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## Egging On New Business Development

By Sarwar A. Kashmeri

For the Valley News

The role of small businesses in the economy is significant. The U.S. Small Business Administration (SBA) points out that these businesses account for more than 50 percent of the country's non-farm private sector GDP. Nationally, they make up more than 99.7 percent of all employers. Small businesses create more than 75 percent of new jobs in the economy. For rural states like New Hampshire and Vermont, small businesses are even more important because the culture, population and size of the economies do not make for an environment that is supportive of large industrial enterprises. Unfortunately, as the SBA also points out, 85 percent or more of new startup companies will collapse within five years. So what, if anything, can be done to reduce this failure rate?

One idea that has proven effective is the concept of business incubators. "Startup businesses are like baby chicks," said Steve Epstein, executive director of the Grafton County Economic Development Council and one of the founders of the Dartmouth Regional Technology Center (DRTC), which is soon to become a major Upper-Valley incubator. "Out in the cold their survival rate is low. But given heat, food and support, the baby chick survival rate goes up dramatically." Like a poultry incubator, business incubators enclose startup businesses with a cocoon of services to increase their likelihood of success and are, for this reason, an important influence on the business climate.

Unlike Boston, New York, Austin or San Francisco, rural areas do not have the density of businessmen and businesswomen who can serve as mentors to startup companies. "Business incubation programs catalyze the process of starting and growing companies by providing entrepreneurs with management expertise, a network of advisors, entrepreneurs and mentors, and access to seed capital," Thomas Rainey, president of the Vermont Center for Emerging Technologies said. VCET is the fast-growing business incubator associated with the University of Vermont in Burlington. "The incubator challenge is to identify new ventures with the best business plans, including management, and provide the assistance needed to help them achieve their full potential."

Rainey's name crops up frequently during business incubator discussions in Vermont and New Hampshire. Before becoming president of VCET, Rainey conducted two

seminal assessment reports, one of which eventually led to the formation of VCET, and the other to the DRTC. Besides these two reports, Rainey helped put together business and economic development strategies and feasibility and fund-raising plans for the state of New Hampshire and the towns of Bennington, Springfield and Windsor in Vermont. He drafted the Vermont Business Incubator Strategy and was a founder of the Vermont Business Incubator Network. Rainey was at one time director of the Florida/NASA Business Incubation Centers and managed the development of a network of six technology incubators around Florida. He has advised startup incubators throughout this country and Europe. So, he knows what he is talking about.

“Incubators are not the ‘silver bullet’ to solve all our economic woes,” Rainey said, “but should be considered an important component of a larger development strategy that promotes more efficient technology transfer, expanded international trade, recruitment, and work force development.” Just as the real payout from a poultry incubator comes when the chicks are fully raised and move out of their incubator, job creation from business incubators “occurs after companies graduate and move out on their own, which is when they need to expand their staffs as they scale up their now-proven business model,” Rainey said. Incubators nurture business startups by linking new firms to management expertise, mentors, advisors, a corporate address, graduate interns, marketing and logistical support and, with hope, access to early-stage funding.

What are some of the key factors that make or break a business incubator program? Rainey's checklist would include: existing business support services; high-tech research and development base in the region; existence of a high-technology entrepreneurial climate and manufacturing base; proximity of higher education, federal technology resources, or both; access to seed and venture capital; strong local “champion” leadership and political support. Should the incubator be broad-based or focused around one specialty, such as biotechnology, is another key consideration. This is particularly important in rural areas because, unlike bigger cities, these areas do not have the luxury of picking and choosing which startups to incubate -- there simply are not enough of them to go around.

So how are business incubators faring in the Upper Valley, and in Vermont and New Hampshire in general? Have state and local governments given them the support they deserve? What kinds of companies are being drawn to the states' incubators? Are there early indications of success or failure, and what are the lessons to be drawn from them? Are business incubators destined to play a role in the reversal of the fortunes of Upper Valley towns such as Claremont, Newport, Springfield and Windsor? I'll try to answer these questions in the next few columns.

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[Back to the story index](#)