



The United States-Mexico Foundation for Science  
Fundación México-Estados Unidos para la Ciencia

## **“Incubation in the next 10 years”**

*Globalization, Networks articulation, Niches within  
Cluster*

**Guillermo Fernández de la Garza**

***Riding the Wave of Innovation***

**NBIA**

**25 International Conference on Business  
Incubation**

**San José, California**

**April 11, 2011**



## Basic issues to be addressed:

- Business Incubation and Commercialization process
- Focus on job creation?
- Implications of fast growth in the last 10 years
- Accelerators – very early seed funding, intensive boot camp. Dot - com burst differences,
- Opportunities for incubators-accelerators cooperation. Incubation incorporating acceleration
- Innovation Economy as a context, what does it mean
- Incubation and clusters



## Context:

- Enormous **growth** of incubations programs and systems around the world
- More **difficult conditions** for companies to grow isolated
- Growing importance of local and international **networks** for:
  - market information and technology trends,
  - business partnership opportunities,
  - articulation with support programs (Business Development, Technology, Innovation, Financing)
- **Talent** as the world wide scarce resource
  - entrepreneurial, technical, commercial, financial, government
- **Revised role of Universities in the Innovation Economy:**
  - focus in talent rather than in commercial products derived from research;
  - investment in medium term Industry-University programs



## Trends:

- **Acceleration**, as a critical follow up to:
  - the start ups coming from incubation and
  - to many more companies coming from other companies and from experienced entrepreneurs
- **Specialized** incubation and acceleration focused into companies in niches, very often within regional clusters ( knowledge and innovation driven economic programs)
- Search for “**Innovation Across Borders**”, facilitate international collaboration for accelerated growth of innovation driven SMEs
- XXXX



# A concrete experience:

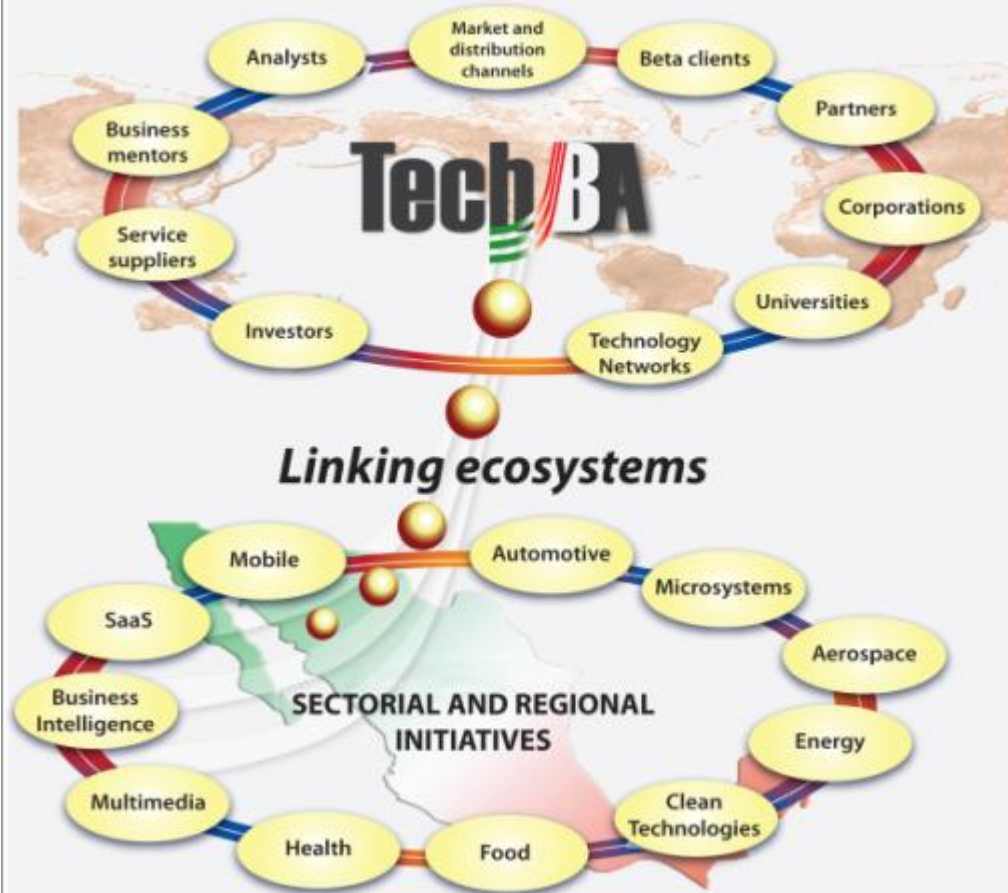
## FUMEC:

