

UNI

University of Northern Iowa™

John Pappajohn Entrepreneurial Center

**R. J. McElroy Student Business Incubator
Pre-incubation Training**

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UNI / University of
Northern Iowa

What is a business concept?

A business concept (the business idea) is a set of thoughts that communicate to others the precise nature of the proposed enterprise. You need to be able to articulate clearly the nature of the business to demonstrate your understanding of the concept.

A concept is only an idea until customer discovery has been conducted to prove its viability and a business model canvas has been worked through. Once you are confident in your model, you can begin working on a full business plan. Successful concepts differ in at least one way from the competitors. You need to know what is the point of differentiation or the competitive advantage.

The next several slides will explore what are fatal flaws for a concept/business and what makes a business successful.

Conceptual Flaws

It won't work – cannot be made to work outside the lab, etc.; technology is not sound

No real need – businesses fail when they do not fill some need perceived by enough people to make operations profitable

Unfortunate economics – some concepts will work and people perceive a need for them, but the costs are so high that customers will not pay enough to make the business profitable. If a customer will not pay 3 to 5 times the direct product cost, the business will not be profitable.

Conceptual Flaws

No protection – some concepts, if proven sound, can easily be copied by other companies capable of quickly exploiting the market, perhaps driving the entrepreneur from it. Investors are leery of new enterprises that have no protection, no patents, no copyrights, no trade secrets, no organizational or distributive advantages, no locational monopoly, or no cost advantage. One key is to position your company in such a way that it is really not competing directly with larger competitors.

Conceptual Flaws

Obsolescence – how long is the concept's life? Some concepts are faddish -- only a few months to make profits. Some concepts have technological obsolescence – they are out-of-date before they leave the lab.

Inconvenient – the principle of convenience is basic to marketing. People tend to behave in ways that are most convenient to them. People do not change their patterns of behavior. The business needs to fit within the scheme of things.

Conceptual Flaws

Education – If a new product will be successful only after the consumer has been educated to use it, watch out. Education is a slow, costly process that poses great risks. Not many people welcome being educated to use a new product; there is more comfort in familiar products and old ways. If a company wants to enter a market where education is involved, it is better to be the second player in the market. Let the first company spend its financial resources on educating consumers to the need for a product, the second company simply reaps the rewards – sales with no education costs.

Conceptual Flaws

Changing Consumer Behavior – This is along the same lines as education. Consumer behavior is learned over time and through experience. Experience teaches consumers how to solve a particular problem in a satisfactory way. Consequently, consumer behavior has much stability and regularity. A new concept that requires a change in consumer behavior will be resisted unless the rewards are obviously sufficient to motivate a change in behavior. Remember, most people fear change.

Successful Conceptual Traits

Great savings are involved, especially time or money

Solves a serious problem – cancer, AIDS, etc.

Fits in with the existing scheme – fits with other products/services

Rapidly expanding market – gifts and toys always seeking new products or ideas

Clearly identifiable market – know exactly who will buy the product and why

Convenience – functions in the way consumers' behave and operate; requires no change in priorities, operations, etc.

Monopoly or oligopoly

Now that you have evaluated your concept,
are you ready for the incubation program?

First, you need to evaluate yourself.

Are you ready to be an entrepreneur?

Entrepreneurial Characteristics

Desire/passion – this is the foundation characteristic. You must have a passion for/a desire to own your own business, to be your own boss. There are many long hours, lots of hard work, many sacrifices, and delayed reward when one is an entrepreneur. You need the passion to help you through these challenges.

Initiative – no one else is going to make your business happen; you need to do it/make it happen and be the driving force in the business.

Energy – you need high levels of energy, entrepreneurs do not sit still; they work long and hard.

Entrepreneurial Characteristics

Low support needs – you will likely be doing several jobs in your business, especially at first. This means you do not need or expect to have a lot of support staff.

Thriving on ambiguity – there are few concrete answers in the entrepreneurial world. Environments change frequently.

Perseverance – keep trying despite set-backs. Entrepreneurs are determined to be successful and will keep trying.

Self-confidence – believe in yourself, your ideas; be your own cheerleader

Entrepreneurial Characteristics

Responsibility – entrepreneurs are responsible for the success or failure of the business. You are the business and the business is you.

Problem-solving – entrepreneurs spend a lot of time troubleshooting and problem-solving.

Persuasiveness – entrepreneurs need to persuade others to do things and to believe in the business.

Self-discipline – entrepreneurs have to do things whether they want to or not.

Entrepreneurial Characteristics

Market awareness – entrepreneurs must be sensitive to market opportunities, such as what customers need.

Execution intelligence – the ability to fashion a solid idea into a viable business.

Undesirable Traits

Greed – share the success with those who helped

Dishonesty – integrity and credibility are important

Impatience – success takes time; usually 3-5 years to breakeven

Paranoia – most investors and consultants want to help; not steal your idea.

Lack of business knowledge – a good entrepreneur understands the business and puts systems and people in place to benefit the business

Entrepreneurial Myths

Entrepreneurs are big gamblers.

