

Lessons from the last crisis for BIANYS and its members

David Hochman

Economic Development Consultant

Former and founding executive director, BIANYS

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Yes, the bottom fell out, but look what we gained in the aftermath

Before the 2008 crisis:

- Easy to get \$ to build an incubator, but:
 - Incredibly hard to get \$ to run a useful program
 - Except from NYSERDA, which had listened to our membership in 2007
- Tired business models, no consensus on teaching entrepreneurship
 - Fragmented support on university campuses
- Uneven investor interest in incubation

In the years since:

- New programs at all levels of government
 - Comprehensive NYS grant and tax-incentive program – incubators, hot spots, START-UP
 - Integration into all regional economic programs including quasi-accelerators
 - Federal RIS program at EDA and accelerator program at SBA
 - I-Corps at NSF and other agencies
- Surfacing of new business models
 - Uniform adoption of lean startup curriculum
- Substantial new respect in the investor world

How will investors react?

- *Predictions:*

- Institutional VC will get more conservative – later-stage & scarce
- Many will have lost money, and the confidence of their own LPs
- It will be harder for them to raise, so they'll look for sure wins
- Most serious angel investors will follow them
- Except maybe in biomed, the typical incubator startup will be a hard sell

- *Implications:*

- Friends and family will become the first, last and often only resort
- There will be a premium on entrepreneurs who can bootstrap
- Some winners will come from outside the current tenant base
- Demonstrated success will eventually attract investors back

How will host colleges & universities react?

- *Predictions:*

- Incubators embedded in institutions will have a tough time for a while
- Higher education will remain in crisis long after much else recovers
- All programs including incubators will have to pay their own way
- We are unlikely to be among the institutional priorities that get exceptions

- *Implications:*

- Tighten your belts – austerity in the short term is inescapable
- Look for on-campus alliances and external funding

- *Cautions:*

- **Don't** promise you'll make money for the institution – that will just come back to bite you

How will government react?

- *Predictions:*

- All levels will be *desperate* for solutions
- Incubators will be better positioned than in '08 to demonstrate relevance

- *Implications:*

- The trick is to be there with solutions/asks
- Follow categorical grant programs closely at federal and state levels
- Build support among local elected officials – mayors/executives & lawmakers
- Participate in your regional economic development council

- *Cautions:*

- Just like with institutions, **don't** overpromise (this time, jobs)
- Hammer home the message that incubation is cheap marketing

What about philanthropy?

- *Predictions:*

- Foundations will be under great political pressure to “spend down”
- Especially since they have no fixed costs like colleges
- They will be seen as substitutes for lost public funding

- *Implications:*

- It's a great time to hit foundations up for support – not just grants, but endowment investments for local entrepreneurs, either directly or through locally organized funds
- Place special emphasis on local family foundations and community foundations – not national foundations

- *Cautions:*

- There is still much suspicion of private enterprise in the charitable world
- To make the case, your approach needs to include community entrepreneurs – non high-tech and outside the walls of the incubator

Hey, don't forget Big Corp!

- *Predictions:*

- With the spread of open innovation models, Big Corp will be newly receptive to startups
- There will be generational change within Big Corp that's a positive

- *Implications:*

- Look to build strategic relationships between your tenant/clients & them

- *Cautions:*

- There has been too much emphasis on corporate VC
- Instead, look for customers in the operating divisions
- Look to leverage networks of big companies that compete with each other – that's the magic that works in the big metros
- Except in NYC that will not happen naturally across NYS so be prepared to synthesize your own networks

Roles for the association and its members

- Track new grant and other supports for both incubators & clients
- Identify the best of what's being done – and get it promoted & replicated
- Provide public testimony – everywhere, any time asked
- Build understanding of the lasting benefits of incubation:
 - Enhancing overall capacity of a community innovate (not just inside walls)
 - Building its reputation as a good place to start a business & invest capital
 - Serving as a farm team, where possible, to superangels and pro VCs
 - But also building a stable of “indie businesses” that pay taxes and create jobs even if they are not VC-investable

Questions? I'll try and take them in the Q&A

- Or contact me here:

- David Hochman

- dh@tbed.org

- <https://tbed.org>