awards 2003.
Mission statement:

“To establish, operate and grow a community owned self sustaining regional business incubator network, by capitalising on the region’s strengths and opportunities to develop viable small enterprises and generate employment growth.”

Year incubator started
1992 - Eaglehawk Enterprise Park built
1998 - Regional Enterprise Network – Central Victoria Ltd. formed

Premises
8 incubator sites in central Victoria:
Eaglehawk Enterprise Park 17 factory spaces
328 Enterprise Centre 9 office spaces
Central Bendigo Enterprise Centre 9 office spaces
Castlemaine Enterprise Centre 40 spaces
Maldon Enterprise Centre 4 office spaces
Gisborne Enterprise Park 12 light industrial spaces
Dunolly Enterprise Park (new) 4 light industrial spaces
Donald Enterprise Park (new) 5 factory spaces

Building arrangements
All owned by local government or hospital board (Castlemaine)

Tenants, graduates and employment impact
Tenant numbers 82 in total (Aug.03)
Occupancy rate 90% - 95%
Average length of time in incubator 3 years
Average no. employees 1 - 10
Total no. graduates 55
Total no. jobs created 173 employees

Business survival
% businesses still trading 90%

Incubator staff (roles)
Manager
Business support officers (x2)
Accountant
Administration

Revenue from rent
100%

Financially sustainable
after 3 years

AusIndustry Funding
$1,123,270

Contact Details
12 Hall Street
Eaglehawk Vic 3550
Ph: 03 5446 1558
Evolution

The Eaglehawk Enterprise Park was the first of the Reginal Enterprise Network (REN) network’s incubators to be established, in 1992, as a local council initiative with Federal Government support.

“We had a vision back in 1990 to make all this start,” Manager Peter Cox said. “Eaglehawk was built by people out of work.”

Four years later new businesses had started up in 15 factories.

“At the end of 1996 we said to ourselves ‘if it can be done at Eaglehawk why can’t it be done at other areas around central Victoria?’” Peter recalls.

So a steering committee was formed and with AusIndustry funding, a feasibility study was carried out.

Management

Manager Peter Cox has been working with employment issues since the early 1980s, and has a professional qualification in community development.

One of REN’s management strengths is a willingness to be flexible, and to try new things. For example, tailoring support services to tenants’ specific needs on a one-to-one basis.

As Peter said: “We only use strategies that actually work. In other words, we have more tenant meetings at Castlemaine and the two Bendigo sites, because the blue collar workers at the other sites tend not to want to be involved in tenant meetings. We do what we think works, in a particular locality.”

The team describe their working atmosphere as very good, passionate and dynamic. “Nothing will stand in our way if we want to achieve something.”

Tenant Businesses

A wide variety of businesses operate within the network of eight incubator centres, with a total of 82 tenants. There are broad categories of business types at each of the different sites, as each incubator has developed to the town’s specific needs.

“Castlemaine, which is a very alternative town, has a lot of alternative businesses,” Neil Ham, Business Support Officer, said. “Whereas the Bendigo ones are more straight, white collar businesses. Eaglehawk is as close as you’ll get to a full blown industrial park. Maldon, because of the size of the town, is being developed as a community resource type centre. Dunolly will have blue collar workers, as will Donald but with a more rural base. Gisborne is only half an hour out of Melbourne, and its businesses are mostly Melbourne based.”

Tenants of the REN incubators are selected following a detailed appraisal of their intentions. There must be a willingness to employ people, or to grow into a viable business, with a responsible approach shown.

“They have to show stability and that it is an ongoing business they are going to produce, not just a spur of the moment thing or a dream they’ve had the night before,” Neil said.

New tenants must also demonstrate their financial capability.

Lessons Learned

One of the main lessons REN’s management and directorship has learned revolves around maintenance of cash flow.

“The more successful you are in moving tenants on, the more competitive it is and you’ve got to get more tenants in, because your cash flow just disappears. So we’re always tackling that question,” Peter said.
Neil added that they had never asked for any extra funding to sustain the network. “We’ve always been self sustaining,” he said.

They both acknowledge the subsidies as a nice bonus for carrying out renovation works and expansion of the incubator premises.

**Social Outcomes**

“I guess we’re very passionate about creating more jobs for people,” Peter said. “The problem with unemployment is there aren’t enough jobs for everybody who wants to work. Most other organisations out there that deal with employment are trying to place people into existing jobs, whereas this gives us a real opportunity to create new jobs.”

If a business applying for entry cannot demonstrate adequate cash flow, the network staff will try to help them where possible.

“We refer them to NEIS, or they might go away and do a business plan, and work at home for longer. So we don’t shut off any of those lines of communication,” Peter said.

**Success Factors**

Peter described one of the critical success factors as the skilled staff who can implement the policies of the board.

“Between the five of us we can do everything that’s required to run the business efficiently,” he said. “We run on the smell of an oily rag.”

The REN’s financial success can also be attributed to the dedication and smart management of Peter and his team.

**Peter’s Success Factors**

- Strong governance - “a committed board that knows its own mind”
- Skilled staff, who can implement the policy of the board
- Partnerships, e.g. with local government and other owners of the buildings
- Manufacturing high tenant occupancy rates
The Nugget Finder

A newcomer to the Eaglehawk Enterprise Centre in central Victoria, the Nugget Finder is orchestrated by one very busy Rohan Johnson. He manufactures accessories for gold detectors, specialising in the fibreglass base part that actually detects the gold. Situated in the heart of gold country, people frequently pay Rohan for his products with gold nuggets! Rohan is finding difficulty in meeting the high demand for his unique product, especially to the US which is currently his main market. He sees a need to expand in the near future and to take on employees, to help meet the growing demand.

Coffee Basics

Situated at the entrance to the Castlemaine Enterprise Centre, Coffee Basics is bound to entice people with its alluring aromas. Established by Edmund Schaerf and Elna Schaerf-Trauner, their business aim is to bring family expertise in the European coffee industry to Australia via the town of Castlemaine. Using selected quality beans from the world’s top coffee producing regions, Edmund and Elna “blend and roast them to perfection in small quality controlled batches”. Apart from the roastery a café and shop, selling espresso machines and other coffee products, is also in the pipeline.

Jordan Specialised Services

Jordan Specialised Services - of Eaglehawk Enterprise Park - designs, manufactures and maintains enormous vacuum units for various industrial purposes.
Castlemaine Enterprise Centre

Half an hour’s drive south of Bendigo lies the historic goldmining town of Castlemaine, where an incubator has been established in the town’s former hospital. Running for only a few years, it already houses a diverse array of tenants – many with an alternative slant, reflecting the town’s community – with great scope for more.

Ged Rodgers is the newly appointed Business Support Officer for the Castlemaine Enterprise Centre. He brings a lot of local knowledge and experience to the position, and can see that while the Centre has enormous potential, it needs “structure and vision”. While there hasn’t been a lot of planning for grouping or clustering of like businesses, Ged can see the potential for doing so. For example, there are several health therapists who are currently dispersed through the large building. He believes it would be more appropriate to group these businesses together in a similar location.

Artists and musicians are other possible clusters that could be created within the incubator.

“It needs more of a home grown, Castlemaine vision,” Ged said. His own visions include setting up a regional introduction service for small businesses, changing the location of the entrance where a café will be established, and making use of the large nurses’ quarters which are currently vacant.
Greenhill Enterprise Centre

Mission statement:
“To encourage and support viable business opportunities in our region that have the potential to create global companies.”

Year incubator started
1997

Premises
Phase 1: 1,260 sq.m leasable space
Phase 2: 1,500 sq.m leasable space

Building arrangements
Phase 1 Purpose built incubator - $2m provided by Multi Media Victoria; $1.5m provided by the University of Ballarat.
Phase 2 Purpose built networking building
Global Innovation Centre - $2.6m provided by the Victorian State Government; app. $0.8m provided by the University of Ballarat.

Tenants, graduates and employment impact
Tenant numbers 18
Occupancy rate 85%
Average length of time in incubator 2.1 years
Average no. employees 3.5
Total no. graduates 18
Total no. jobs created 123

Business survival and economic impact
% businesses still trading 82%

Incubator staff (roles)
Director and one assistant, with embedded support from the University of Ballarat.

Revenue from rent
75% of revenue from rent

Financially sustainable
after 3 - 4 years

AusIndustry Funding
$200,000

Contact Details
Uni of Ballarat
Mt Helen Campus
Ballarat VIC 3350
Ph: 03 5327 9893
Evolution

The Greenhill Enterprise Centre (GEC) is a purpose built incubation centre of the University of Ballarat, located on the 29 hectare Ballarat Technology Park. It is 2,500 sq.m in size and has 16 units designed for easy expansion and flexibility in accommodation. There is a function room and meeting room together with an impressive foyer.

This has been complemented with a 1,500 sq.m cluster growth building called the Global Innovation Centre (GIC). This is to accommodate the growth of the later stage companies and has larger flexible space.

The Centre was officially opened on 31st October 1997 and it became fully operational in February 1998. The City of Ballarat has been a strong partner and provides a number of incentives to companies that move to Ballarat. They are clearly ahead in Information Technology Implementation. One example is the Recent Collaborative Optical Leading Test bed initiative that now provides fibre to the suites and up to 100Mb/s Network access.

Management

The GEC is currently a University department and as such reports in the normal way. The incubator is seen as the heart of the technology precinct called Ballarat Technology Park, which is within the University of Ballarat campus.

The incubator is managed by Stan Jeffery who has had significant experience in the incubator domain. He was the founding director of the successful Australian Technology Park (ATP) incubator program in Sydney. Stan also established an incubator and linked venture fund in Malaysia where he also ran a very successful entrepreneur development program for 1000 entrepreneurs called “Ignite Entrepreneur Fire” for the Malaysian Government.

Prior to this Stan supported 25 Australian companies while running Toshiba’s R&D program in Sydney.

Tenant Businesses

The model was developed over a period of years and is one which actively intervenes in the growth of companies that will provide assistance and development for the founders.

The initial focus was Information Technology and communications. This has been extended to include X-tech where X is biological, environmental or agricultural.

World class branding and facilities to match are important to start up companies. The International Business Centre at the ATP and the GIC at the Ballarat Technology Park enable companies to aspire to big things and leverage these names as their business address. These companies can act as a large company before they become one.

The strong link with the University of Ballarat has produced a significant number of opportunities to grow new companies, with 50% of the current companies growing out of University research.

The link with IBM (Aust.) and other large anchor tenants has produced an amazing set of networking and business opportunities. For example, IBM’s ‘Earn as you Learn’ and an open system development lab with a small supercomputer centre.

Lessons Learned

As founding Director of the Australian Technology Park, and now Director of the Ballarat Technology Park, Stan has identified one major difference between the urban and regional incubator programs.

“In the urban centres it is possible to pick winners,” he says. “That is, the supply of prospective founders...
exceeds the available incubator space. In the regions we have to make winners because generally the supply of incubator space exceeds the supply of new business founders.”

