A White Paper

Guidelines -
Metrics & Milestones For
Successful Incubator Development

Recommendation version 2.0
Made to Department of Science & Technology, Govt. of India
NATIONAL ENTREPRENEURSHIP NETWORK
April 2013
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Executive Summary:

Business Incubators can be sound platforms to bring about economic development in any economy. They help mitigate several avoidable risks in an early stage start-up thereby increasing the rate of success of start-ups as well the time taken to gain traction. Incubators are not a uniform beast and can and should be categorized. Categorization enables us to identify the unique characteristics, success factors for each incubator model thereby enabling propagation of successful models appropriate under different conditions. Development of incubators can be systematized with milestone driven indicators of progress and predictable outcomes. However, the key challenge is lack of nationally accepted metrics and milestones that are relevant to the different kinds of incubator models. We strongly advocate that in the near term, the framework illustrated in this document be used to help institute a nationally accepted set of metrics and milestones for incubators in India. We also advocate that the funding organizations implement these in both their selection of the host partner but also to track, measure progress and to reward success. Some of the recommendations in the document will call for policy review and modifications.
Section I
What, Why & How

1. Business Incubators: Background & context

Historical context: 2006 data published by National Business Incubation Association (NBIA), USA estimates that there are over 7000 incubators around the world. The concept of providing ‘business assistance services to early-stage companies in shared facilities’ started to emerge in the USA in the late 70s and grew more rapidly during the 1980s. In the 2000s business incubators have been rapidly adopted by many nations of the world including Brazil, England, Australia, New Zealand, China, Korea, India and others.

What is Success? As Incubators have become more widespread, the question of ‘what is success’ has become very important. Eric Harvit, a Fulbright fellow and incubator researcher in his report, published in 2002 states, “the NBIA claims that 87 percent of firms that ‘graduate’ from incubators are still in business today. Independent studies done at Purdue University and Ohio University in the mid-1990s found that incubators contributed to both job creation and the survival of new businesses in the United States.”

In recent times, thinking has moved from a dismissive ‘business incubation does not work’ to they are ‘integral to promoting and sustaining local, regional economic growth

While a small number of private incubators may focus solely on providing returns on shareholder investments a large majority of them is setup to enable organizations and academic institutions to bring technologies to the market place; and to promote local and regional growth. For all such instances it is generally accepted that business incubators must work to reduce the chances of failure in early stage companies and result in the financial viability and growth of firms that it supports.

In India: During the past decade as in several parts of the developed and developing world, the concept of business incubator has taken root in India. There are also evolving models of Business Incubators in the country – from having incubators setup at academic institutions; at Early stage financial institutions; those supporting Social Enterprises and more recently some attempts by corporate houses to setup incubators as well. Significant support in initiating Business Incubation and its evolution has come from the Government of India through the
Department of Science and Technology (DST). DST pioneered this effort in the 1990s with the setting up of Science & Technology Entrepreneurship Parks (STEPs) and more recently Technology Business Incubators (TBIs). Additionally, DST has over the past year or so initiated Accelerator type incubators with Angel groups like IAN.

Like elsewhere in the world but more so in India, the industry itself is nascent and still in the mode of experimentation. However, early look at results by the government from the past decade indicates that success has been limited with a very small number of incubators demonstrating a trajectory of sustainable development and output. This is particularly important because, as India shapes the 12th Five year plan, the Planning Commission is emphasizing a stronger emphasis on economic growth in the country through innovation, entrepreneurship and incubation. Knowledge and understanding of successful development would be paramount to enable impact from the spending these from public funds.

Key questions to resolve: Given the above, the pressing questions that the incubation industry is looking to resolve include

- Is there a systematic way to categorize Business Incubators based on key criteria that can apply to the different models of business incubators?
- What are the indicators of success and development milestones of these models?
- What is the implication of the location, networks, expertise of the executive team and the host organization, and the size of opportunities that start-ups may be able to pursue, in making the right selection of the business model?

Some answers to these questions would not only enable us to record and measure success but more importantly to make reasonably informed decisions on the choice of model when setting up business incubators.

2. Objectives of & Audience for the Document

These questions are critical to answer so the different stakeholders in the industry – Funding support organizations both government (DST, MSME, DBT, DIT....) and non-governmental like corporate groups, Angel and VC groups; Host organization teams including Executive and Owner Management; Entrepreneurship & Incubator support organizations like NEN - are better informed and able to work more systematically and progressively.

This should result in significantly reducing instances of failure and improving outcomes from incubation. Also given that maturing an
incubator can take several years, it is pertinent to evolve critical early indicators of progress or lack of it so it informs decision making at all levels.

3. Methodology used to arrive at the recommendations

Answering these questions is no mean task and merits research, insights drawn from various experiences of stakeholders in the industry globally and contextually, conversations and debates, and some experimentation in implementation.

Reasonable starting point: A reasonable starting point is to gather the collective wisdom of this still nascent industry and to formulate a first set of milestones and metrics from that. This document does that and puts out a well researched set of Metrics and Milestones that could inform both Funding Organizations and Host Organizations and their teams that may be setting up incubators. Sources of this information include interviews with incubator managers in India and other parts of the world; conversations with incubated entrepreneurs both graduated and current from different incubators. Additionally, a lot of secondary research has informed this document including literature review and survey findings of the different types of incubators around the world, their support services and metrics.

This document is meant for the key stakeholders in the incubation industry – government officials, incubator managers, and private funders - to review, discuss, debate and arrive at a final version. On the basis of this document, we see critical debates that will help us to get to a set of national guidelines, metrics and milestones for incubators in India, emerge in 2 key areas:

1. Categorization of incubators
2. Critical indicators of success for companies that the different categories of incubators support
Section II
Measurement of success: Framing the problem

4. Requirements of a Business Incubator

A Business Incubator is as we defined earlier setup ‘to reduce the chances of failure in early stage companies and result in the financial viability and growth of firms that it supports’. Therefore incubators in India are setup to create sustainable and strong entrepreneur support infrastructure to enable young technology inventors and entrepreneurs to find the necessary support and access to resources to build successful start-ups. The heart of an incubator therefore, is the start-up.

