

Incubation Centres – A Need for Successful Innovations via. Entrepreneurs!

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Abstract

Innovations could tremendously increase through the venture of setting up startups. However, the downside of setting up startups is that the success rate of meeting up the slated expectations of startups is poor and the creation of higher revenues at the initial stage is an arduous task. In fact, the success rate of startups is hardly five to ten percentage in many countries, including India. Nourishing startups and nurturing them at the initial stage of their establishments are considered as the essential ingredients of several upcoming incubation centres. India, along with the Atal Incubation Mission (AIM) team, has taken a rewarding initiative to setup specialized world class incubation centers in various domains such as IoT Cloud, Healthcare, and so forth. This article discussed on the essentials of incubation centres for the efficient functioning of startups and for increasing innovations at varying levels of implementing startups.

Incubation Centres – A Need

In general, innovation is the key factor that determines the economy of a country or an organization. Innovations do create a long wealthy living without the help of any third parties, if guided properly. As per the data available by Forbes.com (1), Indian startups have contributed heavily upon filing patents in recent years. This points out the improvement of innovations happening in India.

However, the growth curve of startups leading to a successful market-ready product or attaining hefty revenues (or exits) in the long run are the challenges in reality. There exists several reasons that lead to an immature growth pattern, such as,

- i) Improper guidance or mentoring
- ii) Unable to reach out to apt customers
- iii) Poor market analysis and judgements
- iv) Undermined team or leadership
- v) Poor planning and so forth.

Understanding the challenges of entrepreneurs and the growing number of entrepreneurial interests among young minds of engineering aspirants (including academic organizations), setting up incubation centres has become a crucial task for policy makers in recent years. In fact, an incubation centre endeavors to fulfil the gaps that an entrepreneur would face on the process of setting up his/her businesses for developing innovative products or solutions.

Generally speaking, an entrepreneur should have the following important qualities to become a successful entrepreneur: a) ability to understand the problem of larger customers, b) capability of quickly solving the needs of scalable customers, c) proactively handling the evolving tasks, d) efficiency in dealing with the adhoc and permanent teams with patience, e) a wide knowledge and skill sets on market planning, budgeting, and taking actions, and f) ability to proactively formulate innovative ideas which should be iteratively practiced at all levels, including tough handling or tough talking with the underlying customers.

Objectives of Incubation Centres

The incubation centres aim at the following four major objectives on the process of promoting entrepreneurs:



Figure 1 Major Objectives of Incubation Centres

The centres have to create awareness on startups. To do so, they may need to organize bootcamps, one-day awareness sessions, and several programs to connect with the large volume of entrepreneurial personal. The centres may need to scale down the risks of startups based on their know-how practices; it has to ensure the smooth functioning of businesses; and, boost up the economy of countries at large.

Essential Components of Incubation Centres

The essential components of an incubation centre for enriching the capability of incoming startups are described in the following heads:

a) Precise Goals and Vision:

Each incubation centers should have a clear vision and set of goals that sustain for a long run. They should have a proper scalable roadmap that should incline towards their capacities and goals. For instance, AIC IITKottayam (shortlisted), an upcoming incubation centre of IIT Kottayam, focuses on the application of high end technologies such as IoT Cloud for Societal Applications. A clear vision and visible objectives could create an impression for startup enthusiasts to select an appropriate incubation centre to build up their product with utmost satisfaction.

b) Investment Suggestions:

Providing suggestions on investment plans to startups should enhance the revenue stability of their businesses. Each incubation centre could critically comment/suggest on the investment ideas, especially the time plan for their investments on the products, in order to have constructive developments or to raise larger seed money with their investors. Generally, there should be a good relationship with the investor and the entrepreneurs in order to attract money for their startups.

