Incubator Feasibility Study and Business Plan

Phase 1
Market Feasibility Study

For
Cecil County, Maryland
Office of Economic Development

Executive Summary

Prepared by Axcel Innovation LLC
March 2015
1. Executive Summary

The importance of supporting the creation of new businesses within economic development strategies has increased in the last decade as an approach that leads to businesses that are strongly anchored in the location in which they are established and have the potential to create a wider diversity in the industry base than large-scale business attraction efforts.

Axcel Innovation LLC was retained by the Cecil County Office of Economic Development to undertake a two stage process to determine if there was sufficient justification to develop a plan for the creation of a business incubation program in Cecil County, and if so, to develop a plan for doing so.

This report addresses the first of the two phases, the Market Feasibility Study. The second phase, the development of a Business Plan and Financial Feasibility Study will be the subject of a separate report.

This report includes a brief introduction to business incubation as a tool to support entrepreneurial activity and the key elements that are, in the experience of Axcel Innovation, necessary for such an initiative to succeed.

The report then presents a detailed assessment of the key criteria by which the feasibility of such an initiative can be assessed, along with conclusions based on the outcome of the analysis.

The principal conclusions are as follows:

**Purpose**

- The creation of an incubation program or similar initiative to encourage and support entrepreneurship within Cecil County links directly to the Vision, Values, and Strategy as defined in the Economic Development Strategy.

**Opportunities**

- There are several distinctive characteristics of the County that represent opportunities and should shape any proposed program, including:
  - The presence of Union Hospital, which has indicated an unusually high level of interest in working with new companies that are developing relevant products and services
  - The willingness of the Cecil County Chamber of Commerce to engage with the incubator concept and support the initiative
– The presence of Cecil College which already offers workspace to some local companies

– The substantial percentage of the population that commutes out of the County on a daily basis, often beyond the immediately neighboring counties. These commuters represent a potentially significant pool of entrepreneurial talent.

– The presence of a strong transportation and logistics capability within the County which is highly consistent with the increasing utilization of widely geographical supply chains and distribution networks being used even by small companies

– The opportunity to leverage the presence of academic institutions and industry in New Castle County and Harford County in positioning Cecil as node in a broader regional economic network

Challenges

• There are nonetheless some important challenges that such a program must also address, including:

  – The need to change a perception that is believed to be held by some within the County and its neighbors, of the County as a bedroom community that lacks the infrastructure to support new business creation.

  – The need to involve the large companies present in the County in any entrepreneurship initiative – to lend credibility to the program, to provide guidance, and potentially as a source of entrepreneurs.

  – To define a model for the program which makes the most efficient use of the available resources (which is by no means unique to Cecil County).

Potential Models

• A range of potential models exist that to differing extents address the situation of Cecil County, but the most appropriate solution is believed to be a combination of several of these, combining the following elements:

  – A co-working space model that offers a means of leveraging a small amount of space for use by a relatively large number of clients.

  – A range of services to support entrepreneurs, which would be characteristic of more traditional incubation programs, but not co-working spaces as they are currently designed and operated.

  – Multi-tenant office space, providing individual offices for early stage companies, under the overall management of the incubation program.

  – Access to specialized resources, such as laboratory space, for those clients that need them
There is the potential to establish a partnership-based model in which the resources available through different organizations can be accessed in a way which is seamless to the incubator clients, and in which the partners have a role in the ongoing planning and oversight of the incubation program.

These organizations could include, but would by no means be limited to:

- NEMD Tech Council
- Union Hospital
- MEDCO
- TEDCO
- Cecil College
- Cecil County Public Schools
- Harford Community College
- Cecil County Chamber of Commerce
- Cecil County Chamber of Commerce
- Cecil County-based Corporations

**Demand**

- Determining the potential demand for new incubation programs is extremely difficult, but the available data suggests that the potential exists for the creation of a significant number of companies within the County each year.

Depending on the model used, the numbers range from 31 to 57 companies per year, although it may take time for these kinds of numbers to be realized. It is also important to appreciate that of these companies, not all will succeed in the long term, but the development of a culture of entrepreneurship in the County, and the provision of appropriate support to the individual entrepreneurs will maximize the chances of these numbers being realized.

In order to achieve the potential level of activity, the program should recognize the various stages through which entrepreneurs pass as they consider an entrepreneurial pathway, develop their ideas, and commit to pursuing them, and seek to meet the needs of clients at all stages of the process.

- Key needs of entrepreneurs that the program will need to address include:
  - Mentoring and advisory services, including financial planning
  - Assistance with identifying and accessing sources of investment capital
  - Training and education programs, particularly in business disciplines.
  - Networking groups and associated events
  - Inexpensive and flexible workspace
The program should seek to stimulate demand as well as responding to existing demand, through activities involving its various partner organizations, to raise awareness of entrepreneurship as a potential path and the resources available to those who choose to pursue it.

**Performance Metrics**

The appropriate performance metrics for incubation programs should always be kept under review to ensure that they meet the needs of both their clients and their sponsors. Metrics can also represent different aspects of an incubation program, from activity measures, reflecting progress against the agreed plan for the program, to measures of longer-term impact.

In the first instance, the following impact metrics are recommended:

- **Direct** (measurable at the individual company level):
  - Job creation
  - Capital raised
  - Grant funding and contracts attracted
  - Products and services launched
  - Patents utilized

- **Indirect** (measurable in aggregate)
  - Development and growth of target industry sectors
  - Industry and geographical market reach of client companies
  - Contribution to the County tax base
  - Reduction in Commuting
  - Community revitalization

The development of appropriate activity measures, linked to a business plan for the incubation program, forms part of the second phase of the study.

**Recommendation**

On the basis of the work undertaken for this first phase of the study, it is recommended that Cecil County proceed with the second phase, the primary purpose of which is to develop a business plan and implementation plan for the proposed incubation program.