

Incubators give local startups a leg up in business

Scottsdale should throw a Bob Parsons-style party for all the high-net-worth individuals Go Daddy will create.

The company received a strategic investment from KKR & Co, Silver Lake Partners and Technology Crossover Ventures, which likely sits well with many employees and management with stock-purchase plans. I suspect the Go Daddy team is counting on an initial public offering sometime in the near future.

Having new wealth stay in the city and join the ranks of many professionals living and working in Scottsdale would be a big boost to the private-equity investment community. This new money could find its way to an almost forgotten, but re-emerging, technology-incubation community.

An incubator is a business venue that somewhat mitigates the private-investment risk.

One can read the rebound of the incubators in private-investment centers like Silicon Valley, which received \$2.6 billion in venture-back funding for the second



My Turn
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quarter of 2011, up \$351 million from the prior quarter.

Arizona had an uptick to \$153 million in the second quarter from \$56 million in the previous quarter. The aggregation of private-investment deals in Scottsdale is buried in the Arizona number,

likely because it is too small to report. It might be useful to know this number as part of Scottsdale's economic-development strategy.

Business incubation has been around for decades. The dot-com era saw accelerated incubation of start-up technology companies. Many for-profit incubation programs were formed in the late 1990s by investors seeking to hatch businesses quickly and bring big payoffs. In the wake of the dot-com bust, many of those programs closed.

Today, the incubation community is morphing into a collaborative model. It

offers office or desk space, access to Internet infrastructure, mentoring of the startup founders, networking venues with executives, some beta funding, and assistance in raising additional seed or private-equity funds, among other benefits.

AzDisruptors.com, an operating unit of Axosoft, fits neatly in the reinvented incubation model. It is a start-up incubator organization for software companies. AZ-Disruptors offers financial support and mentorship, but also provides physical space for emerging talent along with \$20,000 per startup to get ideas off the drawing board and into actuality.

Another breeding ground for incubation is SkySong. The innovation center facilitates new technology startups, including early stage international firms. SkySong's model includes innovative office and meeting space, business-development support, continuing training and workforce development.

Yet another Scottsdale firm shaping the incubation model is Tallwave. It offers venture acceleration and manage-

ment to startup Internet and technology companies. It provides expertise and accelerates a startup's speed to market by serving as an extension of management. The company helps forge strategic partnerships that could offer long-term sustainability.

While Scottsdale wrestles with branding and marketing a diverse business community, city leaders should not lose sight of the incubation community and its contribution to job creation. Our city leaders must be in touch with this blossoming community.

The city should establish an online relationship, staying abreast of startups and private-equity funding. It needs to know what technologies are available, including new services and products. Make no mistake about it; this growth industry is a catalyst for breeding the next Go Daddy in Scottsdale, attracting knowledge workers, higher paying jobs and private equity firms.

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