- Entrepreneurs take calculated risks. Good entrepreneurs are moderate risk takers. They have calculated the risks of the business and their ability to handle the risk.

Entrepreneurs need a great idea.

- Entrepreneurs need an idea on which they can execute. The hardest part of any business is sustaining and building the venture.

Anyone can start a business.

- Anyone who is willing to work hard, make sacrifices, and put in long hours can start and grow a business.

Entrepreneurial Myths

Considerable experience is necessary.

- Experience is helpful, but enthusiasm, energy, and dedication can help an entrepreneur learn.

It take a lot of money.

- Strategies such as bootstrapping reduce the costs of starting and operating a business.

Big business will ruin a small one.

- Start-ups can compete by maximizing their strengths of flexibility, speed of change, and closeness to customer.

Entrepreneurial Myths

Entrepreneurs get rich quickly.

- It usually takes 3-5 years for a start-up to breakeven and 7-10 years for a business to be considered stable.

Entrepreneurs cannot work with others.

- The most successful entrepreneurs know the importance of building strong teams and developing effective business relationships. Solo entrepreneurs make a living; savvy entrepreneurs build a team, an organization, and a company.

Entrepreneurial Myths

Entrepreneurs are born, not made.

- Some people are born with a desire and the energy to want to create something – for an entrepreneur that is a business or non-profit. People can learn relevant skills, gain experience, and develop an interest for a business. Numerous classes exist to teach the processes, techniques, and skills needed to be a successful entrepreneur. The one thing these classes cannot teach is entrepreneurial characteristics such as motivation, desire, energy, responsibility, and perseverance.

Now that you have evaluated
your concept and yourself,
are you ready to find out what
incubation is?

What is business incubation?

The International Business Innovation Association (InBIA), the largest business incubation association, defines a business incubator as an economic development tool designed to accelerate the growth and success of entrepreneurial companies through the use of business support services.

The UNI R. J. McElroy Student Business Incubator is an educational learning laboratory where students can explore the development of a business and learn best practices for current and future business success.

The Goal of Incubation

Produce successful firms that will be able to leave the incubator as independently successful and financially viable companies.

Incubation Statistics

According to a 2010 study by InBIA, the survival rate for incubated companies, after five years, is **87 percent**, compared with **44 percent** for companies that didn't launch from incubators. What that means for you is companies that are incubated are less likely to go out of business.

84% of incubator graduates stay within the communities in which they were incubated. What that means for you is access to the continued resources of the SBI and the various JPEC programs.

Incubation Statistics

Of incubator types, 54% are mixed use. What that means for you is you will be in a space with other growing businesses – some will be in similar industries and some will not, but you will not have a direct competitor in the incubator since that is against our policies.

Now that you have learned about incubation are you ready to find out what UNI offers?

UNI Incubator

R. J. McElroy Student Business Incubator – must be a student (preferably UNI) to be accepted in the incubator. Can be a team, but the team must have at least one UNI student. SBI is located on UNI campus. Student tenants pay no rent.

R. J. McElroy

Student Business Incubator

- Educational learning laboratory
- Program of UNI John Pappajohn Entrepreneurial Center
- Primary purpose is entrepreneurship education
- Built with funds from the Small Business Administration
- Gifts from donors support the operations of the facility
- Fully integrated with all of the other programs of the JPEC including the Certificate and Minor in Entrepreneurship

Benefits of the SBI

- One-on-one technical assistance provided by expert staff and professional partners
- Reduced rate legal and accounting services
- Seed capital programs
- Market research assistance
- Professional office space furnished with office furniture
- State-of-the-art technology including a Digital Lab for podcasts, movies, photos, and high-end graphics

Benefits of the SBI

- Use of meeting facilities and classroom
- Educational workshops and training programs
- Mentoring program
- Guest speakers
- Academic program in entrepreneurship
- Networking with other incubator tenants
- Annual conferences
- Various business competitions

Types of Admission to the SBI

SBI – a physical office in the facility located in the Business and Community Services building plus all of the services noted on the benefits page. There is a 30-day probationary period for all tenants before regular occupancy is offered. Admission to SBI is granted on an ongoing basis and students must meet specific requirements each semester and show development/growth in the business to retain space.

Premier Affiliate – 24 hour access to shared office spaces and many of the services of the SBI program.

Affiliate – no physical office space, but many of the services of the SBI program. Opportunity to apply for office space later.

Getting the most from the SBI

Utilize the JPEC staff. The staff are knowledgeable professionals with years of experience. They are the best asset/resource of the program.

Network with fellow tenants. Businesses are in different stages and many of the other owners have been where you are.

Attend regular meetings and set goals for your business

Read, understand, and follow the information in the SBI Policies and Procedures manual.

How to Apply to the SBI

Read and review this PowerPoint presentation.

Click on [this link](#) to complete a quick quiz.

Upon completion of the quiz you will gain access to the SBI application.

Complete the application and submit.