Anyone who has worked with or in a start-up would recognize that the fundamental support and resources required for an early stage start-up would include

Critical requirements at an early stage start-up

<table>
<thead>
<tr>
<th>Fundamental basis for considering to start-up</th>
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</thead>
<tbody>
<tr>
<td>Potential market opportunity - value proposition</td>
</tr>
<tr>
<td>Founding team - passionate, open-minded and able to execute</td>
</tr>
<tr>
<td>Technological or other key differentiating advantage</td>
</tr>
<tr>
<td>A reasonable plan to execute</td>
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<table>
<thead>
<tr>
<th>Ability to access</th>
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<tbody>
<tr>
<td>Emotional support</td>
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<tr>
<td>Capital</td>
</tr>
<tr>
<td>Talent</td>
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<tr>
<td>Go to market' support</td>
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<tr>
<td>Legal, accounting &amp; other compliance</td>
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<tr>
<td>Ready &amp; systematic access through</td>
</tr>
<tr>
<td>Information</td>
</tr>
<tr>
<td>Preparation - knowledge &amp; advice</td>
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<td>Networks</td>
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<td>Services</td>
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The value proposition of an incubator, therefore, is derived from how successfully it can develop a robust and relevant support structure to fulfil these fundamental needs of a start-up. The NBIA advises new teams considering setting up incubators “To lay the groundwork for a successful incubation program, incubator developers must first invest time and money in a feasibility study. An effective feasibility study (for the incubator NEN) will help determine whether the proposed project has a solid market, a sound financial base and strong community support – all critical factors in an incubator’s success. Once established, model business incubation programs commit to industry best practices such as structuring for
financial sustainability, recruiting and appropriately compensating management with company-growing skills, building an effective board of directors, and placing the greatest emphasis on client assistance \( \text{incubated start-ups}^{\text{NEN}} \).

Managers and heads of functioning incubators in India have similarly emphasized \textbf{People, Financial sustainability, Start-up support, Structure} and \textbf{Processes}. Since large numbers of incubators get setup on academic campuses where a strong \textbf{Entrepreneurial eco-system} is not always given; and relevant Networks not so ubiquitous, there is an additional emphasis on these during the pre and early stages of incubator development.

5. Development Framework for Incubators:

\textit{Symbiotic Association of Eco-system Players}

‘Incubation is a group sport’ – and while an incubator may be lead with in an academic/funding or corporate entity, the activity itself can be brought to fruition by the effective coming together of several sets of people who bring different kinds of expertise relevant to the incubator or its start-ups.

A critical function of the incubator team therefore is to recognize, and be able to symbiotically associate the relevant groups of people in an ongoing and sustainable manner for the incubator and its start-ups to thrive.

Key elements of this association include:

\begin{itemize}
  \item \textbf{a) Host / Host Organization} – initiates, hosts and nurtures the incubator to help it attain full form and maturity. This could be an \textit{academic institution}, a \textit{funding institution} like an Angel group or a \textit{corporate}. The critical role of the host partner is to create \textit{mechanisms and linkages} between the incubator; potential clients – start-ups & wannabe start-ups; experts in different areas who can support start-ups; and funding organizations
  
  \item \textbf{b) Funding organizations} – there are 2 kinds of funding organizations that an incubator cares about and will require to build successful relationships with – i) funding institutions that will fund the development of the incubator as an organization e.g.
\end{itemize}
DST, DBT, SIT, MSME, Corporate sponsors, World bank etc. ii) funding institutions that will help develop ‘Seed fund’ (early stage capital money) for the start-ups incubated at the incubator – DST, TIFAC, banks, angels, VCs...

Sometimes the funding organization for the incubator may also be the host organization for the incubator. Even in such situations, it is imperative that the incubator treat these relationships separately and seriously and maintains fiscal discipline.

c) **Start-up teams** – ‘what goes in comes out’, this certainly holds good for the success of an incubator. An incubator has to continually strive to produce more and more successful entrepreneurs. This will require not only that they have a good pre-incubation set of support and / or robust selection process. It also calls for strong integration with sources of entrepreneurs (right profile of entrepreneurs for the incubator) to find the best people to incubate. Sources include alumni pool at academic institutes, student teams already working on technology products while on campus, corporate innovators and the entrepreneurs in the community – city, region and/or country. How attractive the incubator is to this community will depend upon how strong the support for entrepreneurs is and also how visible and engaged the incubator is with this community.

Whether a host body has ready or easy access to potential wannabe entrepreneurs or young start-ups should be an important consideration for both the host organization and the funding organization in taking the decision on whether or when to start incubation. Having a very high cost (effort, reach and therefore money) to access a pipeline of relevant incubates could be an operational nightmare for the team and could seriously affect the incubator’s ability to start off effectively.

d) **Community resources**: Entrepreneurship is a tough sport and unique in that there is no wrong or right approach. So an incubator can never hope to have all the knowledge, information and skills that its incubated start-ups will need, in-house. By necessity then the incubator has to strongly tap into the knowledge, skills, and network resources of entrepreneurs, investors, professionals, consultants, service providers, vendors, interns, and others. A critical strength of the incubator lies in its ‘usable’ expert network – great bunch of people with relevant expertise who are enthusiastic and available to offer regular advice, guidance and create further access to outside resources for the start-ups.
Every incubator has to build relevant resources based on the nature of the industries but also potential size of the opportunities that its start-ups typically pursue. For example it will not be useful for an incubator to have angel experts if the companies that it incubates are largely suitable for debt funding; however, it will be critical to have a strong banking network and relationship particularly those that fund early stage start-ups.

e) Policy Organizations: In addition to the above that have to work together, Government agencies like the DST, DBT, DIT, MSME and others also perform the critical role of developing appropriate policies to support economic growth through incubation, its measurement and its funding from public funds.

All of the above are glued together by the incubator team that builds effective policies, organizational processes and programs to enable an incubator to thrive.

**Business Incubator - Symbiotic development model**

No matter what the combination of groups that come together to start an incubator it would be necessary for them to mutually evaluate if they are indeed symbiotic in nature and can
create strong value for each other. Their goals and incentives must to strongly aligned and clear expectations have to be set upfront to enable success.

6. Need for measuring

Incubators demand heavy investment both from the funding institution as well as from the host organization. These investments are made with the expectation of long term and ongoing results and impact. Measuring progress, outcomes and impact is therefore necessary to know if there is adequate impact against the investment made.

For the industry, measurement is very important because
a) It helps establish that incubators are drivers of economic development
b) Enables everyone in the industry to raise the required resource to incubators more easily
c) Help reward and showcase real winners
d) Creates approaches, best practices and milestones for scaling incubation

For the Funding organization measurement creates visibility of an effective or otherwise partnership with the host organization. It helps them to track critical developmental milestones as well as take timely decisions regarding further funding or additional support.

For the Host organization, metrics and milestones serve as a guideline for development and provide both motivation and incentives to work towards outcomes and impact. It also helps the host institution to understand what they are committing to and whether or not they are ready to venture into the space.

7. Critical Issues around Measurement

This section helps to frame the current issues around metrics and milestones. It would be foolish to assume that there are no measurement criteria in the Incubation industry in India. The fact that the funding organizations in this case DST is making observations about the limited success of incubators in the country points to the fact that some metrics are being applied.

