

## M-III

### 3.1=Start up Meaning

**Startup India** is an initiative of the [Government of India](#). The campaign was first announced by [Indian Prime Minister, Narendra Modi](#) during his 15 August 2015 address from the [Red Fort](#), in [New Delhi](#).<sup>[1]</sup>

The action plan of this initiative is focusing on three areas:

1. Simplification and Handholding.
2. Funding Support and Incentives.
3. Industry-Academia Partnership and Incubation.

An additional area relating to this initiative is to discard restrictive States Government policies within this domain, such as [License Raj](#), Land Permissions, Foreign Investment Proposals, and Environmental Clearances. It was organized by The Department for promotion of industry and internal trade ([DPI&IT](#)).

A startup defined as an entity that is headquartered in [India](#), which was opened less than 10 years ago, and has an annual turnover less than ₹100 crore (US\$14 million).<sup>1</sup>

Under this initiative, the government has already launched the I-MADE program, to help Indian entrepreneurs build 10 [lakh](#) (1 million) mobile app start-ups, and the [MUDRA Bank's](#) scheme (Pradhan Mantri Mudra Yojana),

an initiative which aims to provide micro-finance, low-interest rate loans to entrepreneurs from low socioeconomic backgrounds.<sup>[4]</sup> Initial capital of 20,000 crore (equivalent to ₹230 billion or US\$3.2 billion in 2019) has been allocated for this scheme.

#### Definition

The Honorable Union Minister, Suresh Prabhu, recently amended the definition of startup to simplify its exemptions under Section 56(2) (viib) of the Income Tax Act and provide relief from angel tax. The move is expected to relax the norms and facilitate the growth of startups in the country. This article seeks to create awareness of these newly announced provisions.

### 3.2= Start up ecosystem

A **startup ecosystem** is formed by people, [startups](#) in their various stages and various types of [organizations](#) in a location (physical or virtual), interacting as a system to create and scale new [startup companies](#). These organizations can be further divided into categories such as universities, funding organizations, support organizations (like incubators, accelerators, co-working spaces etc.), research organizations, service provider organizations (like legal, financial services etc.) and large corporations. Local Governments and Government organizations such as Commerce / Industry / Trade departments also play an important role in startup ecosystem.

Different organizations typically focus on specific parts of the ecosystem function and startups at their specific development stage(s).

#### Startup Ecosystem Dynamics

- Ideas, inventions and research i.e. Intellectual property rights (IPR)
- Entrepreneurship Education<sup>[1]</sup>
- Startups at various stages<sup>[1]</sup>
- Entrepreneurs<sup>[1]</sup>
- Start up team members<sup>[1]</sup>
- Angel investors<sup>[2]</sup>
- Startup mentors<sup>[1]</sup>
- Startup advisors<sup>[1]</sup>
- Other business-oriented people
- People from other organizations with start-up activities
- Startup events

#### List of organizations and/or organized activities with startup activities

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- Universities<sup>[3]</sup>
- Advisory and mentoring organizations
- Startup incubators<sup>[3]</sup>
- Startup accelerators
- Corporate accelerator
- Coworking spaces
- Service providers (Consulting, Accounting, Legal, etc.)
- Event organizers<sup>[3]</sup>
- Start-up competitions<sup>[3]</sup>

- Startup Business Model Evaluators
- Business Angel Networks<sup>[3]</sup>
- [Venture capital](#) companies<sup>[3]</sup>
- [Equity Crowdfunding](#) portals
- Corporates (telcos, banking, health, food, etc.)
- Other [funding](#) providers (loans, grants etc.)
- Start-up [blogs](#) and social networks<sup>[4]</sup>
- Other [facilitators](#)

Investors from these roles are linked together through shared events, activities, locations and interactions. Startup ecosystems generally encompass the network of interactions between people, organizations, and their environment. Any particular start-up ecosystem is defined by its collection of specific cities or online communities.

In addition, resources like skills, time and money are also essential components of a start-up ecosystem. The resources that flow through ecosystems are obtained primarily from the meetings between people and organizations that are an active part of those startup ecosystems. These interactions help to create new potential startups and/or to strengthen the already existing ones.

## External and internal factors

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Startup ecosystems are controlled by both external and internal factors. External factors, such as financial climate, big market disruptions and significant transitions, control the overall structure of an ecosystem and the way things work within it. Start-up ecosystems are dynamic entities which progress from formation stages to periodic disturbances (like the [financial bubbles](#)) and then to recovering processes.

Several researchers have created lists of essential internal attributes for startup ecosystems. Spigel<sup>[5]</sup> suggests that ecosystems require cultural attributes (a culture of entrepreneurship and histories of successful entrepreneurship), social attributes that are accessed through social ties (worker talent, investment capital, social networks, and entrepreneurial mentors) and material attributes grounded in a specific places (government policies, universities, support services, physical infrastructure, and open local markets). Stam<sup>[6]</sup> distinguishes between framework conditions of ecosystems (formal institutions, culture, physical infrastructure, and market demand) with systematic conditions of networks, leadership, finance, talent, knowledge, and support services.

Startup ecosystems in similar environments but located in different parts of the world can end up doing things differently simply because they have a different entrepreneurial culture and resource pool. The introduction of non-native peoples' knowledge and skills can also cause substantial shifts in the ecosystem's functions.

Internal factors act as feedback loops inside any particular startup ecosystem. They not only

control ecosystem processes, but are also controlled by them. While some of the resource inputs are generally controlled by external processes like financial climate and market disruptions, the availability of resources within the ecosystem are controlled by every organization's ability to contribute towards the ecosystem. Although people exist and operate within ecosystems, their cumulative effects are large enough to influence external factors like financial climate.

## Role of employee diversity

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Employee diversity also affects startup ecosystem functions, as do the processes of disturbance and succession. Startup Ecosystems provide a variety of goods and services upon which other people and companies depend on. Thus, the principles of start-up [ecosystem management](#) suggest that rather than managing individual people or organizations, resources should be managed at the level of the startup ecosystem itself. Classifying start-up ecosystems into structurally similar units is an important step towards effective ecosystem managing.

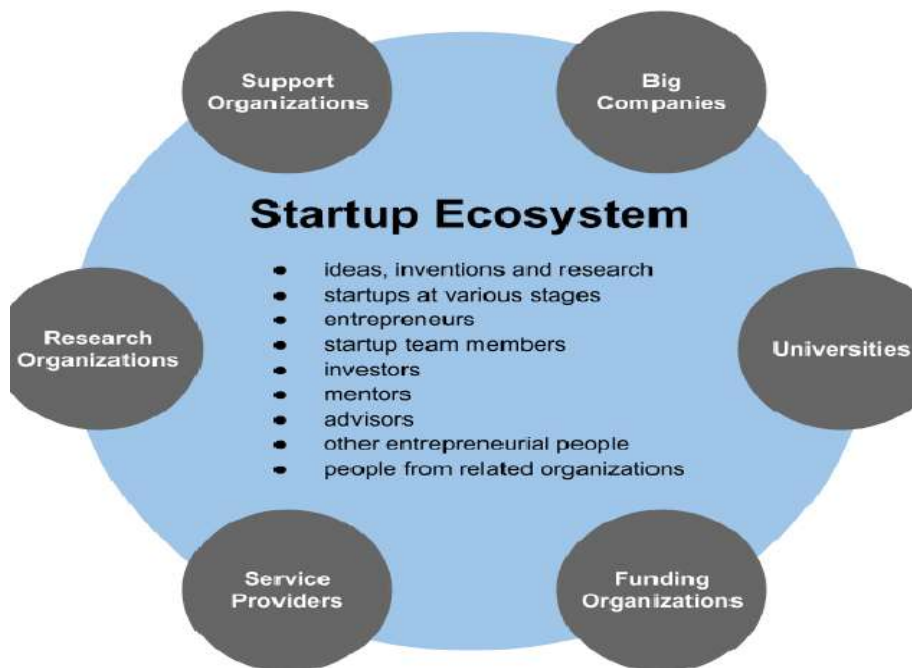
## Startup ecosystem studies

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There are several independent studies made to evaluate start-up ecosystems to better understand and compare various start-up ecosystems and to offer valuable insights of the strengths and weaknesses of different start-up ecosystems. Startup ecosystems can be studied through a variety of approaches - theoretical studies, studies monitoring specific start-up ecosystems over long periods of time and those that look at differences between start-up ecosystems to elucidate how they work.