Studies indicate that 10-15% of the population has what is called Latent Entrepreneurial Orientation; therefore it is expected that a number of these are potential founders of new business. “We need to find these and release this potential,” says Stan. “Then providing we can provide the necessary national growth environment, we should be able to reach our potential in the global market place.”

Social Outcomes

The Centre has a strong track record and is helping the region of Ballarat to grow. It is an important venue for networking and via such initiatives as the Entrepreneur Development Network is bringing like minds together for the betterment of the region.

Success Factors

Stan says the Greenhill Enterprise Centre is in an amazing position to capitalize on the work to date. As part of Information City Victoria, Information City Ballarat has access to some of the best funding in the country via the recently announced link with Allen & Buckeridge Seed Stage Ventures.

“We also have via this network access to offices in Collins Street Melbourne and the City of Sydney,” Stan said. “Together with links to USA and Perth, this provides a network and route to market for our companies.”

The regional and national issues in growing seeds of global companies are being addressed by venture capital programs and other funding initiatives. The Australian Government’s Building IT Strengths (BITS) program, for example, has been successful considering the prevailing tech crash economic conditions. Information City Victoria received BITS funding for early stage companies and invested in a number of Information City Ballarat companies. This has produced two successful companies and Information City Ballarat is looking at three other potential successful opportunities.

Stan’s Success Factors

Sound intervention program

Good selection with matching and mentoring networks

Accessing and releasing the intellectual capital stored up in our universities

“Studies show that the level of intervention is directly related to incubator companies’ success when the incubators have an associated sound intervention program.”

“Good selection is critical together with the matching and mentoring networks.”
Innovation Centre Sunshine Coast

Mission statement:

“To be the key catalyst in creating high value jobs in knowledge based sectors across the rapidly growing Sunshine Coast region.”

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**Year incubator started**
Launched on 7th February 2002.

**Premises**

**Phase one:** Total space is 600m²

**Phase two:** Total lettable space increases to approx. 1,300m² in March 2004

**Building arrangements**

Purpose built by University of the Sunshine Coast. Total establishment cost over 3 years of $6.5 m, of which University provided $5m, land valued at $0.5m AusIndustry $0.5m and Maroochy Shire Council $0.5m. Peppercorn rental until 2012 Qld Government contributed a total of $0.5m towards operating costs over first 3 years.

**Tenants**

Tenant numbers 6 at present employing 45 people

Occupancy rate 82%

Average length of time in incubator 2 years

**Graduates and employment impact**

Total no. graduates: 1

No. employees upon graduation: 2

**Business survival**

% businesses still trading 100%

**Incubator staff (roles)**

CEO and two support staff

**Revenue from rent**

Aiming for 55% by the year 2005

**Financially sustainable**

ICSC Pty Ltd aims to reach a ‘self-financing’ stage by year 4.

**AusIndustry Funding**

$500,000

Contact Details
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Sippy Downs QLD 4556
Ph: 07 5459 4545

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Australian small business incubators and their impact
Evolution

The Innovation Centre Sunshine Coast was the brainchild of the University of the Sunshine Coast and Maroochy Shire Council. The University was a key driver of the concept, and was very strategic in its approach to developing the Centre. Maroochy Shire Council's CEO - Kelvin Spiller - had previously been involved in incubators in Melbourne and was keen to see a high level incubator set up on the Sunshine Coast. The University - and its partners - recognise that while the Sunshine Coast region is an attractive, lifestyle region, it must broaden its economic base if it is to be more than just a tourism and retail area.

The Innovation Centre is part of a strategy for economic diversification that has clear benefits for both sides.

“The University want to see a diversified business base for its graduates. And The University and the local council, Maroochy Shire, share a vision for an integrated knowledge community,” says the Centre's Chief Executive, Colin Graham. This shared vision provides a platform for a cooperative approach to realising the goal of a broader economic base.

The University was established seven years ago in a fast growing region, and is a major economic development catalyst for the region. The University sees the incubator as one strategy for achieving this goal. Information was gathered about international best practice in University-linked business incubation through a series of trips overseas to look at concepts and designs.

The outcome of that research saw the development of a large scale Innovation Centre building that includes an auditorium and the base for a technology business incubator. The Innovation Centre building and technology incubator are effectively the first stage in the development of a large scale technology park – to ensure graduating firms have the right environment locally to keep growing.

The immediate next steps are opening up stage 2 of the building, and establishing a networked incubator site at another location along the Sunshine Coast.

Management

The make-up of the Board reflects the stakeholders. Two Board members are senior University staff; two are local business leaders, the CEO of the Shire and a senior representative from the Queensland Government's Department of Innovation. The Centre's CEO is also a board member.

One of the outcomes of the University looking at international best practice was recognition of the need to have a world-class manager. Colin was recruited from Robert Gordon University in Aberdeen, Scotland, where he had set up an award winning business incubator. Colin has a strong background in entrepreneurship and business development, having worked for ICI and Dulux as international product
manager, before setting up his own innovation consulting firm, Yellowbrick.

**Tenant Businesses**

Marketing is a serious business for the incubator, as it aims to attract the cream of the region’s innovative technology companies. The Centre uses and tracks the effectiveness of a variety of approaches, and has found that articles in local media, and local radio and TV coverage, have generated the highest enquiry response rate. The second largest source of enquiries is the University – undergraduate and graduate students – and Colin spends a lot of energy on getting the Centre’s message across to staff and students.

The branding is important – and the fit between the Centre and the region is a close one. “We’re all marketing the area as a great place to live and work,” says Colin.

The Centre is expecting 40% of tenants to come from the University, and rest from outside, based on international experience. Colin says the Centre is already having an influence on the University: “Software developments and informatics have been added to the University’s strategic plan, as part of their effort to supply graduates well prepared for knowledge-based jobs. And we are part of an advisory group on a course the University is setting up on Innovation, Creativity and Entrepreneurship for all 1200 first year students - this begins in February 2004.”

Of the current group of seven tenants, six have been formed by locals, while the 7th is an R&D company that relocated from Melbourne. The tenants are in software development, electronics, multimedia and e-business systems.

Colin describes them as “Born global businesses that have grown from 1 to 2 staff when they move in to around a dozen staff after 18 months. We are confident that they could enter high level incubators anywhere in the world.”

Rental rates at the Centre are at or slightly above market rates. “We are not selling office space”, says Colin, “as we are bundling all our services in together, and are able to trade on our growing reputation.”

The incubator provides active, hands on growth support for tenants. This includes specialist advice on product and service development, marketing and finance, as well as valuable introductions to networks for marketing and finance. The incubator does not charge for this up front, but negotiates a deal with tenants; a small royalty on sales. Colin has calculated the expected cost of the hands-on business development support over a tenancy, and the royalty is capped at that amount. The royalty deal kicks in after two years in the incubator. Colin describes it as a “Buy now pay later scheme, which is going down well with the tenants because they have two years to see
the real value of this support before they have to start sharing the returns.”

The core driver of this support is each tenant’s Advisory Panel – chaired by Colin and comprising three to four expert members of the Centre’s Advisory Network. The Panel sticks close to the tenant, with formal quarterly strategic business review sessions complementing the ongoing interaction with management.

Tenants are expected to stay two to three years. The desire of all stakeholders is that they graduate to premises nearby. Colin says he expects graduates to want to stay close to the University, to tap into the student population as interns, testers and employees. And the technology park will be the logical next step.

**Lessons Learned**

A key lesson has been the importance of strong, visible support – from everyone – from the Vice Chancellor, to the Shire’s CEO to the Queensland Minister for Innovation (who has been on the site five times since the Centre opened). Colin says: “It’s all good exposure, and it ties the stakeholders in – they really feel a part of what is going on.”

The second lesson is in building design. Colin says it is a great building, designed to be flexible with low cost transition from University teaching uses to incubator uses as tenancies grow. But Colin recognises that: “It is the people who run the place that will make it or break it.”

**Social Outcomes**

The Centre is set up to have a major role in fostering a knowledge based entrepreneurial culture in the region. The Centre already runs free seminars and provides fee-for-service events for entrepreneurs in the region.

Colin has high expectations. “We think we will be the largest technology incubator in Australia when our new space becomes available to tenants early next year. We expect to be a major contributor to diversifying the economic base of the Sunshine Coast, and providing a range of interesting jobs for graduates of the University. It’s all about keeping knowledge based businesses local.”

**Success Factors**

The Centre has some early runs on the board, and is well on target with its own business plan. This has come from the excellent planning from the birth of the idea for the Centre, and the University, local Council and other partners quickly educated and informed themselves on best practice and learnt lessons form many other incubators. Participation in US National Business Incubator Association activities, and tours of leading university-linked technology incubators worldwide meant that the foundation for the Centre was based on world best practice.

In delivering the outcomes for tenants, Colin’s view is that the success of the Centre will come down to the way it contributes to their business success. And according to Colin, these are relationships of “Tough love”.

**Colin’s Success Factors**

- **Partnerships** – “The partnership between all three levels of government – Maroochy Shire, the Qld Department of Innovation, AusIndustry, and the University is a real strength along with the active involvement, commitment and backing of the business community”.

- **Ambition** – “We aim to be one of the top 10 to 20 technology incubators in the world”
Capital Region Enterprise and Employment Development Association Inc.

Mission statement:
“Creating work opportunities through the development of people, enterprises and our communities.”

Year incubator started
1989

Premises
CREEDA comprises 3 incubator sites in the ACT, with a combined total of 4861 m² in rentable space.

Building arrangements
Downer and Narrabundah: peppercorn rental paid to ACT Govt.
Erindale: building purchased from ACT Govt. at a concessional price

Tenants, graduates and employment impact
Occupancy rates:
Erindale 74%
Downer 83%
Narrabundah 65%
Tenant numbers approx. 100
Average length of time in incubator 2 - 3 years
Average no. employees 3.83
Total no. graduates 217
Total no. jobs created 1,523

Business survival and economic impact
% businesses still trading >80%

Incubator staff (roles)
Enterprise Development Manager
3 Business Centre Co-ordinators
at least one relief / part time worker

Other staff with portion of time dedicated to incubators:
CEO
3 staff in corporate services area
IT, building and business coaching is outsourced

Revenue from rent
Fluctuates from 60 – 75%

Financially sustainable
After first year
AusIndustry Funding
$ 1,048,000

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Evolution

The Capital Region Enterprise and Employment Development Association Inc. (CREEDA) grew from the job creation arm of Jobless Action – an organisation set up to advocate for and help unemployed people. In 1987, CREEDA was established and it realised an incubator was required in the ACT to provide intensive business development services. The first of its currently operating incubators commenced at the Canberra suburb of Downer in 1989. Erindale started in 1997 and then Narrabundah in 2001.

Julian Webb, founding CEO, said: “When we started we had to invent it as we went along, with whatever desk research we were able to do, only later having the funds to go and look at others overseas and confirm we were on the right track”.