- Is an independent non profit organization created with support from the U.S. and Mexican Governments, in the context of the NAFTA negotiations and working very closely with Canadá and other countries.
- One of its key programs focuses in the Mexican innovation driven SMEs
- Has integrated advanced models, with succesful records, to the Mexican Innovation Driven Economic Development Programs
- Works very closely with the Mexican Economy Ministry thorough the Under Secretary for SMEs and other areas, as well as with the State Governments of Mexico.
- Its model is based in strong interactions with individual companies , operating within local networks and setting up effective links with international dynamic technology business ecosystems.



# FUMEC mechanisms that support the strategy of building innovation clusters around strategic niches

THE TechBA ECOSYSTEM



Acceleration in international ecosystems

Building strategies, infrastructure and innovation capabilities in specific niches

COORDINACIONES SECTORIALES

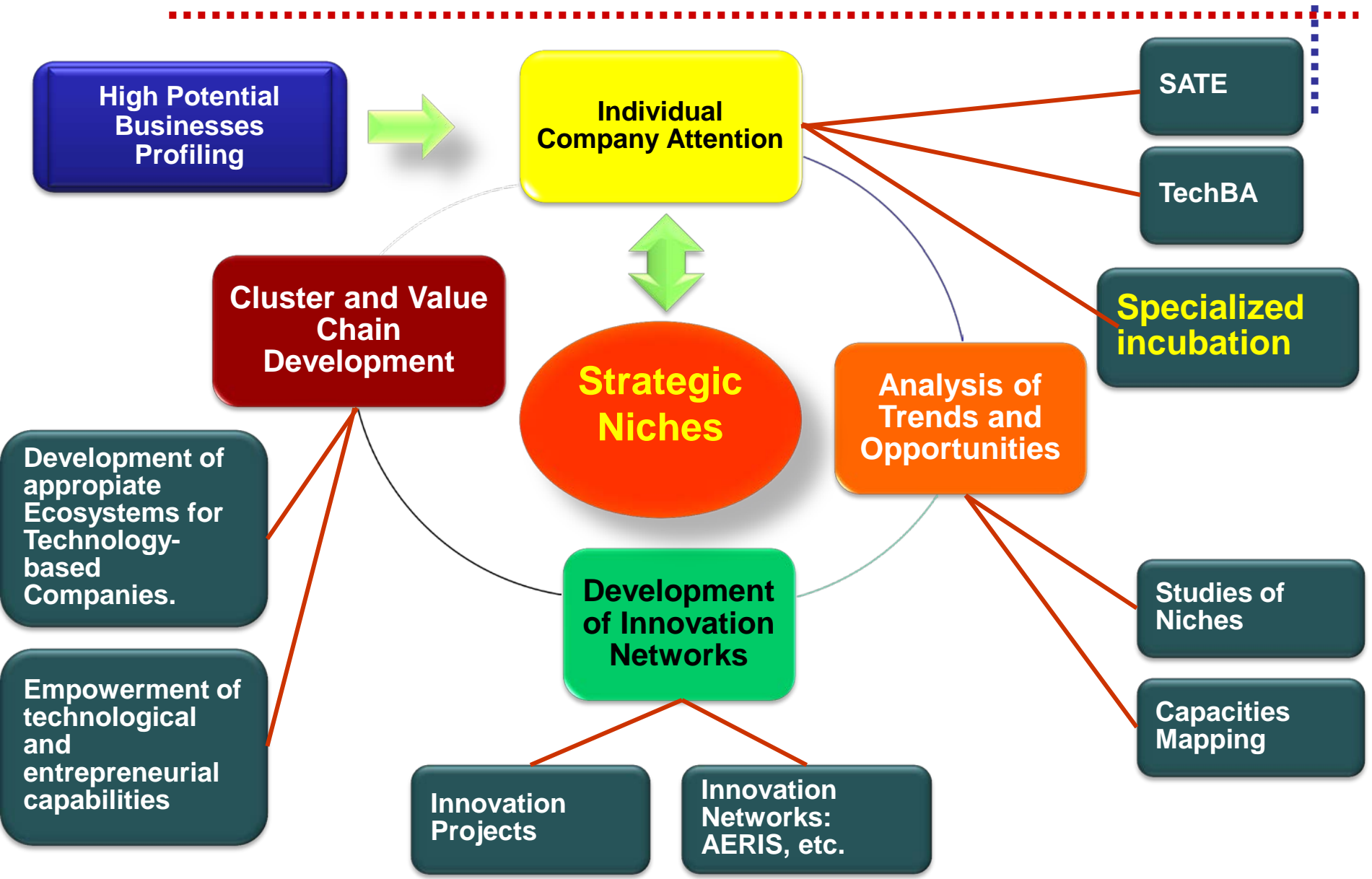


Regional Development of companies and clusters to access opportunities





# FUMEC MECHANISMS OF WORK





# International Offices







**A Public-Private Partnership Created in 2005 TechBA: Technology Business Accelerator is a program of the Mexican Ministry of Economy operated by FUMEC , US-Mexico Foundation for Science**

- **The main objective of this program is to provide an environment that encourages innovation and international development of Mexican technology based SMEs.**
- **150 technology SMEs, have reached 160 MUSD of International Sales with over 3,500 high value jobs created**
- **High Value Technology Sectors:**
  - **ICT**
    - **Cloud Computing,**
    - **Business Intelligence**
    - **Mobile Applications**
  - **Aerospace**
  - **Automotive**
  - \* **New Media**
    - **Games**
    - **Animation**
  - \* **Food Technology**
  - \* **Microsystems**
  - \* **Health Technologies**
    - **Medical Devices**
    - **Pharma**
    - **Clinical trials**
  - \* **Energy**
  - \* **Manufacturing**