Since 2012, San Francisco-based Startup Genome has been the first organization to release comprehensive research reports that benchmark startup ecosystems globally. Currently led by JF Gauthier and Marc Penzel, the San Francisco-based startup has been the first organization to capture the requirements of a startup ecosystem in a data-driven framework.<sup>[7]</sup> Startup Genome's work influenced startup policies globally and is supported by thought leaders such as [Steve Blank](#)<sup>[8]</sup> and has appeared in leading business media such as [The Economist](#), [Bloomberg](#) and [Harvard Business Review](#).<sup>[9]</sup>

Since 2017, Zurich-based StartupBlink has been publishing reports ranking the startup ecosystems of 1,000 cities and 100 countries. Currently led by Eli David, the latest report of 2019 has revealed that the USA, ranked 1st in the country rankings, has 441 cities ranked, compared to 48 ranked cities in the United Kingdom, the 2nd ranked country.



**Startup development phases: Ideating, concepting, committing, validating, scaling and establishing.**



### Ideating

Entrepreneurial ambition and/or potential scalable product or service idea for a big enough target market. Initial idea on how it would create value. One person or a vague team; no confirmed commitment or no right balance of skills in the team structure yet.

### Concepting

Defining mission and vision with initial strategy and key milestones for next few years on how to get there. Two or three entrepreneurial core co-founders with complementary skills and ownership plan. Maybe additional team members for specific roles also with ownership.

### Committing

Committed, skills balanced co-founding team with shared vision, values and attitude. Able to develop the initial product or service version, with committed resources, or already have initial product or service in place. Co-founders shareholder agreement (SHA) signed, including milestones, with shareholders time & money commitments, for next three years with proper vesting terms.

### Validating

Iterating and testing assumptions for validated solution to demonstrate initial user growth and/or revenue. Initial Key Performance Indicators (KPI's) identified. Can start to attract additional resources (money or work equity) via investments or loans for equity, interest or revenue share from future revenues.

### Scaling

Focus on KPI based measurable growth in users, customers and revenues and/or market traction & market share in a big or fast growing target market. Can and want to grow fast. Consider or have attracted significant funding or would be able to do so if wanted. Hiring, improving quality and implementing processes

### Establishing

Achieved great growth, that can be expected to continue. Easily attract financial and people resources. Depending on vision, mission and commitments, will continue to grow and often tries to culturally continue "like a startup". Founders and/or investors make exit(s) or continue with the company.

Startup Development Phases - From idea to business and team to organization.

Version 3.0 - [www.startupcommons.org](http://www.startupcommons.org)



## Startup business partnering

It is the development of successful, long term, strategic relationships between customers and suppliers, based on achieving best practice and sustainable competitive advantage.

In the business partner model, HR professionals work closely with business leaders and line managers to achieve shared organisational objectives.

In practice, the business partner model can be broadened to include members of any business function, for example, Finance, IT, HR, Legal, External Relations, who act as a connector, linking their function with business units to ensure that the technical, or functional, expertise they have to offer is placed within the real and current concerns of the business to create value.

## Startup culture

A [startup](#) culture is a workplace environment that values creative problem solving, open communication and a flat hierarchy. In startup cultures, these core values tend to reflect the personalities and ethos of the people who worked for the business in the early days. Because new businesses must adapt quickly to internal and external market pressures in order to survive, a startup culture also promotes [business agility](#) and adaptability as being key virtues.

The workplace values supported by startup cultures are increasingly resonating with business

leaders at large organizations. As the pace of business speeds up, quickened in part by advances in technology, large companies are realizing that they could benefit greatly by putting more emphasis on startup culture values, including the value of the individual.

### **Preparing to launch startup**

- 1-Clarify your reasons and your goals.
- 2-Understand your entrepreneurial personality.
- 3-Map your skills and experience
- 4- Leverage your relationships and resources.
- 5-Position yourself for high performance.
- 6- **Choose the right business structure.** (business, which will have [legal](#) and [tax](#) implications, **Liability limitations, Startup losses, Capital-raising plans etc.**)

## **Business incubation definition**

A **business incubator** is a company that helps new and startup companies to develop by providing services such as management training or office space.

The National Business Incubation Association (NBIA) defines business incubators as a catalyst tool for either regional or national economic development. NBIA categorizes their members' incubators by the following five incubator types: academic institutions; non-profit development corporations; for-profit property development ventures; venture capital firms, and combination of the above

### **Incubator models and success factors**

#### **Business Incubation Models**

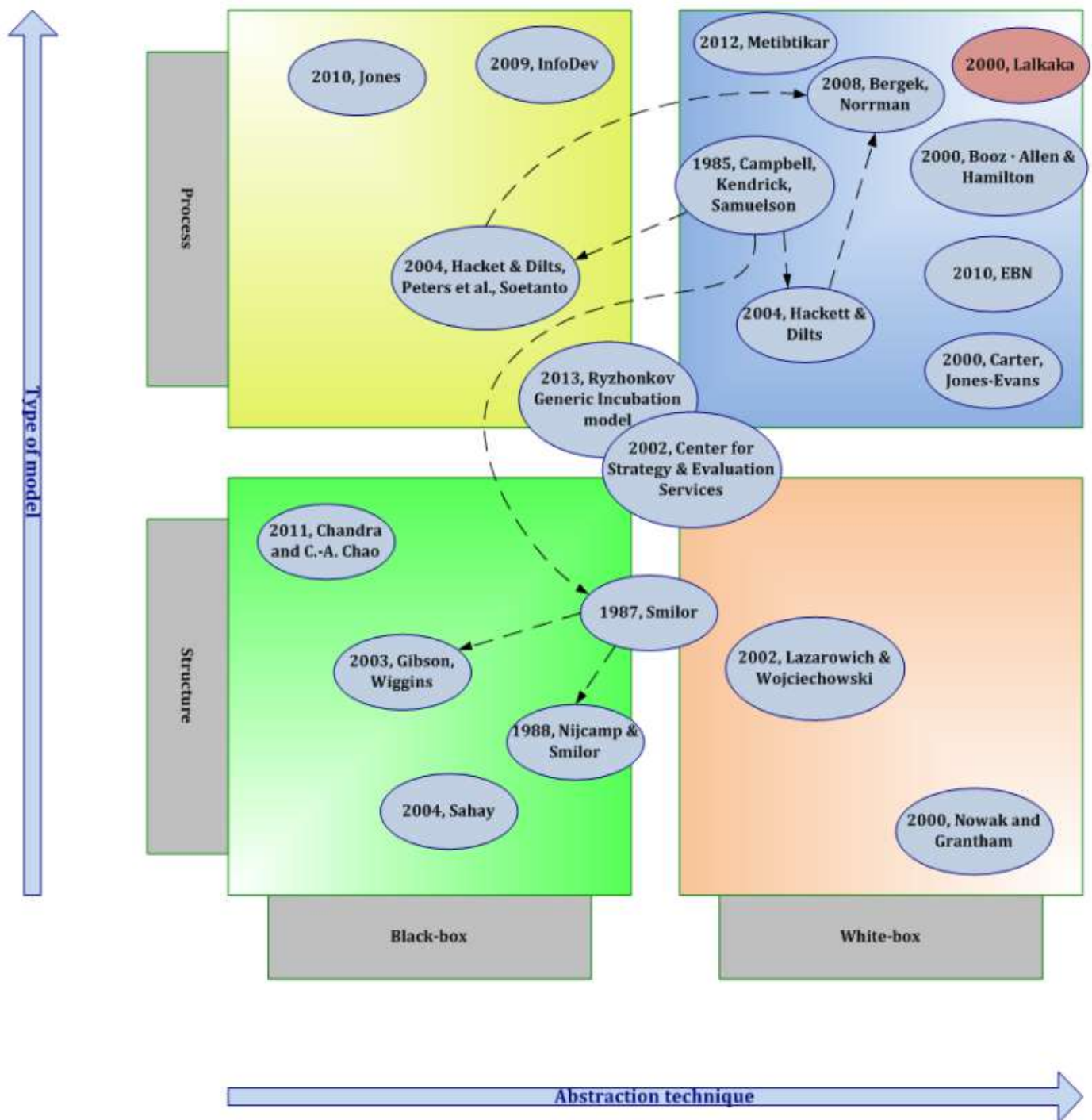
This page contains Business Incubation Models. This is a summary of post series about [Business Incubation Models](#). The main purpose of this section is to review existing Business Incubator's Models, and assess their historical applicability, performance and efficiency for

business innovation purposes. Business Incubation is a concept which involves multiple stakeholders, dozens “building blocks”, various types of resources and several service categories (around 100 specific services in total). Business Incubation Models will be described below in order to better define, analyze, design, calibrate, evaluate and think about business incubation. These models have been developed by researchers, consultants and practitioners since 1985. Moreover, they created around 20 different models.