CREEDA has pioneered small business incubation in Australia, and is a role model for many in Australia and overseas, having helped to establish 35+ other incubators.

Awards:
- 2000 Australian Incubator of the Year, and Minister’s Award for Outstanding Achievement;
- 2001 and 2003 Graduate of the year award; and
- International Incubator of the Year award (at 17th International Incubation Conference, San Jose).

Management

The three CREEDA incubators are managed together, with a manager, centre co-ordinators at each site, centralised corporate services and outsourced business coaching and IT support. With a 15 year history, and following Julian Webb’s management in the 1990s, CREEDA has had a number of incubator managers.

At the time of preparing this case study Clinton White had just taken over the role. Clinton is CREEDA’s new CEO and Julian Webb, who had been the CEO since 1987, now concentrates on consulting and project development work as the managing director of CREEDA Projects Pty Ltd.

The three business centre co-ordinators at each incubator site do a lot more than just reception work.

“They handle all the complaints, all the responses to repairs and maintenance”, Julian said. “They work very well in the networking process and improving commercial knowledge, and assist with identifying training requirements."

“Centre co-ordinators give the manager and business coaches more time to provide incubation services to our tenants, to help them grow and prosper. Because that’s the key role.”

Former CEO Julian Webb has been with CREEDA since before its inception, and he initiated the first incubator experiments of the 1970s/80s.

“Basically I’ve been the Champion and got the whole thing going”, he said. “I managed them for quite a number of years and then moved on to more strategic things within the organisation while other people managed the incubators.”

CREEDA has a very committed board of individuals from strategically selected sectors including law, finance, a migrant network, tertiary education, the community sector and local government. Members act as trustees for CREEDA’s objectives and are involved in policy, strategic direction, financial oversight and supervision of management.
Tenant Businesses

The criteria for selection of tenants is that they must be start-up, emerging or home based businesses and not already operating from a commercial premise.

“We rarely advertise, as we have our own broad network, with organisations such as the Canberra Business Advisory Service“, Julian said. “It is very much a referral process.”

Services provided to tenants include:

- Accommodation on flexible terms;
- Reception and other secretarial services;
- Coaching – “every tenant has a dedicated coach paid for by CREEDA, and mentoring”;
- Referral to professionals and networks, and networking between clients.

Anchor tenants take up about 20% of the incubator space at CREEDA. This means tenants of some significant financial status, size, success, and business expertise who can add stability to the whole centre, because –

a) all anchor tenants provide a significant amount of support to the other tenants in the form of internal networking, alliances and entrepreneurship; and

b) they also provide substantial secure monthly income.

Lessons Learned

Julian believes CREEDA’s major challenges have been overcome with skill, passion and commitment, always in the best interest of tenants. He emphasised championship, doggedness, tenacity and taking risks as necessary traits in tackling difficulties. Ongoing difficulties include securing tenure on disused buildings, financial self sufficiency, and keeping good managers as they tend to burn out over time.

“We have made numerous mistakes, will no doubt make more, and hopefully will remain innovative and committed”, he said. “It doesn’t get easier and in retrospect the easiest times have been the first few years with each of the incubators.“
Social Outcomes

CREEDA has a broad and diverse involvement with the ACT community.

“When we started there were almost no services for new and small business in the ACT”, Julian said.

“Now there are a plethora of services and the ACT is a hot bed of entrepreneurship. Some of these can be tracked back to CREEDA and some key services are now run by ex CREEDA staff - such as the main business advisory service. The ACT Home and Micro Business Association also started out as a part of CREEDA.”

Other core activities include: an employment and training business; a consulting business (CREEDA Projects Pty Ltd); a training business (CREEDA is an RTO); an indigenous enterprise development program; and a residential mental health program.

Julian’s Success Factors

- Free buildings
- Economies of scale
- Financial self-sufficiency
- Integration with other business programs
- Good staff
- A good board that doesn’t micro manage
- Meeting tenants’ needs
- Good tenants and graduates - “the graduates are the best testimonial”
- Tangible Government support (local and Federal)
- Monitoring of impacts
- Continual best practice improvements
- Commitment
- Passion
- Championship
- Confidence
Salsa in a Cold Climate

Jansyl Lagos, originally from Chile, started her business as a sole proprietor at one of the CREEDA incubators in Canberra, in 1995. She now runs the Salsambada Dance Studio with a crew of dedicated staff for the 200+ students who flock to learn the hot moves of Latin dancing on cool Canberra evenings.

Early Days

Jansyl first went to Canberra because she has relatives living there. She became involved in performances with South American dance, mostly as a hobby. After commencing a university marketing course, an intense desire to be financially independent took hold. This was fuelled by a newspaper advertisement offering government grants for young people with a business idea. The scheme was Youth Business Initiative – linked to the NEIS Program – and Jansyl applied for, and received, a grant.

“It started with a few classes during the week, then it started to be Monday to Friday non-stop.”

Jansyl found the environment at the CREEDA incubator to be very supportive.

“It was sort of like a family,” she said. “From getting a business name to connecting phones, or paperwork to legal aspects, we always had help at the office there. It was good.”

With the incubator’s support and local business advice, Jansyl believes she avoided “the major mistakes you can make in business”.

She maintains regular contact with CREEDA and always calls if in need of help.

“They’re always there for me, so that’s good.”

Moving On

Jansyl described her decision to move out of the incubator after 4 years as difficult, but she felt the time was right. An opportunity to relocate to a central nightclub had arisen and, while there was no pressure from CREEDA, Jansyl knew she had to take it up.

“It was a big decision to move,” she said. “Along the way I thought it would have been easier just to stay there, because it was less hassle. But when you want to get bigger you have to get into more problems and more headaches and more thinking. It was sad to leave because it was so comfortable. Everything was ready, done. I didn’t have to decorate, or renovate or change anything. And the support was really important, it was like company, having someone there all the time, every day. If I needed to write a legal paper I could get help. And then when I separated...
from them I guess I lost a little bit of the link because I got so busy, and I decided to do things by myself. I was ready then, but it was really scary.”

In the year 2000 Jansyl purchased the night club – Salsa Dance Co. Pty Ltd – as director, and put a lot of hard work into renovations. Club Habana was born!

“People started to talk about the club as a new club and the best in Canberra. We had a new stage, new floor, painted everything, new furniture, new bar and so on. We had all these promoters coming to us wanting us to do this and that, and we said ‘Yes, yes, yes!’ and we started doing house techno music on the weekend as well, and R&B and so on. Started to do Fridays, Saturdays, Sundays. Started to do Raves that went until 6 in the morning first, then recovery nights that went until 6am, then started up again 7 or 8 in the morning, then went to 12 the next day. So it was unbelievably exhausting. It started to grow, grow, grow. Obviously we didn’t sleep much. But it was good because the dance studio grew a lot, people talked about it and we had a lot of customers.”

Success and the Future

Jansyl believes the success of the Salsambada Dance Studio is due to its “very, very good reputation“. This is clearly due to the hard work she and her loyal staff have put into building it up, and their constant striving for improvement.

“More than all the years of experience is that we have maintained what we think is the most important thing in business, which is looking after our customers. So they go and tell someone else. We do advertise in newspapers and yellow pages and here and there, but when we ask people usually they say ‘I heard, or my friend told me, or my mum’. It’s always word of mouth. So I think that’s the main factor, that we have kept our reputation and that high level, and always improving. Making it better, making it better. Never less; always more.”

After more than 3 years of running the club, another decision was made to sell and revert to a normal life, concentrating on classes only. With their hearts solely in Latin music, Jansyl and her team have already expanded to five locations in Canberra.

Having come so far, Jansyl now has the skills to start up a similar business in a different location.

“I think I’m ready to delegate more, and leave it in someone else’s hands. Because I have all the tools and experience to start up anywhere I want. Canberra was a big risk, and I decided to stay because I had all this guidance and help.”

There are plans to franchise her business, and to move away from Canberra.

“My next destination is going to be a tropical one. Because I like the hot weather!”
Softly, softly – in leaps and bounds to global growth

The co-founders of SoftLaw Corporation Limited, Peter Johnson and David Mead, moved into the CREEDA business incubator in 1990. They were among the early tenants of CREEDA, which had opened in 1989 at the vacant premises of a former primary school in an inner northern suburb of Canberra.

SoftLaw has become an inspiring business success story. It was the first Australian incubator tenant to move into its own building (the SoftLaw building), the first to list on the Australian Stock Exchange, and it now has offices in the United States and United Kingdom.

Peter, a solicitor, and David, a software engineer, are passionate about social justice. They’d been doing research in and around the welfare rights sector, inventing a system for access to more accurate social security payments. The name SoftLaw is derived from their combined professions/interests as software engineer and lawyer. The company provides software solutions for the administration of complex legislation, policies and procedures. The major product is a rule-based system –STATUTE Expert – used primarily for government and regulatory agencies, such as defence, veterans’ affairs and social security.

Early Days

Describing SoftLaw’s entry into the CREEDA incubator, former CEO Julian Webb said: “Peter and David had worked together since 1984 on research and development, working from home. When SoftLaw was formed in 1989 they moved into the CREEDA incubator.”

Julian continued: “SoftLaw was one of CREEDA’s first tenants. Peter knew of the incubator as we were in the same networks. When Peter and David formally established a business they decided to set up here.”

SoftLaw started off in one classroom, then expanded into more classrooms, until eventually it occupied a whole wing of the premises.

At the Incubator

Julian said that the leasing arrangements of the incubator were a big help to SoftLaw.

“SoftLaw had their own competent business advisers – so they didn’t need much help from us. The main benefit was flexibility with leasing and space, allowing
them to expand and contract as required. Early on they used the incubator's services – fax, photocopier, phone. Plus I think the atmosphere and support helped. But mainly the way we leased space to them was beneficial.”

Belinda Burgess – General Manager of Commercial Services – has been with the company since 1991, and recalls their time in the incubator as very hectic.

“We didn’t actually have much interaction with other tenants. It could just have been because of us. We weren’t the sort of company that needed networking from the others. Always busy…always just flat chat, getting our work done.”

Moving On

Belinda said that it became obvious when it was time to leave the incubator.

“We’d been working on a Defence project, and we needed to expand for that. There was no more space available. The business had progressed; it needed its own commercial premises. There’s connotations with being in an incubator…people think you’re not necessarily stable. That feeling of stability was important from the customer’s point of view, and also important in recruiting smart people. I think we should have moved earlier. A lot of us did want to move earlier.”

She commented on the reasons it took quite some time to move out of the incubator:

“It was a long process taking two years. The board manages the company finances conservatively; it has no debt. Everything’s done from the earnings and the move was a significant cost, in terms of fit-out and rent increase. At the incubator we were on month-to-month terms, so if a downsize was wanted we just said ‘We don’t need this space anymore’. The incubator gave us a lot of flexibility for space. Here, with a commercial lease, we’re making a commitment for five years.”

