Abstract (Summary): The Kingston Galloway Orton Park Business Incubator project is an initiative between East Scarborough Storefront and is staffed by the University of Toronto Scarborough (UTSC) student researchers in the City Studies program. Their aim is to find out the challenges and concerns faced by small businesses in the community and to develop recommendations on support needs by small businesses. Furthermore, it encompasses the idea of a 'one stop shop' within a neighbourhood for local services, an emphasis on multiagency partnership, and shared and accessible services to local residents for priority needs that bring together services, business, and education institution for future economic development based on a community scale (Frirnpong, 2009). Under the help of East Scarborough Storefront, a non-profit service delivery hub that facilitates between people, services and community to ensure a creation of a thriving living neighbourhood, the proposed business incubator was created to help develop strategies to support local business in areas of marketing, accounting, loans, and legal advice which can all be used as a leading advocate to support community economic development.

Keywords: Small Business Incubator Project, Business funding
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Introduction

Very often when people look at the business world, many consider the development of large corporations to see the type of decisions the CEO and stakeholders are making. However, not many people are paying attention to the passionate and vigorously growing small businesses. Business incubators are organizations that create favorable conditions for businesses' to set up in a professional environment, obtain the business skills to succeed and get assistance to survive in the beginning stage of operation to be strong and independent in the future (Economic Commission for Europe, 2001). This initiative is extremely important in supporting the development of small enterprises because the basic function of the business incubator is to assist the start-up of enterprises and provide them with information on different legislative acts and offer consultation on marketing, management, finance and other aspects of business.

The Kingston Galloway OrtonlPark Business Incubator project is an initiative between East Scarborough Storefront and is staffed by University of Toronto Scarborough (UTS) student researchers in the City Studies program. Their aim is to find out the challenges and concerns faced by small businesses in the community and to develop recommendations on support needs by small businesses. Furthermore it encompasses the idea of a 'one stop shop' within a neighborhood for local services, an emphasis on multiagency partnership, and shared and accessible services to local residents for priory needs that bring together services, business, and education institution for future economic development based on a community scale (Frimpong, 2009). KGO is a low income community in that it is one of the 13 priority neighborhoods in Toronto. The impact of the reputation of crime, violence and poverty has created extensive levels of socioeconomic deprivation within KGO and has become a barrier for operating businesses. The unemployment rate is high in this neighborhood and there is a huge proportion of residents living in the social housing and receive government welfare (Frimpong, 2009). Under the help of East Scarborough Storefront, a non-profit service delivery hub that facilitates between people, services and community to ensure a creation of a thriving living neighborhood, the proposed business incubator was created to help
develop strategies to support local business in areas of marketing, accounting, loans, and legal advice which can all be used as a leading advocate to support community economic development.

As a student researcher for the KGO business incubator program, our goal is to seek the best practice model for the Storefront in which could be used and applied to the program. Our team has been researching on topics on current small business environment, risks and mitigation strategies, needs assessment synopsis for the KGO neighbourhood, critical success factors in terms of the structure, client profiles, business services and funding for a business incubation, performance indicators and building a business case for the incubator; in order to have a overall comprehension of the best approach to introduce the business incubator program. My individual core research focuses on the area of structure and custom profile for a business incubator as well as a summary of what local business owners’ needs and aspirations are and how the business incubator can help meet them. The report will analyze the structure of different business incubator types and customer profile in detail and cater a specific focus on the importance of the two factors and how they contribute to an ideal model. Moreover, the report will discuss what Storefront needs to improve and adjust to achieve the best outcome together with the consideration of local business concerns to have a solution that best fit the local community. Secondly, it discusses the potential opportunities and challenges for Storefront' business incubator incorporation with the interview findings and research process. These findings will be supported by existing academic literature and conclude with some insightful recommendations for implementing a community based incubator in a low income neighbourhood.

Research Findings

Structure and Types of Business Incubators

To qualify as a legal entity, a business incubator provides a favorable environment and incentives for enterprises to develop and can be established in the following forms:

A non-profit business incubator runs with the help of a community or an economic development foundation that receives subsidy from government programs whereas a private or for-profit
incubator is owned by big corporations and seed capital investment groups or real estate and property development partnerships (Economic Commission for Europe, 2001). Another form is by a joint effort of the local government with a non-profit private organization; through this partnership which allows the incubator to take advantage of both the expertise of the private sector and the use of public funding (Smilor & Gill, 1986). As the industry of business incubator grows, various agencies started incubators with different motives and new approaches such as universities starting incubators to help support their students, using vacant spaces and also providing entrepreneurial opportunities to their faculty members to make profits if managed properly (Mian, 1996). The university incubator functions to help the graduates get on the job training created by an entrepreneurial culture in the university. It also benefits the university because it is a marketable area for the research and technology development with both graduates and faculties' strong academic knowledge. *Storefront* should operate its incubator in non-profit form with university affiliation to receive help in industry research and also in close cooperation with corporations who on voluntarily base support non-profit initiatives projects and willing to bridge business ideas in real practices for a social innovation purpose.

