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ENTREPRENEUR CHARACTERISATION AND ACCELERATION MODEL

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ABSTRACT (100 words)

The economic health and development of a region is dependent on the creation of new business activity. This comes from sourcing and developing investable companies in areas of growing activity. Entrepreneurs, which have the greatest potential to develop into investable companies, can be found in three areas. A) Freelance, entrepreneurs who are, consultants and contractors with significant B) business experience, the business entrepreneurs, who develop “add on”, “value added” products and services and C) technology entrepreneurs, with detailed knowledge of leading-edge technologies who see potential for products and services.

Each has particular needs, which must be addressed by incubator and technology park managers.

The key activities involved in identifying and developing businesses are knowing where to find potential entrepreneurs, how to identify them, the stages of growth they go through, and sourcing of suitable training programs.

INTRODUCTION

Is there a divide between the investor and the entrepreneur? Many believe there is and part of this program has been to bridge the divide.

The creation of new business is fundamental to the economic health and growth of a region or country, however these must be carefully managed and understood.

The two basic types of start up companies are lifestyle and investable. The former are not generally the ones that create the new economic wealth for a region. The second type produce the companies from the entrepreneurial talent in the region and create the employment for the non entrepreneurs. The investable companies are the type that are generally sought by incubators, technology parks and venture capital providers and are the ones discussed in this paper.

There is a fundamental flaw in the education system in the area of business understanding. "Most people do not know how a business works". They don't know what they don't know. They have come from a protected environment where if they didn't succeed someone else would provide for them. This is not so in many of our new trading partners. In China and Asia the desire to succeed is very strong and based upon individual and family survival. This makes it difficult to create employers and not just employees.

The employees are not generally considered in the accounting process and consequently new organizations where the employees are not trapped will need to consider them a Collateral asset i.e. Asset that can be repossessed "by a competitor" if a borrower defaults. "The old employment system of secure lifetime jobs with predictable advancement and stable pay is dead"¹

Entrepreneurs can be classified into the following three groups, freelance, company and technology.

Freelance Entrepreneur, Company Entrepreneur and Technology Entrepreneurs.

The Incubator/accelerator, technology park manager and potential funders must clearly understand which group the company belongs to. This will ensure that advice, mentoring and training suits the stage of development and needs of the company. This in turn will increase the confidence of the founder. These are discussed in the following.

Freelance Entrepreneur

There are a significant number of consultant and contractors who are finding the conditions attractive to start their own business and were prepared to try the new business option. They are typically well resourced and usually well connected to supply chains.

The Freelance Entrepreneur generally has some significant experience in the business market place. They have been responsible for delivering products and services to customers, usually contracting or working for an employer. They have been working in consultancies and on contracts where they have identified a niche opportunity and continue to work and pay their way in the initial growth phase. They very often have come via a university background.

Company Entrepreneur

Many corporate environments are moving from the command and control hierarchical to the distributed organism structures and “Virtual Corporations”² as the old management structures find it difficult to cope with the high level of complexity of modern business life. Using e commerce and grid based knowledge systems, this is expected in the longer term to evolve into a new model of “cellular like” business units. They form contracts with each other as separate legal entities for a period of time and then regroup as the environment changes.

Knowledge rather than location defines tomorrow’s corporate landscape. A corporate survey by Andersen Consulting and the Economist

Intelligence Unit showed that 40% of executives believe their organizations will be virtual by 2010. The figure is remarkable because just three per cent regarded their companies as virtual in 1998.³



Corporate spinout

This is one organizational response to the competitive pressures to show improved bottom line results. Where a function that is currently being performed internally with employees and “on” costs (these are the costs of accommodation and employment services such as superannuation and leave payment.), to an external competitive usually smaller group that will focus expertise in the specific area of the service.

The outsourcing company may spin out or be already in existence. There are a large number of local examples such as Telco’s that outsource the line maintenance to companies formed by former employees.

There is however substantial “domain” knowledge within the organization. This is very often resident in employees who are quite marketable and mobile. Some of these employees are entrepreneurial and are capable of becoming employers and growing new business based upon the domain knowledge. These would be what has been call “company entrepreneurs”⁴

These are from companies that have well known brands and channels to customers and need specific products or services for their channel or to enable sales down their channels (channel enablers). In addition to this there is an opportunity to have developed products and services that may not be core business products but value add to the customer channel to ensure the business core products are successful. This could be assisted by corporate spinouts from within the company.