Success and the Future

When SoftLaw left the incubator in 1998 its turnover was $5.5 million and by 2003 it was $17 million. Staff numbers grew from 30 – 40 at the incubator to around 130 in 2003. Belinda said: “The business is now a listed public company with its head office in Canberra and an office in Sydney. And there are also offices in London and Washington.”

SoftLaw’s future looks challenging and exciting, with expectations for significant global growth.

SoftLaw maintains a strong involvement with CREEDA through particular individuals who became passionate about business incubation. Michael Johns, a CREEDA board member, was one of the key management staff of SoftLaw when they were using the incubator. He took a liking to the incubation concept when he was involved with SoftLaw, and has been a member of CREEDA’s board for many years. The director of SoftLaw Community Projects (the company’s non-profit side) is another long standing CREEDA board member.

Belinda’s Success Factors

- Really, really smart people
- Skill
- Staff who believe in what they’re doing
- Making a difference in delivering real benefits
- The product is a world leader in its field
Mission statement:
“Adding value to the region’s economic diversity and prosperity by providing affordable work spaces for new start up businesses and home based businesses together with professional business support and advice, as well as creating sustainable businesses and employment opportunities.”

Year incubator started
1996

Premises
Total space is 1,000m².

Building arrangements
Owned by Council and provided rent free

Tenants, graduates and employment impact
32 tenants at present employing 64 people
Occupancy rate 90-95% (annual average 92%)
Average length of time in incubator 2 years
Total no. Graduates 73
Average no. Employees 3.4 (upon graduation)
Total no. Jobs created 248

Business survival and economic impact
% businesses still trading 72%
Total graduates employed 248
Total income generated $5.9 million

Incubator staff (roles)
Manager
Office Assistant

Revenue from rent
80%

Financially sustainable
Incubator running costs are covered by rent and fee-for-service income

AusIndustry Funding
$500,000 for Rockingham Business Development Centre
$500,000 for new incubator - Kwinana ICT

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Australian small business incubators and their impact
Evolution

A business incubator in Rockingham was first proposed ten years ago. AusIndustry and the City of Rockingham contributed funding and land to enable construction following a feasibility study indicating that an incubator could be viable in the area. The incubator’s manager from day one in November 1996 has been John Ham. John says, “Having become the BEC Manager for Rockingham, a proposition was put to me if I would manage the BEC and business incubators in a purpose built building. At that stage I knew nothing about business incubators. We have grown from there to a very successful incubator that is widely recognised for its performance and value it adds to the community.”

The major stakeholders in the incubator are the City of Rockingham, the Town of Kwinana, and the Small Business Development Corporation. The South Coast Business Development Organisation manages the incubator on Council’s behalf, and also operates a Business Enterprise Centre (BEC) from the Rockingham incubator site. The Organisation is about to open a second incubator, the Technology Business Incubator in Kwinana, in early 2004 (with a further $500,000 of AusIndustry funding playing an important role).

Management

A dedicated Board governs the incubator with 11 members from local government (Rockingham and Kwinana), private sector business, Murdoch University and the Regional Chamber of Commerce.

“There is a commitment to maintain a Board that is truly representative of the community,” says John. “It has a very active role and is accountable for the incubator’s performance and outcomes.” John has produced a manual that clearly sets out the roles and responsibilities of the incubator, management, staff and Board.

John has a background in Social Science and worked in tourism for over 20 years, in marketing and then in business development. John describes his current role as: “The same as the day I started – only now I am probably much wiser and better informed and skilled about business incubators!”

John acknowledges the challenges in his role: managing a BEC, looking after 33 business incubator spaces and now taking responsibility for managing the new ICT incubator in Kwinana. “Time management is a valuable tool,” says John wryly.
John’s approach to incubation is very hands on. “I believe I am accessible. I keep in close touch with my tenants so they know that help and assistance are available, if needed. I respond by making suggestions that will help them to grow or develop their businesses. It’s the business support mechanisms that we have in place, provided at the right time, that makes the difference between a firm’s success or failure. Interestingly, tenants tend to appreciate the help they received the most after they have graduated”.

John says that the atmosphere in the incubator is: “Very pleasant, cooperative and helpful. We have marvellous rapport with our tenants and they respect our openness and help.”

**Tenant Businesses**

The incubator only takes new businesses. The tenants are start-ups from the local Rockingham and Kwinana area, many of them home-based. The tenants cover a range of industries – services, ICT, light manufacturing and food processing. Tenant applications are all vetted by a three person panel.

As a minimum, prospective tenants must be able to pay their rent (set at market rates), and have growth prospects. John says, “We have an informal policy of giving people that want to start business a fair go - not necessarily the best performers or high value businesses. If people meet our basic criteria, have a clear vision of how and why they want to grow their business and they have funds in the initial stages to pay their rent, we will give them a chance.”

Tenants stay in the incubator for periods from two months to a maximum of three years. John says. “Many leave before their three years is up, and we encourage them to do so if they are expanding and market ready.”

The incubator has a structured process of keeping in contact, twice a year, with graduates to monitor their business performance and number of people they employ.

**Lessons Learned**

The establishment of the incubator met with strident criticism from local commercial real estate operators. John says, “It was not until we proved that our graduates would be successful sustainable businesses, where landlords of commercial property would not have to chase bad rent debts, that we convinced them. Now they are strong supporters of the incubators.”

Another lesson from the early days has been not to be too lenient on poorly performing tenants who, in some cases, misunderstand compassion as a sign for further leniency.
The incubator prefers to help tenants out of difficulties, where possible, by giving them a chance to pay out their debts and monitor their progress. The incubator can give tenants a program to pay over an extended period with unpaid rent. If they continue to go back on their rent obligations they are asked to leave. The incubator also has a special circumstances fund. John says, “We can offer financial assistance (to purchase supplies or the like). We won’t just hand over cash. We have used this facility once and it was very successful. The business survived and became much stronger.”

The incubator applies the same discipline to its own operations. Financial sustainability is the result of good marketing, management, and networking with key industry groups and agencies that can direct start up businesses to the incubator. A supportive Board and good staff are the foundation.

Social Outcomes

A key outcome of the incubator is the numbers of jobs created in the local community. Rockingham’s graduate tracking indicates that the 73 graduates are now employing some 248 full-time and part-time staff – and injecting some $5.9 million into the local economy. John says, “There is certainly a high level of support from the business community, which is impressed with our excellent outcomes. Both local governments and Councillors are strong supporters of the incubator, mainly due to the results we have achieved.”

But the incubator’s influence goes beyond the numbers of businesses and jobs created, with the new Technology incubator at Kwinana another result of the Rockingham’s success to date.

Rockingham has gone out of its way to foster a Memorandum of Understanding (MOU) with Murdoch University and with a key ICT organisation in Malaysia. These activities are being done strategically, to enable the incubator to attract businesses from these international incubators on an exchange basis, and providing an insight into Australian markets. The reverse will also be encouraged, where businesses from the IT incubator in Kwinana work in the linked IT incubators overseas. John says, “The MOU’s will go much further by creating additional commercial opportunities as well as export development and knowledge transfer between ourselves and organisations in countries we deal with.”

John’s Success Factors

- **Management** – “Good staff, and an ability to work constructively, provide business skills/guidance and sensitivity to tenants.”
- **Promotion** – “Making sure the incubator, its virtues and positive outcomes are promoted and publicised at every opportunity.”
- **Accessibility** – “I make a point of having tenants give me a regular overview of their businesses performance.”
- **Board** – “Having a progressive and dedicated Board is a big help.”
Portside Online Small Business Incubator

Mission statement:

“To encourage the growth and creation of new businesses”

“To reduce the failure rate of new business”

“To encourage the transfer of skills and retention of people, especially young people.”

Year incubator started
1999

Premises
Total space is 1,019m$^2$, of this 853m$^2$ is lettable (25 units of space ranging through 14, 16, 27, 30 and 70m$^2$)
Car parking for 40 cars and fully equipped reception

Building arrangements
Building owned by Burnie City Council. Advance Burnie manage the incubator under a memorandum of understanding (MOU) with Burnie City Council. Total refurbishment costs were approximately $500,000.

Tenants, graduates and employment impact
Tenant numbers 17
Occupancy rate 80%
At present employing 27 staff plus 20 volunteers
Total no. graduates 6
No. employees upon graduation 1.5

Business survival
Graduate businesses still trading 66%

Incubator staff (roles)
Chief Executive (shared role with managing organisation)
Executive Assistant (shared role with managing organisation)
Casual reception relief under MOU

Revenue from rent
50%

Financially sustainable
Advance Burnie staff currently employed by Council under MOU
Full occupancy target and ongoing rent reviews will mean incubator will be able to cover its running costs in 12 to 18 months

AusIndustry Funding
$500,000 (DEWRSB) in 1999

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Australian small business incubators and their impact
Evolution

The idea behind the Portside Online Small Business Incubator came from one of Burnie’s Councillors, Jim Altimira. Following a successful feasibility study, funding of $500,000 was provided by DEWRSB, and refurbishment work commenced in 1998. The building was previously a State Government owned facility, leased to various government agencies and community organisations after TAFE exited the building and prior to it becoming an incubator.

Management

An important feature of the incubator is the relationships it embodies, linking Burnie City Council, Advance Burnie and the Braddon Business Centre. Advance Burnie is a community organisation in the mould of a local economic development corporation – which has a strategic community and economic development focus in Burnie.

“Advance Burnie commenced operations in February 2003 and took over management of Portside at the same time”, says Bruce Sexton, Advance Burnie and incubator Chief Executive. “Both myself and my Executive Assistant share our time between the incubator and other Advance Burnie activities”.

The Braddon Business Centre is a community-based business support service covering the North West Coast region, and it provides the hands-on business support to the incubator’s tenants.

Portside has a dedicated Management Committee that unites these parties – with representatives from Advance Burnie, Council and the Braddon Business Centre. “It’s a good Committee”, says Bruce. “They expect a lot of me and my team. We have to be rigorous in monitoring our performance and communicating that with the Committee”.

Bruce’s background starts with a long career in banking, followed by a move into economic development in Mackay in Queensland. “Burnie is a long way from North Queensland”, says Bruce, “But I love Tasmania!"

Rents are at CBD comparable rates, though the incubator offers staged discounts on non-rent occupancy costs (IT, carparking, reception etc) that start at 25% and rises to 100% over the first 4 quarters of a tenancy.

Tenant Businesses

The tenants in Portside cover a spectrum from for-profit private businesses (start-up and established), through community enterprises to service providers. Bruce has a policy of keeping the number of start-ups in the incubator to a maximum of three. At present, the business tenants include an engineer, a mineral analyst and a private investigator.

The incubator hosts a number of community enterprises providing a variety of services, including regional IT connectivity, personnel, commercialisation support for artists, and the Burnie Online Access Centre. The incubator also hosts a number of community service organisations covering disability advocacy, migrant resources, and environmental support. A new tenant is a Burnie City Council funded project to restore and catalogue historical photographs of Burnie and the surrounding region. An innovative way of helping tenants grow their businesses is the establishment of partnerships and shared tenancies.