**Client Profile**

Client profile discusses how one should get into an incubator and what one should look for. The triumph of a business incubator has a close relationship with the choice of its clients and those decisions may directly influence the conduct and performance of the business incubator. It is important to develop criteria to select their potential clients to work in teams and cluster in a common space from similar industry sectors selling a certain product niche for a minimum of 3 years of incubation (Rice, 2002). The businesses admitted must be located in the catchment area but can service business outside the area.

To become a client, the individual needs to complete the required selection evaluating process, conduct interviews with applicants for recruitment and aim to assess the viability of the business ideas because the program needs serious businesses that are creditable and registered legal
enterprise (Economic Commission for Europe, 2001). Preference is given to applicants who have solid business plans with previous financial statements and background that are of interest for the development followed by the neighborhood. The products and service offered must target customers and the marketing strategies should be suitable for the community. And clients need to have a realistic budget outlook with a reasonable age of firm at an initial stage of operation less than 3 years with competitive ability to pay rent (Dominik Loncar. October 28, 2009). When a business is to be transformed into a successful business and move to other premises, they can offer small enterprise a mutual opportunity to learn, contribute to increasing the confidence of the customers in the operation of the incubator, and cooperation between incubated clients and the neighborhood. Those individuals who have an interest in starting their own business and those who do not like in-house practice could still access incubator’s services such as renting space on short term loan or consulting with professions by paying certain usage fees similar to the practices of Toronto Business Development Centre (TBDC, 2009).

East Scarborough Storefront must have a clear business idea, direction and strategy on which the selection of the clients is based. Since most businesses located in the KGO area are in the retail or service industries, the incubator will first support businesses in one sector and then support more industry sectors as it grows. Incubator is seen as an economic development tool to accelerate growth and success of entrepreneurial companies, and its goal is to produce successful firms that will leave the program financially viable and free standing (Bergek & Norrman, 2008). The incubation period is a research and education progress; it helps new innovative firms survive in the first 3-5 years of operation and to grow until it acquires strength and a certain level of competiveness to enter new market with a clear business concept and strong management (Ibrahim & Soufani, 2002). The advantage of incubators includes providing survival kit for business and access to a pool of funding support. This helps those clients of the incubator support others by pulling up the sales volume, reducing shared business risks, learning from common mistakes and becoming higher acceptable businesses in the market.
Learning and receiving updates about the business incubator program from the steering committee gives me a reflection of what a community based planning looks like, and influx of exchanging ideas among different partners that are comprised of diverse profession backgrounds in various areas of business, academia and government which gives a strong foundation of support for the program. Also it is notable to see the strong united neighborhood like the KGO area that fully support the business incubator initiative and all the social organizations in the community such as Action for Neighbourhood Change (ANC) and the Neighbourhood Action Partnership (NAP) that are aware of the project and the exciting development opportunities. This is crucial in developing a successful incubator with getting the community's interest and support (Adkins, 2007). Also it is obvious to find from the survey data, 92% of the businesses are willing to take training courses or workshops to learn how to run a better business because there are barriers being faced by owners in areas of marketing strategies, market knowledge and financial assistance, and the need for an incubator which can provide the resources necessary to improve their chances of success for survival and growth. Opportunity is available from the incubator for business to grow and be more profitable, with competitive advantage skills, expertise, proficiency, talent in the marketplace to diversify the local economy, and increase tax revenue; all in which help to build personal entrepreneurship, enhance attitude and confidence on starting a business. Moreover, it creates jobs and increases the likelihood of business surviving while also overcoming isolation and powerlessness through learning economies of scale, the generation of a shared information pool and the rehabilitation of infrastructure, all enhance the community image as a centre for innovation and entrepreneurship (Adkins, 2007). Since the daily operation of business incubator needs a group of assistants, they are paid directly by the incubator program, and the large workforce will ensure the efficiency of the incubator while solve the unemployment problem, a volunteer based team may not be productive and efficient in the long run.
Challenges

Because of the time constraint of the course length with other extensive school work, we have limited time to do research and only looked through the existing resources and data around Canada and mainly focused on the Toronto region even though there are more researches done in the State and UK because of the mature and long history of business incubator industry which resulted in a narrow perspective in order to critically analyze the holistic view of best practices for business incubator. For the neighborhood related business research, we are heavily relying on the empirical data generated from the summer survey result.