## Basic ideas behind TechBA

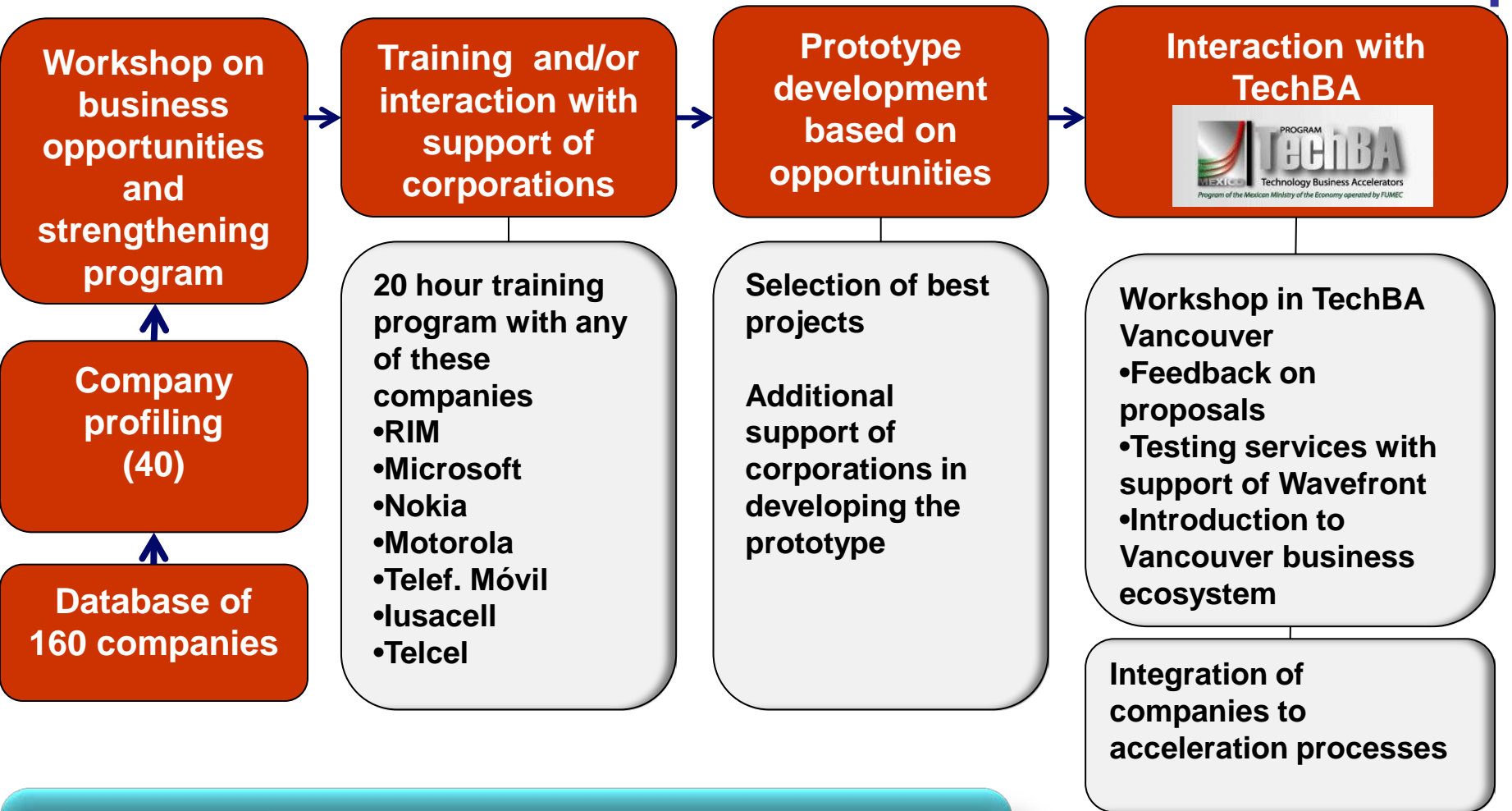
- Technology intensive businesses (TIBs) **MUST** have a global vision in relation to markets, technology and financial strategies
- TIBs profit from the interaction with different ecosystems, cooperation with specialized organizations and companies of regions that have a culture and a broad experience in developing similar type of businesses
- A key element of the TechBA Program has been the selection of ecosystems with high innovation drive, suitable for partnerships with Mexican TIBs



# Strategic Partnership



- The Ministry of Economy of Mexico chose FUMEC as a strategic partner that:
  - brings into the program strong technology and business networks
  - understands the key cultural and economic issues involved in developing successful international endeavors
- Another key element of the TechBA Program has been the selection of ecosystems with high innovation drive, such as Silicon Valley in California, Austin in Texas , Montreal in Quebec and Madrid in Spain.
- In each region, TechBA partners with recognized organizations and networks of specialized consultants, that have a proven track of successful results in accelerating innovative companies
  - Inno-entre in Montreal and
  - Wave Front in Vancouver



Ongoing support to companies in HR and innovation projects  
Social network



## Lessons: Collaboration with regional and niche innovation programs

- Success of the acceleration process relies on the quality of the companies that have the potential to grow in the global technology business environment
- These companies emerge mainly from programs in innovation regions and in priority niches of high growth potential sectors
- Global acceleration programs of technology companies require, in the country sponsoring the program, strong collaboration with the leading and operational structures of innovation regions and priority niches
- These interactions facilitate the development of the “business –technology ecosystems” that are essential for the creation and growth of many more technology companies.