The real issue as our detailed review indicates lies in 3 key areas:

- Categorize incubators - to compare apples to apples
- Separate organization development metrics from outcomes & impact
- Accept a base-set across the Industry to start measuring
a. **Comparing apples to oranges:**
Incubators are not all the same kinds. They have different business models and cater to different kinds of target audience. These entrepreneurs have different kinds of impact on the social and economic fabric of the region or the country. However, today we compare all incubators with each other very often leading to a less than satisfactory result in what and who may emerge as success. This can be a huge dis-incentive for stronger players in the industry. Primary success factors of one type of incubator may not be exactly the same as for another kind and not differentiating between these is leading to gross over generalization which is mis-leading

b. **Incubator a complex beast – organizational development separate from outcomes & impact**
Incubators are organizational structures that are expected to develop capabilities that will support start-ups at scale and in a sustainable manner. The funding organizations provide seed finance to help operationalize a strong organizational structure that would support new startups in an ongoing manner. When the incubator does not become organizationally sustainable in the defined time period of that funding, that is deemed a failure even if some of the companies that it may have supported may go on to be highly successful. That by definition means that every incubator should be evaluated for sound organizational development; this should be separate from metrics on outcomes and long term impact from the incubator.

c. **Need for an acceptable set of impact metrics for different kinds of incubators**
If we accept that there are different kinds of incubators, we must understand that there may be some variations in success metrics for each kind of incubator. So far the industry has not put out there an accepted set of metrics that are relevant and useful to the different types of incubators. Of course, as indicated above, we would have to do this for a broad set of acceptable categories of incubators. In the absence of these standard metrics, incentives of incubators are not aligned and hence success less than guaranteed.
Section III
Solutions and Recommendations

8. Classification of Incubators

To satisfactorily address the gaps in measurement, best practices and systematic development of incubators we must start by first understanding the different kinds of incubators and their unique models and characteristics. The basic assumption here is that different kinds of incubators may have different measurement needs.

Key factors that govern the categorization
Incubators around the world are typically governed by 2 key factors when defining their business models. These criteria are universal and include:

1. Motive of the funding organization and / or Host organization in investing in an incubator
2. Size of the opportunity that typically the incubated Start-ups may be able to pursue –
   based on the core expertise of the host organization, local eco-system to support the core area and the geographical sphere of the incubators’ influence

1. Motive for setting up the incubator
The key question here is - Is the primary motive for profit or not for profit?

What it means and instances of occurrence

a) Commercial:
   The primary motive for the Host group investing in and supporting the incubator is to create highest and large financial (deal flow) benefit for the investing community. Typically, therefore the team or company being incubated should have the potential to become investible in a short period of time

   Typical example: Incubator/Accelerator run by Angel groups with the intent to help create deal flow by supporting potential high growth start-up teams – the incubator is successful only if it spins out enough investible companies with a potential of several x returns for investees in its group; and does so at the least possible cost both in terms of effort and time spent.

   Another instance may be of a corporate entity that may setup an incubator to help identify and acquire potential technologies that are beneficial to its own growth. In
this case, the incubator’s success would depend upon how many such technologies the company is able to successfully convert into commercially successful products or ancillary units

It is important to note that such a Accelerator / Incubator itself may be set up as a not-for-profit entity. Several recent examples of Accelerators and incubators in India include Morpheus, The Hatch, IAN, and Venture Nursery.

b) Not For Profit:
Primary motive of this kind of incubator is social return. There may be 2 key reasons why a group that is promoting an incubator may have a not for profit motive

i. Altruism may be a primary motive for the Host group to incubate the companies; this philosophy is generally driven either by the Host group’s original or CSR mandate or by the Patron’s personal drive

ii. When incubating social enterprises there may be a stronger focus on solving hard societal problems. While many such social enterprises are equity investible, they are not funded by the traditional equity investors. This is because typically social enterprises may require higher amounts of risk capital and the rate and period of returns may not match traditional equity investors’ expectations. Social enterprise funds that invest in such start-ups are a different beast and typically maintain a success measure that includes social impact and financial returns

Typical examples: Most incubators situated at academic institutions explicitly maintain the altruistic view. A typical manifestation of this is in that even in circumstances where there may be the possibility of a higher equity for greater returns for the incubator; it typically chooses to take a smaller equity.

One may also find that a Corporate or Individual Patron would invest in and support an incubator with the intent of ‘giving back’ to society. The Host group or the Patron in such a case looks at this activity as a CSR activity

The selection of a incubate company in this type of an incubator is not governed by its need to take equity in the company.
2. **Size of the opportunity (that the incubated start-ups typically pursue)**

To be effective, an incubator would need to have fair amount of uniformity in the nature of the start-ups (70% and above of all companies incubated) that it incubates. This is critical for the incubator to develop or manage the right kind of support mechanism, knowledge and network to successfully incubate their start-ups.

This uniformity would be required in terms of industry / sectors but even more importantly in the potential size of the opportunities that companies typically pursue.

Typically the nature of **incubates start-ups’ potential for growth** could be categorized as

i. **High growth**
   Teams and ideas that have the potential to grow into high growth companies; such opportunities are typically technology product based or technology enables service based. Most equity investible companies would be of this kind. In theory such companies would be globally competitive.
   e.g. of incubators in India that support such companies: Morpheus, SINE-IIT B, IKP-Hyderabad, CIIE-IIM A

ii. **Medium growth**
   These would be teams that would pursue opportunities that can grow into highly profitable regional or local companies. A small percentage of these may be equity investible and have the potential to be acquired or merged with larger entities. However, a larger number of these companies would grow through debt investment and / or self funding. Such companies are highly relevant for fuelling local economies through job generation.
   e.g. of incubators in India that support such companies: PSG-Step, VIT-Step,

iii. **Small scale**
   These would be teams or more often than not individuals that are pursuing small scale or cottage industry opportunities. This model may be highly relevant for eradicating local unemployment in certain areas that may have specific resource driven opportunities - areas with potential for food processing, or handicraft exports or tourism 
   E.g. of such incubators could be ALEAP, Periyar Incubator

   It is worthwhile to note that none of these classifications are based on majority focus of the incubated companies and their support. None of these are water tight compartments though. So you may easily find a equity funded company at a PSG –
STEP or a JSS incubator even though the majority of the companies that those incubators might support effectively may be debt funded medium growth enterprises

Based on the above illustrated key factors, the different types of incubators can be classified as below:

Illustration - classification of incubators

<table>
<thead>
<tr>
<th>Motive to invest</th>
<th>Commercial (Incubators / Accelerators)</th>
<th>Not for Profit (Incubators / STEPs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key focus</td>
<td>Create funding pipeline for investors</td>
<td>Educate &amp; support entrepreneurs from campus, alumni and community;</td>
</tr>
<tr>
<td></td>
<td>Add new commercially successful</td>
<td>Commercialize technology from parent inst;</td>
</tr>
<tr>
<td>Potential size of</td>
<td>High Growth, equity investible</td>
<td>High Growth, equity investible</td>
</tr>
<tr>
<td>opportunity</td>
<td></td>
<td>Medium Growth, self/debt funded</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small Scale, Self/debt funded</td>
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<tr>
<td></td>
<td></td>
<td>High Potential, Investible Social</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enterprises</td>
</tr>
<tr>
<td>Typical Parent organization</td>
<td>Funding institutions – Angel groups, VCs; Corporate houses</td>
<td>Academic institutions; Corporate houses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Academic institutions; Corporate houses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community associations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-profit / impact investors</td>
</tr>
<tr>
<td>Examples in India include</td>
<td>Morpheus, IAN, Hatch, India Quotient, Venture Nursery</td>
<td>CIIE-IIMA; SINE-IIT B; FITT-IIT D; IKP</td>
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<tr>
<td></td>
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<td>STEP-PSG; STEP-VIT; STEP-Trich; JSS Incubator Noida</td>
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<tr>
<td></td>
<td></td>
<td>ALEAP; Periyar</td>
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<td></td>
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<td>Villgro; Unltd India</td>
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The kind of incubator an organization may decide to setup is also defined by the **Location** of the incubator, the **Core expertise** that the organization has, and its related **sphere of influence**. Here is a closer look at these to understand how they may affect the success of an incubator.

**Location:**
Location has a direct and strong bearing on the incubator model. Location affects both an incubator’s ability to get the right kind of incubatee deal flow and its ability to easily and adequately support the incubated companies.

Let us take the example **high growth technology backed equity investible companies**. These teams and companies will at all times need a healthy environment of readily accessible technology and global organization building experts, mentors, equity investors – angels and VCs to succeed. If such incubators are located in larger metro cities with ample availability of such an eco-system it is more likely that they will be able to successfully engage such expertise. Additionally, for the same reason the incubator’s ability to access incubatee
pipeline would also be better. An incubator that does not have such an eco-system around it may still be able to access the required deal flow and expertise if it has a strong brand and an associated and accessible national network that it can leverage. However, even such incubators would end up with a high cost of acquiring incubatee deal flow and managing support for incubated companies putting unreasonable strain on the incubator’s business model.

**Core expertise and Sphere of influence:**
An incubator or host organization’s core in-house expertise and immediate sphere of influence has a similar bearing on the choice of the incubator’s model. The host organization must have a core expertise in the relevant area in which it is incubating startups. This should extend to both **soft expertise** and availability of **hardware** and **relevant testing facilities**. Similarly its sphere of influence should extend to a relevant network of both incubatee deal flow and support required for the incubated companies.

One may argue that spheres of influence are expandable, which is true. However, there will be an initial time and therefore cost to building it that must be factored in by the incubator. An incubator that has higher degree of ready access to both incubatee pipeline and to support expertise will be able to kick off its operations much more easily and smoothly.

*Please see annexure 2 for a more detailed classification and characterization of the incubators.*

**Summary conclusion:**
Continuing the discussion from above, and the key issues around measurement it is clear that categorization of incubators is key to differentiate between the natures of the audience that the incubators deal with and the related business models. If is also clear that different kinds of incubators deal with different kinds of unique challenges. Categorization would additionally, enable us to identify, recognize and deal with these challenges with appropriate solutions and policies.

**9. Overall Framework for Measurement**

**Rationale for measurement:**
Measurement clearly is a complex matter; even more so because when evaluating an incubator, one is looking at what comes out of the incubator in the short term; its long term impact on economy and local community; the scale of its output and organizational stability and growth. These are all inter-linked and ignoring one or the other factor could end up being
faulty. A simple and conceivable logic for measurement is provided below. These would apply typically to all kinds of incubators with unique features applicable to each type.

**Incubators** create **entrepreneurs** who in turn create impact in the form of **revenue**, **shareholder returns**, **new jobs**, **societal impact**.

1) **Impact in the long term**: Not all of the impact metrics mentioned above may apply equally to all kinds of companies and therefore all kinds of incubators. Impact metrics of revenue, jobs, societal impact or shareholder return can only be measured long term because it will take start-up 5-7 years to mature.

2) **More immediate Outcomes**: In the short term there is still the need to measure results from the activities that an incubator conducts to know if it is effective. This is critical both for continuous course correction but also to enable the right allocation of resources for further development of the incubator.

3) **Organizational Development milestones**: Behind higher outcomes and ultimately impact lies a successfully developed organization. No matter what the kind of incubator therefore, it must develop sustainably with **strong organizational structures and functions** to enable long term and ongoing outcomes and impact. In the absence of that all the investment in an incubator can come to nothing.

<table>
<thead>
<tr>
<th>IMPACT</th>
<th>OUTCOMES</th>
<th>ORG. DEVELOPMENT MILESTONES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Long term effect on local / national economy</td>
<td>• Results: whether there are minimum desired results from the activities undertaken by the incubator</td>
<td>• Sustainability: whether the organization is being setup for ongoing outcomes &amp; long term impact</td>
</tr>
<tr>
<td>In 3 – 5 yrs</td>
<td>Yearly from yr 2</td>
<td>Yearly over 3-5 yrs</td>
</tr>
</tbody>
</table>

**Framework for measurement**

**Impact from companies incubated** – revenue; shareholder return; jobs; societal impact

**Outcomes from incubators** – capacity utilization of incubator; successful exit of companies

**Org dev milestones for Incubator** – Team; Incubatee deal flow; support structure; sustainable financial model; sustainable processes & policies

**Different combinations of impact criteria & order of priority may apply to different kinds of incubators**

**What constitutes successful exit may be different for different kinds of incubators**

**No matter what the kind of incubator, organizational development milestones do not change**
10. Detailed illustration of ‘What to Measure’
   a. Outcomes from an incubator

While economic and social impact of an incubator is long term, Outcomes are immediately measurable and critical to understand if the incubator is making progress. The incubator’s primary job is to find the right incubate start-ups and to provide them with the necessary support to help them stabilize and grow. An incubator’s ability to get the **required number of start-ups** to incubate is a short term outcome that has a strong bearing on long term impact. Additionally, if the start-ups incubated are the **right kind** there will be higher percentage of **successful exits** from that incubator.

Of course, what might constitute successful exit for one kind of incubator may be different for another. As an example a high growth technology start-up may look at raising finance as a successful factor for exit, whereas a medium growth start-up may consider positive cash flow and profits as a successful factor for exit. The incubator would need to define its successful exit factors based on the kind of start-ups that it would incubate.