## **20 Business Incubation Models**



## 20 Business Incubation Models – Comparison Matrix



Business Incubation Blog <http://worldbusinessincubation.wordpress.com/>, Author Ryzhonkov Vasily

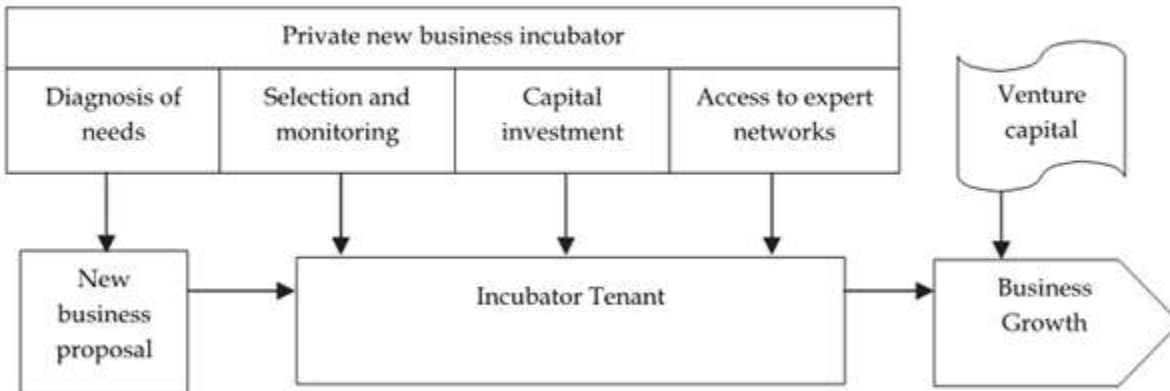
## 20 Business Incubation Models – Comparison Matrix

Here are links to each part of the series:

- Part 1. [Introduction of a series. Methodology. Campbell, Kendrick & Samuelson Model \(1985\)](#)
- Part 2. [Smilor model \(1987\)](#)
- Part 3. [Nijkamp & Smilor Generic Incubator model \(1988\)](#)
- Part 4. [Carter & Jones-Evans process model \(2000\)](#)
- Part 5. [Nowak and Grantham Virtual Incubation Model \(2000\)](#)
- Part 6. [Booz, Allen & Hamilton Corporate Incubator Model \(2000\)](#)
- Part 7. [Lazarowich & Wojciechowski 'New Economy' Incubator Model \(2002\)](#)
- Part 8. [Lalkaka Incubator Development Model \(Technology Business Incubator Manual\) \(2000\)](#)
- Part 9. [Costa-David, Malan, Lalkaka, NBIA Model \(2002\)](#)
- Parts 10-11. [Gibson & Wiggins Model \(2003\); Sahay Model \(2004\)](#)
- Parts 12-13. [Hackett & Dilts Generic Business Incubator Model \(2004\)](#)
- Part 14. [Bergek & Norrman Model \(2008\)](#)
- Part 15. [InfoDev Process Model \(2009\)](#)
- Part 16. [Jones's Incubation Value Chain Model \(2010\)](#)
- Parts 17-18. [Chandra and C.-A. Chao Model \(2009\); Metibtikar model \(2012\)](#)
- Part 19. Becker & Gassmann (2006)
- [Analysis of 20 Business Incubation Models](#)
- [Summary of the series. Problems of business incubation](#)
- Part 20. Ryzhonkov Generic Business Incubation Model (2013)

## 1985, Campbell, Kendrick & Samuelson, white-box, process, operations

**Campbell, Kendrick & Samuelson's incubation model (1985)**



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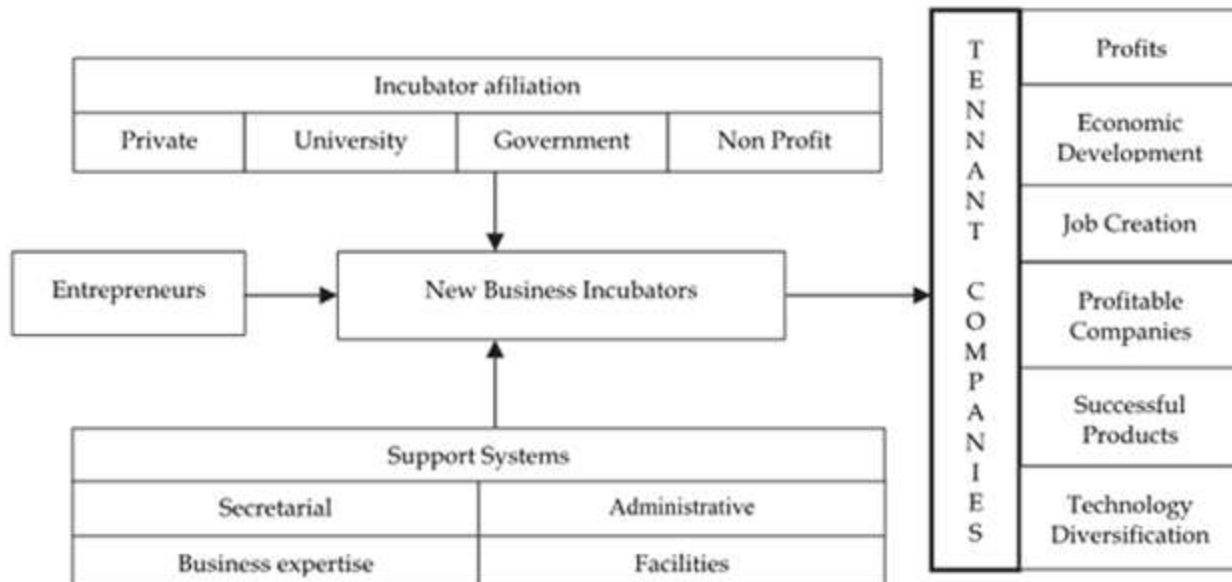
### Campbell, Kendrick & Samuelson's incubation model (1985)

The model stresses on process functions of incubator as main business development tool that can transform idea into a real business. The main outcome of the model: **Incubation process is of key importance...**

More information about the model is in the post [here](#).

## 1987, Smilor, mixed, structure, operations

**Smilor's incubation model (1987)**



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### Smilor's Incubation Model (1987)

