Spurred by economic development interests, today's innovative workplaces are born out of several generations of private and public sector-sponsored business stimulation efforts. Incubators began the trend, leading to the development of accelerators, innovation centers, and coworking centers. According to Fernando Sepulveda, CEO of the Impulsa Group, "Business incubators mentor companies through childhood while business accelerators guide them through adolescence into adulthood."[3] The latest evolution is the coworking center, whose rapid growth and varied incarnations promise to make it the most influential type of alternative workplace of all.

Incubators Lead to Innovation Centers

The first incubator — the Batavia Industrial Center — was developed in a warehouse in Batavia, N.Y., in 1959 as a way to stimulate commerce and rent empty space. But the concept of providing office space and business assistance to startup companies did not begin to catch on until the late 1970s. By 1980, about a dozen incubators were operating in the United States, all in the industrial Northeast.[4] In 2012, Xconomy (a technology news and events organization) listed 121 venture incubators in the U.S.[5] Innovation centers — umbrella organizations that provide office space and services to young startup companies — evolved as a subgroup of incubators around 2000 as a result of the specific needs of participants in the Internet revolution of the 1990s, and initially focused on the tech industry. Innovation centers are places that are oriented specifically toward the commercialization of innovation and entrepreneurship. Today, they often incorporate a combination of incubator, accelerator and/or coworking facilities.

More recently, innovation centers have been popularized by Fortune 100 corporations like AT&T, Johnson & Johnson, Verizon and Microsoft, which have incorporated them as the public interface of their research and development departments — and have used them as a way to stay relevant in an age of open sourcing by creating a sharing interface with the innovation community. Examples of corporate innovation centers include the Microsoft New England Research & Development (NERD) Center, founded in 2007; the first AT&T Foundry (2011) and State Farm's Next Door (2011).

Figure 2

Three Types of Innovative Workplaces

Type of Workplace	Market	Formed by	Purpose	Examples	Typical Structure
Innovation Center	Individual entrepreneurs, startup companies	Venture capitalists, private groups, corporations	Access to capital, intellectual stimulation, expediting ideas to market	Cambridge Innovation Center, MaRS Centre, Microsoft NERD Center	For-profit, public-private partnership
Accelerator	Startup companies, entrepreneurs	Universities, public sector and private groups	Expediting ideas to market, education, mentorship, symbiosis	Y-Combinator, Founder Institute, Techstars, MassChallenge	For-profit, public-private partnership, nonprofit
Coworking Center	Startup companies, freelancers, entrepreneurs	Private individuals or groups, startup companies	Efficiency, economy, community, collaborative opportunities, social and educational benefits	Impact Hub, NextSpace, WeWork, Indy Hall	For-profit, nonprofit, cooperative

Formation and Governance. Innovation centers tend to form in much the same way that incubators did, around intellectual and financial resources. Proximity to those types of resources typically determines the location of an innovation center.

Innovation centers rely upon a critical mass of brainpower, and therefore tend to form and thrive in urban centers and in close proximity to major universities. Examples include the Cambridge Innovation Center (CIC), which was founded in 1999 near the Massachusetts Institute of Technology (MIT), and the MaRS Centre, founded in 2005 in Toronto's Discovery District adjacent to the University of Toronto. More so than their incubator predecessors, innovation centers attract participants by offering a stimulating community of peers and group events, as well as space and access to venture capital.

Innovation centers have been closely aligned with the venture capital world that startups depend upon for resources (i.e., capital, mentorship, technical assistance and workspace). Of the three types of innovative workplaces, they are the most influenced by outside economic ties to funders or sponsors. Frontrunners like CIC and MaRS Centre formed with the help of government sponsorship, university alliances and/or venture capital participation.

Innovation centers are diverse in their structure and governance. MaRS Centre is a nonprofit, public-private partnership led by a CEO and a board of directors comprised of finance, industry and university representatives. CIC is a limited liability company (LLC) whose partners govern its various components. Individual CIC components — including the Cambridge Coworking Center (C3) — operate with some self direction and governance; C3 holds town hall meetings called "State of C3" gatherings.

Users. Innovation center users are typically startup companies and may or may not be themed to a specific industry. MaRS Centre is focused on life sciences, advanced materials and engineering, cleantech, information technology and social innovation. The Cambridge Innovation Center houses more than 500 companies, 90 percent of which are startups, a majority of which are technology oriented.

Financing. Innovation center financing is inherently complex. While nonprofit organizations, for-profit groups and public-private partnerships all may play a role in financing innovation centers, these centers often begin in close alliance with venture capital firms, university sponsorship and/or local government economic development grants and loans. In 2014, MaRS Centre will complete a new 750,000-square-foot laboratory and office building that is being financed by a fully repayable loan from Infrastructure Ontario (a crown corporation that is wholly owned by the province of Ontario) as well as by investments from MaRS and its strategic partner Alexandria Real Estate Equities. MaRS Centre Phase 2 will be developed and operated by MaRS.[6,7]

Access to conventional loans often is limited unless and until an innovation center has scaled up in size or built up an operating history, something that only recently has begun to occur. Some innovation centers require an equity share of their startup businesses, as Cambridge Innovation Center originally did.

Facilities. Because of the innovation center's focus on commercialization, issues of intellectual property and confidentiality have a strong influence on the kinds of facilities this type of innovative workplace offers. This is reflected by an emphasis on privacy, with more enclosed offices, more lock-and-key storage, more focus on security and accountability, and fewer open plan workplaces than typically are seen in accelerators or coworking centers. Otherwise, their facilities are similar to those of coworking centers, as described below.