*Please see annexure 1 for exit factors relevant to different kinds of incubators*

   b. Incubator as an Organization - Development Milestones

Incubators are expected to produce ongoing impact in the form of new entrepreneurs created, generating jobs and revenue to fuel local economies. In setting up an incubator, we are essentially building a robust organization capable of sustainably creating high value. Fundamental blocks of organization development milestones are related to developing strong:

- Teams to lead the incubator
- Pipeline of incubate start-ups
- Support for incubated companies
- Organizational processes, policies and systems
- Financial sustainability for incubator

These have to develop in a consistent and timely manner for the incubator to be successful. It is expected that this development will typically take between 4-5 years to go from scratch to maturity and will require different focus, resources and outcomes as the incubator progresses. An over-view of the development milestones & resource requirement is provided below for further reference (further details in the annexure):
c. Long term Impact

Incubators as we have stated before are setup to enable economic growth. Both jobs and revenue are critical factors to that end. How neither of these - jobs and revenue – may be useful as active indicators to determine immediate success in the short period of time that an incubator might work with the early stage start-up. An incubator’s immediate focus with a start-up may be on other immediate requirements like getting a product out or building an effective team, or getting the first customer out. Measuring long term impact effectively will enable incubators to access more resources from the eco-system and funding organizations. It will enable them to attract better talented team members and most importantly draw better and better start-ups to them for incubation.

Tracking jobs, revenue, and in some cases, return on investment and societal impact over a period of 4-6 years of the start-ups life is the ultimate impact. This would include the period of incubation (1.5 – 3 yrs) and post-incubation (1-3 yrs) and is very important for every incubator to measure.

At the same time, as an industry we should be wary of comparing impact from one kind of incubators to that of another kind. That would not be useful as the scale of impact from a company in a for-profit, high growth incubator in terms of revenue will likely be higher.
than that from that of a company in a not-for-profit, medium growth incubator. In comparing one with the other we can end up wrongfully dis-regarding the value of one against the other. The fact is that in a country and economy as large and as diverse as ours, we need all kinds of companies to succeed – high growth, medium growth and small scale.

Additionally, selecting the right incubator model for a given location and host body has huge implication on the impact that it can create. As an example let us take the local economy of a tier 2 town in India – if we can create 50 new medium growth companies each year (high likelihood), each of which will generate 50 jobs over 3 years that would mean that in 5 years we would have 150 companies and 7500 jobs. Compare that to the same tier 2 town where we may be able to create 2 high growth companies using the same resource (smaller likelihood), each creating 500 jobs over 3 years thereby collectively giving us 6 high growth companies with 3000 jobs in 5 years. Of course it may be argued that the average revenue and shareholder value of these 6 companies may be much higher when compared to the medium growth companies; but the merit of creating enough valuable jobs for a local economy cannot be undermined.

Separately, when you consider a social enterprise you have another dimension to consider – impact on the lives of the people in the community: education, livelihood, quality of living, health, life expectancy and so on; none of these are a consideration for a company in a for-profit mode.

In effect, then no one kind of incubator is more valuable than other. The question is more of making the choice for the right kind of incubator with the right partners and the right environmental conditions for most effective and long term impact.

11. Implementation of the Metrics:
It is clear that milestones need to be tracked & reviewed with mutual focus by the incubator team and the funding organization. This will enable effective decision making at both the incubator and the funding organization to both their benefits.

How?
Luckily for us we are not unique in starting on this journey and there are existing tools for tracking and assessment that we can use for reference. For example NBIA uses a broadly applicable online tool for any business incubator - allows a incubator to see its strengths, gaps and weaknesses; the Icehouse incubators in New Zealand, (supported by the Govt or NZ) regarded among the top 12 incubators in the world by Forbes, has further successfully adapted the NBIA software tool and measures key milestones for all its funded incubators.
We strongly recommend that we consider setting up a tracking mechanism and a tool for all funded incubators. We do not have to build from scratch and can with adequate thought, buy-in from strong players, adapt from existing tools to implement for everybody’s benefit.

12. **Key challenges that incubators face to become successful – decision implications for partners, funders & policy makers**

Successfully implementing the right metrics and milestones would enable higher motivation, strong incentives and the propagation of knowledge of best practices to result in higher success of incubation as an industry.

However, classification of incubators and their metrics helps **highlight some key challenges** that have to both be **recognized and dealt with** to ensure higher chances of success. Some of these may require **policy level changes** and others to **adopt best practices** that have worked in some parts of the world; we recommend that these should be examined carefully to enable higher success.

1. **Right kind and amounts of funding to meet key milestones:**

Developing an incubator is a partnership. Success of an incubator could be compromised at various times, either by handing over too much money or with starving the incubator with too little money. For example during the first year the most important development is identifying and hiring a strong entrepreneurial leader – to enable the incubator to do so would require the right amounts of operational money and the ability to structure it in a reasonable compensation as the need may be. On the other hand too much money to build physical infrastructure that may not be critical in the beginning has known to divert precious effort and attention to putting ‘buildings and computers’ rather than ‘people’ in place. It also defies the wisdom of starting-up by locking too much capital upfront without any real sense of returns.

**Implications for both funder and host institute policies:**

This is important and merits attention. As an example if a good leader is core to the incubator’s success, then, any undue restrictions on who one can on-board or at what cost, could derail the effort or end up with lower levels of success later. That decision has to be linked to talent, attitude & skill of the candidate being considered for leading the incubator and whether they can succeed along key deliverables rather than existing organizational or salary structures at the co-locating institute to be really effective. Of course, risks would need to be mitigated by defining clear deliverables in a defined timeframe for the Incubator leader.
with accountability to the funding organization. However, for the above to happen both the funder and the host organization policies would need to be appropriately aligned so as to enable the above. Many a incubator today is constrained by in-flexible current policies.

2. Financial sustainability of the incubator:
This is a critical metric that defines whether or not the incubator will be successful in the long run. While logically, we all understand that the incubator as an organization must become financially sustainable, it is important to recognize that some types of incubators might be particularly challenged in doing this.

For instance, Commercial or other incubators focused on high-growth equity investible start-ups generally take equity in their companies. Given that a significant number of these companies may go on to raise the next round of funding these incubators have a high chance of making some return from the companies irrespective of whether these companies become big commercial successes.

On the other hand, if we look at incubators that are not for profit, supporting medium growth start-ups they largely have rentals as the source of revenue. Such incubators can be very challenged to get enough revenue to support the incubator and enhanced services and support to the incubated start-ups.