Since Advance Burnie commenced in February 2003, Portside has had two graduates.
Lessons Learned

An important lesson has been to forge a genuine partnership between Burnie City Council, Advance Burnie and the Braddon Business Centre – to maximise results from the limited resources available in the region. Bruce recognises the value of this partnership, and uses it as a springboard to build relationships across the community – focusing on people likely to act as referrals of new tenants.

Patience has been another key learning during the incubator start-up phase, along with having the capacity to host a diversity of tenants that reflect the needs of a small community.

A third lesson has been to apply business management principles to the incubator itself – formalising licensing and tenancy arrangements, financial management and reporting requirements.

Social Outcomes

Portside is playing a strong role in the community – across two key areas. Firstly, the incubator is providing accommodation and support for businesses starting in the region – a role played by all of Australia’s incubators. But Portside does more, and this reflects the role of the incubator in a small regional centre. Hosting a variety of community enterprises and service providers, Portside acts as a hub for information and support for the region’s community. And Portside is actively helping these organisations survive and grow – alongside the traditional business client base.

“These not-for-profit organisations play a crucial role in the community”, says Bruce. He believes that excellent management skills are vital for a community organisation, and are often lacking in key areas like Director’s responsibilities, Board and staff roles, meeting and minute taking procedures, financial management, networking and relationship building.

To address this, Portside is working with Burnie City Council, Braddon Business Centre and the Department of Health and Human Services on a program to build management skills in the not-for-profit sector. “There are no specific courses or support structures for these organisations”, says Bruce. “And we have noticed the similarities between the issues they face, and the issues our private business tenants face. It seemed like a natural move for us to look at offering management skills support – in a structured way – to the not-for-profit sector as well. We think it is a first in Australia.”

One of the tools Portside will use is its relationship with the University of Tasmania, with an MOU providing a commitment for the University to work with the Burnie community and the North West region of Tasmania.
Success Factors

Burnie is a progressive and growing city (current population 19,500), and the model behind Portside is one that maximises returns to the community from the small resource base. The City now has Advance Burnie with a broad economic development agenda, working in close collaboration with the incubator providing hands-on support. The incubator’s activities reflect this close connection with community service and economic development, especially in supporting the not-for-profit tenants alongside the private businesses.

Bruce’s Success Factors

- **Board** – “A strong management committee that pushes me as the Manager as well as supporting us is a big help.”
- **Finances** – “Always watch the bottom line.”
- **Incubator Management** – “We’ve had to systematise the incubator management processes to allow me to work more broadly in the community.”
Liverpool Business Growth Centre LTD.

Mission statement:

“To encourage by providing accommodation and assistance to start up and early development businesses to create employment in the Local Government Area, to reduce the failure rate of these businesses and assist them to operate efficiently and at their maximum potential.”

Year incubator started
1998

Premises
1075 m² rentable office and workshop space

Tenants, graduates and employment impact
Tenant numbers 21
Occupancy rate 100%
Average length of time in incubator 14 months
Total no. graduates 17

Business survival and economic impact
63% of graduate businesses still trading

Incubator staff (roles)
General Manager
Administrative Assistant

Revenue from rent
73%
21% from services provided to tenants

Financially sustainable
Incubator operations running on a financially sustainable basis. Extra activities include other functions like fee-for-service administration of projects and community organisations

AusIndustry Funding
$668,000

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Evolution

The Liverpool Business Growth Centre was the brainchild of the Liverpool City Council and the Fairfield Office of Labour Market Adjustment Committee in the mid 1990s. The Commonwealth Government provided funding in 1996, and the core of the incubator became a reality when the Council provided half of its Works Depot on a ten-year lease at a peppercorn rent.

The incubator received a boost with expansion funding which allowed creation of five new industrial units in a former shed, and four new offices in the former training room. Centre Manager Dianne Armstrong says that the incubator: “is now bursting at the seams. When a good-sized tenant graduates we divide up the space into smaller offices and off we go again.” Dianne is currently discussing the refurbishment of a former visitors information centre as a community project, leading to space for another three or four offices.

The incubator has produced a video for use at trade fairs and expos, and a CD to send to potential tenants, as well as articles and advertisements in the local paper. But most of the tenant inquiries come from referrals, and graduates play an important role. “We send a monthly newsletter to tenants and graduates, as a feeder for our regular drinks and nibbles sessions,” says Dianne, “and this keeps us connected to our graduates.”

Management

Dianne has a great background for a hands-on manager – 20 years experience as joint owner of a sizeable plumbing business. From there, Dianne moved into business advice – with time at the BECs in Macarthur, Cessnock-Maitland and Blacktown, before opening the Liverpool incubator.

Dianne does a bit of everything – budgeting, accounting, administration, marketing “Just like one of our tenants, really.” Dianne works closely with the incubator’s Administrative Assistant, Crystal.

“It’s a great working atmosphere, extremely happy for both staff and tenants. My door is always open,” says Dianne. One of the highlights of the working relationship has been Crystal’s completion of a Certificate II in Small Business Administration, and her starting a Certificate IV in Small Business.

Tenant Businesses

The Liverpool Business Growth Centre has a lively mix of tenants. The former Council Works Depot location means that the incubator can offer a variety of accommodation: offices, industrial units, and sheds. The tenant mix reflects this diversity, with the offices including a security firm, IT businesses and a media business. The Liverpool Migrant Resource Centre has a small Arts Incubator in one of the industrial units, while others are busy with light engineering firms. A growing mini-bus business makes good use of the sheds. All up, the current tenants have around 100 full-time and 200 part-time employees.

The Liverpool area is growing strongly, and there is now steady demand for space at the incubator – allowing Dianne to be selective. “Our entry policy really emphasises a capacity and interest to grow the business – and especially employment.” Tenants pay slightly less than market rates when they move in, but the incubator has a policy of increasing rents by around 10% a year ensuring that tenants are on a strong commercial footing by the time they leave.

The incubator has graduated 17 tenants – with an average of 8.7 jobs in each at the time of graduation. One graduate is Ground Technologies – a soil technology firm awarded Tenant of the Year at the 2002 ANZABI Conference.
Dianne has seen few failures – which she describes as: “A business that might be a good idea, but which just couldn’t pay its way, and where the owner has lost money.” Far more frequent are those who cease trading voluntarily by selling or closing their business, and then move on to another challenge.

**Lessons Learned**

1. “An open door allows us to keep close to the tenants – seeing problems early and nipping them in the bud before they get explosive.”

2. Dianne is not a fan of overly formal review processes that…”remind people too much of being at school! My office is never empty for long, someone will always come and have a chat. This place is so much fun – it’s like a family!”

3. Of value is the informal networking that goes on between tenants. A lot of business is done as a result of monthly get togethers over drinks and nibbles.

4. Flexibility is also important in relation to graduation, with Dianne keeping a careful eye on her tenants that are approaching graduation. “Sometimes I feel like a mother hen,” she says. The move to a full commercial lease is a big one, and Dianne wants her graduates to be well placed to pick up the additional costs of setting up completely independently, before they move on.

5. There have been salutary lessons too, involving taking people too much at face value. There have been some awkward departures. At least one moonlight flit, “But we tracked them down and they paid what they owed us in the end,” Dianne says.
Social Outcomes

The incubator has recently taken on a new role – providing administrative support for the Liverpool Chamber of Commerce and Industry. Dianne says, “The arrangement works well for both sides – providing the incubator with some extra staff time, and Chamber with a base in the real business community.”

Dianne has also got the incubator involved in addressing an important problem in the district – that young people are not interested in jobs in the manufacturing sector, with vacancies going begging. The Manufacturing Youth Jobs project is placing 300 young people in work experience in the region’s manufacturing businesses to show them just how high-tech and global the industry has become. The project hopes to place 30 young people into apprenticeship vacancies that cannot be filled – and the incubator provides the project’s logistical and administrative support.

Overall, the incubator’s focus is on job creation through small business, and with Liverpool a growth area, most graduates are staying close by. In this way, the incubator provides a platform for small businesses to play a role in Liverpool’s broader economic and employment development strategy.

Dianne’s Success Factors

- Love your work – “This is the Best Job!”
- Staff – “Recruit the best staff and help them grow in their job.”
- Open door – “My office is never empty for long.”
- Financial independence – “We’re not relying on sponsorship from one year to the next.”
Nirimba Business Centre

Mission statement:
“To develop employment opportunities in the Blacktown Local Government Area through the provision of small business incubator facilities and ancillary services.”

Year incubator started
1997

Premises
836 m² rentable office space
985 m² common and meeting areas

Tenants, graduates and employment impact
Tenant numbers 26
Occupancy rate 100%
Average length of time in incubator 20 months
Total no. jobs created 180
Total no. graduates 52
Ave no. employees upon graduation 2.25

Business survival and economic impact
87% of graduate businesses still trading

Incubator staff (roles)
Manager
Assistant Manager
Administrative Assistant

Revenue from rent
57% from rent
32% from telecommunications and other services provided to tenants

Financially sustainable
Operating at break even since 2002-03

AusIndustry Funding
$500,000

Contact Details
Bldg T2A Nirimba Education Precinct, Eastern Rd
Quakers Hill NSW 2763
Ph: 02 9853 3200
Evolution

The Nirimba Business Centre had its origins in the district’s Office of Labour Market Adjustment Committee, known as Blacktown Regional Economic and Employment Development (BREED) – a not-for-profit incorporated community body. BREED undertook a feasibility study in 1994 which demonstrated the viability of an incubator in the Region, and an unusual building appeared to be available at very low cost a year or so later. The building is part of the old Navy training facility at Nirimba, which was converted into the Nirimba Education Precinct and combines a TAFE, a campus of the University of Western Sydney, a State Senior College and Catholic Senior College. An interesting location in many ways, but not an ideal location for business being on the western fringes of the district and in a precinct that actually did not permit commercial activities! Undeterred, BREED won a Commonwealth grant of $500,000 in 1996 to refurbish the building – that had been a dormitory housing 120 male apprentices.

The Nirimba Business Centre took its first tenants in February 1997, and is now at full occupancy. Manager Stephen Frost says that “The peppercorn rental on the building is ‘the right price’, but the location and solid brick dormitory construction have presented major challenges to us all”.

Management

The Board of BREED, the parent organisation, also serves as the Board for incubator. The Board includes representation from Western Sydney and Blacktown TAFEs, Blacktown City Council, the University of Western Sydney and the local community and business. BREED still has a presence in the Centre, and runs a variety of programs focusing on work placements in regional businesses for school students.

Stephen has been the manager at the Centre since it opened, and has a diverse background. He obtained an electrician’s ticket after leaving school, and built on that with a degree in electrical engineering while working with the Sydney County Council. From there Stephen worked as a senior advisor with a Federal Member of Parliament, and then took a short-term job with BREED which has lasted over eight years.