## Lessons: International collaboration for “Global Acceleration of TIB” also broaden S,T & E cooperation

- These programs facilitate broader science, technology, education and business collaboration among countries.
- Building up closer ties in high technology provides immediate economic results and also develops synergies among
  - universities,
  - research institutions,
  - governmental agencies and
  - business organizations,
- Starting from the grass roots and moving up to the state and national levels

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## Our Customers and Products:



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Decontamination Systems



Composite assemblies and softcovers



Galleys



Hydraulic Products



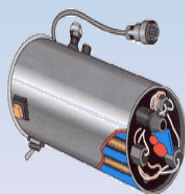
Pneumatic Products



Machined Products



Electro-Thermal Products



Hydro forming & Special processes



High Strength Steel Alloys Distribution



### Main Plant:

Calle Melchor Guaspe 3800  
Chihuahua, Chih Mexico  
CP 31050  
jemesta@soisa.com.mx

Canadian Office:  
550 Sherbrooke West  
Montreal, Quebec  
H3A 1B9

US Address:  
WTS - SOISA  
360 Americas Avenue  
El Paso, Texas 79907

### •Airlines:





¡Thank you!

Guillermo Fernandez de la Garza

[gfernandez@fumec.org](mailto:gfernandez@fumec.org)

52 55 5200 0561

1 202 334 2522





# Incubation in 10 Years



NATIONAL BUSINESS  
INCUBATION ASSOCIATION

# Stronger linkages with graduates and community businesses



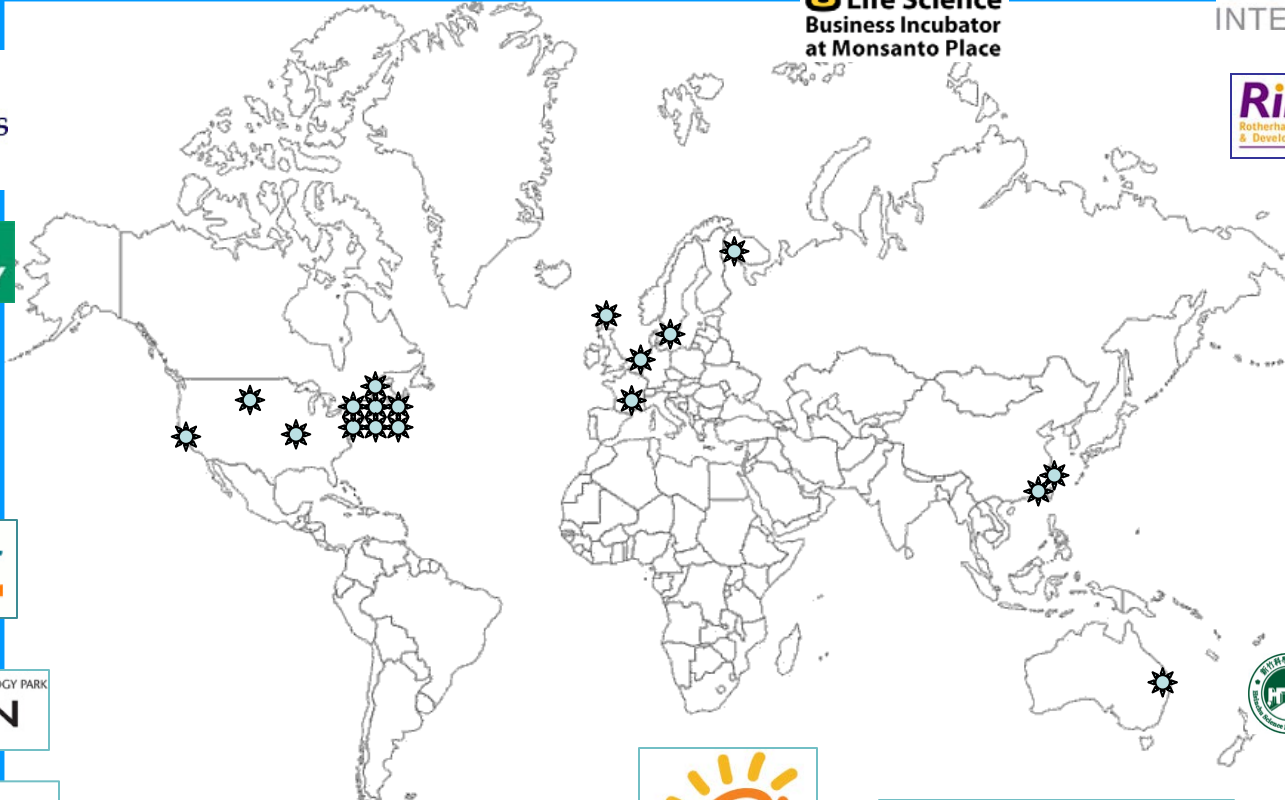
- This is more than post-incubation services
- These are connections with local businesses, unlocking demand and collaboration for clients
- Provide clients with role models to inspire new approaches; boot-camp type opportunities