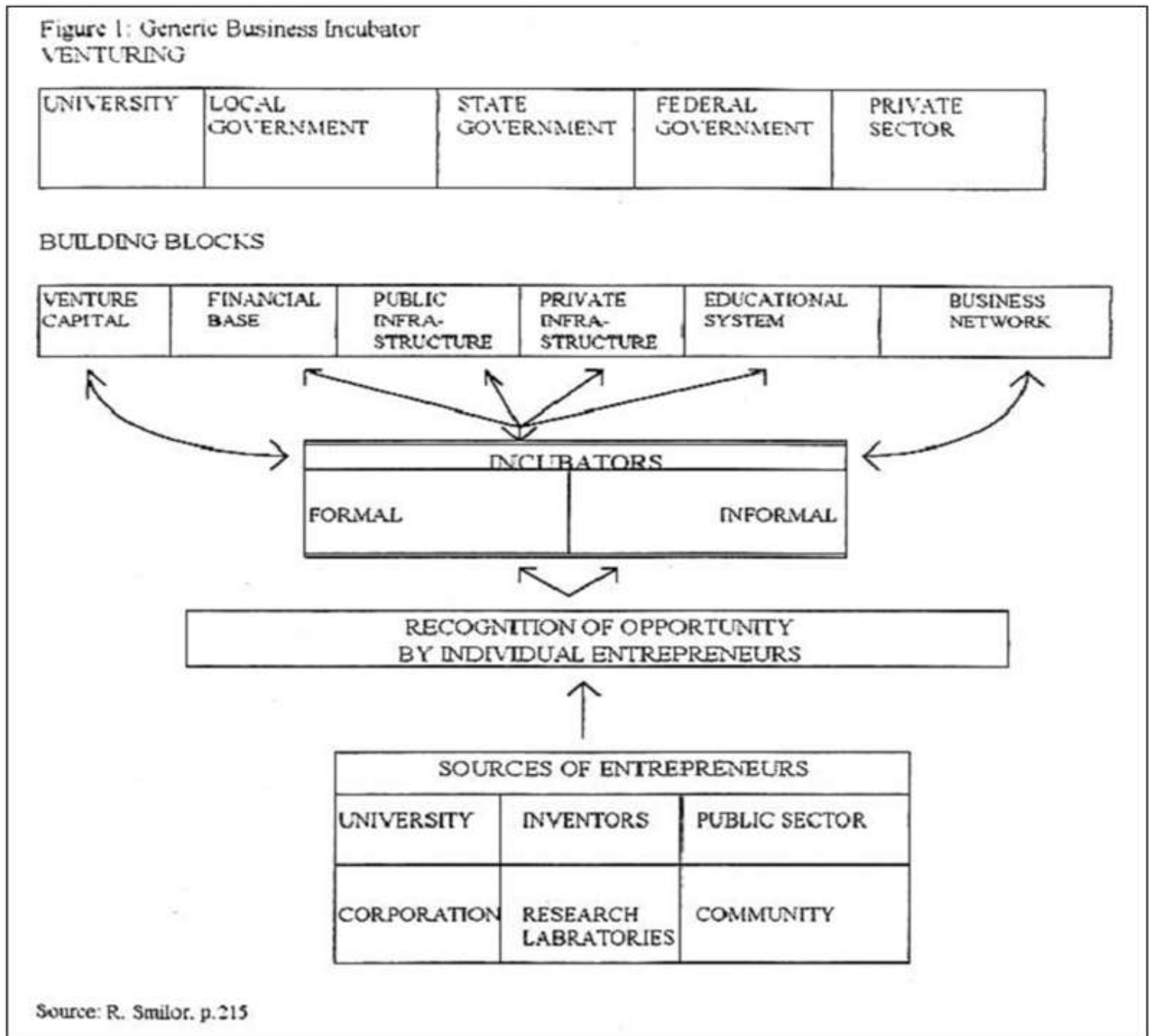
This model was developed by Smilor in 1987 by refining Campbell's model (1985). Smilor created structure model via describing main incubator affiliates, support systems and description of main outcomes of the incubation process. He considers an incubator as a transformation mechanism that assist entrepreneur in building a venture. Even though the representation of the model doesn't provide extensive information about particular services that business incubator supplies to tenants, Smilor categorizes the benefits that business incubators provide to their tenants through four dimensions:

1. Credibility development.
2. The shortening of the learning curve.
3. Faster troubleshooting.
4. Access to the network of entrepreneurs...

More information about the model is in the post [here](#).

## 1988, Nijkamp & Smilor, black-box, structure model, operations

**Nijkamp & Smilor's Generic Incubator Model (1988)**



## Nijkamp & Smilor's Generic Incubator Model (1988)

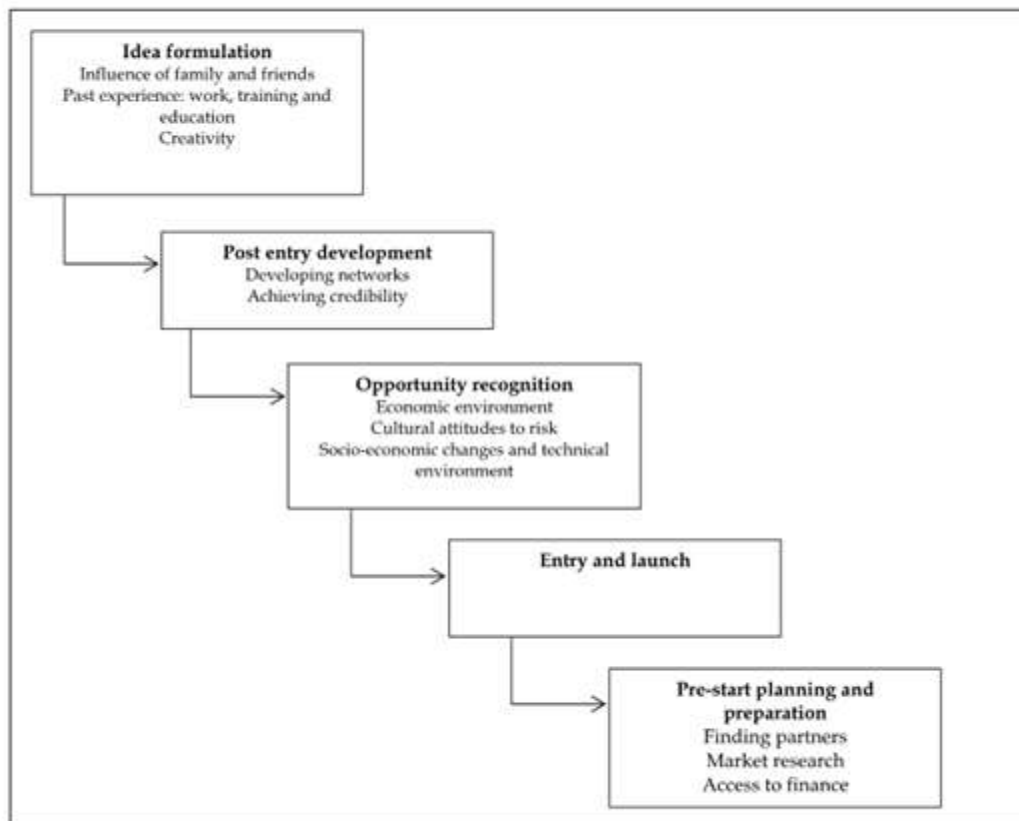
This model is the combination of two. Firstly, Smilor introduced his model and then it was extended by Nijkamp. Nijkamp's (1988) model is the interpretation of a generic business incubator. He argues that any business incubator acts as a mediator between entrepreneurs and community. Thus, successful implementation of the incubator requires combination of at least these elements:

- **Sources of entrepreneurs**
- **Recognition of opportunities by entrepreneurs**
- **Demand for business incubation services...**

More information about the model is in the post [here](#).

## 2000, Carter & Jones-Evans, white-box, process model, operations

### Carter & Jones-Evans Process Incubation Model (2000)



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### Carter & Jones-Evans Process Incubation Model (2000)

This is a first true process model in a row. Carter & Jones-Evans (2000) proposed a typical five-step incubation process, as shown in the figure above. As it can be seen from Carter & Jones-Evans' (2000) model the process is organized and focused on the needs of the incubatee, which will be supported by the services provided by the incubators during the incubation process. The incubation process according to the Carter & Jones-Evans consists of the following stages: **idea formulation, post entry development, opportunity recognition, entry and launch, pre-start**

planning and preparation...

More information about the model is in the post [here](#).

## 2000, Nowak and Grantham, white-box, structure, operations

### Nowak and Grantham Virtual Incubation Model (2000)

Human resources focus + capital focus = source of integrated resources

Focus on strategic alliance formation helps to underpin all key success ingredients as early as possible

Intellectual capital valuation and management expertise

Internet-based, distributed resources

Profitable solutions (specially for private incubators)

Private sector plays a leading role, while university and public sector paly supporting roles

Formalized management control systems (accounting, etc.) for generating stability

National and international business and market focus

Work in conjunction with physical incubators when needed

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### Nowak and Grantham Virtual Incubation Model (2000)

Nowak and Grantham (2000) have established their model on the following premise: *“Traditional business development entrepreneurs face a common challenge: the absence of capital, human resources, and management capabilities.”* So, the new model needs to provide the small business community with a structure and mechanism to easily access:

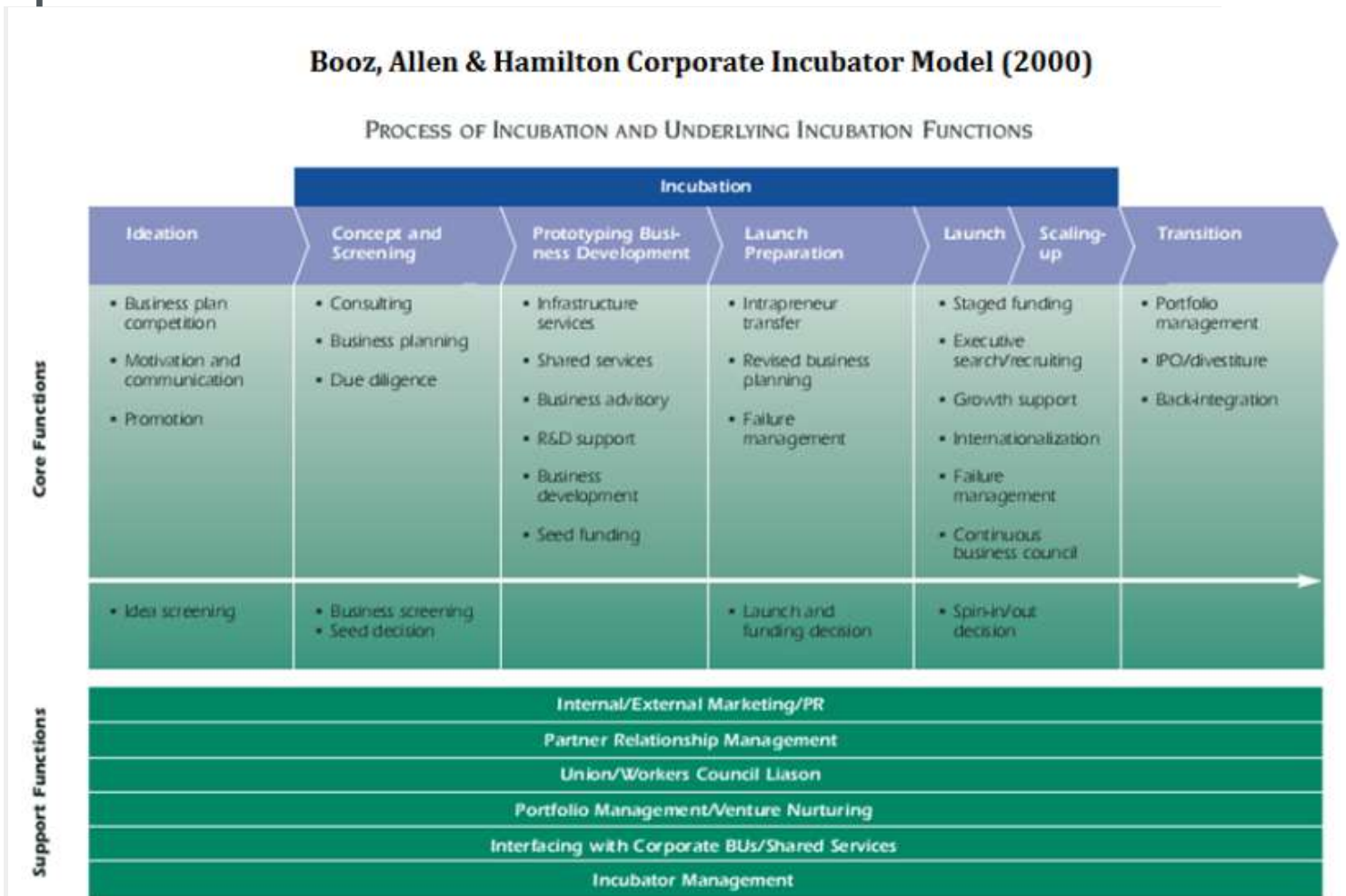


- information on “best practices” for business development
- industry and management experience
- resources for international marketing, sales and distribution

They proposed the creation of a **virtual incubation model**, based on networked innovation, which brings together, if only in a virtual sense, centers of technical and business or management excellence...

More information about the model is in the post [here](#).

## 2000, Booz, Allen & Hamilton model, white-box, process, operations



## Booz, Allen & Hamilton Corporate Incubator Model (2000)

Main contribution of the model proposed by Gregor Harter, Klaus Hölbling & Steffen Leistner from Booz, Allen and Hamilton<sup>[1]</sup> is *conceptualization of business incubation and applying it to a corporation's needs in continuous innovation*. The model describes how corporate incubator could reinforce and support innovation practices...

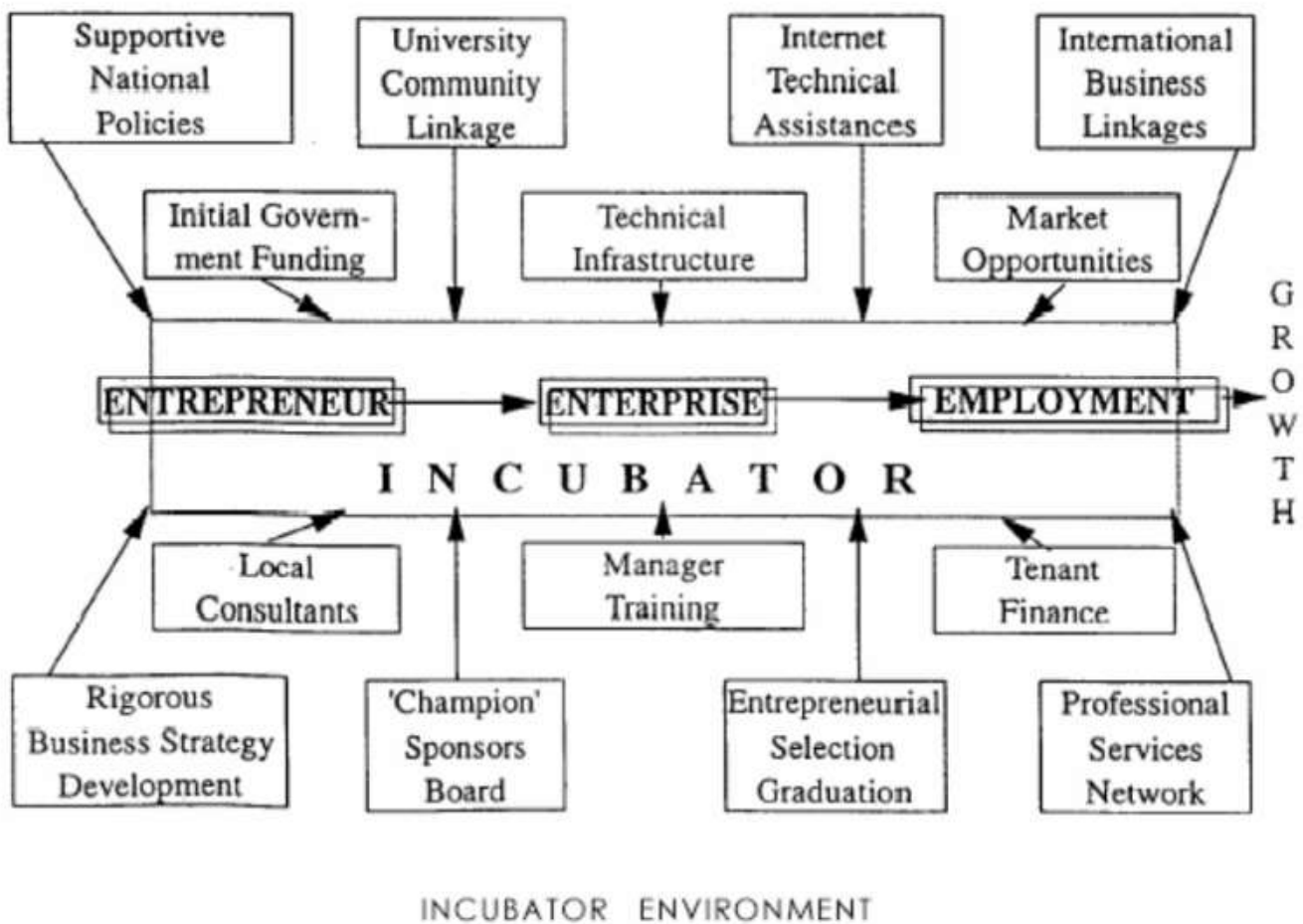
More information about the model is in the post [here](#).