Implications for the industry in identifying and adopting best practices for higher financial sustainability: while this is a tough challenge, there are possibly best practices some of them functional in other parts of the world that could help overcome these to a large extent. Some of these best practices are mentioned below, and we should come up with more to enable wider applicability to different incubators

a) Training & mentoring services for community entrepreneurs at the incubator
Incubators of all kinds can and should be encouraged to provide training and mentoring support to entrepreneurs from the community even if they are not incubated with them. This will not only be a source of regular revenue for the incubator but more importantly it enhances the quality of the incubator through i) enhancing the knowledge and skill of the incubator team in handling entrepreneurs’ issues ii) creates a potential future pipeline of incubates if they are offering support to pre-venture or early stage venture start-ups. Of course, care has to be taken to ensure that the incubator maintains as much uniformity in the profile of the start-ups that it works with as possible. It would be counter-productive if the incubator incubates nano technology entrepreneurs but offers training support to small scale entrepreneurs.
b) ‘Returnable seed money’ to every incubated company

This is a proven best practice at Unltd India, an incubator for social enterprises. Unltd India provides a seed money to the tune of 5 lakhs upfront to its incubated company. The only condition is that once the company is successful and starts generating enough cash-flow, it must return that seed money to the incubator. This does 2 things – makes Unltd accountable to provide the best support to enable the company to succeed and makes the company accountable to feed back the seed fund at the incubator to enable the success of its followers. A win-win situation that could prove to be valuable at many incubators including those that are incubating medium growth companies.

As indicated above, there may be other existing best practices that could be adopted to ensure higher success of incubators.

*A detailed illustration of key challenges that affect different kinds of incubators is provided in annexure 3*
### CLASSIFICATION OF INCUBATORS

**Types based on motive for starting an incubator + growth potential of startups incubated**

<table>
<thead>
<tr>
<th>Commercial</th>
<th>Not for Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Incubators / Accelerators)</td>
<td>(Incubators/ STEPs)</td>
</tr>
<tr>
<td><strong>High Growth, investible companies</strong></td>
<td><strong>Medium Growth</strong></td>
</tr>
<tr>
<td>High Growth, investible companies</td>
<td>Self /debt funded growth</td>
</tr>
<tr>
<td>Morpheus, IAN, Hatch, India Quotient, Venture Nursery</td>
<td>STEP-PSG; STEP-VIT; STEP-Trichy; JSS Incubator Noida</td>
</tr>
<tr>
<td>CIIE-IIMA; SINE-IIT B; FITT-IIT D; IKP</td>
<td>ALEAP; Periyar Incubator</td>
</tr>
<tr>
<td><strong>Small scale, self / debt funded</strong></td>
<td><strong>High potential investible Social Enterprises</strong></td>
</tr>
<tr>
<td><strong>Examples in India include</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Villgro; Unltd India</td>
</tr>
</tbody>
</table>

### METRICS AND MILESTONES FOR BUSINESS INCUBATORS

**1. Outcomes from the incubator - yearly measurement**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy of the incubator</td>
<td>High - 80% and above</td>
</tr>
<tr>
<td>Rate of success</td>
<td>Low akin to VC firms – 30-50% risk reward ratio</td>
</tr>
</tbody>
</table>

**Note:** **scale of success would need to be developed to differentiate moderate success from outstanding success**
## 2. Incubator as an organization - development milestones over 3-5 yrs

*Commonly applicable to all kinds of incubators; Illustration shows typical expected development over 5 years*

<table>
<thead>
<tr>
<th>Pre-requisite</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical time taken</td>
<td>1 year</td>
<td>2 years</td>
<td>2 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goals</th>
<th>Assess if parent organization ready</th>
<th>Get started</th>
<th>Establish operations &amp; raise resources</th>
<th>Mature organization; financially sustainable</th>
</tr>
</thead>
</table>

### PEOPLE / TEAM RESOURCE

<table>
<thead>
<tr>
<th>Top Management</th>
<th>Organization management</th>
<th>Advisory board initiated &amp; established</th>
</tr>
</thead>
<tbody>
<tr>
<td>- buy-in &amp; commitment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- clarity in expectations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exec Management Team</th>
<th>Evangelist Leader</th>
<th>Professional leader hired</th>
<th>Operations team hired</th>
<th>Specialist team members hired</th>
</tr>
</thead>
<tbody>
<tr>
<td>- knowledgeable &amp; experienced</td>
<td></td>
<td></td>
<td></td>
<td>tech transfer, fund raiser</td>
</tr>
<tr>
<td>- accountable for development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- able to spend time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### BENEFICIARY: START-UP ENTREPRENEURS

<table>
<thead>
<tr>
<th>Incubated start-ups</th>
<th>Small cohort incubated (2-3)</th>
<th>5-7 new companies/ year</th>
<th>Incubator at full capacity;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tech. transfer from other Univ labs in the region</td>
</tr>
<tr>
<td>Pipeline of incubatees</td>
<td>Small cohort (3-5) pre-incubation process</td>
<td>Pipeline developed</td>
<td>Strong &amp; steady pipeline</td>
</tr>
<tr>
<td></td>
<td>(alumni, networked entre.)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SUPPORT SERVICES FOR INCUBATEE COMPANIES

<table>
<thead>
<tr>
<th>Mentors &amp; Experts</th>
<th>Selection panel initiated</th>
<th>Mentor panel initiated</th>
<th>Wide usable mentoring network (entre, investors, professionals)</th>
<th>Wide usable industry network (tech transfer)</th>
<th>Expert ‘seed funding’ panel for start-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service providers for start-ups</td>
<td>legal &amp; accounting</td>
<td>Access to Functional services as required (HR, Marketing, Branding,...support)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to funding</td>
<td>Create access to seed fund with Banks / angels</td>
<td></td>
<td></td>
<td>Establish ‘Seed fund’ for start-up companies</td>
<td></td>
</tr>
</tbody>
</table>

### FINANCIAL SUSTAINABILITY OF INCUBATOR - Critical that incubator cover its costs

<table>
<thead>
<tr>
<th>Incubator</th>
<th>Parent org funding support for team, support activities</th>
<th>Multi-year ‘Operations fund’ raised - stage 1 $ received (appropriate funds to hire well)</th>
<th>Stage 2 $ received (funds to build an able &amp; experienced team; initiate marketing and outreach activities; build networks)</th>
<th>Stage 3 $ confirmed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>multiple revenue generating support services for entreps in the community (profiles similar to incubated startups)</td>
<td>Self generating operational funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>a best practice may include - small seed fund upfront returned by co when successful</td>
<td></td>
</tr>
</tbody>
</table>

---

**METRICS AND MILESTONES FOR BUSINESS INCUBATORS**

1. OUTCOMES 2. ORG DEVELOPMENT MILESTONES 3. IMPACT
2. Incubator as an organization - development milestones over 3-5 yrs

*Commonly applicable to all kinds of incubators; Illustration shows typical expected development over 5 years*