Stephen’s role covers most areas of operations, and still includes undertaking (certified!) electrical work, cabling and minor renovations. Stephen says that the incubator’s location in the education precinct is starting to have some positive spin-offs, “We are getting good value out of students at the precinct on things like IT mapping, network design and a full independent review of all current tenants and graduates which has really helped quantify our impact on the region”.

Tenant Businesses

The Nirimba Business Centre has a mix of predominantly service industry tenants, reflecting some of the limitations of the building and location. The Centre currently has tenants doing electrical testing and tagging, software development, training, coaching, photography and even a roof truss system designer. The current tenants have around 75 employees, though most came in as one-person operations.

Most of the recent new tenants have come from word of mouth, though initial inquiries still driven by media articles, a Yellow Pages advertisement and, increasingly, Nirimba’s website as well. The incubator has very good working relationships with the district’s BEC and Council, and both are good sources of referrals. Blacktown City Council has a link on its webpage to the incubator, and promotes the incubator in many of its publications as well.
Marketing has been a constant top priority activity, with Stephen having good working relationships with (and lots of exposure in) the local newspapers and regional radio. Stephen also cites referrals from the Council and BEC, and the Centre website as important sources of tenants.

Rents for new tenants are equivalent to market rates for empty offices in the Quakers Hill district. But the incubator provides not only rent, but value-adding business, office and equipment services as well – at no additional charge to tenants. “We have had to keep rents realistic to keep occupancy levels climbing”, says Stephen.

After three years in the incubator, the graduation policy dictates that rents go up by 10% per year – though this is of course done sensitively and with some flexibility in regard to each tenant's' business circumstances. Stephen’s experience is that graduating tenants actually take a long time to leave, “We have to push some of them out the door! Many still come back to our networking functions, and some keep their postal address with us for months, just to have an excuse to keep dropping in”. One graduating tenant still keeps a small office in the incubator, even though the business owner and all the staff have moved interstate. While a few have moved far afield, most of the 52 graduating tenants have stayed in the district.

Lessons Learned

An early lesson was that there was too long a time lag between completion of the feasibility study and the incubator actually opening. Stephen says that “We were caught – most of the first crop of possible tenants had moved on by the time the incubator opened, and we couldn’t start marketing until the building was ready to go”.

The building itself has brought a mix of pluses and minuses to the incubator. While of low cost, and quite serviceable once refurbished, the location is not ideal and the building does not rate well on incubator essentials of flexibility and adaptability.

As a result, occupancy growth has been slow, and financial self sufficiency has been a long run goal. The current surplus has been achieved by continual careful monitoring of the bottom line, and persistent marketing.
Social Outcomes

The incubator has maintained its close relationship with BREED, offering a range of training and employment services to the district.

Overall, the incubator’s focus is on helping the district’s businesses grow – helping sustainable business growth and ongoing employment growth. The incubator has had a particular focus on fostering entrepreneurialism in schools through a series of VET in Schools programs.

Most graduates have stayed in the district after they have left the incubator, and stay in touch with the incubator and its subsequent tenants through networking functions.

Stephen’s Success Factors

Atmosphere – “We’re like family, and as much business is done in the corridor and in the lunch room as in the seminar room.”

Staff – “We have a great team. And in the eyes of the tenants, the receptionist really is one of the key roles – the first point of contact for tenants and their customers. Though it is not the top paying job in the incubator, having the right person makes all the difference.”

Finance – “Watch the bottom line – we do as much as we can ourselves to save money.”

Relationships – “Any excuse for a barbecue.”
Mission statement:

“To provide a supportive business environment in our business incubators to grow new start up businesses.

To foster self employment through business growth, reduce the failure rate of new businesses and to assist businesses to operate, graduate, create jobs and wealth.

To operate the incubators as self sufficient businesses.

This will be achieved by adopting best practice in the operation of our incubators including the provision of business advice, training and other business support services.”

Year incubator started

1993 - Ballina Business Centre
1999 - Byron Business Village

Premises

Ballina Business Centre: 1100 m² with 12 spaces
Byron Business Village: 1200 m² with 15 spaces

Building arrangements

Owned by Ballina Employment and Training Centre

Tenants, graduates and employment impact

Tenant numbers 25
Occupancy rate 100%
Average length of time in incubator 3.5 years
Average no. employees 1.5
Total no. graduates 43
Total no. jobs created 101

Business survival

% businesses still trading 85%

Incubator staff (roles)

General Manager
Operations Manager
Business Adviser

Indirect staff

Accountant / administration

Revenue from rent

98%

Financially sustainable

From commencement

AusIndustry Funding

$1 million

Contact Details

10 Endeavour Close
Ballina NSW 2478
Ph: 02 6686 8068
Evolution

The Ballina Employment and Training Centre (BETC) began as a Skillshare project in 1989, due to the lack of jobs in the region. A government grant helped to develop an accredited course in Small Business Management CL111, as a way of promoting self employment.

“We found that as people were passing through the courses there was a lack of low cost venues to start up businesses”, manager Fary Bargh said. “So we did a bit of research on incubators, and at that time there was no light industrial regional incubator anywhere in Australia. There were no models in terms of what we could look at.”

Garry visited quite a number of city incubators to see how they operate, then organised an application for government funding.

The Ballina Business Centre was established first, in an old spray painting building of the 1970s.

“It was in really bad condition. All the gutters were rusted out, it was leaking. So we had to do a pretty major makeover to get it into a reasonable state.”

A few years later a feasibility study was carried out for the Byron Business Village, revealing a positive demand.

With the help of a $500,000 Australian Government grant “we bought a block of land as an owner/builder, and basically purpose built the building. We opened in December 1999, and it was fully occupied on the day we opened, with 15 units, a training room, a business information centre, a common room. It had everything”.

Garry believes purpose building is far better – “the way to go, if you can afford it” – than using old premises.

Another regional incubator is in the pipeline, to be established at Mullumbimby. It will be embedded in the Community Learning and Innovation Centre with spaces for 12 tenants.

Management

Garry Bargh has managed the incubators since their inception. His broader role, as General Manager of the BETC, commenced in 1988.

Prior to his long term move to the Ballina region, Garry spent 15 years working as country manager for non-government organisations in Africa, Asia and the Pacific. The latest was an integrated rural development fisheries project, in Vanuatu.

Garry is also a teacher “from way back” and his interest in community development attracted him to his current role.

“I’ve always had an interest in community business, and community sector, adult education and training”, he said.

Both Ballina Business Centre and Byron Business Village are embedded in the BETC, which covers their management. An Operations Manager and a Business Adviser are employed part-time to assist in the running of the incubators. All three staff manage the incubators within the course of their broader roles.

Of the BETC, Garry said: “There’s a lot of staff here but they don’t work directly for the incubators. There’s a number of people, such as the accountant, who get involved at different points in time”.

The absence of on site staff means tenants are responsible for issues such as locking up and reporting maintenance needs. “This is an issue for small, regional incubators.”
Tenant Businesses

Each of the incubators has a different tenant focus – Ballina is specifically light industrial while Byron is craft and arts oriented. The Mullumbimby incubator will focus on environmentally sustainable businesses.

Most tenants arrive at the Ballina and Byron incubators via referrals rather than advertising.

“Probably 80% of the new tenants come from other tenant referrals, because living in a small place there’s fairly strong networks”, Garry said. “We have a spotter’s fee, where if someone locates another tenant who is suitable they receive a week’s free rent. We’ve found that works very well”.

There are two anchor tenants at each of the incubator sites; all have been there since the incubators commenced operating. These businesses are still growing.

Lessons Learned

Garry identified the biggest lesson as occurring when the Ballina Business Centre building was first renovated for use. The walls were built at ¾ height for cross-ventilation due to the size of the units, and the heat. However, because the incubator is light industrial, a lot of pollution resulted.

“We had one guy doing wood veneer, and another doing metal fabrication down the other end. People complained bitterly!”, Garry said. “We had to basically re-renovate the building. Completely seal off the units so there was no dust and fumes and noise floating around”.

Apart from design lessons, tenant expectations is another area where operations such as entry and exit policies have been developed along the way.

“It’s been a pretty sharp learning curve. We’ve learned from our lessons and mistakes, and have incorporated those into what we do now.”

Social Outcomes

As Manager of the BETC, Garry Bargh believes business incubators are about creating local employment and social / economic capital. His passion is obvious: “I get more excitement and interest out of incubators than any of the other programs we do”.

Economically, he has witnessed the “incredible results” of incubators as compared with other employment generation schemes.

Federal funding of “$500,000 might seem like a big investment, but of the millions of dollars they put into Job Network by comparison is recording mixed results, according to the Government’s Productivity Commission”, he said. “Once you put up an incubator, it can be churning out graduates for the rest of its life, and the ongoing costs are pretty small.
in terms of maintenance. A much better return on investment for the Government.”

One future activity that will involve the BETC incubators is a Youth Entrepreneur Project, aimed at 15 – 24 year olds. This will help address the high youth unemployment rate of 25% in Byron shire, even if only a few are directed into self employment.

“Of those 1000 unemployed kids there might only be 5 who are actually suitable for entrepreneurial type activities. Because you’ve got to work at it hard and be very persistent, and have that entrepreneurial zeal and passion. But we’re going to plug away at that one because we feel there’s a real potential”, Garry said.

**Garry’s Success Factors**

- Good standard premises in a prime location
- Demand for incubator services
- Freedom from debt
- Community connections
- Business advice provision
- Regional network – a number of incubators for critical mass, financial viability and provision of quality services
Riding the Wave of a Wild, Wonderful Idea

Phil Way – proprietor of Fluid Foils – has been operating his spectacularly successful surf board and fin business from the Ballina Business Centre since 1993. A long term anchor tenant, Phil now has five employees and has expanded on site to occupy two incubator units.

Starting Off

Fluid Foils was established soon after the Ballina Business Centre commenced operating, in 1993. Phil had heard about the incubator from a friend, and he saw it as a good opportunity to explore his business idea without having a large outlay or leasing worries. “I’ve seen a lot of new businesses come and go since I’ve been here”, he said. “You’ll find out within 6 or 12 months whether your business is going to work or not.”

A horticulturalist by trade, Phil had never previously run a business before, but with the incubator’s help he has turned a backyard fin making hobby into something far more serious. He describes all the business knowledge he has acquired as “hands-on” rather than learning from a book.

Phil worked for a manufacturer of windsurfer fins in the early ‘90s, a time when Malibu surfboards were coming back in. “I could see that there was no manufacturer of quality fins for Malibus”, Phil said. “So it’s one of my weird, wild and wonderful ideas that actually worked!”

However, turning that wonderful idea into reality took a lot of experimentation, hard work and commitment.

Moving In and On

Phil believes his fin business would have flourished wherever he’d set up, as he is supplying strong national and international demand. “I make fins the way they were originally made”, he said. “A lot of people don’t like dust, and it is a bit labour intensive, so they went away from doing it. I could see there was a market there, and one thing’s led to another, and I’ve made fins for world champions.”