Corporate product development clustering

The ATP Incubator Program established the framework for this type of arrangement with a number being established in the late 1999 period.

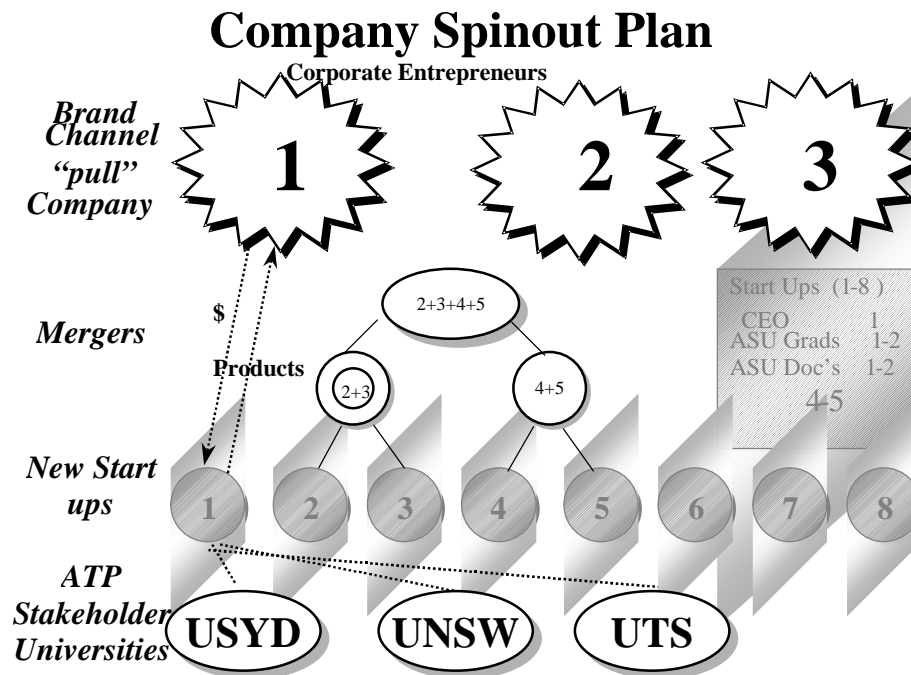


Figure 1 Company Spinout

The Figure 1 Company Spinout shows the model. The company has a need for new products and services that cannot be developed internally and it agrees to outsource or establish a spin out that is grown out of the university researchers (and ex company staff) with a professional CEO to produce the products required the major company.

Technology Entrepreneur

Universities have changed dramatically over the past 10 years in Australia from a protected and rigid structure to becoming more flexible and look towards the end user i.e. the needs of industry and providing more practical and business related skills development to engineering and science students.

The Technology Entrepreneur generally is inexperienced at most things except technology. They create companies primarily from the university technology based areas. They are usually poorly funded and need grants or loans in the early stage of growth before serious investment can occur.

Finding suitable entrepreneurs is the next challenge

New business creation

The New Business Creation elective was a case in point for Uni of Sydney, UNSW and UTS. This was targeted at Science and engineering student at the three universities. The results of exit reviews indicate that 30% more of the student were planing to start their own business as a direct result of the course. (Our motto was to educate our students to create a job not just look for a job")

Vice Chancellors prize

The prize was established in 1998 by the ATP incubator program to help companies grow from the university campus. Many others are now introducing prizes and awards however his was one of the early ones in Australia.

The Author via ATP Incubator Program created Vice-Chancellor's Award, intended to assist a number of new companies in this area. See

Figure 2



Figure 2

The 1999 prize winners for Sydney University went on to win the Stanford University Global e challenge in 2000.

“Three entrepreneurs from the University of Sydney who built up a successful Internet company in their spare time have triumphed in the world's leading e-commerce competition in Silicon Valley, California.

Sydney Worldwide, which operates the website sydneyontheweb.com, has won \$150,000 in the Stanford Global Challenge in competition against 19 new companies from around the world.

For the first six months they operated the business from Victor's office in the University. But after winning the Vice-Chancellors Prize for New Business Creation last year, they were able to move into premises at the Australian Technology Park, Redfern, with seed money to start the enterprise.