# 2002, Lazarowich & Wojciechowski 'New Economy' Incubator Model, white-box, structure, operations

Lazarowich & Wojciechowski 'New Economy' Incubator Model (2002)

## CONCEPTUAL MODEL AND COMPONENTS FOR SUCCESSFUL DEVELOPMENT OF TECHNOLOGY BUSINESS INCUBATOR

NATIONAL AND INTERNATIONAL ENVIRONMENT



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## Lazarowich & Wojciechowski 'New Economy' Incubator Model (2002)

The model described by Lazarowich and Wojciechowski<sup>[1]</sup> explains

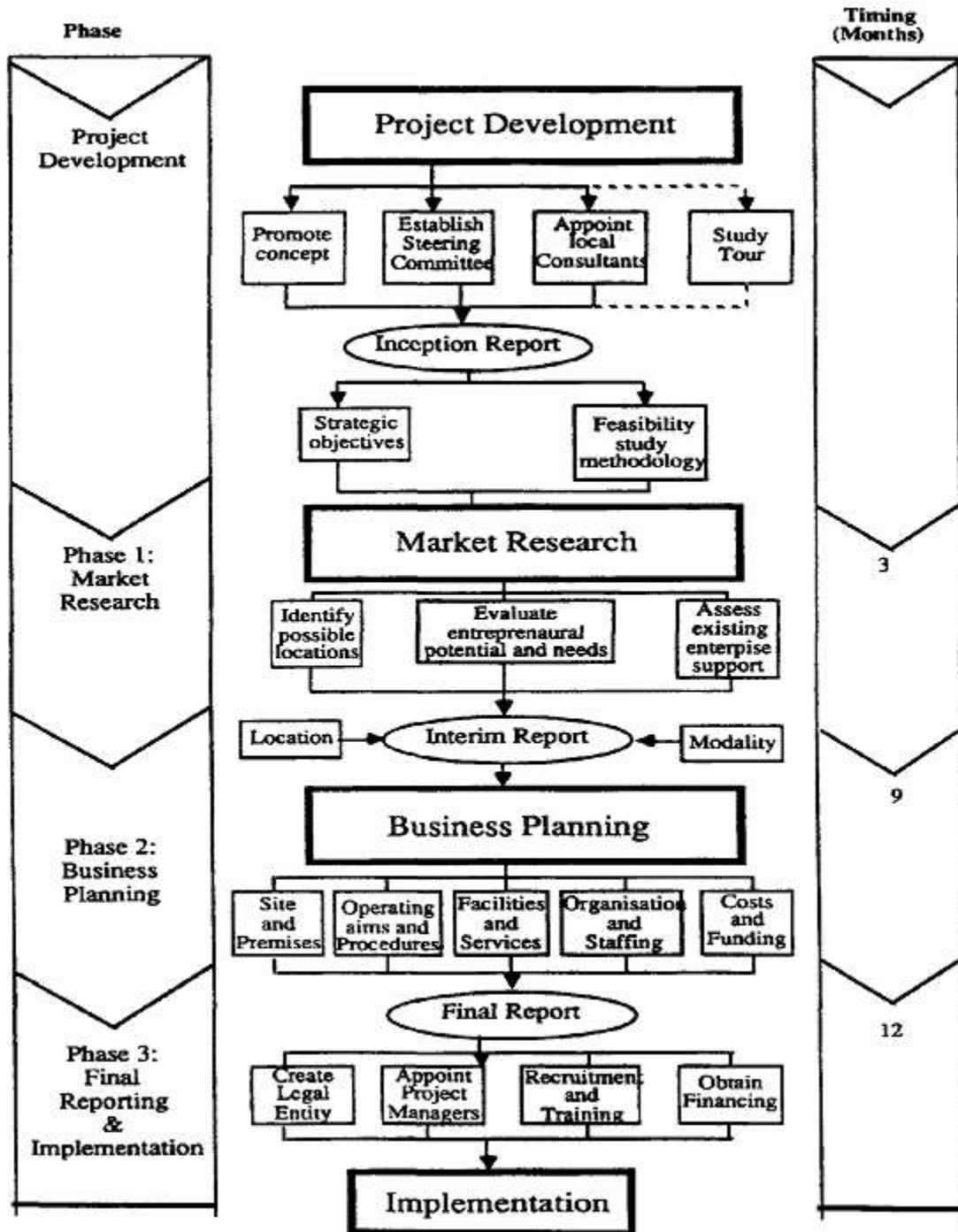
'new economy' incubators. They are characterized by the following:

- *"Business incubators are private-sector, profit-driven with the pay-back coming from investment in companies rather than from rental income.*
- *They tend to focus mainly on high-tech and internet-related activities and unlike 'traditional' incubators, do not have job creation as their principal.*
- *'New economy' incubators often have an essentially virtual presence with financial and business services at the core of the offering unlike their 'traditional' counterparts that usually center on the provision of physical workspace."*

More information about the model is in the post [here](#).

2000, Lalkaka Incubator Development Model, white-box, process, development

### Lalkaka Incubator Development Model - Planning (2000)



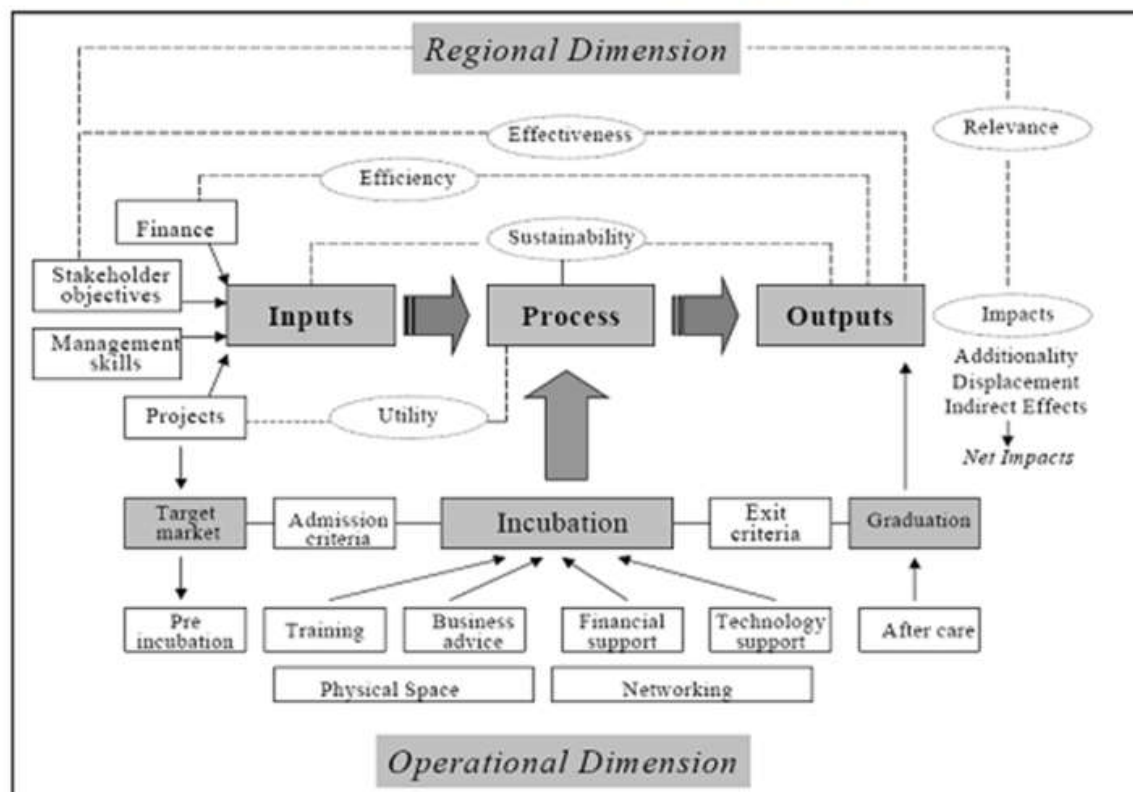
## Lalkaka Incubator Development Model – Planning (2000)

This model is about the development of technology business incubator. The model was presented by Mr. Lalkaka in 2000 and was intended to guide planners, educators, sponsors and management teams in exploring and establishing a successful TBI program.

More information about the model is in the post [here](#).

