



Business Incubation: A Key Ingredient to Economic Growth and Recovery

Paul Striebel, Connecticut Center for Advanced Technology, on behalf of the Connecticut Business Incubator Network .

Industry experts cite business incubators as a “best value” in economic development, based on low program costs and a high return on investment to communities. **Nationally, the return on public investment has been calculated at \$4.96 for every \$1 of public operating subsidy.** In an economy where new businesses are creating far more jobs than existing corporations, it is critical for Connecticut’s Legislature to endorse a strong incubation strategy.

Business incubators reduce the risk of small business failures.

- National Business Incubator Association (NBIA) members report that 87 percent of all firms that have graduated from their incubators are still in business today. In the general population, only 44 percent of businesses survive their first four years.
- Business incubators programs accelerate young startup businesses from an emerging concept to a viable enterprise. An economic development strategy that considers investment in small business coupled with business incubation is an effective means to create jobs.

Incubators play a unique role in economic development and job creation.

- Participating start-ups benefit from cost effective real estate solutions, flexible lease arrangements and shared services, including business and technology experts, access to expensive equipment /technology, and on-site managers who help them win funding, and assist with market recognition and critical networking opportunities. Access to these resources accelerates the company’s research and development, helping them become self sustaining businesses in three to five years.

Incubator Assistance: A Proven Strategy

Public Act 07-4 provided \$1 million to support companies located in Connecticut incubators. The first of that funding was distributed over the past seven months, so the total impact can not be fully appreciated yet. Some impressive results to date are as follows:

- The nineteen incubator companies that received Small Business Incubator Program (SBIP) grants reported a 24% increase in their full-time employment and a 21% increase in their part-time employment since they began reporting only seven months ago.
- Since receiving funding from the Small Business Incubator Program (SBIP), a total of 17 new patents have been filed and 2 new patents have been awarded.
- Marketing assistance provided by the SBIP program recently helped one incubator business catch the attention of Northrup Grumman who has awarded them a \$9.4 million dollar contract.

- An incubator grant recipient that produces genetically superior laboratory specimens has recently received an order from St. Georges University in the U.K. for more than \$600,000.
- An incubator grant recipient who has been marketing its next generation aircraft maintenance and logistics ideas to the Federal Aviation Administration (FAA) has recently entered a Cooperative Research and Development Agreement (CRADA) with them for an undisclosed amount.
- Also during the past few months, three recipients have graduated from their respective incubation facilities and all are successfully operating in new tax generating facilities here in Connecticut.

Growing Connecticut's Economy: Current Models of Success

Public universities have been operating different forms of business incubators for over 30 years. Central Connecticut State University and the University of Connecticut each offer their own incubator programs. The Connecticut Center for Advanced Technology has close working relationships with the University of Hartford, CCSU and UCONN, and houses UCONN's Center for Entrepreneurship and Innovation at its East Hartford site. The Thompsonville Business Center has linkages to Asnuntuck Community College, and CI's CTech works with Yale and UCONN in its program offerings.

The Connecticut Business Incubator Network is administered with support from the Connecticut Center for Advanced Technology. CBIN's seven incubator programs and ten facilities currently house 45 companies, with 141 employees who are working largely on new technology innovations. CBIN members have operating principles, service guidelines and admission policies that assure the companies that locate at each site are suitable candidates for incubation, have sound business practices and are based on an idea or product that offers the potential for growth. In addition, each CBIN member utilizes metrics to evaluate and guide results.

It is important to note that incubators *do not* provide direct capital to companies and they are not turnaround specialists, meaning that they cannot save a troubled company. However, they do limit the risk of providing state support for small and early stage firms, and can make it easier for investors and entrepreneurs to launch a company rather than be deterred by the risk associated with start ups.

A state strategy that includes incubation could offer the following:

- Continuing capital investment under the Small Business Incubator Program (SBIP).
- Marketing and related mechanisms that drive startup companies to locate in incubators.
- Expansion support for new incubation space where needed or space customization as might be required for certain industry types.

To learn more about business incubation in Connecticut, please refer to CBIN's website:

www.connecticutincubators.org