Winning the Stanford Global Challenge will provide another huge boost for the company, with all the prize money to be spent on hardware, software and consulting fees.

Victor said: "It gave us a great chance to network with people in the industry, and some valuable publicity at a time when we are looking to grow." ⁵

Work experience students

As part of the Sydney University Engineering work experience one group was allowed to grow their own business and they were quite successful and they learnt one very important lesson. That customers don't pay.

The need to take the challenge to schools

There are number of initiatives to take the entrepreneurial challenge into schools hopefully they will then chose courses at university that will enhance their business prospects. There are some parameters around that indicated approximately 10-15% of the population could be potential LEO's. ⁶

The broad entrepreneur attributes

To be able to effectively help the different types of entrepreneurs it is useful to consider the attributes they usually bring. Figure 3 indicates the types of characteristics that the different groups bring in general, there are obviously some that bring all or part from the other groupings as the spread of characteristics is not quite as clear as implied here.



Figure 3

The mixing of these types of entrepreneurs has a very beneficial effect on the whole technology centre as many opportunities occur in the overlapping areas shown below.

Types of Start up companies

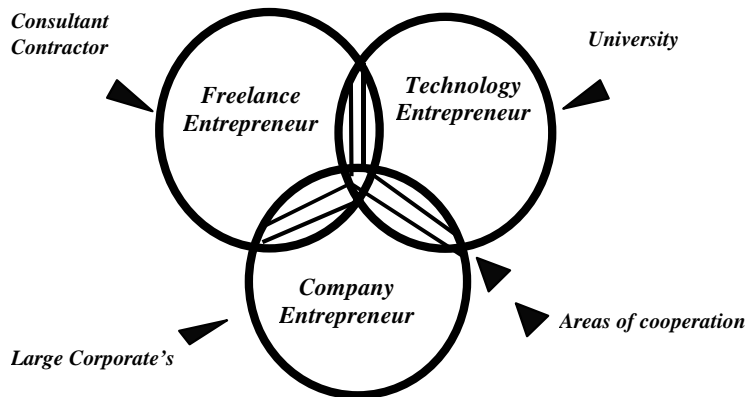


Figure 4

Stages in the growth of a technology idea into a successful business

There is a substantial amount of confusion in the marketplace and also the actual industry about what is the actual phases and name that they should be called. The following is useful to clarify some terms used to help the incubator process,

Technology Incubator

The **Technology Incubator** phase represents the - **Idea to proof of concept/prototype**. This requires in Australia, sweat equity / Friends-family / occasionally angel funding. Most start up company's go through this stage however many are not able to use the support services or incubation function because of the shortage of funds. This is also the highest risk area the classic models indicate 1 in 1000 ideas eventually get into production and make money for the founders. The selection and training program in the Incubator program should significantly reduce this percentage.

Business Incubator

The Business Incubator is from the - **Prototype to first significant customer**. This requires seed funding.

Business Accelerator

The Business Accelerator is the stage from - **first customer to international sales** and Initial Public Offering (IPO). This requires venture capital funding round one and two.

