

column

paul allen

Paul Allen started Infobases, MyFamily.com, and 10x Marketing. He currently runs business incubator Provo Labs. He has taught at UVSC and BYU and he blogs at [www.infobaseventures.com/blog](http://www.infobaseventures.com/blog).



Some people think business incubators are foolish. John Doerr, the famed venture capitalist, once claimed that incubators are, "Incinerators of other peoples' money."

Of course, many of the hundreds of Internet incubators that popped up during the Internet bubble were just that. And almost all of them died a rapid death.

So what are incubators and why have I just launched Provo Labs, an Internet business incubator, after eight years of studying this model?

The book "Incubators: A Realist's Guide to the World's New Business Accelerators" describes many different types of business incubators and highlights some successful ones. According to the author, there are thousands of incubators and accelerators around the world. Many are community efforts that bring government, education,

## incubator or incinerator?

and business resources together to help local startups get some of the resources (office space, equipment, capital, and mentoring) they need to get started. Others are private ventures that allow outside entrepreneurs to get help and funding in exchange for equity in their startup companies.

Not all incubators are get-rich-quick schemes to take advantage of stock market fervor over skyrocketing valuations for unprofitable dot-coms. Done right, I think incubators can be a part of a local business ecosystem that consistently spins out successful companies.

Provo Labs is my way of pursuing "parallel entrepreneurship" as opposed to "serial entrepreneurship." I enjoy brainstorming new ideas so much, and I like being involved in so many different projects, that I don't want to run just one company. I want to continually start new ones.

Most successful businesspeople have the ability to focus on execution. They can turn a company into a big success by continually improving operations.

Deep down I know I have the ability to run a company well. But years ago I contracted a disease that I call "dot-com syndrome." Often I read or hear a word and my brain attaches a "dot-com" to it and immediately a business plan pops into my head.

Since that is how I am wired, and since it is what I enjoy most, I need to build a company that allows me to generate new ideas and implement them quickly, to see if they will work.

But it is so easy to start a company that fails. What will prevent an incubator like Provo Labs from launching failure after failure and therefore incinerating my money and my investors' money?

I think one of the keys lies in Warren Buffet's "circle of competence" concept. Provo Labs won't get into biotechnology or nanotechnology or medical devices

any time soon. We won't do any manufacturing or agriculture or retail. Those industries are completely outside of our teams' circle of competence.

But what we can do well is build content and community-based Internet companies. We know how to find great content and build search engines and attract users with things like "free."

On the technology side, our team is good at open source and Web 2.0 stuff, like using Web services to do mashups, as well as blogging, wikis, RSS, podcasts and vidcasting to generate traffic and publicity. And we are very good at "traditional" Internet marketing such as search engine marketing, affiliate marketing and e-mail marketing, as well as using Web analytics to optimize a site's conversion rate.

So you will see a portfolio of Internet startups at Provo Labs that acquire tons of content (text, images, audio and video) for niche audiences, build useful search engines around the content, and then use powerful Internet marketing tactics to build a large audience of users.

Once the users find our content, we will enable them to comment on it, tag it, or rate it and even upload their own content and connect with one another. And we will try to turn these users into subscribers to our premium services.

I am personally critical of incubators that start getting into a wide variety of industries and business models. No one can do everything well. I think an incubator that sticks to its areas of competence can be an assembly line spinning out successful companies.

I believe this will work because we are building a culture of networking and knowledge-sharing (knowledge is the most important capital) not only within our portfolio but in the community as well. All of our companies have official blogs, and all of our employees blog about what they are learning and what they are working on.

This openness verging on transparency leads to a lot of great information being shared freely with our team members. We all get smarter when we initiate outside conversations daily with other smart people.

Imagine if a marketing employee in one company finds a new tactic that increases search engine click rates by 15 percent and then shares it freely with seven other portfolio companies.

Imagine when Google launches a new API (for maps or pay-per-call or anything) and one developer writes a code library and shares it freely with developers in every other company. Soon, all the portfolio companies will benefit from this new technology. The learning curve will be reduced for every one. This means more rapid innovation for everyone. This kind of thing will happen continually if we build the right culture.

In the broader community, we sponsor geek dinners for developers, breakfasts for entrepreneurs, and mixers where entrepreneurs and technologists get together and share ideas and info.

The hope is that Provo Labs can spin out a dozen startup companies in the next two to three years. Companies that will attract good management teams and, if necessary, growth capital. (Probably with the help of FundingUniverse.com, one of our portfolio companies.)

But at the same time, we hope to help the local high-tech culture become one of openness, sharing and networking.

Utah will continue to see fast-growth companies being launched here. But to thrive in the long term, they can't be internally focused silos like some of our big companies in the past have been. They need some of the dynamic cross-pollinating that highly networked companies in Silicon Valley benefit from.

We hope to help that culture develop here in the coming years. ■

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