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<td>2 years</td>
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**METRICS AND MILESTONES FOR BUSINESS INCUBATORS**

1. OUTCOMES
2. ORG DEVELOPMENT MILESTONES
3. IMPACT

**ORGANIZATIONAL PROCESSES & POLICIES**

<table>
<thead>
<tr>
<th>Pre-incubation support</th>
<th>Deal flow</th>
<th>Start-up company selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up company support</td>
<td>Start-up funding</td>
<td>Exit</td>
</tr>
<tr>
<td>Start-up company metric &amp; review</td>
<td>Incubator progress metric &amp; review</td>
<td>Tech transfer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal status &amp; structure</th>
<th>Incubator funding policy</th>
<th>Team compensation</th>
<th>Tech transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>
### Classification of Incubators

**Types Based on Motive for Starting an Incubator + Growth Potential of Startups Incubated**

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</tr>
<tr>
<td>Medium Growth Self debt funded growth</td>
<td>Small scale, self / debt funded</td>
</tr>
<tr>
<td>Commercialized operations</td>
<td></td>
</tr>
<tr>
<td>Customer / User base</td>
<td></td>
</tr>
<tr>
<td>Cash flow; Revenue</td>
<td></td>
</tr>
<tr>
<td>Revenue; Jobs</td>
<td></td>
</tr>
<tr>
<td>Social Impact; Job; Revenue</td>
<td></td>
</tr>
<tr>
<td>Not for Profit Investible Social Enterprises</td>
<td></td>
</tr>
<tr>
<td>High potential Investible Social Enterprises</td>
<td></td>
</tr>
<tr>
<td>Vilgro; Unitd India</td>
<td></td>
</tr>
</tbody>
</table>

### Metrics and Milestones for Business Incubators

1. Outcomes
2. Org Development Milestones
3. Impact

#### 3. Long term Impact on economy from the graduated companies - over 4-6 years

Primary impact factors different for different kinds of incubators; additionally avg scale different for different kinds of companies; Further scale to determine levels of success can be evolved along these factors in consultation with investors, incubator leaders

<table>
<thead>
<tr>
<th>During Incubation 1-3 years</th>
<th>Customers / user base; capital raised; product launched; valuation; revenue; jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3 yrs ending in successful graduation*</td>
<td>Capital raised; Revenue; Commercialized operations; Commercialized operations; Proven impact model</td>
</tr>
<tr>
<td>(typical priority indicators in each category)</td>
<td>Capital raised; Revenue; Commercialized operations; Commercialized operations; Proven impact model</td>
</tr>
</tbody>
</table>

Note: *Exit criteria different for different kinds of incubators (based on the kind of companies typically incubated)

<table>
<thead>
<tr>
<th>Post- incubation 1 - 3 yrs **</th>
<th>Revenue growth; valuations; jobs; Tot capital raised; social impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1 after graduation +</td>
<td>Return on investments; Revenue; Jobs; Revenue; Social Impact; Job; Revenue</td>
</tr>
<tr>
<td>Year 3 after graduation</td>
<td>Return of investments; Valuations; Jobs; Revenue; Social Impact; Job; Revenue</td>
</tr>
</tbody>
</table>

Note: ** scale of success would need to be developed to differentiate moderate success from outstanding success
## Annexure 2

**Typical characteristics of incubators in different categories**

<table>
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<tbody>
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<td>High Growth investible companies</td>
<td>High Growth, investible companies</td>
<td>Medium Growth Self /debt funded growth potential</td>
<td>Small scale, self / debt funded</td>
</tr>
<tr>
<td>Tech / non tech</td>
<td>Largely Hi-Tech or Tech enabled opportunities</td>
<td>Hi - Tech or Tech enabled opportunities</td>
<td>Largely Technology</td>
</tr>
<tr>
<td>Typical Parent organization</td>
<td>Investment fund - Angel / VC</td>
<td>Academic Institution / Corporate</td>
<td>Academic Institution / Corporate</td>
</tr>
<tr>
<td>Selection process governed by (based on expectations from the opportunity)</td>
<td>Need to take equity &amp; potential possibility of exit in a reasonable time frame</td>
<td>Equity sharing (but not always); may incubate start-ups that may not show any explicit potential for investment</td>
<td>Potential to be profitable. Must have potential to raise debt funds; local angel (debt) funds could be further possibility although as yet limited in India</td>
</tr>
<tr>
<td>Location + Sphere of influence of the incubator</td>
<td>National</td>
<td>National; Geo location’s eco-system should have access to hi-tech investible startups &amp; support experts</td>
<td>Regional / city; Geo location must have strong local industry environment in areas/sectors that the incubator supports</td>
</tr>
<tr>
<td>Typical Period of engagement</td>
<td>Staged &amp; limited period engagement - range 7-8 weeks to 1.5 to 2 years; startups are likely to fall off at various stages</td>
<td>2 to 4 years;</td>
<td>2 to 4 years;</td>
</tr>
<tr>
<td>Examples in India</td>
<td>Morpheus, IAN, Hatch, India Quotient, Venture Nursery, CII-EIMA; SINE-IIT B; FITT-IIT D; IKP;</td>
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### Annexure 3

**Key challenges of the different kinds of incubators – decision making implications for partners, funders & policy makers**

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</tr>
<tr>
<td><em>Examples</em> Morpheus, IAN, Hatch; India Quotient, Venture Nursery, CIEE-IIMA; IIT-B; FITT-IIT D; IKP;</td>
<td>CIIE-IIMA; SINE-IIT B; FITT-IIT D; IKP;</td>
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<tr>
<td>High potential, investible Social Enterprises</td>
<td>High potential, investible Social Enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**KEY CHALLENGES DIFFERENT TYPES OF INCUBATORS HAVE TO TACKLE**