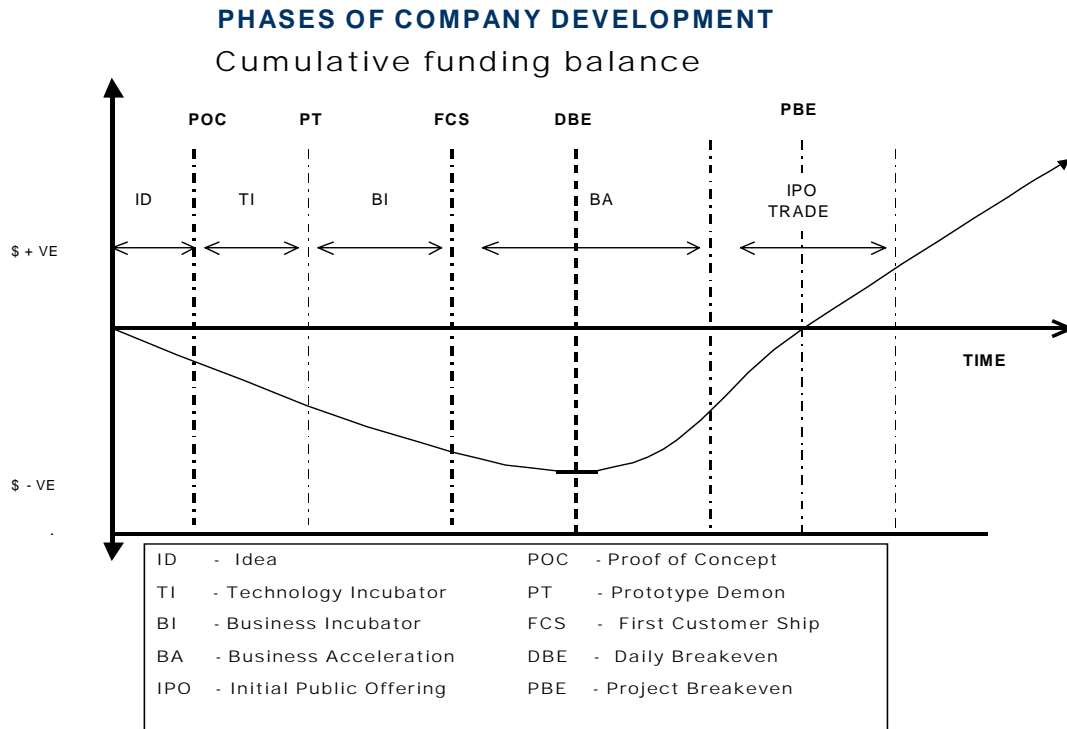
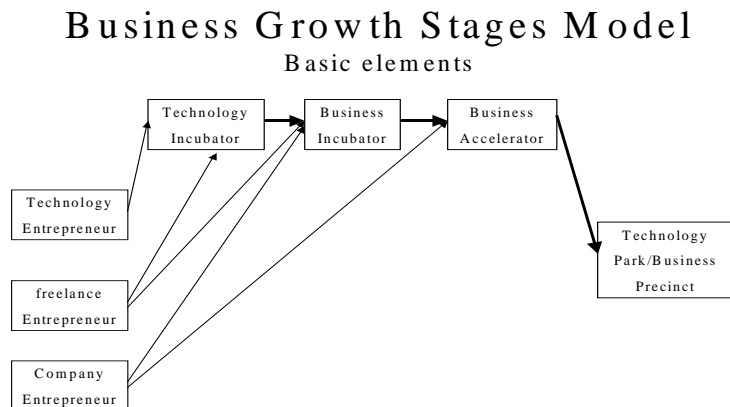


Figure 5 Phases of company growth

The broad interaction between the business growth stages and entrepreneur types are shown below



Basic linkages Figure 6

The expected effects of Selection and Incubation

To have any real value there should be an impact of the following type.