# Greater focus on trends in globalization



矽導竹科商務中心  
Si-Soft Business Center

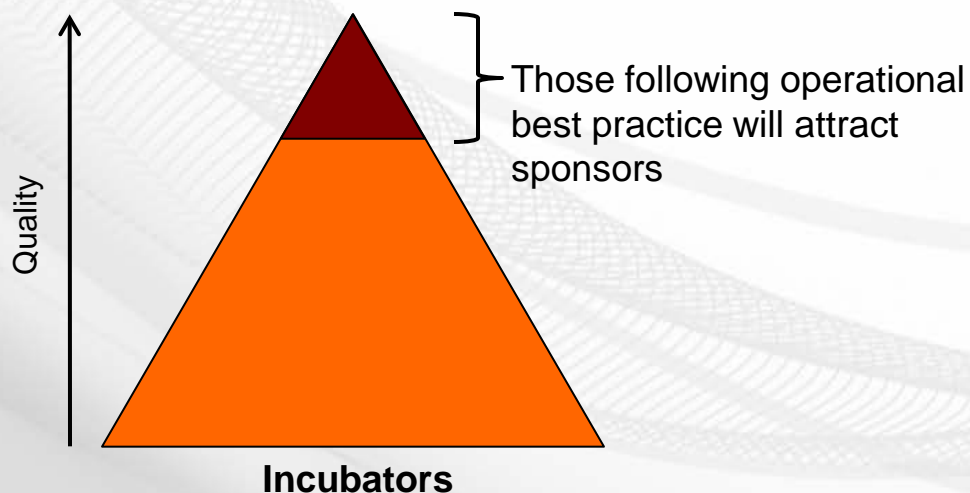


# Greater attention paid to operational best practices



**Clients, program sponsors, investors and other collaborators will be expecting more**

- Too many initiatives chasing too few public sponsors
- Programs observing best practices produce greater client outcomes



# ...common management practices among best performing incubation programs



**Among top 50 programs in United States, practices that produce highest client performance:**

- Reviewing client needs at entry 98%
- Active stakeholder and sponsor support 98%
- Robust payment plans for rent/services 94%
- Showcasing clients 92%
- Having written mission statement 92%
- Selecting clients based on cultural fit 92%
- Selecting clients based on potential success 92%

# ...management practices most correlated with greater client outcomes



## **More important predictors of client performance:**

- Program data collection
- Advisory board composition
- Larger than average program budgets
- Following exit policies

## **Less or not important incubator attributes:**

- Size and age of an incubation program
- Regional capacity variables  
(it's not where you fish, it's how you fish)
- For-profit organizational structure

# More interest to develop and support state and regional incubator networks



## **For Advocacy**

- Develop grassroots support for national or state/regional advocacy work
- Offer regional best practice training and or certification
- Assist in developing state/regional reports for policymakers

## **For clients and collaborators**

- Excellent branding opportunity for improving public awareness & quality of deal flow
- Unlock complementary institutional support for network members
- Cross-sell/leverage network-members' technical capabilities;
- Expand access to practitioner tools

# More local and regional coalitions

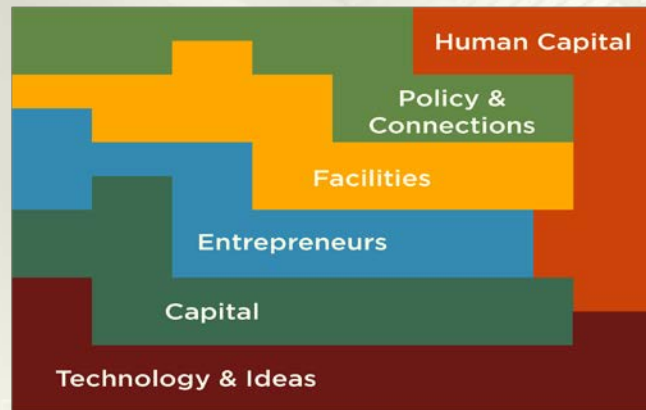


The Innovation Coalition is a collaborative group of innovation-based associations supporting the key elements of the continuum for commercialization and job creation.

