

An incubator can be a good place to hatch a business

By Bruce A. Love

On more than one occasion, I have described how the decision to launch a business has many similarities to the decision to start a family. In both cases, we want to be sure we are giving our baby everything it needs to survive and thrive in a potentially hostile world. One way to help a business get a proper start is to take advantage of the nurturing environment of a business incubator.

As the name suggests, a business incubator is a building that houses numerous fledgling businesses hoping to become bigger businesses. Most incubators provide a variety of supportive services to assist their tenants achieve their goals. Some incubators are converted factory buildings, while others are newly constructed facilities specifically designed for growing businesses.

About ten years ago, I had the pleasure of working with Loren Schultz, who is widely regarded as the originator of the business incubator concept. He was in the process of launching his latest incubator in Dublin, PA, and we collaborated on a number of business seminars. Prior to developing business incubators, Loren Schultz had already demonstrated his own abilities to launch and run successful enterprises. After starting Decision Data Computer Corporation in his basement, he developed plans and strategies that ultimately enabled DDCC to grow into a company worth over \$200 million! After leaving the company, Schultz set out to assist other companies in becoming successful too.

Loren Schultz remembers the early days of his own company and the challenges faced by many small businesses. As a result, he makes sure that his incubators have the resources that are most important for young businesses. In particular, Schultz is careful to include a variety of businesses in each incubator so that they provide a complementary balance of skills and expertise. He is also careful to include several experienced companies in his mix of tenants. By setting up the centers in this way, the 20-plus companies in each incubator can easily provide assistance to others in the building, and all can grow together with help from one another. When I opened my office in his Dublin TEC Center (as it was called), the center had a payroll firm, a food manufacturer, machinists, attorneys, an indoor driving range and pro shop, and many other assorted companies. This made conversations in the coffee room very interesting, and brainstorming very productive!

In addition to giving the economy a boost by enabling companies to grow and add employees, the incubators that Loren Schultz opens are frequently renovated, previously abandoned, factories and schools. This gives local economies a double benefit, and usually gives Schultz and his investment team some very nice tax breaks.

Locally, the ABCD Corporation started their incubator in similar fashion when they opened their first one in the Rail Training Center in Altoona. Later, they moved operations to the new Devorris Center for Business Development. The new center uses a modern modular design, which allows for easy expansion as companies grow. Although the state-of-the-art center boasts many modern amenities and is arguably much more attractive than most incubators, the leasing fee for converted older buildings can be more practical for many new businesses whose budgets are very tight. But even Loren Schultz agrees that a nurturing environment is more important than cheap rent.

Incubators offer a variety of services to their tenants. The Devorris Center offers copying, faxing, teleconferencing, answering services, and conference rooms. It also has a T1 (high-speed) Internet connection available to all of their tenants. By distributing the cost of these services, operational expenses that can be prohibitively expensive for many small businesses, become more affordable. Devorris also brings in expertise from the Service Core of Retired Executives (SCORE), the Blair County Chamber of Commerce, a Small Business Development Center (SBDC) and others, to stoke the fires of creativity and growth for their tenants.

Incubators have one additional benefit. They allow companies to appear larger, and more established, than most actually are. This can make the difference between getting a contract, and not getting one. Phones are answered by receptionists, businesses are located in large buildings teeming with activity, and customers assume that all this activity is part of the company. Loren Schultz acknowledges with a grin, that his incubators put on a little show for their tenants' customers. I must admit, that I have had bit parts in more than one of his shows! By doing this, Schultz says, "We help stack the deck in favor of our tenants!" I believe the end justifies the means of this small charade, as incubators can have a very positive impact on local economies and the lives connected to them.

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