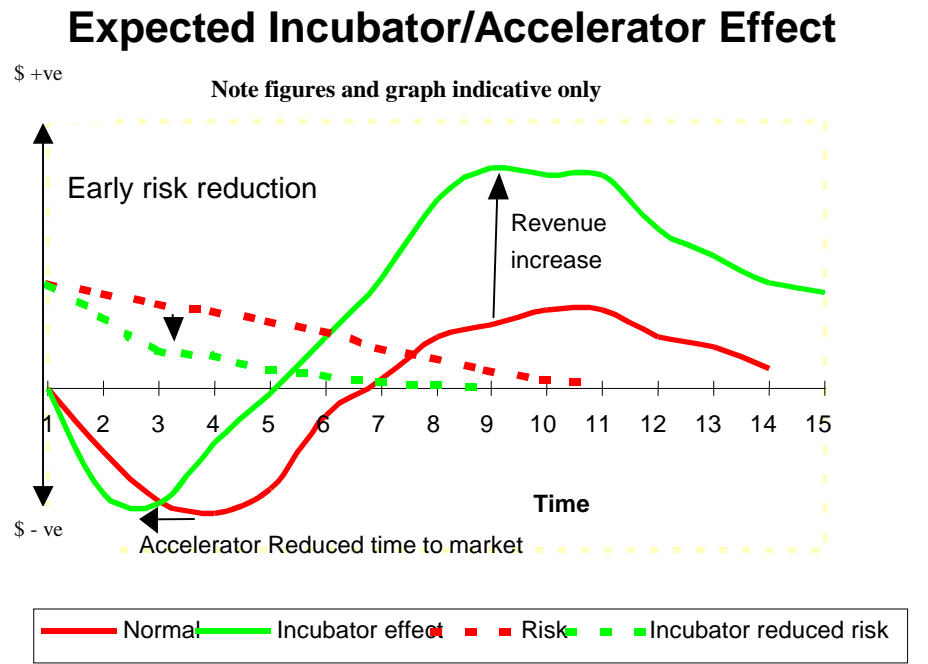


Figure 7 Expected Incubator Effect

Education and Business intervention

This Figure 8 gives the stages of help and possible failure types

Business Growth Model

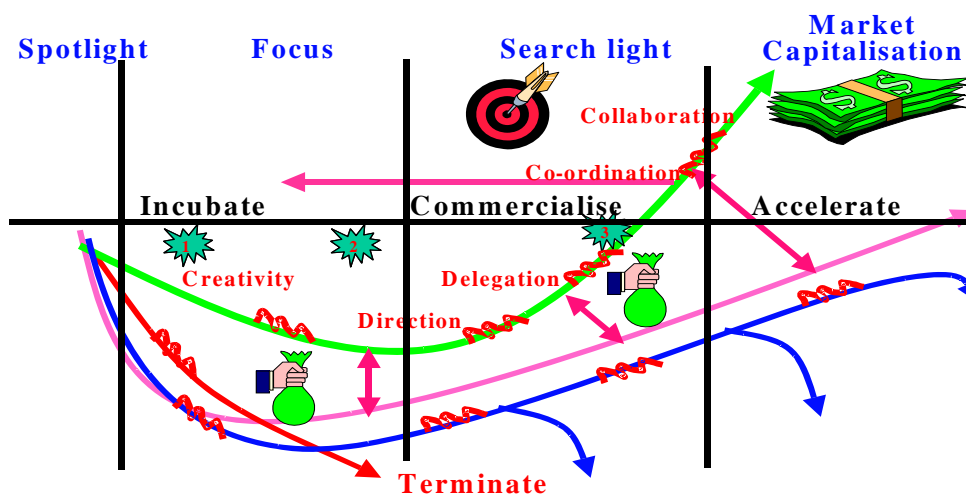


Figure 8

The training and intervention programs

The following programs have been developed with FastTrac Australia and crafted to match the need of the growing companies at the appropriate stages.

Spotlight phase one

Objective to shine a “bright light” on the proposed business to help assess the feasibility before the entrepreneur expends too much of their resources (both physical and financial) on a proposal that has little chance. A sub objective is to assist/ advise if an alternate strategy or business model may be more likely to succeed. The selection for entry in to the technology phase accelerator (startup accelerator).

Focus phase two

This phase would be approx 3-9 months after phase one. The objective is to focus the business to produce a sound business plan that can excite the venture fund managers. Based upon the output from the technology incubator. Searchlight phase three

This phase would be approx 3-12 months after phase two. This would be using a searchlight to shine on the global opportunities for the business, based upon the previous business plan

FastTrac Technopreneur - Incubation (Spotlight)

FastTrac Business Mentor™	Building the legal platform
FastTrac Feasibility Plan™	Financial Management
Business Risk Assessment	Business Valuation and Exit
Sample Business Plans	Venture Capital Risk Assessment
Voices Of Entrepreneurship	Business Tools and Resources Directory
Model Technology Business™	Entrepreneurial Leadership
Feasibility Plan validity	Stages of growth

FastTrac Technopreneur - Commercialisation (Focus)

	•Entrepreneurial leadership
Stage 1	•Resource management
Business Reality Check•The business plan	•Enterprise culture
•Financial management	•Stage 3
•Strategic competence	Bridge to Capital
Stage 2	•The investor’s perspective
Commercialisation•Operational plan	•Managing and funding growth
	•The investment pitch

FastTrac Technopreneur – Acceleration (Searchlight)

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Stage 1

Business Differentiation

- Program Introduction
- Review the business plan
- Business Practices Checklist
- Team Management Index
- Business Planning Practices

Stage 2

Strategic Leadership

- 360⁰ BPBA Review
- Entrepreneurial leadership
- Strategic thinking
- Strategic Marketing
- Strategic alliances