<table>
<thead>
<tr>
<th>Cost of deal flow</th>
<th>High because have to dip into the limited pockets of high growth entrepreneurship wide</th>
<th>High unless from a captive pool either from the parent body (students, alumni, faculty, employees) or local community</th>
<th>Manageable if supported by a strong pipeline from the parent body or the local community</th>
<th>Manageable if there is sufficient energy and aspiration in the local youth</th>
<th>High because it is niche and in short supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk return ratio</td>
<td>must be high to justify e.g. IIT-B - all alumni</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of support</td>
<td>Manageable because largely available from the parent organization/network</td>
<td>High initially unless parent body has strong connected eco-system</td>
<td>High initially unless parent body has strong connected eco-system</td>
<td>Manageable if local industry and know how exists</td>
<td>High because exists in short supply</td>
</tr>
<tr>
<td>Financial sustainability model</td>
<td>Reasonable Equity in incubated companies - ability to realize returns</td>
<td>Gen small Equity + rent so if they do things successfully they are likely to be sustainable; Financial sustainability a challenge because mostly rental based structures; these incubator must offer training and mentoring services to other entities similar to their incubated companies for leverage. This will keep knowledge base updated &amp; create strong networking opps and channel for incubatee pipeline</td>
<td>Financial sustainability a challenge because mostly rental based structures; these incubator must offer training and mentoring services to other entities similar to their incubated companies for leverage. This will keep knowledge base updated &amp; create strong networking opps and channel for incubatee pipeline</td>
<td>Financial sustainability a challenge for the incubator because of the nature of the incubated companies.</td>
<td></td>
</tr>
<tr>
<td>Team building</td>
<td>Typically not a challenge to hire the right leader; ability to pay market salaries</td>
<td>Challenge to hire the right leader - academic insts and govt funding insts cap salaries that can be paid</td>
<td>Much more possible to hire the right local leader with industry or entrepreneurial background; sound training and networking opportunities will help immensely</td>
<td>Much more possible to hire a right local leader with industry or entrepreneurial background; sound training and networking opportunities will help immensely</td>
<td>Challenge to hire the right leader with passion and affordable talent</td>
</tr>
</tbody>
</table>
Annexure 4
References: Literature & model review; Interviews & conversations with practitioners

This document has come about as a result of existing literature and models in India and from around the world. The mode of gathering input has been over a period of over 18 months and ranges from literature review to direct interviews, conversations and debates with practitioners including manager, incubates and investors. Additionally, some experiments on the ground have been made to develop new incubators. Insights have been garnered from each and analyses of the information thus gathered have been used to shape the key recommendations of this document.

Further work continues with a more detailed survey of existing incubators in India underway in partnership with IIM A. Additionally, further detailed interviews with key stakeholders in the incubator and investing industry are being carried out to understand the current status of incubator performance in India.

Secondary research - Literature reviewed:


Forbes 2012 ‘Top Startup Incubators and Accelerators...’

Garett Melby, CEO of Goodcompany Ventures on the Incubators Models in a blog post


Peter Relan, Techcrunch 2012, ‘90% of Incubators and accelerators will fail and why....’

Sramana Mitra’s blog on “Why do Business Incubators Fail?” - Blog debate with posts from incubator managers, incubate companies, investors from incubators around the world


Tuan M Pham, Steering Committee Member, Asia Pacific Incubation Network, “New Trends in Business Incubation” as presented to the World Bank Delegation, 2011
Primary Research – Interviews & conversations with individuals including:

**Abhijeet Mhatre**, Entre incubate, Covacsis Technologies Pvt. Ltd.
**Aditya Vyas**, Entre incubate, The Smart Techies Pvt. Ltd
**Gayatri Sabharwal**, Scientist, faculty and founder, IBAB Incubator
**K C Chandrasekharan Nair**, Managing Director, Technopark Campus Trivandrum
**Krishnaveni**, Manager, SINE-IIT Bombay
**Linda Kerkmann**, Commercial Director, QLBS.com (QLBS is the company that has developed an online assessment tool for incubators; currently being used in NZ and Sweden to track and assess incubators; being reviewed by World Bank for potential future use across incubators
**Nijesh C R**, Entre incubate, Telmoco Development Labs Pvt. Ltd
**Nikhil Khekade**, Entre incubate, A Break Please Holidays & Leisure Prvt. Ltd
**Nikhil Dhoka**, Entre incubate, Unit Marketing Solutions Pvt. Ltd.
**Poyni Bhatt**, CAO, SINE –IIT Bombay
**Pranay Gupta**, former Co-CEO, CIIE-IIM Ahmedabad
**Rajaram Keelar**, Incubator Manager, SJCE-STEP
**Richard White**, Trade Commissioner, New Zealand High Commission, Delhi (formerly setup the government funded business incubators in NZ)
**Sajid Chougle**, Entre incubate, Last Bench!
**Sameer Guglani**, VC and founder of Morpheus Incubator
**Sanjay Anandram**, VC & Advisor on NEN Incubator development program
**Shreejit S**, Manager - Business Incubation & CSR Services, Technopark Campus Trivandrum
**Suresh Kumar**, General Manager, STEP-PSG
**Vishweshwara Rao**, Entre incubate, Sensibol Audio Technologies Pvt. Ltd.
Annexure 5

Recommended Next Steps: To adapt the first set of metrics for Indian Incubator

Suggested Next steps

The goal of this exercise is to get to a nationally accepted set of incubator metrics. This will be critical to do now if we want India to have a reasonable position in the space of incubation. We also expect systematically measuring and sharing results within and outside the industry will allow us to further refine the metrics into a robust mechanism that may apply not just to India but to several other emerging economies that have similar institutions and challenges as we do here.

As next steps, we suggest that we do the following:

1. **Current document as a starting point to invite input and suggestion:**

   This document sets up the context, provides a broad classification and also highlights both the requirements for metrics and also a base level metrics framework that allows people to think of it systematically and logically. It is therefore, well positioned to be used as a strong base document with stakeholders to both critique and invite input and other complimentary or alternative suggestions in different areas.

   We should gather input from the various stakeholders, taking care to include the different kinds of incubator representatives but also international agencies that are working on the same in a broader context. Some examples of agencies that have an focused interest here includes GIZ and ANDE; there may be others.

2. **Invite key stakeholders from the industry to discuss and agree on a first set of metrics to use:**

   Once we have input from the different stakeholders, we should the group together to a working discussion to arrive at a first set of classification and metrics for use by all incubators in India.

   NEN would bring to this meeting, analyses of a further survey that IIM A and NEN are running with the current incubators in India to understand the status of development and critical challenge areas. We believe the feedback from stakeholders along with the findings

Timely endeavour to establish metrics, measures and industry standards in India if we want to benchmark globally & set best practices for other emerging economies
from a systematic survey that we are running will make for informed discussion to enable a decision.

3. **Measure and share results on an yearly basis:**

An outcome of this meeting should be agreement to measure and share results from incubators on an yearly basis. A nodal body would need to become responsible for gathering data and publishing results. If it is possible, it would be good to have an online tool for measuring as it would not only feed into the industry knowledge but would also become an easy and simple tool for every incubator enabling them to track their own progress systematically. One such tool is already functional in New Zealand and Sweden (developed by QLBS.com) and is currently being evaluated by World Bank for implementation around the world. Such a tool can be immensely useful for the incubator industry as a whole.

4. **Review, analyse and synthesize feedback and learning for a next more robust version:**

If we measure regularly and systematically, the data would go on to inform our ongoing best practices, and help further refine metrics and classifications. That would greatly enhance the success of our incubators and also possibly enable us to come up with well documented metrics, best practices and guidelines that could inform incubators’ development in other emerging economies.