Phil is quick to acknowledge the advantages of operating from the incubator, and the assistance he has received there. The incubator’s business adviser in particular has provided Phil with a lot of practical advice. “He’s run a few businesses before, and he’s really good with hands-on, on what to do”, Phil said. “I’m really not into learning from textbooks. Textbooks and reality are two different things, in a big, big way.”

Phil has much praise for the management assistance provided by the incubator. “They do help me a lot and they’re very understanding of the pressures in business you get put under. Sometimes you want to walk outside and rip someone’s head off, but you can’t. You’ve just got to learn to chill and deal with it. You know, when you don’t get paid a few bills and you owe $20,000 at the end of the month and you’ve got your bank manager on your back – it can get a bit stressful sometimes.”
The Contact Factor

Phil gets along well with all the other tenants at the Ballina Business Centre, and has developed some valuable contacts through this interaction. “I’ve had spin-offs from that”, he said. “People have gone to see other people, who’ve come to see me, and vice versa. I get a pretty big flow in trade with my ding repairs”.

Phil believes one of the biggest success factors of his business is having and maintaining strong ethics, in providing a quality product and service. “I’ve stuck by that the whole way through, and I’m recognised worldwide for it.”

Fluid Foils now has 130 customers Australia wide, from manufacturers to surfboard shops. The company is also known internationally, with exports to Europe, Japan and New Zealand.

A surfer himself, Phil goes out there whenever he gets the chance. Once a year he heads to the Noosa Festival – the biggest competition for Malibus – for a week. “It’s great for business, and it’s also great to go surfing six hours a day”.

Prior to release of a fin designed by Phil – the Chopper – extensive research was carried out. “I tested it for 18 months before I was satisfied. That was based on mechanical issues, making sure it works properly, the aesthetics of it – everything”. Feedback from other surfers is another important aspect of research and development for Fluid Foils. Phil has a team of about 15 riders as well as local people who provide feedback on new fins as they are being developed.

Growth and the Future

Fluid Foils is well established at the Ballina Business Centre, as an anchor tenant. Extraction systems have been installed, and as it would be an expensive exercise to re-locate, Phil is there for the long term. Phil now spends most of his time “doing a bit of everything”. A typical day might include foiling (shaping) fins, business administration and, if possible, a walk on the beach.

He will “ring the customers, chase the money, sell to people, do the banking”, while his staff work in their own specific areas, such as quality control. Taking on employees is an area Phil has experienced ups and downs with, and he has learned to be very careful in his recruitment process. However, when he finds the right people they often become friends, and are vital to the life of Fluid Foils. “A lot of the success in my business has been from my staff, because without them you’ve got nothing”, Phil said.

Research and Development is an ongoing task, and one Phil sees as necessary to be competitive in the marketplace. This philosophy existed prior to starting the business, when Phil wanted to ensure there was a market for Malibu fins. Now, half the pros on the tour use his fins. “It’s just a personal buzz to me, because it’s something I taught myself”, he says.
Mark Wallace is a man who likes to get things done. His no-nonsense approach and friendly assertiveness has got him from broke to comfortable in 5 years with his business thriving and growing at a steady pace.

Early Days

Mark started his carpet and flooring fitting and supplying business, Byron Bay Carpets, with about $40 in his pocket, using recycled carpets. Mark cut out the middleman by doing all the laying, buying and ordering himself. After 2 years he built his own factory, then put his money back into the business. Now he has a factory worth about $1 million and he is an incubator graduate who won the Graduate of the Year award in 2002.

At the Incubator

Mark occupied an office space of 90 square metres and he says, of the Ballina Incubator: “They were good people to work with. Basically I asked them to make some changes when I moved in. For example: I asked them to change the huge glass doors there into simple entry roller doors so I could move my stuff in and out more easily.”

Of the selection process for entry into the incubator Mark says: “I suppose you could say I selected myself. We had a few words – in a friendly way – alluding to the focus of the incubator on arts and crafts. Like if you made a good craft-style basket or some such you got accepted. I considered it unfair. They didn’t want to look at computer businesses or retail industries like mine. Byron is growing fast and there’s a lot of tourism being set up. These businesses need carpets.”

“Being at the incubator really helped me to get started although I did my own thing most of the time. It was a big help at first as I was literally broke. I’d just come back from travelling around overseas and I was stony broke.”

Mark found the atmosphere at the incubator friendly and cooperative. He says of the other tenants: “There was great interaction and cooperation. It was nice to be able to pop out for a cup of coffee and yak for 5 or 10 minutes about common difficulties we faced.”
Mark operated out of the incubator for about two years and grew his business there employing one full-time person and himself to start with. Mark still keeps in contact with the incubator tenants by dropping in occasionally to say hello and see how the others are getting on.

**Moving On**

“It became obvious to me that I needed to reposition myself. There was no pressure from the incubator people. I knew it was time for me to go.”

After moving out to his own factory he now employs five people part time and plans to employ more staff full time in about two years from now.

**Success and the Future**

Mark has certainly been a success story both on his own terms and for the incubator. His yearly turnover from nothing to $500,000 to $1 million in five years highlights his success.

Mark regards the critical factors to his success are hard work, more hard work and even more hard work – he often works for six days in a row. The high quality service he provides is another important factor and he takes great pride in that.
Building a Web of Local Clients

Victor Webb runs his desktop publishing business – Workstation2 – from the Grafton and District Business Enterprise Centre. A resident of Grafton since he was two weeks old, Vic belongs to the Bundjalung people whose origins extend up to the Queensland border.

Starting Off
Vic commenced Workstation2 in 2002, after approaching the incubator’s manager – John Pullinger – for advice about starting a business. John invited Vic to occupy the centre’s reception area, where there is ready access to facilities such as the photocopier.

A long term local, Vic is well known by many people in the area and his social network is extensive. This has helped him to drum up some useful business contacts, particularly amongst the regional community organisations.

Moving In and On
The clientele of Workstation2 is fairly varied, and Vic now has several clients who use his services on a regular basis.

“Before it was mainly Aboriginal organisations, but I’ve branched out a bit now,” he said. “I’ve got the Aboriginal medical services, from here [Grafton] and Casino, the Land Councils, and a few Aboriginal community organisations. Plus I’ve got a few other community organisations around town that aren’t Aboriginal.”

Other clients include tradesmen (a tiler, lattice worker, glassworks), a communications customer and sporting groups.

Vic’s biggest and best customers are the Aboriginal medical services in the region. The sort of work they require includes posters, pamphlets, assorted stationery and booklets.

“One booklet is to do with otitis media, or glue ear, which affects everybody, but it affects Aboriginal kids more,” Vic said.

Another job, for a non-Aboriginal organisation, involved transcribing for a project which documented four generations of the Aboriginal community.
The Contact Factor

Vic is uncertain whether his business would have survived without the support of the incubator.

“There’s been a few bumpy roads and it’s been perseverance, and there’s always John there to talk to – that’s kept me going.”

John Pullinger, the incubator manager, has helped Vic with marketing and to gain business knowledge. With this help Vic is extending his network of business contacts.

“I’m really tapped into the local market, the local businesses,” Vic said. “I’ve mainly been relying on the Aboriginal organisations and word of mouth. I really need to get around and see local businesses and let them know I’m here and what I can do, now that I’ve got things down pat a bit.”

Vic is also doing some consultancy work for an Aboriginal organisation – Durahrwa – that runs its own businesses such as a tea farm, ceramics and internet service.

“They’re updating the Clarence Valley Council’s social plan, the Aboriginal section of it. So we have to go out and consult with the communities that fall within the four council boundaries.”

Growth and the Future

Once Vic increases the sales and cashflow of Workstation2, he wants to expand and grow his business. He plans to get more equipment, and to move out of the incubator to establish a shopfront.

About a year ago, Vic gained an employee through the Community Development Employment Program for indigenous people.

As far as meeting challenges goes, Vic identifies with the phrase ‘whatever can go wrong will go wrong!’

“Just at every turn there’s something,” he said. “There’s always something wrong with equipment, when you’ve got a big job you’re half way through. Or parts when there’s none in Australia and you have to wait a week. And keeping the work turning over – you’ve got to be on your toes. That’s what I’m trying to deal with now, is trying to make myself a better salesman. I’m just a bit shy, not upfront. I have to try and get over that.”
## Chapter 5:
Australian Government Funded Small Business Incubators