There are also potential factors that affect incubator's ability to achieve its objectives. The limited capacity and funding can only help a small amount of businesses, the incubator can only house a maximum of 20 businesses; however, there are more than 130 businesses that exist in the neighborhood. A full time management team is required with business expertise (for example, the Toronto Business Development Center, all the advisors work there have a business background or work as a instructor that teach business knowledge) to deal with daily operations, such as reviewing applicants' proposal, expanding external network support and developing service programs. Good cooperation and relationship with partners such as Heenan Blaikie LLP and Metcalf foundation should be maintained so each partner has a strong commitment to continuously fund the incubator. Even though there are lots of opportunities to receive funding, creating interest and generating support from the public is important. The overwhelming expectation and need from the community may be a threat to the turnout of the program and thus the KGO neighborhood obviously needs more capacity and economic scope to enrich the satisfactory outcomes of the program because there are strings attached to the sufficient funds that can be obtained and all partners are voluntarily donating their time, effort and resources. In addition, the characteristic of the neighborhood with low income and high unemployment issues leads to low motivation for people to operate business in KGO, even though more businesses are starting up with all equipped tools and sufficient capitals but there are not enough customers to purchase products because residents do not have disposal
money on non-necessities. If the business does not serve external community or delivery goods to other places, it must bear loss and earn non profit. The priority is to help people out of the poverty zone and creates more job opportunities as incentive for residents to quit social welfare.

Research Method

Conducting research on a local community is a way of active learning through experimentation. To approach the research topics and gather more information about certain aspects of the topics, different perspectives on introducing the business incubator program in the KGO area and conducting formal, structured interviews with organizations and expertise that are related to the research topic area. Also, it is important to participate in committee meetings and onsite visits to local organizations which all contribute to a detailed, professional, and accurate report to the service provider that will eventually be beneficial to the implementation of the program. This includes visiting actual sites and observing the operations of the existing incubators in Toronto such as the Toronto Business Development Centre and Toronto Food Business Incubator as well as interview the staff in those incubators about the operation of incubator, opportunities and challenges they encountered. What I learned from the interview from TBDC is "TBDC is a non-profit organization for profitable businesses" (Dominik Loncar. October 28, 2009). Incubator programs are essential resources as it assists businesses to grow and develop into its next phase. They are value added experiences to fast-track business development, and should not be seen as an expense adding and effort consuming business exercise. TBDC is an incubator initiative of the city of Toronto and what the Storefront needed are different strategies to develop the incubator which is community based. It should run with the special neighborhood initiatives and spirit unlike TBDC’s general target market. Storefront should not simply try to mimic successful incubator cases; it requires understanding of why other incubators are successful as opposed to simply adopting practices used by existing incubators. On the other side, the Toronto Food Business Incubator is more specifically focused on the food industry and it has a strict selection requirement that chooses people who are very serious about business and have and will put in their own resources including those who: have already done
the research themselves, have the skills of the industry, have capital at min. of $100 000 plus are willing to devote 60 - 70 hrs/week for the business, the TFB[ is reluctant to accept risky businesses and thus, only choose applications with strong business skills and knowledge and will definitely be successful if facility is provided (Albert Peres. October 30, 2009). However, the idea of shared kitchen is a good way to save the cost and space running the incubator. Another insightful interview is with a professor at Rotman School of Management and Coordinator of the Small Business Program for the Residents in and Around Regent Park. After four years of success of running the Regent Park Small Business Program that provides an opportunity to gain knowledge about starting a business, there are a total of 75 graduates from the program and 2 students among the program have their businesses successfully take off in the neighborhood (Ann Armstrong. November 23, 2009). One business is an affordable rate of yoga studio and another is an artistic children program founded by two social workers. This is a free business skills building workshop taught by high quality professors and experts along with coaching and consulting opportunities with Rotman alumni, business experts, MBA students, professors from business schools, stakeholders and community members. An incubator is supposed to involve business activities that teach its clients the need to foster a sense of enterprise and puts business ideas into practice. This would not be successful without the network in the neighborhood. In the real business world, most businesses die out within five years (Dominik Loncar. October 28, 2009). There are needs to help the residents refine their ideas, create a plan, learn about accounting and marketing and then present their business plans for critique in front of a panel of credit unions, banks and professionals (Ann Armstrong. November 23, 2009). This is also an opportunity for participants to network with potential funders and get feedback on how to further develop their plans into reality. Neighborhood like Regent Park is filled with people with great business ideas but did not know how to put those ideas into action. The program is a way which will give some participants a chance to launch a business that might not otherwise have progressed beyond a dream. Volunteer professor and MBA student consultants' professionalism, dedication, capability, talent and network help participants
apply management techniques and expert business skills to enterprise planning which is a valuable contribution to social innovation (Ann Armstrong, November 23, 2009). The goal of the program is to understand individual participant needs and the course is to give a clear guideline and concrete potential to improve their financial self-sufficiency.