## INNOVATION COALITION



## ECOSYSTEM



## OUTCOMES

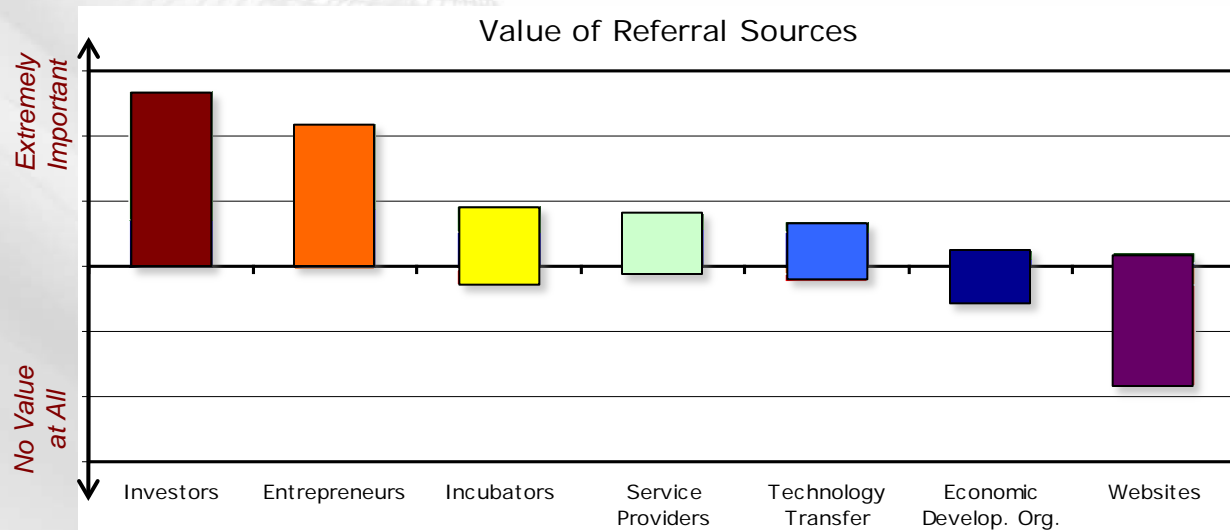
- Companies
- Jobs
- Innovation



# Stronger tie-ins to angel and seed communities to improve client funding



- **Value of referral source is a function of trust and alignment with investors**
- **Incubators can be stronger allies in venture identification and development processes**
  - Should focus in increasing value of referral for local investment communities



Source: Angel Capital Association 2009 Member Survey

# Learn from “seed accelerators”



## ...else risk loosing sponsors

- Since 2006, more than 130 accelerators in operation, and spreading rapidly.
- Some argue could grow to 400 to 500 within five years
- They tend to focus on mobile apps, social media, gaming/entertainment, and Web services.



## ...the seed accelerator business model:



- competitive screening of applicants
- \$5,000 to \$8,000 per founder; \$18,000 to \$25,000 per company
- 90 day boot camps
  - a “fast test” process confirming a product, customers and business model;
  - proof of relevance rather than proof of concept
  - Meet mentors and renowned, experienced entrepreneurs
- ends with a “demo day,” a pitch to next stage funders

# ...limitations of the seed accelerator business model



## Concerns and less desirable aspects:

- Model is not suited for biotechnology, medical devices, nanotech or clean energy
  - Too much upfront research investment and long trajectories
  - Not focused on 90% firms not venture fundable or bootstrapping
- primarily wealth creation machines, less about community benefits or jobs
- Generally focus on most youthful and least experienced entrepreneurs



# Thank you

## Contact Information:

David Monkman, President & CEO, NBIA

Email: [dmonkman@nbia.org](mailto:dmonkman@nbia.org)

Phone: +1-740-597-2947

Web Site: [www.nbia.org](http://www.nbia.org)