Currently Operating – as at May 2004

### New South Wales and ACT

<table>
<thead>
<tr>
<th>Name of Incubator</th>
<th>Address</th>
<th>Phone</th>
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<tbody>
<tr>
<td><strong>Australian Technology Park Business Incubator</strong></td>
<td>Australian Technology Park, Suite 145, National Innovation Centre ATP, Eveleigh NSW 1430</td>
<td>02 9259 4444</td>
</tr>
<tr>
<td><strong>Ballina Business Centre</strong></td>
<td>10 Endeavour Close, Ballina NSW 2478 (PO Box 1020)</td>
<td>02 6686 8068</td>
</tr>
<tr>
<td><strong>Broken Hill Enterprise Development Centre</strong></td>
<td>41-79 Crystal St, Broken Hill NSW 2880</td>
<td>08 8087 9222</td>
</tr>
<tr>
<td><strong>Business Development Centre (Taree)</strong></td>
<td>Manning Gloucester BEC, 140A Victoria St, Taree NSW 2430</td>
<td>02 6592 4444</td>
</tr>
<tr>
<td><strong>Byron Business Village</strong></td>
<td>18 Centennial Circuit, Byron Bay NSW 2481</td>
<td>02 6686 8068</td>
</tr>
<tr>
<td><strong>Central Coast Business Incubator</strong></td>
<td>Central Coast Campus, 10 Chittaway Road, Ourimbah, NSW 2258</td>
<td>02 4362 3100</td>
</tr>
<tr>
<td><strong>Coffs Harbour Innovation Centre</strong></td>
<td>Hogbin Drive, COFFS HARBOUR, NSW 2457</td>
<td>02 6659 3017</td>
</tr>
<tr>
<td><strong>CREEDA Business Centre – Downer</strong></td>
<td>Cnr Bradfield &amp; Melba Sts, Downer ACT 2602</td>
<td>02 6242 1901</td>
</tr>
<tr>
<td><strong>CREEDA Business Centre – John Knight Erindale</strong></td>
<td>2 Lamell Street, Wanniassa ACT 2903</td>
<td>02 6214 9010</td>
</tr>
<tr>
<td><strong>CREEDA Business Centre - Narrabundah</strong></td>
<td>281 Goyder St, Narrabundah ACT 2604</td>
<td>02 6265 5955</td>
</tr>
<tr>
<td><strong>Evans Head &amp; District Workspace</strong></td>
<td>Lot 12, Canberra Road, Evans Head NSW 2473</td>
<td>02 6660 3300</td>
</tr>
<tr>
<td><strong>Grafton &amp; District Business Enterprise Centre</strong></td>
<td>Grafton Enterprise Park, 40 Hyde Street, South Grafton NSW 2460 (PO Box 1145)</td>
<td>02 6643 3687</td>
</tr>
<tr>
<td><strong>Hunter Small Business Incubator (Under construction)</strong></td>
<td>265 King Street, Newcastle NSW 2300</td>
<td>02 4925 2566</td>
</tr>
<tr>
<td><strong>Kurri Kurri Business Incubator</strong></td>
<td>Lower Hunter Enterprise Complex, Cnr Barton &amp; Merthy Streets, Kurri Kurri NSW 2327</td>
<td>02 4936 2557</td>
</tr>
<tr>
<td><strong>Lake Macquarie Small Business Centre</strong></td>
<td>4B Oakdale Rd, Gateshead 2290 (PO Box 2259, Gateshead DC 2290)</td>
<td>02 4942 3100</td>
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<tr>
<td><strong>Liverpool Business Growth Centre</strong></td>
<td>99 Rose St, Liverpool NSW 2170</td>
<td>02 9600 3800</td>
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<tr>
<td><strong>Macarthur Development Centre</strong></td>
<td>70 Topman Road, Smeaton Grange, Narellan NSW 2567 (PO Box 285)</td>
<td>02 4626 3544</td>
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<tr>
<td><strong>Mullumbimby (under construction)</strong></td>
<td>Cnr of Burringbar and Gordon Streets, Mullumbimby NSW 2482</td>
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<tr>
<td>Name of Incubator</td>
<td>Address</td>
<td>Phone</td>
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<tr>
<td>Nirimba Business Development Centre</td>
<td>Bldg T2A Nirimba Education Precinct, Eastern Rd</td>
<td>02 9853 3200</td>
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<tr>
<td></td>
<td>Quakers Hill NSW 2763 (PO Box 147)</td>
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<tr>
<td>Penrith Small Business Centre</td>
<td>9-11 Abel St</td>
<td>02 4721 5011</td>
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<td></td>
<td>South Penrith NSW 2750 (PO Box 4029)</td>
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<td>Shoalhaven Enterprise Development Centre</td>
<td>Cnr of Princes Hwy &amp; Mattes Way</td>
<td>02 4423 1790</td>
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<td></td>
<td>Bomaderry NSW 2541 (PO Box)</td>
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<tr>
<td>Snowy Enterprise Centre</td>
<td>38 Bombala Street</td>
<td>02 6452 5392</td>
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<td>Cooma NSW 2630</td>
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<td>Sutherland Small Business Incubator</td>
<td>Sutherland Shire Council</td>
<td>02 9710 0469</td>
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<tr>
<td></td>
<td>Level 2 Kirkby House</td>
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</tr>
<tr>
<td></td>
<td>33-35 Belmont Street</td>
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<td>Sydney Business Enterprise Centre</td>
<td>Lvl 11, 41BA Elizabeth St</td>
<td>02 9282 6877</td>
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<td>Surry Hills NSW 2010</td>
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<td>Wagga Wagga Business Development Centre</td>
<td>66 Coleman St</td>
<td>02 6925 6588</td>
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<td>02 6024 0400</td>
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<td>3 Stanley Street</td>
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<td></td>
<td>Wodonga VIC 3690</td>
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<td>Ballarat Regional Incubator (BRI)</td>
<td>15 Dawson Street</td>
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<td>Brunswick Business Incubator</td>
<td>420 Victoria Street</td>
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<td>Forestech Enterprise Centre (formally Gippsland Timber Development Incubator)</td>
<td>64-66 Foster Street</td>
<td>03 5152 3234</td>
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<tr>
<td>Greater Shepparton Business Centre</td>
<td>70 New Dookie Rd</td>
<td>03 5832 1100</td>
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<td>Shepparton VIC 3632</td>
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<td>(PO Box 6627)</td>
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<tr>
<td>GREEN Inc Technology &amp; Business Development Centre</td>
<td>Monash Uni</td>
<td>03 5122 6113</td>
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<td>Churchill Campus</td>
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<td>36 Darlimurla Ave</td>
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<tr>
<td>Melbourne Design and Fashion Incubator</td>
<td>Lvl 3, Melbourne Central</td>
<td>03 9639 9007</td>
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<td>Monash Enterprise Centre</td>
<td>5A Hartnett Close</td>
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<td>Regional Enterprise Network – Central Victoria - Bendigo</td>
<td>Central Bendigo Enterprise Centre</td>
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<td>107 Williamson St</td>
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<tr>
<td></td>
<td>328 Lytton terrace Bendigo VIC 3550</td>
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<td></td>
<td>Bold Park</td>
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<td></td>
<td>Donald VIC 3480</td>
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<td>Donald Enterprise Park</td>
<td>03 5446 1558</td>
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<td>Lot 41, Racecourse Road</td>
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<td>Donald VIC 3480</td>
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### Queensland

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<th>Name of Incubator</th>
<th>Address</th>
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<tbody>
<tr>
<td>ARTsynC</td>
<td>Old ambulance station corner Howard Street and William Street Nambour QLD 4560 (PO Box 78)</td>
<td>07 5441 8041</td>
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<tr>
<td>Bundaberg Riverside Enterprise</td>
<td>9A-11 Quay Street Bundaberg QLD 4670</td>
<td>07 4153 2333</td>
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<tr>
<td>Ipswich Shared Workspace</td>
<td>1 Turley Street Ipswich QLD 4305</td>
<td>07 3282 7999</td>
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<tr>
<td>Kingaroy Regional Enterprise Centre</td>
<td>6 Cornish Street Kingaroy QLD 4610</td>
<td>07 4162 9000</td>
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<tr>
<td>Maleny Enterprise Network Association</td>
<td>27 Coral Street Maleny QLD 4552</td>
<td>07 5494 3922</td>
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<tr>
<td>MetroArts</td>
<td>109 Edward Street Brisbane QLD 4001 (GPO Box 24)</td>
<td>07 3221 1527</td>
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<tr>
<td>Moreton Bay Business Enterprise Centre</td>
<td>39 Aerodrome Road Caboolture QLD 4510 (PO Box 221)</td>
<td>07 5495 4944</td>
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<tr>
<td>North QLD Small Business Development Centre</td>
<td>184 Vickers Road Thuringowa QLD 4817</td>
<td>07 5424 1200</td>
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<tr>
<td>QLD Construction Industry Business Development Centre</td>
<td>Building 6, Construction Training Centre 460-492 Beaudesert Road Salisbury QLD 4107</td>
<td>07 3266 9888</td>
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<tr>
<td>Rockhampton Enterprise Centre</td>
<td>214 Quay Street Rockhampton QLD 4700</td>
<td>07 4922 6906</td>
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<tr>
<td>Sunshine Coast Innovation Centre</td>
<td>Sippy Downs Drive Sippy Downs QLD 4556</td>
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### South Australia

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<tr>
<th>Name of Incubator</th>
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<tbody>
<tr>
<td>Adelaide City Business</td>
<td>Level 1, 128 Hindley Street Adelaide SA 5000</td>
<td>08 8415 5100</td>
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<tr>
<td>Onkaparinga Enterprise Centre</td>
<td>1 Adelaide-Lobethal Road Lobethal SA 5241</td>
<td>08 8389 6979</td>
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<tr>
<td>The Mt Gambier Business Centre</td>
<td>19 Penola Road Mt Gambier SA 5290</td>
<td>08 8725 1499</td>
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<tr>
<td>Thebarton Business Development Centre</td>
<td>Stirling Street Thebarton SA 5031</td>
<td>08 8303 4373</td>
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<tr>
<td>Todd Street Business Chambers</td>
<td>6-8 Todd Street Port Adelaide SA 5253</td>
<td>08 8440 2400</td>
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## Western Australia

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<thead>
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<th>Name of Incubator</th>
<th>Address</th>
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<tbody>
<tr>
<td>Bassendean New Business Centre</td>
<td>85-87 Old Perth Road, Bassendean WA 6054</td>
<td>08 9377 0247</td>
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<tr>
<td>Coastal Business Centre</td>
<td>1 The Terrace, Fremantle WA 6160</td>
<td>08 9430 8569</td>
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<tr>
<td>CY O’Connor Hi-Tech Incubator (Under construction)</td>
<td>Nicholson Rd (cnr Warton Rd), Cannning Vale WA 6155</td>
<td>08 9397 1557</td>
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<tr>
<td>Gosnells Centre for Business Development (Under construction)</td>
<td>2242 Albany Highway, Gosnells WA 6110</td>
<td>08 9391 3222 (temp number)</td>
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<tr>
<td>Joondalup Business Incubator</td>
<td>Lot 502, cnr Grand Boulevard &amp; Collier Pass, Joondalup WA 6027</td>
<td>08 9300 1414</td>
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<tr>
<td>Kalgoorlie-Boulder Business Development Centre</td>
<td>171 Piccadilly Street, Kalgoorlie WA 6430</td>
<td>08 9091 5648</td>
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<tr>
<td>Kwinana Technology Business Incubator</td>
<td>Gilmore Avenue, Kwinana WA 6167</td>
<td>08 9528 3661 (temp number)</td>
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<tr>
<td>Midland Enterprise Centre</td>
<td>276 Great Eastern Highway, Midland WA 6936</td>
<td>08 9274 6439</td>
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<tr>
<td>Rockingham Business Development Centre</td>
<td>Suite 34, 33 Crompton Road, Rockingham WA 6168</td>
<td>08 9528 3661</td>
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<tr>
<td>Stirling Centre for Business Development (under construction)</td>
<td>11 Leeway Court, Osborne Park WA 6017</td>
<td>08 9244 4955</td>
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<tr>
<td>The Albany Business Centre</td>
<td>222 Chestempass Road, Albany WA 6331</td>
<td>08 9841 8477</td>
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<tr>
<td>Welshpool Business Enterprise Centre</td>
<td>33-37 Murray Road South, Welshpool WA 6106</td>
<td>08 9351 5800</td>
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<tr>
<td>Western Australian Agribusiness Development Centre</td>
<td>Tambellup West Road, Tambellup WA 6320</td>
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## Tasmania

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<tbody>
<tr>
<td>Launceston Business Incubator</td>
<td>68 Cameron St, Launceston TAS 7250</td>
<td>03 6331 9511</td>
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<tr>
<td>Portside Small Business Incubator</td>
<td>2 Spring St, Burnie TAS 7320</td>
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## Northern Territory

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<th>Name of Incubator</th>
<th>Address</th>
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<tbody>
<tr>
<td>Barkly Enterprise Development Network</td>
<td>179 Paterson Street, Tennant Creek NT 0860 (PO Box 845)</td>
<td>08 8962 0666</td>
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<tr>
<td>Top End Business Development Centre</td>
<td>58 Georgia Crs, Palmerston NT 0830 (PO Box 38594 Winnellie NT 0821)</td>
<td>08 8922 9500</td>
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</table>
Case studies of Australian small business incubators and their impact

Australian and New Zealand Association of Business Incubators