Stage 3

Managing Business Growth

- Review the Strategic Plan
- Balanced Scorecard
- Managing Growth
- Enterprise Culture

Stage 4

Strategic Implementation

Entrepreneurial Finance &
Benchmarking

Financial management

e-Commerce Business Valuation

Exit Strategies

Innovation through Intrapreneurship

Characteristics of Entrepreneurial people

Characteristic of current entrepreneur outlined on Bloomberg TV ⁷

It is interesting to see the characteristics that were outlined in a recent Bloomberg TV program. These attributes make commonsense of some of the more complex characteristics of entrepreneurs

- Proclivity for action
- Connecting the un-connectable
- Learning from the environment
-

Entrepreneur selection

The issue of entrepreneur selection is one of the most hotly discussed topics as this make or breaks the Technology Park or incubator.

Chris Golis a major Australian Venture Capital fund manager indicates that the main elements are screening and due diligence, he advises the entrepreneur to keep one eye on demand and the other eye on the supply. This characterizes the fundamental of the business process. This is rarely taught to engineers and scientists who need additional training to be brought to the realisation.⁸

It is also believed that the selection of “network enabled” entrepreneurs and companies is necessary to ensure that they take advantage of the environment and opportunities in the networks available. To them both within the technology centres and outside:

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The selection of the self-motivated. “Who motivates the motivator” That is a good question raised by Bryant when you work for yourself and not a soul on the planet is telling you what time to get to the office and what to do once you get there. 1996⁹

There is some truth however in the plea that “Good ideas don’t just fade away they’re slaughtered by rampaging squads of carefully attired analytical managers” by Smith and Unsworth 1985¹⁰.

The social impact

The importance of a family supports, particularly the parents, was highlighted very early in the ATP incubator development phase is evidenced by this example. A bright young man came to the Australian Technology Park call him “John”, He came and explained his idea to establish a new company, which was evaluated, and then it was indicated that he met the acceptance criteria to join the Australian Technology Park Incubator program.

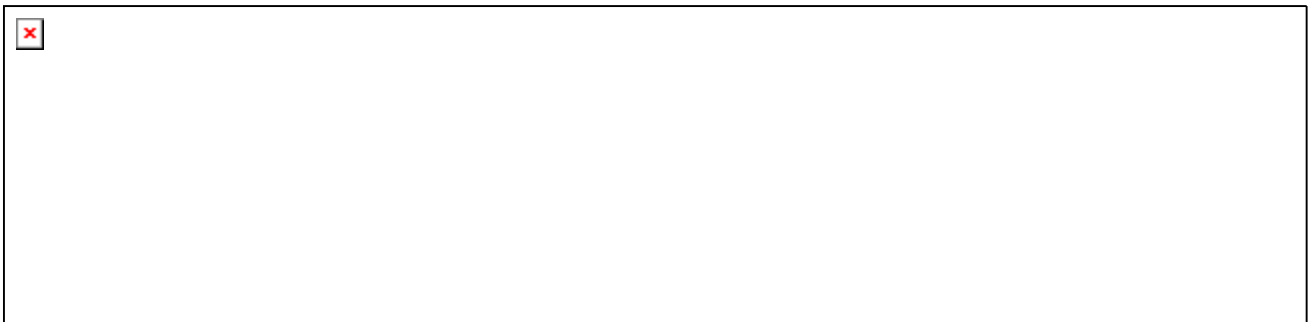
He went away excited, however the next day his mother came to the Director and said that she was very concerned that John has secured job and didn’t want him to leave this and take such a risk. It was explained that this was John’s dream and that she should let him fulfil his dream, she left and it was thought accepting this. However then the next day John’s father came and again expressed concern and worry that John was making a big mistake. Once again it was explained that John had a good idea and this was his dream and to let John “have a go”. It was very important to have the parent’s agreement, as they would support the company through the early FFF stage.

About a year later, Johns Company was worth a substantial amount at least \$1 million and John’s parents who said to the Director of the Australian Technology Park Incubator program that they were very grateful that they had been persuaded them to let John “have a go”

Malaysian Venture Capital Company MAVCAP

The introduction of the Ignite program to Malaysia in 2002 was a significant step forward in the selection and identification of Malaysian Entrepreneurs, both Islamic and Chinese .The competitive contract won by ICGS Pty Ltd and FastTrac Australia was to run the technology feasibility and entrepreneurial mind set to help the potential entrepreneurs to determine if they believe they have the entrepreneur characteristics it also enabled the early stage seed funding companies to identify potential investments.