Support Services and Programming. While workspace may be the innovation center's most appealing element to prospective participants, its social and inspirational programming are what give it life and solidify its reputation, direction and stability. They also distinguish it from its incubator predecessors, which were strictly workplaces. Innovation center operators recognize and emphasize the importance of bringing participants together for individual presentations or series of events at which they can learn from and interact with featured speakers as well as with one another. Free business plan review sessions, mentor office hours, refreshments and the presence of a like-minded crowd are other key attractants. These amenities are important elements both for starting an innovation center as well as for attracting new participants and nurturing existing ones.

Accelerators: Innovation Centers Distilled

Accelerators are programming-based workplaces designed to help startup companies grow more rapidly by providing them with technical and educational assistance, mentoring, networking resources and workspace. Accelerators "are like finishing schools for entrepreneurs," said Jeff Bussgang, a general partner at Flybridge Capital Partners and author of "Mastering the VC Game,"[8] referring to the selectivity, intensive educational component, alumni network and branding described by Eugene Chung of Techstars NY.

An accelerator's founder, board of directors or other leadership entity generally chooses a group of participants through an application process. Participants typically convene for less than a year and provide the accelerator with a less than 10 percent equity stake in their companies. Incubators, on the other hand, have unspecified, mission-driven durations and require larger equity stakes, according to Paul Bricault of Amplify, a Los Angeles accelerator.[9] Some accelerators, like Boston's MassChallenge, are structured so that participants compete with each other for a cash prize that will enable one or more startups to take their enterprise to the next stage. Participants are attracted by an accelerator's elite club aspects, such as its "rock star" mentors, networking opportunities with other participants, and the chance to cultivate what may become lifelong business relationships.

The most influential accelerator, YCombinator, was founded in 2005 in Mountainview, Calif. It invests in a new group of startups twice a year and brings those startups' founders to Silicon Valley for three months of intensive mentoring. The concept has been popularized by TechStars, founded in 2006 in Boulder, Colo., which bills itself as "the #1 startup accelerator in the world," with locations in Austin, Texas; Boulder; Chicago; London; New York; and Seattle. Accelerators have been advanced by venture capital companies, universities and economic development agencies to both attract and promote the growth of businesses. Bricault asserts that, thanks to capital efficiencies and the resultant boom in incubators and accelerators "what would have taken $5 million to get off the ground with a product developed and customers and traction several years ago now can take only a few hundred thousand dollars."[10]

Formation and Governance. Most accelerators are formed by one or two visionaries, who typically are fellow entrepreneurs/mentors, technical advisors or educators. These individuals attract a small nucleus of mentors and sponsors who constitute the founder group and/or board of directors. They use innovation blogs, Meetup groups, social media and members of the local news media — who increasingly are interested in innovation news — to get the word out and test the level of interest. Accelerators rely on the reputations of their leaders, mentors and sponsors to attract participants, since their sole purpose is to bring entrepreneurs to a new level through their business incubation programming.

Users. Accelerator users typically include small startup companies and individuals just beginning on the path to creating startups. An accelerator "class" may include as few as 10 or as many as 200 participants. At most facilities, such as YCombinator, class participants "matriculate" and "graduate" together. Other accelerators have overlapping classes or provide space for participants following graduation. While the vast majority of accelerators fall under the broad category of software development, some specialize further. For example, General Assembly in New York specializes in web development, Greentown Labs in Somerville, Mass., specializes in cleantech and SXSW Accelerator in Austin, Texas, specializes in interactive technology.

Financing. While accelerator financing is similar to innovation center financing, accelerator sponsors may play a larger role in the financing process. Techstars is financed primarily by a venture capital syndicate. MassChallenge's primary funding comes from myriad private and some public sponsors. Dogpatch Labs in Cambridge, Mass., was founded in 2009 by a venture capital firm, Polaris Venture Partners, which underwrites its costs (other than rent, which Microsoft has sponsored in the past). Polaris had invested seed funding in 10 Dogpatch Labs companies in Cambridge, New York and Palo Alto by 2011.[11]

Facilities. The relationship that an accelerator has with a source of venture capital, a major corporation and/or a university is reflected in where it is located and how it expresses its identity. Accelerators may locate in high-rise towers in major metropolitan areas or in suburban office parks to be near their university or corporate sponsors or mentors. While they may have "white collar" exteriors, their interiors usually are decidedly more casual than those of their corporate sponsors.

Accelerators need only classroom and event space, which they may borrow from other organizations. Their only absolute requirement is an auditorium/classroom/function hall with high-quality projection and teleconferencing systems, seating, a lectern and a kitchenette. This space often will be used for professional networking events and mentorship meetings. Administrative space is minimal, and may even be located off-site or embedded in a sponsor's space. YCombinator in Silicon Valley houses little else than a multipurpose classroom/auditorium/event space.

Most recently formed accelerators prefer dedicated facilities that include workspace for their participants, which promotes collaboration and solidifies relationships among the community's members. Many of these newer accelerators have evolved into hybrids that include breakout space for small groups, coworking space for alumni use, administrative offices and a cafeteria/recreational area. MassChallenge in Boston's Innovation District, SkyDeck (part of the University of California, Berkeley) and General Assembly in Manhattan are examples of this trend.

Support Services and Programming. YCombinator's programming consists of weekly half-day lecture/networking events for 13 weeks. MassChallenge holds multiple daily weekday events for 13 weeks, including "pitchfests," training lectures, expert office hours, demonstrations and competitions. General Assembly holds 10 to 20 night classes per month. Most events include a social component. All of these accelerators hold practically mandatory kickoff parties, networking/social events to celebrate competition winners, commencement celebrations, mixers with sponsors and other types of events.