## 2002, Costa-David, Malan, Lalkaka, NBIA, mixed, mixed, operations

Costa-David, Malan, Lalkaka Model (NBIA) (2002)



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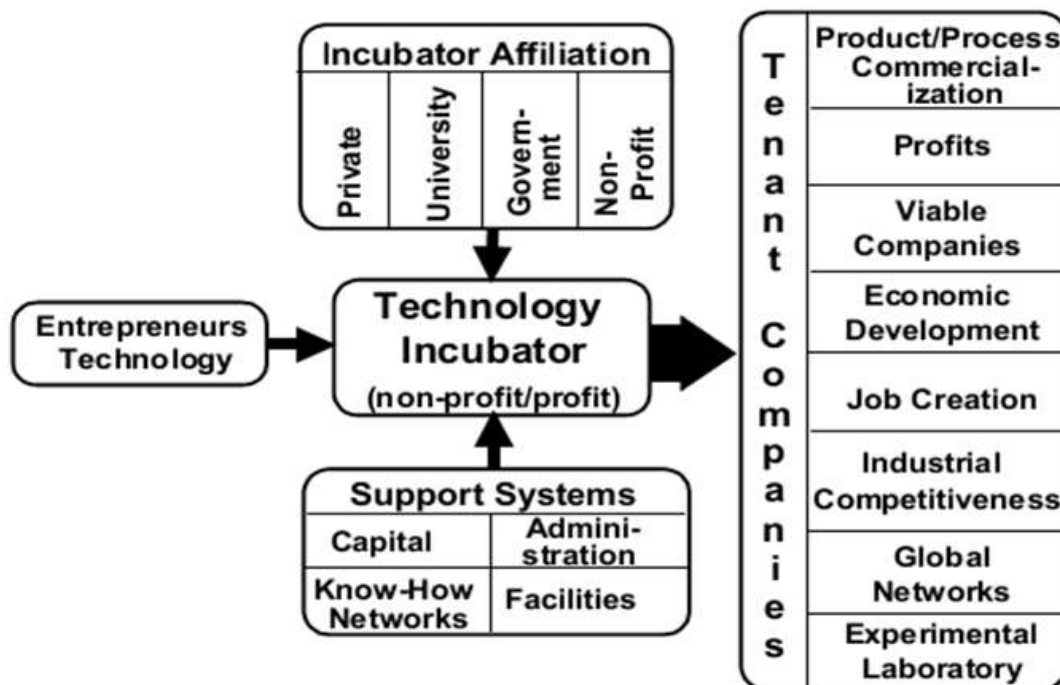
## Costa-David, Malan, Lalkaka Generic Incubator Model (2002)

This model was presented in a 2002 EU incubator benchmarking study<sup>[1]</sup> as a general 'model of incubation' based on EU-wide survey data. However, it was developed by very knowledgeable authors Costa-David, Malan, Lalkaka for NBIA. Later the Center for Strategy & Evaluation Services (EU) copied this model and used proposed benchmarks that depict incubator efficiency and performance in terms of using inputs, developing and orchestrating processes and ensuring a steady supply of quality outputs.

More information about the model is in the post [here](#).

## 2003, Gibson, Wiggins, black-box, structure, operations

**Gibson & Wiggins Technology Business Incubator Model (2003)**



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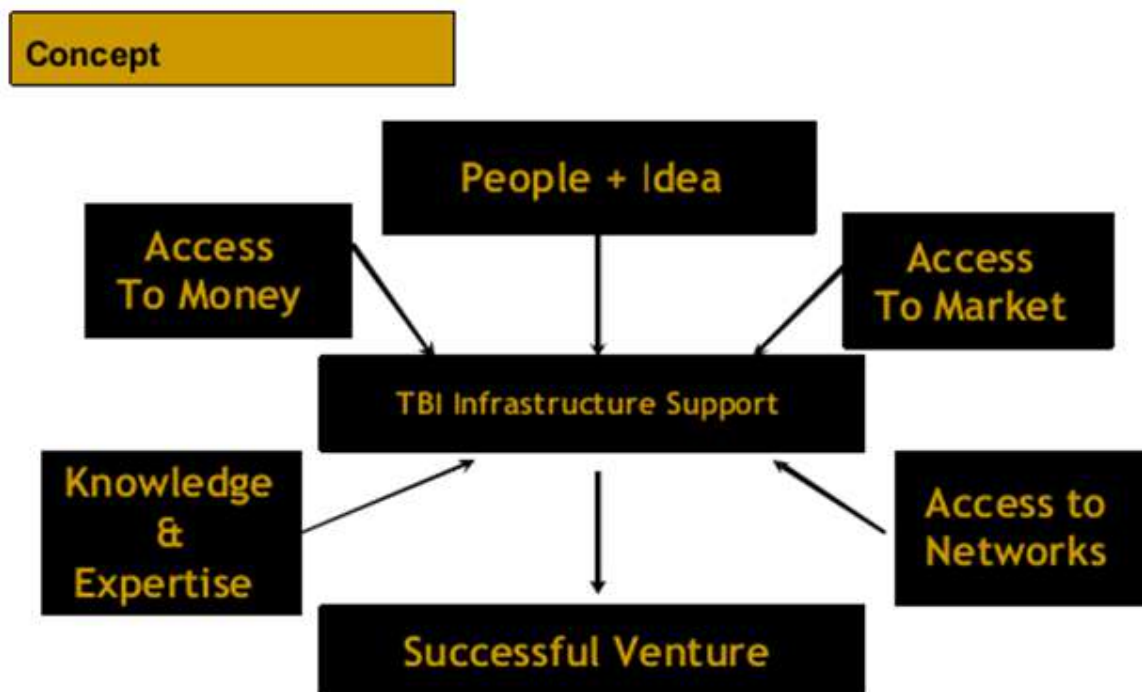
## Gibson & Wiggins Technology Business Incubator Model (2003)

This is basically a copy-paste of a [Smilor model](#) (1987).

More information about the model is in the post [here](#).

## 2004, Sahay, black-box, structure model, operations

### Sahay Technology Business Incubator Model (2004)



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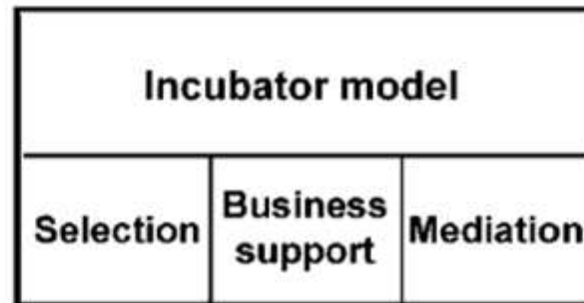
### Sahay Technology Business Incubator Model (2004)

More information about the model is in the post [here](#).

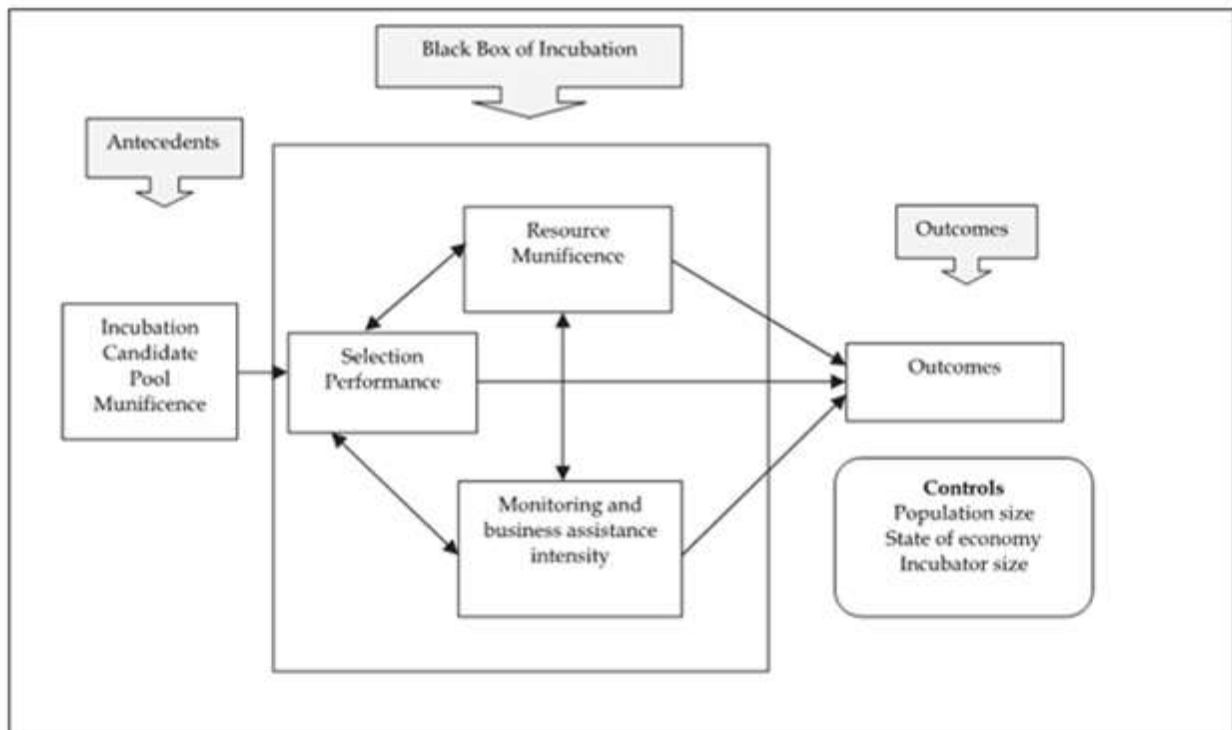


# 2004, Hackett & Dilts Generic Incubator model, black-box, structure, operations

## Hackett & Dilts, Peters et al., Soetanto Business Incubator Model - Structure (2004)



(a)