**Literature Review**

In the past 12 weeks, I did some academic readings that outline best practices in business incubator and aspects that need to be focused on to ensure the success of the program turnout. The success of a business incubator depends greatly on the extension and choice of its clients that corresponds to the practice of business vision and strategy from the program provider. The business incubator must evaluate, recommend and select a best fit tenant through a thorough selection process. The admitted participants must pass the incubator's judge on future success and because the incubator is guided by a mission statement and objective, it may have different selection criteria, these include: the potential to grow, the ability to create jobs, a focus on a specific industry, an ability to pay operating expenses, a business plan, market analysis and a cash flow statement (Aerts, Matthyssens, & Vandenbempt, 2007). There should be a selection committee to establish some process by which firms are reviewed and approved for admission (Rice, 2002). The high expectation in the selection criteria is important, the clearer and more detailed set of criteria, the greater likelihood of admitting businesses that can be successful. Appropriate choice of tenants should take special care to avoid the possibility of businesses disturbing one another and selecting the businesses that could provide services to each other may accelerate good business interaction and circulation (Aerts, Matthyssens, & Vandenbempt, 2007). Another crucial important feature of incubation is the graduation of a business out of the incubator. With specific criteria screening, incubator may efficiently foresee operating success rate and predict when tenants could leave the incubator, financially viable and fully independent (Bergek & Norrman, 2008). At the stage of development, the incubator does not want any businesses that are not committed. A successful business incubator is not about providing space for its qualified clients, but it also acts as a networking hub for the incubator to grow through
programs such as training, workshops, and mentorships from experts.

Conclusion

Different neighborhoods should have different conditions and viable systems to stimulate innovation and economic development that respond concretely to local needs. The capacity and quality needed to match the demand, to the moderate the size to operate and to keep the incubator attractive, should all be considered when choosing a client. One should not exaggerate the outcome of business incubator and have high expectations in the short run, giving time for the business to practice and grow over time.

The key is to have the business incubator provide programs specifically tailored to the needs of the neighborhood. KGO's local small business incubator should partner with its community group, private companies, government agencies and academic institutions to foster real economic growth and each organization should have its own unique role to contribute to the program and fit with the sole KGO model. If there is a smooth collaboration, organized coordination and strong capacity building among partners, the network will carry out the best resources and fully support for potential tenant in the Storefront's business incubator program.

The business incubator project is used in response to the needs of small business in the community by providing tools, resources, skills, networking and expertise to thrive and be successful. This project is an essential economic development tool for challenged and low-income communities. A strong business environment will help the community gain a sound reputation outside of their neighborhood. Furthermore, a strong business will also bring in more investments within the community that will increase the capacity through the creation of employment, finance sustainable small business development, promote a healthy investment community and bring together the funders, agencies and governments' collaboration to plan the neighborhood and to reduce poverty.
Bibliography


The Toronto Food Business Incubator (in North York, Toronto).


### Appendix A: Selective Business Incubator Survey Results

1) **Which industry is the business in?**
- Retail: 53
- Wholesale: 3
- Services: 56
- Manufacturing

2) **What is your business registration type and what is your role in the business?**
- Sale proprietor: 3
- Partnership: 4
- Corporation/Incorporated: 4
- I am the Owner: 4
- I am the Manager: 4
- I am a Franchise

3) **How many staff do you employ?**
- None: 2
- 1–4: 12
- 5–8: 4
- 9–12: 3
- 13+: 2

4) **What is your target market?**
- Small Dog Owners: 2
- Seniors: 7
- Adults: 2
- Everyone: 7
- Restaurant suppliers/caters
- Homebuilders, contractors etc
- Mostly African clients

5) **How long has the business been in operation?**
- Less than 1 year: 3
- 1–3: 2
- 4–6: 3
- 7–9: 7
- 10+: 7

6) **What was your source of funding for opening your business, and in what percentage?**
- Financial Institution: 4
- Personal: 8
- Family and Friends: 2
- Investors: 2
- Other: 2
- None

7) **Did you do any... or consult any professional before opening your business?**
- Yes: 2
- No: 10
- Not Known
No, but took a course by private operator

8) What sort of help would have been useful when you were starting your business?
Existence of community centers and churches etc
Accounting
Transferred info**ation from previous owner
Marketing
Financial Funds
Research
Help with getting resources
Mentoring
None

9) What are some of the barriers that you see in operating a successful business?
How are you overcoming them?
Customer spending, economy, tax regulations etc
Giving group discounts to overcome them.
Financing: Start up funding and interest rate
City regulations, permits and unnecessary red tapes
Constantly buying and updating materials

Marketing
location
Not really any barriers
Property taxes
Vandalism
Being seasonal
Explosion 10 customers
Community income level
lack of information and guide

10) What are the benefits and weakn... of being located in the KGO area?