Investments for startups generally happen in three levels:

- i) Investments via. Friends or Family: This level of funding crop up at the initial stage of the business establishments – often between 1 to 6 months of establishing companies.
- ii) Investments via. Angel Investors: This level of funding happens when the revenue overcomes the death valley curve of business cycle. The Angel Investors are generally people who have money to invest on a specific idea aiming at there will be a hope of revenue growth. In India and various parts of the countries, we could find a network of Angel investors that has tens of thousands of such Angel Investors.
- iii) Investments via. Venture Capitalists: Once when the business grows at the large level, there is a dire need of scaling the business to large volume of customers. Venture capitalists are a network of investors who are capable of funding tens of hundreds of crores to businesses. The need of a venture capitalist, in general, starts only after two to three years of establishing businesses.

c) Mentoring Support:

Most of the entrepreneurs of incubation centres, often named as incubates or startups, may not be capable to look into the pros and cons of different domain sectors including marketing, diversified technical concepts (basic science, IoT, Cloud, blockchain, biotechnology, quantum computing, and so forth), effects of team leadership and so forth.

Obviously, an incubation centre may need to have a pool of mentors who are experts in unique fields, including technologies. Such mentors need to be highly accessible to the incubates in a committed fashion. It is also possible that an incubation centre will not have sufficient experts as required by incubates – for instance, an incubation centre specializing in blockchain technology might not have sufficient experts to guide incubates in healthcare technology. In such scenarios, the centre should take the responsibility to assist the incubates by networking with the other centres. To do so, it has to maintain a list of mentors with classifications in varying domains. In fact, AIM team of India has formulated procedures to frame a large pool of such mentors who could be rightly accessible to startups irrespective of geographic separations.

The most important characteristics of a good mentor are



Figure 2 Characteristics of a Good Mentor

Are Mentors paid in Incubation Centres? In general, mentors are not directly paid by the incubate (hand in hand). But, they are paid through the incubation centres either through the startup equity percentage or through monthly basis.

d) *Infrastructural Assistance:*

The incubation centres shall assist incubates by offering incubation space and the high-end technical infrastructural facilities available at their premise – if incubates require high-end processing equipments or servers to demonstrate the machine learning program for his/her product development, the facilities of the incubation centres may be extended to the incubates. At AIC IIITKottayam (an upcoming centre - shortlisted), we could offer the incubation space and facilities to incubates that relates to IoT Cloud. In addition, as IIITKottayam has established an MoU with various Universities and Organizations, including Technical Universtiy Munich-Germany and Bose Information Technologies-Germany, we are able to provide the high-end infrastructural support to incubates that are more specific to IoT Cloud domains.

e) *Provisioning Ecosystem:*

Framing a strong ecosystem is a step to success of startups. The ecosystem shall be organized in three varying levels: i) governmental/non-governmental ii) corporate ecosystem and iii) research level ecosystem. A startup holder, as an individual, requires a long period of duration to create the ecosystem for the sustainability of the company. The role of incubation centres would be to reduce the duration by providing sufficient inputs for the incubates so that the ecosystem becomes viable in no time. In fact, framing such ecosystems require a hefty investment on networking and establishments.

f) *Budgeting Assistance:*

Creating optimal budgets for the slated tasks to meet the short term and long term goals of an organization might be a difficult task for a few startup companies. Although several paid software exists such as tally, it is mandatory for the startups to opt for newer techniques and special assistance at some point in their growth curve. For instance, the assistance might become crucial during the period when they need to raise funds to several Angel Investors or Venture Capitalists. The incubation centres shall provide them guidance to a few available tools such as SaaS-Tally and the available budgeting team for succeeding in their endeavors.

g) *Legal Assistance:*

In fact, technocrats and startup holders might struggle while establishing a company – they might not know the procedures of establishing a company. For instances, do they need to frame a Section 8 company or a Private Ltd Company, or a Trust? – these queries could be addressed by the incubation centres. Even if an incubate has already established it, they may not be aware of several other legal aspects as discussed below:

- i. An appointment of Auditor should happen within the 30 days of establishing a company
- ii. Organizing a regular *Board of Governing* meeting in a company. Especially, a Section 8 company should have atleast 4 meetings in a year.
- iii. An annual general meeting should be organized within 6 months of a financial year.

