

# economic BRIEF opportunity BRIEF

### INDIANA TOLL ROAD ECONOMIC DEVELOPMENT CORRIDOR INITIATIVE

#### ABOUT THE PROJECT

This brief is one in a series about opportunities arising from the development of the Indiana Toll Road. Research was conducted by the Center for Business and Economic Research at Ball State University in conjunction with Building Better Communities at Ball State.

#### ABOUT THE AUTHORS

#### CENTER FOR BUSINESS & ECONOMIC RESEARCH

The Center for Business and Economic Research is an award-winning economic policy and forecasting research center housed within Ball State University's Miller College of Business. CBER research encompasses health care, public finance, regional economics, transportation and energy sector studies.

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SECTOR BUSINESS DEVELOPMENT

**ACTIVITY ENTREPRENEURSHIP** 

## **Pooling Incubators**

Business incubators are a common economic development tool designed to connect research and development or entrepreneurial activities to a specific region. The American National Business Incubation Association defines an incubator as "an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services."

In practice, business incubators typically target spillovers of university or commercial research, or focus on specific entrepreneurial activities common to a region. The main goal of incubator activities is to provide specific business services to tenants that replicate those available to more mature or larger businesses. These often include secretarial, administrative and financial management activities, physical space and office equipment. More mature tenants may also be assisted with human capital acquisition, particularly for management services. Incubators often aid in training and advising tenant firms on such matters as access to capital, organizational development and strategic planning. Finally, incubators often aid in development of technology commercialization efforts, intellectual property management, compliance with state and federal regulatory issues, and general legal services.

Most incubators aim for tenants with narrow industry specifications to focus economies of scope in specific industry requirements for marketing, planning and human capital acquisition. This is not surprising for an activity attempting to match the scale economies of larger firms. However, perhaps half of all incubators have tenants with mixed industry focus, from retail to high technology to food service. In such cases the range of industry specific services is limited due the same scale economy constraints that motivated the adoption of incubators in the first place.

An alternative model of business incubators offers some potential for regions to recapture the economies of scale and scope involved with a single industry. This is a version of the 'networked' business incubator. The 'networked incubator' would provide services to a wide geographic range, but with centralized oversight. Thus, a network of incubators would be large enough to provide the scale of necessary activities, while having enough specific industry expertise to exploit the economies of scope for several industries.

In practice, a networked incubator would involve centralized management along the Indiana Toll Road Corridor, with tenants located throughout the region in smaller incubators or rented facilities. This activity would offer significantly expanded services to a larger set of tenants than is possible in smaller, unaffiliated incubators. Large research universities and towns with significant private R&D activities are a natural focus point for the largest node of such a network.