(b)

Business Incubation Blog, <http://worldbusinessincubation.wordpress.com/>, Ryzhonkov Vasily

Hackett & Dilts Business Incubator Model – Structure

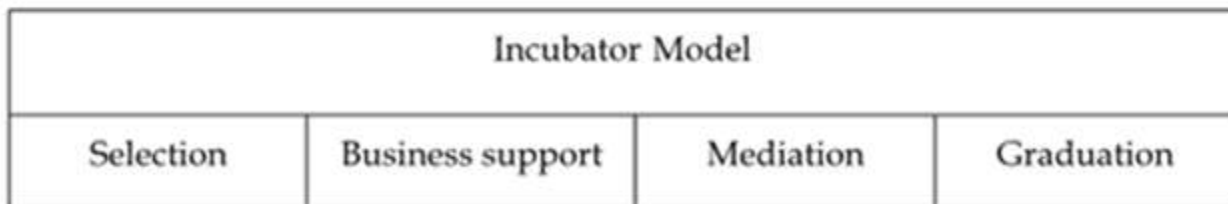
(2004)

The model is a **universal business incubation model which can be used both in public and corporate purposes**. In short, it is structured as black-box: inputs of the process, process activities, and outputs of the process. Authors also present a formula of Business Incubation Process. We think that this is the most successful representation of business incubator among all in [the series](#).

More information about the model is in the post [here](#).

## 2008, Bergeek & Norrman model, white-box, process, operations

### Bergeek & Norrman incubation model (2008)



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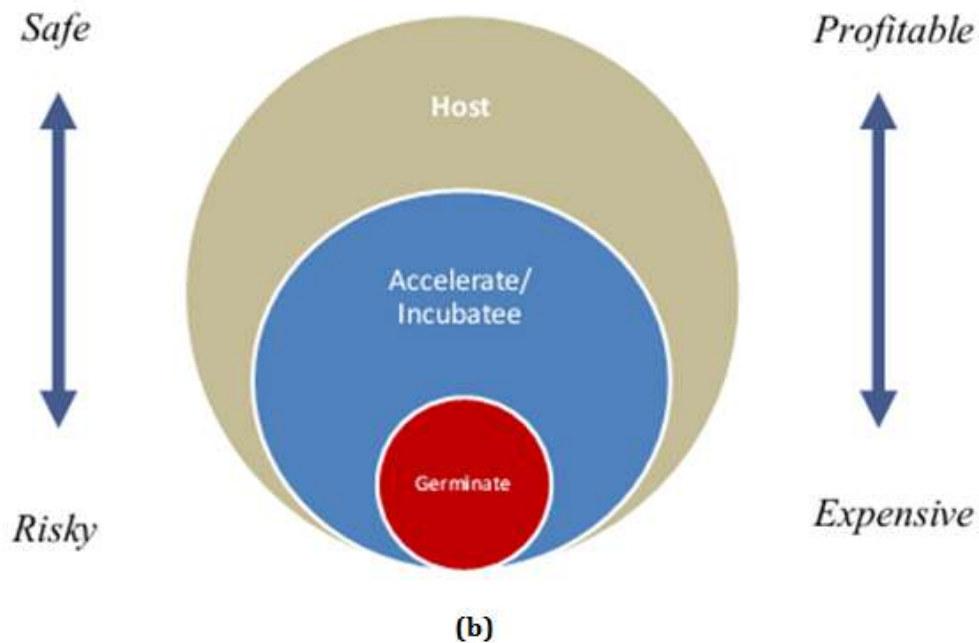
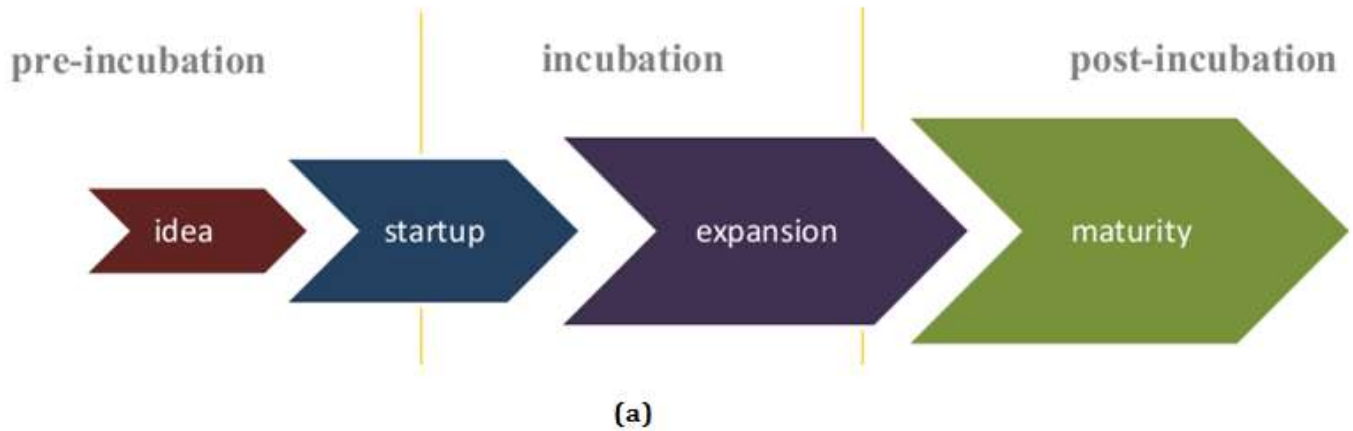
### Bergeek & Norrman Business Incubation Model (2008)

The model of Bergeek & Norrman from 2008 continues the ideas that have been developed by [Hackett & Dilts \(2004\)](#), [Smilor in 1987](#) and [Gibson & Wiggins \(2003\)](#). On the one hand the model is centered on the results of the business incubation. On the other hand it's still process model which describes different stages of the process. So, it's easy to adapt it in the real life and build your incubator by applying this model.

More information about the model is in the post [here](#).

## 2009, InfoDev, process, internal, operations

InfoDev Process Model (2009)



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### InfoDev Process Model (2009)

[infoDev](#) model is the model developed for building business incubators around the World within infoDev network. infoDev is a powerful and

well-known World Bank program that “grows innovation around the world”. They work in five different areas: Access to Finance, Agribusiness Entrepreneurship, Climate Technology, Mobile Innovation, Women Entrepreneurs. One of the works they do is helping entrepreneurs by bringing them business coaching, access to early-stage financing, and better entrepreneurship environments (which are often include business incubators). They have published several materials that could be valuable for those who are creating business incubators. One of the models will be described today. An interesting point about this model of [Business Incubation Series](#) is the linkage between business incubation phases and entrepreneurial life cycle.

## What is a Business Incubator?

Business incubators are organizations that offer startups shared operation space. In doing so, entrepreneurs enjoy a collaborative work environment with invaluable mentoring and networking opportunities, funding support and shared equipment. In short, they offer fledgling young companies a warm, safe place to grow and prosper.

## What is the Goal of a Business Incubator?

Simply put, the goal of a business incubator is help your startup succeed. Most incubators are non-profit organizations that select tenants on a non-competitive basis. They receive their funding from government or lottery grants, donations and rent you pay as a tenant. They provide both virtual and on-site tactical support if and when you need it, and they gauge success based upon the success of their tenants.

## What are the Benefits of a Business Incubator?

Based on the typical offerings, the implications for a startup taking up residence at a business incubator are clear. Unrivalled access to funding, mentors, skills development programs and a collaborative work environment can make a world of difference to your success. There are less obvious benefits, though.

[Unlike accelerators](#), incubators don't put a time stamp on their support programs. That means you aren't bullied into growing too quickly, and are free to scale and expand at your own pace. Likewise, business incubators don't ask for equity in your company in return to access for resources. That means you reap all the benefits without having to hand over a piece of your company in the process.

## What are the Drawbacks of a Business Incubator?

Incubators do have a couple of drawbacks, too. Because most incubators are non-profit organizations, they generally can't offer you the sort of access to capital you might enjoy from an accelerator or wooing an angel investor.