The 10 programs have been run for 400 selected entrepreneurs and resulted in a significant growth of the entrepreneurs in Malaysia.



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Dear Entrepreneur!

We recognize your aspirations in technology and we would like to invite you to MAVCAP's Entrepreneurship Development Program Workshop entitled "Ignite the Technopreneur Fire!"

"Ignite the Technopreneur Fire!" is a two-day workshop developed by MAVCAP and FastTrac, Australia. It is a very dynamic, interactive and innovative workshop that encompasses issues of entrepreneurship like technology assessment, commercialization, and most importantly, funding.

This is an important stepping stone for you to assess viable options to financing your project or company. This is a workshop that would answer some of your pressing concerns on management, human resources, operations and sustainability or commercialization.

MAVCAP is paying for the two-day workshop and for engaging industry luminaries. You just pay RM200.00 for lunch and refreshments! On the day of the workshop, bring your cash or cheque payable to Malaysia Venture Capital Management Bhd.

To register, choose your venue by clicking the appropriate radio button, fill in the form below and click the submit button.

The workshops will be held following date and time:

Location	Date	Venue	Time	Status
Kuala Lumpur	Friday, January 24th 2003 and Saturday, January 25th 2003	New World Hotel	8:30 am to 5:30 pm	Completed
Kuala Lumpur	Friday, February 21st 2003 and Saturday, February 22nd 2003	Park Plaza Hotel	8:30 am to 5:30 pm	Completed

The golden rule

This is the actual motivator for many of the entrepreneurs activities. The golden rule is "That whoever has the gold makes the rules". Many people are trying to escape the command and control structures that stifle their creativity. This results in the need to have some gold to enable the person to make some of the rules. Now of course this has limitations in the democratic society but it is perceived as being set free. The Connecticut number plates give some insight into this where they had a slogan "Live free or die"

Ballarat Technology Park

The Ballarat Technology Park has a unique opportunity to demonstrate the Virtual corporation from a regional Australian City approximately 100 Km from Melbourne Victoria. The proximity to an international airport (1,25 Hrs) drive and the regional

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university of Ballarat should enable some of the models discussed to be developed. The links to the EU and Eastern Europe will enable some level of Grid networking to take place to distribute the skills and knowledge on a global scale.

CONCLUSION

It is helpful to select and group similar types of entrepreneur and develop interventions to help them grow their business, this if linked to the funding such as angel or Venture funding appears to have the greatest chance of successful outcome. It is also necessary for the incubator and Technology Park to have a clear enterprise culture with a strong business oriented manager who is well trained in the art of growing new business.

Many venture fund managers are aligning themselves with organisations that are growing new companies such as incubators accelerators and technology parks. This is critical and fundamental to the success of the enterprise culture. Even more critical is to ensure the business interventions to help grow the globally competitive company are linked to the funding.

Everyone knows the top sports teams need coaching and training however many entrepreneur think they can create a globally competitive business without any help from others!

Incubator and Technology Park networks can enable a region to leapfrog over the more established regions by the use of innovative virtual organisations and business models.

REFERENCES

¹ Peter Cappelli *The New Deal at Work* Harvard Business School Press, 1999

² Davidow, W. H., Malone, M. S., *The Virtual Corporation*, Harper-Collins, 1992

³ http://www.bt.com/global_reports/1998-99/critical.htm

⁴ This terminology has been "coined" by the author and is different from Intrepreneurs who are those who stay with the company

⁵ http://www.usyd.edu.au/publications/news/2K0713News/1307_whizkids.html

⁶ The term LEO has been used to indicate Latent Entrepreneurial Orientation. This is a combination of what we are born with and what we learn and develop.

⁷ Bloomberg TV June 8 2001

⁸ Golis .C 1998 p139 Enterprise and Venture Capital third edition Allen and Unwin St Lenards NSW Australia.

⁹ Bryant 1996 p121 Beating the odds Prima publishing Rocklin CA

¹⁰ Smith and Unsworth 1985 p154 Ideas Unlimited Nelson Publishers Melbourne Victoria