Selected:

Telephone based, location does not affect them
Population
Delivery take out and dining area sets them apart from the rest
Being on the main road, exposure to traffic
High dog population
Community-oriented businesses
Being located for a very long time
Location is good
Diverse Population

None
Appendix B: The Interview Questions Used

1. Where do business incubators get their funding from? Would it be possible to give us the name of the organizations and/or persons and/or government program(s)? (E.g. venture capitalists, angel investors, governments and foundations).
2. What business concern or opportunity does the incubator addresses or identifies?
3. Mention two of the most important lessons you have learned after the incubator was implemented.
4. What is the current small business environment like?
5. What are the key risks facing incubators (financial, physical, reputation, etc.) and what are some mitigation strategies?
6. What are the initiatives to establish this incubator?
7. What are the requirements to participate in this incubator program?
8. Taking into considerations in many of the networks that are related in developing a strong incubator program (such as marketing, financing, planning/supports, and other resources)-what is the most important factor that builds positive experiences and efficiency in a business incubator? Can you tell us on average the amount of businesses in your area that have come out successful and those that were not?
9. Creating business incubator awareness is one of the most important steps in bringing the community together to support and fund the plan, what is the most efficient way to run an incubator without spending too much time or money on costly steps that could be avoided? What lessons have your incubator learned and overcame to become so successful?
10. As we have observed, it is more likely to be successful if a business incubator concentrates its businesses in a focused stream (such as food business incubators and fashion incubators), how can we develop an incubator that can service all streams and still be able to create success?

Appendix C: Statistics on Types of Business Incubator

- Most North American business incubators (about 94 percent) are nonprofit organizations focused on economic development. About 6 percent of North American incubators are for-profit entities, usually set up to obtain returns on shareholders investments.
- 54 percent are “mixed-use,” assisting a range of early-stage companies.
- 39 percent focus on technology businesses.
- About 4 percent focus on service businesses, serve niche markets or assist other types of businesses.
• 3 percent serve manufacturing firms.
• About 53 percent of business incubators operate in urban areas, 28 percent operate in rural areas and about 19 percent operate in suburban areas.

Source: 2006 State of the Business Incubation Industry

Appendix D: Sample Minutes of Phone Interview with Professor Armstrong

The Small Business Program for Residents in and around Regent Park:
has launched for almost 4 years and is totally free for participants
has courses that are all held at night - this is key to increasing number of participants
shares professional business knowledge and skills with participants and provide tools for small business entrepreneurs (such as writing business plans)
has high quality professors and experts coaching participants (alumni, business experts, MBA students, profs. from business schools, stakeholders and community members)
has high volume of resources available for students
The program had 2-3 successful businesses owners: one is a yoga studio and another one is a program for artistic children run by 2 social workers
the program outreached with community partners to promote and market its ideas, the program reached out to the boarder neighborhood than just regent park to attract more participants
the program focuses on building community - the participants and coaches stay connected with the community
small organizations are very vulnerable and inspiring as long as they have strong foundation there are not many risks to participants in this particular program — but to be successful, you need to make sure students complete program and do all homework and met requirements of the program
Funding for small businesses:
participants get a chance to present their business ideas to a panel of credit unions, banks and professionals at the end of course in May, this is an opportunity for participants to network with potential funders.
Risks to starting a small business:
economic downturn makes this the hardest and worst time to start businesses
there are barriers to entry and access to funding. For example, new immigrants have no credit, don’t know the rules of operating businesses, no networks and have difficulty getting bank loans
Lessons learned by incubator:
In order to establish a model of business incubator: must have a clear strategy or business plan to follow and clear criteria for sorting and selecting participants
one of the important factors is creating a sense of community with all the stakeholders and to do this collaboratively .... collaborative nature of drawing expertise
Other Recommended Resources:
Regent Park Business Incubator
Community Wealth Venture (an organization for community innovation research in States)
Centre for Social Innovation in 215 Spadina Ave., Toronto