- iv. Reporting to the income tax officers, donors, or the other statutory bodies should be done within any stipulated/slated time intervals.

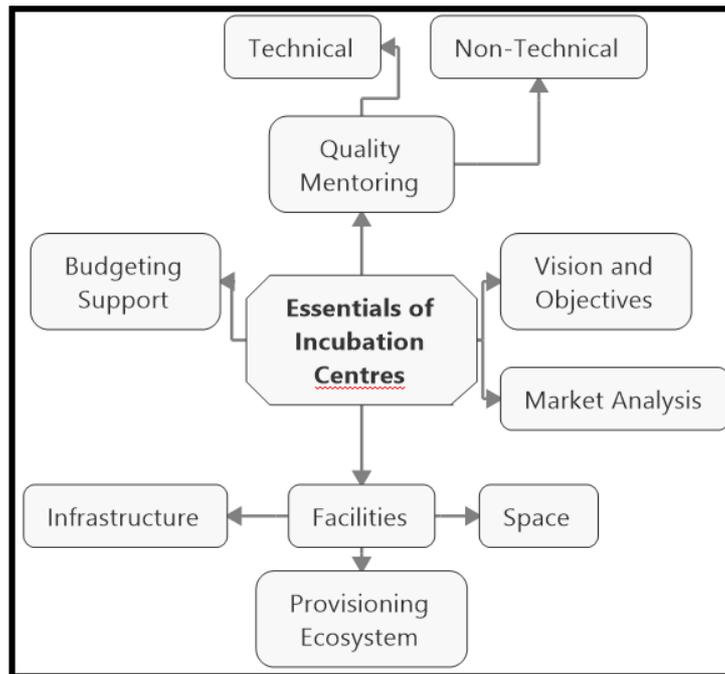


Figure 3 Essentials of Incubation Centres

h) Team Formation:

A guidance may be provided to the startups to create a successful team. In fact, energetic and quality team leaders are the key players for the success of startups. Consequently, a few startups have practiced several innovative models in the recent past in order to frame efficient team members in an organization.

For instance, a few successful startups had allotted 30 percentage of their manpower to undertake urgent matters and the other 70 percentage of the manpower for dedicated assigned works. To note: while framing the team, we have to avoid emotions and family constraints, if any.

Reference:

- (1) <https://www.forbes.com/sites/sindhujabalaji/2017/10/16/indias-startups-are-filing-more-patents-than-ever-before-heres-why/#72c787e969f5>

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About the author



SHAJULIN BENEDICT graduated in 2001 from Manonmaniam Sunderanar University, India, with Distinction. In 2004, he received M.E Degree in Digital Communication and Computer Networking from A.K.C.E, Anna University-Chennai. He is the University second rank holder for his masters. He did his PhD degree in the area of Grid scheduling under Anna University, Chennai (Supervisor - Dr. V. Vasudevan, Director, Software Technologies Group of TIFAC Core in Network Engineering). He was affiliated towards the same group and published more papers in Int. Journals. After his PhD award, he joined a research team in Germany to pursue Post Doctorate under the guidance of Prof. Gerndt. He has completed two funded projects from DST and two grants from CIM-GIZ Germany while working as Professor at SXCCE Research Centre of Anna University-Chennai. He visited TUM Germany for teaching Cloud Computing as Guest Professor of TUM-Germany. Now, he works at the Indian Institute of Information Technology Kottayam, Kerala, India, an institute of national importance of India, under MHRD (PPP). He has attracted several projects such as Indo-Austrian (ongoing), BEL-Consultancy (Ongoing), DST-NIMAT (Ongoing), and IoTCloud AIC IIITKottayam (shortlisted). His research interests include Grid scheduling, Performance Analysis of parallel applications (including exa-scale), IoT-Cloud Computing, and so forth. Homepage: www.iiitkottayam.ac.in/shajulin.php